GETTING AHEAD OF DISASTERS

UNPACKING THE POTENTIAL OF CRISIS MODIFIERS

Author: Zoë Scott

About REAP: Launched at the UN Climate Action Summit (UNCAS) in September 2019, the Risk-informed Early Action Partnership (REAP) brings together an unprecedented range of stakeholders across the climate, humanitarian and development communities with the aim of making 1 billion people safer from disaster by 2025.

The partnership is built around four ambitious targets that aim to drive a systemic shift towards acting earlier to reduce the impacts of disasters. It creates a space in which Partners and aligned organisations from across its various constituencies use the ambitious targets to mobilise commitments and inspire action.

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INTRODUCTION

The Getting Ahead of Disasters Charter, endorsed by over 40 countries and organisations at COP 28, encourages actors to shift to a proactive approach, 'acting ahead of disasters' and integrating 'risk information into decision-making, developing risk-informed and shock-responsive activities and programmes across sectors.' Many organisations are keen to explore how to put this principle into action and learn more about different approaches to risk-informed planning and financing. Crisis Modifiers (CMs) are one such approach that have been used for decades, but are not widely discussed. There is no international guidance or best practice information available on CMs, just occasional evaluations of individual CMs or organisation-specific documentation. This note aims to partially fill this gap by defining and setting out the purpose of CMs, comparing different types, showcasing some current and recent examples, explaining benefits and challenges, and exploring the role they could play in future.

WHAT IS A CRISIS MODIFIER?

There is no internationally agreed definition of a Crisis Modifier, and different organisations define them in quite different ways. Also, the way the international community is using the term, and designing CMs, appears to be evolving. Some talk about CMs as financial instruments (Lung, 2020a), others as administrative or 'bureaucratic arrangements' (Levine, 2019, p.27) and others view them more as an holistic programming approach.

Crisis Modifiers can therefore perhaps be best thought of as an umbrella term, encapsulating a wide range of mechanisms and approaches that differ in the specifics of how they are designed and implemented, but are united in their aim of facilitating risk-informed early action and shock responsive programming. They give flexibility within existing programmes and portfolios to enable early funding for shocks.

There is a lot of confusion between and within organisations about crisis modifiers. Indeed, many types of CM exist, but are often not labelled as such. For example, the UK Government's Foreign, Commonwealth and Development Office (FCDO) refer to their CMs as Internal Risk Facilities (IRFs). Similarly, Norway's Ministry of Foreign Affairs use 'Flexible Budgeting' which, in effect, fits the description of a CM, but is not typically discussed using that term. Internet searches suggest that the term was more widely used from 2015–2020 compared with now, and there is little clarification available regarding how it sits alongside other terms and approaches that have gained traction in recent years, such as 'shock responsive programming', 'anticipatory action', 'disaster risk finance' and 'pre-arranged finance'.

Many organisations refer to USAID as the originator of CMs, as they started using them over a decade ago. A recent definition from USAID is that CMs are 'a tool used by development programs to repurpose internal budgets or new contingency funding for quick action to protect development gains, preserve recipient assets, and prevent or delay the need for humanitarian response' (USAID, 2022, p.5). Many other organisations have similar definitions (Mercy Corps, 2021; Lung, 2020a; Weingartner, 2022; Levine, 2019) that focus specifically on development programmes, as this was how CMs were originally conceived. These resources tend to emphasise the role of CMs in protecting development gains (for example, UNDP 2017).

However, others are beginning to see a wider application of CMs to humanitarian programming, where it can also be useful to have a mechanism for dealing with compounding and complex crises, for example in a conflict situation when a flood or drought occurs. DG-ECHO have been at the forefront of using CMs within their humanitarian programmes to help deal with a 'crisis within a crisis' (DG-ECHO, 2021). This perspective presents CMs as tools 'for addressing a spike in needs, not a shift from a development to humanitarian context' (Willits-King et al., 2021, p.42).

This paper defines CMs as arrangements that are i) made in advance ii) to provide a programme with flexible funding should a crisis emerge or be expected, iii) in order for the programme to quickly and appropriately adapt its activities to the new context.

BOX 1

COMPARING APPROACHES AND DEFINITIONS

Some interviewees suggested that the term CM has fallen out of use because it has been replaced by other terms like 'anticipatory action', 'disaster risk finance' and 'shock responsive social protection'. Terminology is important for increasing understanding, coordination and collaboration, but there is currently confusion as to whether and how CMs are different from or overlap with these approaches. To simplify:

Anticipatory Action (AA) is defined as 'acting ahead of predicted hazardous events to prevent or reduce acute humanitarian impacts before they fully unfold' (Knox Clarke, 2022, p.7). A CM can be designed to release funding ahead of a shock, but most are just activated shortly after a shock, for emergency response. CMs can therefore be used in an anticipatory way to fund AA, but this is not (yet) the norm (see section below on Timing for more information).

Disaster Risk Financing (DRF) is defined differently across organisations, but is often thought of as 'a range of budgetary and financial mechanisms, which are agreed and established in advance of potential shocks' (Plichta and Poole, 2023, p.13). A CM is therefore one type of DRF instrument, as it is always agreed in advance of a crisis, alongside other DRF instruments such as insurance.

Pre-Arranged Financing (PAF) refers to a subset of DRF, where funds are 'guaranteed to be released to a specific implementer when a specific, pre-identified trigger condition is met' (Plichta and Poole, 2023, p.13). This could be when a scientific threshold is reached, for example wind speed, or it could be a declaration of a state of emergency. CMs sometimes fall into the category of PAF if they include clear trigger conditions on which the funding is released, but this is not always the case.

Shock Responsive Social Protection (SRSP) relates to 'the adaptation of routine social protection programmes and systems to cope with changes in context and demand following large-scale shocks. This can be…ex post, to support households once the shock has occurred' (EC, 2019, p.75). CMs that are linked to a social protection programme can therefore be described as SRSP. However, resources on SRSP often do not explicitly refer to CMs, more commonly referring to contingency funds. An example of a CM linked to a social protection programme is the Building Resilience and Adapting to Climate Change (BRACC) CM, where funds were released via government programmes in Malawi (Weingartner, 2022). In a wider sense, CMs can generally be described as enabling 'shock-responsive programming'.

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WHAT ARE THE PURPOSES AND BENEFITS OF CRISIS MODIFIERS?

Enabling risk-conscious and flexible programming: Given rising climate risks and vulnerability in many parts of the world, CMs can help to make development, humanitarian and climate programming more risk-conscious and relevant to changing conditions on the ground. CMs are a concrete tool that can facilitate 'adaptive' or 'flexible' programming approaches (Willits-King et al., 2020). Depending on the design, they can also help to increase partners' and beneficiaries' risk awareness and preparedness by embedding the use of risk information into ongoing programmes and projects.

Protecting programme gains: A core purpose of CMs is to ensure that gains made under development, resilience or humanitarian programmes are not lost when a shock occurs. They aim to enable some emergency-related activities while minimising disruption to other programme investments and activities that focus on the root causes of vulnerability. CMs therefore help to prevent a vicious cycle of increasing vulnerability and poverty in high-risk communities.

Greater timeliness: Several interviewees and resources emphasised that a primary benefit of CMs is their potential to provide quick support to affected communities. This is not guaranteed, and the speed of a CM varies significantly depending on the institutional arrangements for both disbursing funding and delivering assistance (see Lessons Learned section below). However, some CMs have been able to deliver aid in 2–7 days, which is considerably faster than most forms of emergency funding (Willits-King et al., 2020; Crossley et al., 2021). For this reason, some interviewees spoke of CMs as providing a useful 'bridging component' until larger amounts of humanitarian funding became available.

BOX 2

EVALUATING THE ZIMBABWE RESILIENCE BUILDING FUND'S (ZRBF'S) CM

The ZRBF is a multi-donor programme managed by the United Nations Development Programme (UNDP) and co-funded by the European Union (EU) and the Governments of Sweden, the UK and Denmark. It is a resilience programme that aims to reduce risks at multiple levels, with a consortium of seven partners operating across 18 districts of Zimbabwe. The inclusion of a Crisis Modifier was an unusual step for UNDP, but was considered important in order to protect programme gains among vulnerable communities, and has been widely viewed as successful. The CM activated 7 times between 2017 and 2022, including for consecutive droughts (activations 1–5), locust outbreaks, floods and cyclones. It funded a wide range of activities, including water provision, irrigation schemes, support for fodder production, livestock disease prevention, drought-tolerant crop inputs and cash transfers to households.

An independent impact evaluation was conducted in 2022, using quantitative and qualitative data, which found that households were 'likely to experience less shock severity, and recover with limited impact on their food security as compared to those who were not receiving CM support'. The evaluation also found that the speed of the CM improved over time, with the most recent activations being delivered without delays. 'This was attributed to the changes and updates in the new standard operating procedure (SOP) for [the] CM that now gives flexibility and shortens the timeframes for approvals and activation of CM activities' (Development Solutions, 2022, p.xvi).

Supporting early and anticipatory action: As noted above (see section on Timing), CMs can be designed to release money ahead of an expected shock or before the shock's peak impact. This means that CMs can act as a source of 'anticipatory finance', which is still in very short supply at only 0.2% of humanitarian aid (Plichta and Poole, 2023; UNDRR, 2024).

Responding to smaller shocks: International crisis finance is typically geared towards larger, less frequent crises, with fewer mechanisms available to provide funding for smaller or higher frequency recurrent shocks (Development Initiatives, 2023). CMs are able to fill this gap, responding to shocks that get overlooked in the international system and enabling localised responses.

Facilitating localisation: If carefully designed with this as a focus, CMs can contribute to localisation, channelling much-needed flexible funding to local groups and NGOs who typically do not have access to contingency finance. For example, an evaluative study of BRACED across 13 countries in the Sahel found that collaborations with community groups helped to ensure that CM interventions were more effective and generally increased social capital (Peters and Pichon, 2017).

Encourage collaboration across different actors: Box 3 shows how CMs were able to facilitate collaboration with local communities. Other interviewees and resources emphasised how CMs can provide a context for joint discussions and working across development, humanitarian and climate actors (Yared et al., 2022) and also with local governments, who often seek support when a crisis hits. Being able to activate a CM quickly can be a helpful demonstration of support to government (Mercy Corps, 2021). CMs require development practitioners to consider risks and can provide a context for them to be involved in some of the discussions around crisis response and contingency planning, building their understanding of emergency planning and processes in the country. In turn, humanitarian response planners can also benefit from this collaboration, raising their awareness of existing longer-term development programmes, which may encourage them to think about how their work can align with and potentially contribute to longer-term development needs. Different actors will still have their own mandates and priorities, but CMs can potentially help to facilitate some joint discussions, raise awareness and boost alignment between interventions.

BOX 3

USING CMS TO FACILITATE LOCALISATION

In 2019, the Somalia Resilience Program (SomRep), funded by USAID and Swiss Development Cooperation (SDC) and implemented by a consortium of NGOs, included a 'Crisis Modifier Pooled Fund'. It supported a range of activities in response to a poor harvest, including unconditional cash transfers, cash for infrastructure rehabilitation, emergency water trucking, and livestock disease control.

The Somalia Joint Response (SOMJR) CM was deliberately designed to support localised approaches. It had been specifically requested by local partners, as they did not have access to flexible funding and had limited contingency budgets. Lots of consultation with local groups was held at the design stage, and CM funds were allocated directly to local partners so that they held the funding (up to EUR 33.3K) from the beginning of implementation. Eligible responses were limited to areas where local partners already had a presence, in order to reduce operational burdens and build on their extensive knowledge and relationships. 'All local partners reported that they understood the SOMJR 2020 CM as a means for empowerment, a step away from the more traditional subcontracting model…[it] improved their agency to define priorities with communities independently of their INGO partners' (Harrity, 2020 p.13). Local partners also reported increased ownership and agency, improved capacity, and strengthened relationships with local communities. However, some international partners did not adhere to the partnership agreements which undermined localisation. For example, they imposed additional administrative requirements and held the funds at a programme (rather than project) level (Harrity, 2020).

HOW EXTENSIVELY ARE CRISIS MODIFIERS BEING USED?

As noted above, CMs are not necessarily labelled as such, which makes it difficult to conduct an accurate mapping of current CMs or assess the scale of their use in different parts of the world. However, from literature searches and key informant interviews, CMs were found to have been widely used, particularly across Africa. Their use is more extensive if 'zero dollar' CMs are included in the analysis, which is where the CM is set up as an administrative possibility, but no specific funding is allocated ahead of the shock (see Box 4, for example).

Recent or current CMs were identified in the literature or interviews in the following African countries: Democratic Republic of Congo (DRC), Ethiopia, Kenya, Madagascar, Malawi, Mozambique, Niger, Somalia, Tanzania, Uganda, Zambia and Zimbabwe. CMs were also identified in other parts of the world, including Bangladesh and Myanmar in Asia, and Suriname, Belize, St. Lucia and Haiti in Latin America and the Caribbean.

CMs are also being used across a wide range of programmatic sectors, such as climate resilience, agriculture, education, social protection and health, to name a few. They are also used to respond to a wide range of types of shock, although they seem to have been mostly used for drought. Examples were also found of CMs targeting disease outbreaks, conflict escalation and floods. As an approach, they can be designed to be shock-specific or able to be used for any type of crisis.

Multiple organisations are continuing to use CMs or considering how to improve their utilisation. For example:

- USAID have a range of different 'shock responsive programming and adaptive mechanisms' that would fit under the umbrella of CMs[1]. They are currently reviewing their humanitarian award-making process and considering how and where flexibility should be incorporated, looking to build on their experience in East Africa. They are also considering the use of CMs in regional projects, as well as through the lens of AA and Nexus thinking.
- ECHO continue to widely offer CMs within humanitarian programming, but no evidence was found of their integration into the European Commission's development programmes. These CMs are often 'zero dollar' but work is underway to understand what support is needed internally to ensure more CMs have funds attached to ensure speed and improved planning.

Other organisations are just starting to use CMs. For example:

- Norway has long offered 'flexible budgeting' within the Ministry of Financial Affairs (MFA) and NORAD. For MFA, this applies to their humanitarian NGO financing, allowing 'crisis within crisis' financing. NORAD have now started piloting more specific CMs linked to three climate resilience programmes.
- UNDP are keen to build on the success of their Zimbabwe Resilience Building Fund (ZRBF) CM (see Box 2), taking the work to a second phase and considering expanding to other countries such as Kenya.

These examples suggest that the dearth of resources available online from the last 3 years or so is misleading, and that more is happening in relation to CMs than has been documented and publicly shared. This is particularly the case if you include approaches like Shock-Responsive Social Protection under the umbrella term of CMs.

1 *See USAID 2017 for detail on approaches and tools.*

WHAT ARE THE DIFFERENT TYPES OF CRISIS MODIFIER?

There are a wide range of different types of design that all fit under the umbrella term of CMs. Although the 'backroom' details of how they are structured and implemented vary enormously, they all pursue the same aim of enabling risk-informed and shock-responsive programming. No typologies were found during the research for this Guidance Note, however Figure 1 sets out the key differences that can be identified in different CMs, explored in detail below.

Figure 1: Differences between crisis modifiers

Source: Author

Financial design

During the literature review for this guidance note, three main types of financial design for CMs were identified (Lung, 2020a). Each have different benefits and risks, outlined with examples in Table 1.

Table 1: Differences in financial design of crisis modifiers

Description of CM	Advantages	Disadvantages	Examples
Budget reallocation can take place at the portfolio, programme or project level if a crisis happens or is forecast, usually up to a limit of between 5 and 20% of the budget.	Funds are not kept idle: budget does not have to be held back for future events that may or may not happen, which can be more popular with implementing partners. This approach can also be useful to balance underspending in some project areas.	These CMs are 'zero dollar' and sometimes are little more than an empty budget line for administrative purposes. Because money is not actually set aside, there is a risk that activities are not planned and sufficient funds are not left, depending on the timing of the shock. Lack of prior discussions on where funding will come from can slow down the release of funds. They can be unpopular as programmed activities will have to be defunded if a CM is activated, and it can be difficult to find replacement budget. However, often the context has changed so much that originally-planned activities can no longer be carried out. They may still require time-consuming approvals.	World Bank CERCs are an example of this type of CM at a portfolio level (see Box 4). This design is also often used by USAID. Some FCDO IRFs follow this budget reallocation design, usually up to a limit of 10% of overall Business Case value.
Ringfenced amount within the budget. A set amount is held back within the budget, effectively operating as a contingency fund within the programme or project.	As an amount has to be consciously set aside, these CMs may be more likely to encourage risk assessments, contingency planning and prior work to consider how funds should be used if a crisis emerges. They may require fewer approvals as funding can be held at the programme level, making them quicker.	Can be unpopular with implementing partners if they feel their overall budget has been reduced to accommodate a CM. This can be mitigated by making the funds from the CM an additional or 'bonus' year of implementation if they are not used by a certain date. Funds may be left idle. Difficulty in dealing with unspent funds – donors may struggle with rolling them forward into future years. Because funds are held back within the budget, only a limited amount is likely to be available for the crisis. If this is amount is insufficient, it can be hard to top-up or reallocate from other budget lines.	Some USAID CMs follow this model, also NORAD and ECHO CMs.
External funding, additional to the programme budget, for example coming from a humanitarian donor or specific pooled fund by prior arrangement. This effectively operates as an external contingency fund that has been linked to the programme or project in advance.	The whole budget can be programmed without needing to hold funds back or reduce programme activities. This arrangement creates additional resources, so it is likely to be popular with implementing partners. These CMs have the potential to provide larger amounts of money.	Funds are kept idle until needed. It may be harder to align processes and objectives between the programme and an external fund(er). It may involve additional approval processes creating delays, as different organisations / personnel are involved. Implementing partners have less control.	These are sometimes used by USAID. The UK government's 'Building Resilience and Adaptation to Climate Extremes and Disasters programme (BRACED) was linked to an external fund of GBP £1.5 million as a CM. The Building Resilience and Adapting to Climate Change programme (BRACC) was also UK government-led, with an externally funded CM of GBP £20 million from the UN Multi Partner Trust Fund.

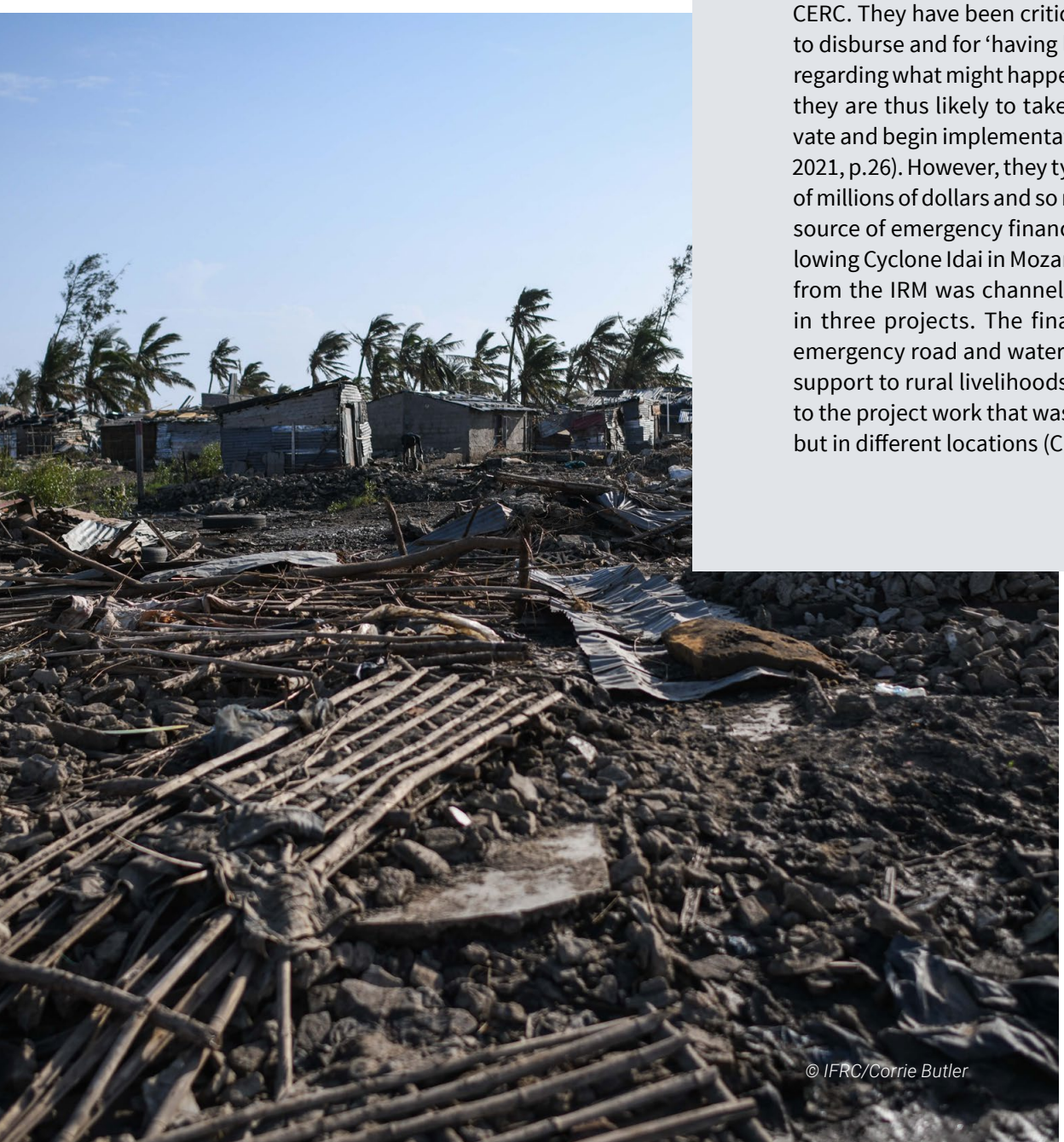
It would also be possible to construct a hybrid of these financial designs, for example including budget reallocation or ringfenced budget for smaller disasters, with external funding for a larger shock. Also, although the finance provided via a CM is usually grant funding, it can also be in the form of loans.

The result of these different financial designs is that a CM could be 'zero dollar' and have no guaranteed funding attached to it ahead of a shock, or it could be linked to tens of millions of dollars. CMs therefore differ considerably in the size of funds that are immediately available or channelled through them. An example of a sizeable CM was included in the first phase of the BRACC programme, set up by FCDO from 2018–2021. GBP 20 million was earmarked for the crisis modifier, located under the UN Multi Partner Trust Fund (Weingartner, 2022).

BOX 4

THE WORLD BANK'S CONTINGENT EMERGENCY RESPONSE COMPONENTS (CERCS)

Contingent Emergency Response Components are components within World Bank projects that allow for funds to be allocated to emergency recovery activities without lengthy project restructuring processes. Activities funded by the CERC should minimise disaster impacts. Such activities include cash transfers, repairs to roads, water systems and schools. They are typically 'zero dollar', so a budget line is set up within the project but no funds are allocated to it. If there is a disaster, funding can be moved from other project components to the CERC. The Immediate Response Mechanism (IRM) can also be used to augment project resources by allowing up to 5% of a country's undisbursed IDA portfolio to be channelled through any CERC. They have been criticised for being slow to disburse and for 'having little to no planning regarding what might happen when a crisis hits; they are thus likely to take some time to activate and begin implementation' (Crossley et al., 2021, p.26). However, they typically involve tens of millions of dollars and so represent a sizeable source of emergency finance. For example, following Cyclone Idai in Mozambique, $55 million from the IRM was channelled through CERCs in three projects. The finance was spent on emergency road and water supply repairs and support to rural livelihoods, which was similar to the project work that was originally planned, but in different locations (Crossley et al, 2021).



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INTEGRATING OBJECTIVE TRIGGERS INTO CRISIS MODIFIERS – EXPERIENCE FROM SOMALIA

In response to criticisms around response times for the 2011 famine in Somalia, the UK government sponsored the development of an Early Response Trigger to help with decision-making. The mechanism had 15 indicators that included data related to food security (rainfall, normalised vegetation index, prices of common staples), displacement, disease outbreaks, trade and labour. These were broken down by district and sub-district. When a CM was set up as part of DFID's 4 year Humanitarian Programme in the country between 2013–17, funding decisions were linked to the trigger mechanism, although other data were also used for activation. In total, GBP £36 million was allocated via the CM, approximately 24% of the total programme funding. Two particular challenges that were identified with embedding triggers in the CM were i) changing the status quo of decision-making around humanitarian financing and ii) data quality. Timely, accurate and complete quantitative and qualitative data across the 15 indicators was difficult to access in a context like Somalia (La Guardia and Poole, 2016; Harrity, 2020).

BOX 5

Use of triggers

CMs also differ considerably in their use of pre-agreed triggers for activation, with many interviewees giving examples of current CMs which have no explicit pre-agreed triggers. Examples from the literature range from no triggers, with 'ad hoc' activation, for example CBM's CM for floods in Bangladesh (Saha et al., 2022), right through to attempts to incorporate complex combinations of triggers and thresholds, for example the FCDO's IRF in Somalia that was linked to a 15 indicator trigger (La Guardia and Poole, 2016; Harrity, 2020).

Not including triggers can make CMs quicker and simpler to set up, as no prior risk analysis is needed. It can also avoid a scenario where a crisis occurs without meeting the required threshold, or has different impacts than originally envisioned when triggers were selected. If there are no pre-agreed triggers, CMs can be flexible in when they activate and the types of shock for which the CM can activate; in contexts of multiple or compounding shocks, or data scarcity, then triggers will be difficult to establish. The BRACED programme, for example, did not have pre-agreed triggers and thresholds, but access to the CM was granted after applications were reviewed by a committee.

However, including triggers does bring some advantages. Interviewees suggested that triggers made CMs quicker to release funding, sometimes reducing timelines down to just a few days. The process of selecting and agreeing triggers and thresholds requires risk analysis, discussion and planning which are all beneficial for increasing awareness, understanding and capacity. Objective, pre-agreed triggers can also help to de-politicise decisions about activation.

ANTICIPATORY CRISIS MODIFIERS

Many CMs aim to provide support earlier than traditional humanitarian responses, but some are now explicitly aiming to release funding ahead of an expected crisis in order to finance AA. For example, DG-ECHO is implementing several pilot anticipatory CMs, and intends to roll-out more in future.

One challenge has been finding locations where AA is already established and in place and the existing framework can be integrated into a CM. In many locations, AA projects are focused on building the necessary underlying systems to facilitate AA, and the protocols specifying what anticipatory activities will take place, carried out by whom, based on what triggers etc. have not yet been developed. If protocols already exist, they can be integrated into the CM, making it anticipatory. In the future, ECHO hopes that partners implementing response projects will be able to include AA protocols that they have already established for different hazards into CMs. For example, an NGO providing ECHO-funded assistance to IDPs fleeing violence in Somalia could incorporate an AA flood protocol for the same area into the CM, allowing them to receive funds should a flood be forecast.

Other donors noted that, although their CMs were not explicitly anticipatory by design, if there was strong evidence of an impending crisis then they would be willing to consider early activation. AA for rapid onset shocks like floods and cyclones typically only gives 72 hours warning, so it seems most likely that anticipatory activation could occur for slow onset shocks such as drought.

BOX 6

Timing

CMs differ in the expected timing of their activation. Most are activated post-shock, for response. However, as Anticipatory Action (AA) has grown as an approach in humanitarian circles (Anticipation Hub, 2023), some organisations have increased experimentation with CMs that activate ahead of an expected crisis, including UNDP, DG-ECHO and Save the Children.

Much of the literature on AA emphasises the importance of objective triggers for activation as a way to provide necessary guiderails on when to activate.[2] This is particularly the case for rapid onset shocks, as the timescales for taking action are very short. Some interviewees therefore emphasised that integrating pre-agreed triggers is more necessary for anticipatory CMs, in order to provide assurance that funds will not be wasted. However, this means that anticipatory CMs are likely to require significant additional work to set up and advocate for among key partners and government, given the need for more prior work to agree triggers, including assessing the quality of forecasts. In addition, one interviewee noted that both AA and CMs each had their own separate legal frameworks that had to be followed internally, making a combination of the two approaches difficult.

Approvals process

CMs also differ in the process that is required for approval and activation, and many resources and interviewees noted how this can considerably slow down timescales for activation. At one end of the spectrum, options include implementing partners having to formally apply for funds from the CM (as was the case with the BRACED CM where a committee reviewed applications[3]) or having to request approval and modifications from their funders before taking any action. At the other end of the spectrum, the partner already holds the funds and can activate the CM without any further approvals. This is the case for ECHO CMs, where the partner only has to notify ECHO by email that they are activating the CM, as long as they had previously agreed what the activities would be. This was a deliberate design decision to ensure timeliness. As the activities are pre-agreed when the CM is developed and are specified in the proposal, the partner does not need to wait for approval and can start responding immediately. NORAD's approach currently sits somewhere in the middle, where CM funds are released in six-monthly tranches and are held by the implementing partner to ensure timeliness, although approval from NORAD still has to be formally requested. This process has been kept deliberately light as only a short application is needed and approval is expected to be granted in less than 7 days.

2 *For example, see Prevention Web guidance on AA or OCHA's online toolkit.*
3 *See Harrity 2020.*

Planning and activities

CMs also differ in the extent to which activities have to be planned and agreed in advance. USAID, for example, prioritises risk-informed analysis and the subsequent development of contingency plans from the beginning. In contrast, the BRACC CM did not require any detailed plans, although it was part of the design that social protection programmes would be scaled up using the funds if there was a crisis. As noted above, there is also a difference as to whether the CM can only trigger for a particular type of shock, or whether it can be used for any type of crisis. If the latter, it seems more likely that activities will also be left undefined, rather than planned in advance.

Developing robust plans forces collaboration and discussion ahead of time, rather than in the throes of a crisis, allowing time for analytical work, capacity building, feasibility assessments and so on. Some interviewees also felt that having a plan in place meant delays were less likely, and that appropriate activities would be implemented. However, others saw a benefit to keeping plans very light so that they could flex to the evolving situation on the ground, adapting as necessary. One donor also noted that, although their guidance specifies CMs should have clear plans attached, this often gets overlooked as it requires considerable extra work, which may not get utilised.

There are a wide range of activities, both planned and actual, that are carried out with CM funding. For example, for Mercy Corps CMs in Ethiopia, activities included unconditional cash transfers to programme beneficiaries, in-kind transfers such as fodder, provision of veterinary services, subsidies to allow commercial destocking (with the aim of stimulating the market and household resilience), and stimulus payments for small and medium-sized businesses to fund preventive behaviours (Mercy Corps, 2021).

For development programmes, CMs differ in whether activities remain close to the programme's original sector, focus, and objective, or whether they diverge to more typically humanitarian or life-saving activities. Some interviewees and resources argued that 'typically CM models limit partner responses to a specific geography, sector and response window' (Harrity, 2020, p.8). However, plenty of examples were found during the course of this research where CMs facilitated a major pivot and were used to reach different groups of people, switching to activities that deviated considerably from the core focus. In these situations, it will be key to communicate changes effectively with programme beneficiaries and affected populations to avoid misunderstandings and manage expectations.

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WHAT ARE THE CHALLENGES WITH CRISIS MODIFIERS?

Lack of clarity and consistency: a recurring complaint in the interviews conducted for this research was that there is no international guidance, terminology or best practice in relation to CMs. As a result, all types of actors described struggling to work on them across and between organisations, due to people having very different views on how they should work, their purpose, and how to best implement them. Implementing partners also commented that because every donor has different processes for CMs, it creates a high administrative burden just to keep track of available CMs and know when and how to activate them. Some even talked about how CMs lose visibility, with a risk that partners will not know that they exist and therefore will not utilise them. Several organisations noted the need for internal training, strategic guidance, and mapping of CMs, with some donors now undertaking reviews and considering how to move forward and better socialise the concept of CMs within their organisations.

Donors' internal political and administrative barriers: Some donors noted specific internal challenges around holding funds in reserve, allowing partners to have un-programmed budget, or rolling forward unspent funds. Although some agencies had found work-arounds, these were very context or organisation specific. Interviewees were keen to understand more about solutions that their counterparts in other countries and organisations had managed to find. Some also struggled to articulate the potential benefits of CMs to internal management or finance departments, lacking evidence on value for money, efficiency and cost-effectiveness. This is part of a wider challenge of political reticence within donor agencies to methodically address risk-blindness and commit to responding to certain risks, particularly in the context of reducing budgets.

I**ncreased burden of work:** Setting up a crisis modifier will always lead to additional work for both the donor and the implementing partner, which also has cost implications. The more the crisis modifier is based on solid risk analysis, incorporates reliable triggers and thresholds, is linked up with other response activities, and includes a realistic contingency plan, the higher the burden of work. Several interviewees acknowledged that the workload is considerable, particularly if you are trying to incorporate these elements. This likely acts as a disincentive for uptake and drives the creation of 'lower-effort' CMs that do not incorporate adequate prior risk analysis and planning. However, others reflected that the prior work reduces the necessary effort later on, should a crisis occur, and potentially leads to more intentional and well-considered activities.

Limited funds available: Most CMs offer a relatively small amount of funding in comparison with other crisis finance mechanisms, which limits what can be achieved on the ground in terms of reducing and responding to impacts. For example, the standard CM for ECHO is 5–10% of the programme budget or approximately EUR 500K (Willits-King et al., 2020). UNDP's ZRBF was capped at 20% but the first phase channelled approximately 13% of programme funds via the CM. However, this is not always the case, and although individual CMs may be small, they can add up to a sizeable amount of money across programmes.

Exhaustion and replenishment: Some implementers may hesitate to activate their CMs for fear that they will be used up too quickly (Lung, 2020a). When a CM has been exhausted, it can be difficult to replenish it for subsequent crises. For CMs that are based on a budget reallocation model, there is also often a problem in finding the additional funds to replace the budget that got used up by the crisis. Some interviewees noted that this could undermine the long-term objectives of the programme, as it would likely have to reduce its scope or end early. However, others reflected that in a crisis situation the original activities could not have been effectively implemented as planned, so it is better to pivot to a relevant activity rather than pause the programme or proceed with inappropriate activities.

Speed: Although CMs have the potential to offer timely funding, unfortunately there are many examples of very slow CMs. Delays can arise during the approvals process due to lengthy decision-making procedures or during the implementation of activities, especially if there has not been prior contingency planning. For example, in Ethiopia during the 2014–16 drought, donor approval for changes in the use of funds took an average of 3 months, worsened by the fact that most of the CMs available were not triggered at the early stages of the crisis (Rohwerder, 2017; Levine, 2019). Similarly, for BRACED in the Sahel, the decision-making process was often delayed, resulting in 'support arriving weeks after the flooding and displacement initially occurred' (Willits-King et al., 2021, p.42)

Undertaking appropriate activities: it can be difficult for implementing partners, especially if they are not experienced in humanitarian delivery, to know what actions to take when a crisis hits, unless considerable prior analytical work has been done (Willits-King et al., 2021; Weingartner, 2022). A key problem can be aligning activities with the wider response, and collaborating with other actors to ensure that activities make sense as part of a bigger picture and across phases of risk management. Without the necessary analysis and planning, there is a danger that funds will get used politically or even for non-crisis purposes, for example to compensate for gaps in the original programme design (Pichon and Peters, 2017; Rohwerder, 2017).

BOX 7

INTEGRATING CMS INTO EMERGENCY RESPONSE – USAID'S EXPERIENCE IN ETHIOPIA

In Ethiopia, USAID have developed an operational model for integrating CMs into a wider response and helping programmes to pivot appropriately. They have created the Strategic Advisory Group for Emergencies (SAGE) which collates sectoral information and advises USAID management on opportunities to adapt programmes using CMs (or other sources of funding) to address different needs. SAGE now meets weekly, and has a full-time coordinator. Interviewees felt that the Group had improved coordination and programming, helping to bridge gaps between emergency response and the country strategy, across the Nexus divide. In this way, it can also provide a quality assurance function. For example, following a particular emergency, a programme wanted to use their CM to provide assistance. The SAGE review picked up that this would have duplicated some beneficiaries and was proposing a different targeting process and transfer value than the emergency response. What made sense when considered in isolation was judged to be less appropriate when considered as part of a wider whole.

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WHAT ARE LESSONS LEARNED IN RELATION TO CRISIS MODIFIERS?

The value of CMs lies partially in their potential for surge funding, but also in their potential to overcome institutional risk-blindness across all sectors. CMs can be a quick and useful channel for finance in a crisis, but they can also be an important tool to help organisations move towards a wider agenda of risk-informed programming and approaches. However, for this to be meaningful, CMs have to be more than a 'zero effort' optional extra for a project and actually incentivise and improve risk-informed procurement, financing and programme management. As Peters and Pichon explain, 'Crisis modifiers are not a simple bolt-on to projects. The reality is that working to address crises in development projects requires a fundamental shift in the way development actors design, think and act… addressing risk must be elevated to the core of resilience-building…' (Peters and Pichon, 2017, p.8). This kind of institutional reform requires considerable political will at a high level, which can then lead to changes in rules and regulations to improve flexibility.

CMs are not inherently small in size and, if thought of collectively, can amount to a considerable sum within a country. Many resources and interviewees commented that CMs can only offer small amounts of money and often run out of resources, therefore making them predominantly appropriate for smaller and medium-sized shocks (Rohwerder, 2017). However, this perspective was not consistently reflected in all of the CMs studied during this research, for example CERCs and CMs with external funding, such as BRACC, have provided tens of millions of dollars in emergencies. For individual countries, the amounts available in CMs can be considerable – for example, one donor reported that in Ethiopia, only 16% of their active awards currently include CMs, but they total $58 million. Ethiopia has always been a major recipient of development funding, but this example demonstrates the potential for CMs to quickly provide considerable amounts of money in a crisis context.

For a major shock, amounts from CMs alone will likely not be sufficient and there will be other routes that will be better suited for donors to channel large amounts of aid as part of a full humanitarian response. However, CMs should be seen as fitting into a broader spectrum of crisis finance, ideally coordinated, with the example from Ethiopia demonstrating that CMs can offer a surprisingly large amount of money, despite the dominant rhetoric that they can only mobilise small amounts. In contrast, most climate insurance payouts are considerably smaller[4], and yet insurance as an approach for providing quick liquidity following a disaster has received much more attention in recent years.

Coordination and oversight of CMs is needed for them to effectively contribute to emergency response within the broader DRM ecosystem. CM-funded activities should fit with the wider response and be aligned with other interventions as much as possible to avoid duplication, gaps or inappropriate support. This can be a problem if there is no country-level governance or coordination mechanism that CM implementers can dock into to ensure that programme activities are relevant and appropriate. This is particularly the case for countries with lots of CMs that collectively sum to a sizeable amount. For example, if programmes are pivoting to provide their existing beneficiaries with emergency support, it will be important to ensure that this does not duplicate support being provided by other agencies, and the transfer value should be aligned. Furthermore, the risk analysis used to set up CMs could be used more widely, for example to feed into the design of longer-term resilience programmes.

4 For example, insurance payouts from the African Risk Capacity for the 2021/22 risk pool were $14.5million and $7.1 million, and for the 2020/2021 risk pool were $2.2 million.

CMs are not necessarily quick: decision-making processes have to be specifically designed for speed to be achieved.

Although increased timeliness is a potential benefit of CMs, this is by no means guaranteed and there are plenty of examples of very slow CMs. Attention has to be paid to streamlining decision-making around both approval and disbursal of funds. The literature suggests that CMs are faster when funds are held at the project level, with only light approval from, or notification to, the donor. For example, ECHO's approach of project-level finance has disbursed funding within a 2–7 day window after the detection of the crisis (Willits-King et al., 2020). It may be that giving the implementer full responsibility for deciding when to activate a CM removes the challenges some donors experience around using triggers to automate funding. Attention also should be placed on activating the CMs as early as possible – if evidence of impacts or negative coping strategies is required for activation then the support will likely reach affected communities too late (Levine, 2019).

Requirements for triggers and planning have to be balanced with flexibility and operational capacity so they do not disincentivise uptake.

Several resources on CMs call for the integration of objective triggers and contingency plans (Lung, 2020a ; Peters and Pichon, 2017). This is in line with best practice in relation to pre-arranged finance for disasters, which often emphasises how triggers can remove the risk of politicised decision-making and can speed up responses, whilst contingency plans can facilitate improved collaboration, preparedness and effectiveness of activities (Lung, 2020b). However, many interviewees described struggling to implement this best practice due to the considerable additional work and analysis that would be required, and instead noted a drift towards 'undefined, zero dollar' CMs or low uptake in their organisations. One interviewee described CMs as 'an immense amount of work to do properly'. This suggests that attention needs to be paid to not over-engineer CMs, but also to ensure sufficient capacity strengthening and internal training, as well as oversight and monitoring procedures, to maintain high quality CMs.

Some interviewees also emphasised the need for flexibility, for example showing concern that including specific triggers would prevent the CM from being used in the event of an unforeseen crisis. Some people expressed doubts about relying solely on scientific triggers, feeling that a 'human decision-maker' was likely to always be required for activation, although others acknowledged that triggers did generally make CMs quicker. The type of shock is a relevant consideration – triggers are easier for hazards that can be forecast and modelled accurately, such as tropical cyclones. For complex crises or conflict situations, softer triggers and collaborative decision-making are likely to be more suitable. It may be possible to combine triggers and flexibility within a CM, with careful design. For example, a CM could have pre-defined triggers for some shocks, but also allow implementers to apply to spend unused funding if an unexpected crisis emerges.

If objective triggers and forecasts are being used, these should ideally be aligned with others being used in the country so that the implementing partner does not have to establish a separate monitoring system (Willits-King et al., 2020). Contingency plans also need to retain the ability to flex depending on the situation on the ground. This could include a pre-defined process for finalising the plan once the details of the shock are clear, or developing costed scenarios for two or three of the most likely crisis scenarios that can subsequently be chosen between or adapted (Mercy Corps, 2021).

HOW SHOULD CRISIS MODIFIERS EVOLVE IN THE FUTURE?

CMs have considerable benefits to offer, in a world of growing risks and vulnerabilities. Although they have been used for decades, there is less discussion about them than other forms of pre-arranged finance and they seem to operate relatively 'under-the-radar', even within the agencies who use them. Several interviewees requested more international discussion and sharing of lessons, including a tighter international definition and guidance, in order to learn from others and for international best practice to emerge.

In future, it would be helpful for organisations to develop a more strategic approach to their development and use of CMs – many interviewees commented that this was completely missing in their organisation. Clearly, organisations need better systems to monitor the use and quality of CMs, as most reported having no system to track their use internally or provide oversight. This was true for both donor agencies and implementing partners. Organisations also typically need better internal guidance on how to design and implement CMs within their specific rules and regulations, as well as concerted efforts to socialise the term and train staff and partners.

CMs could be used much more widely than they currently are, for example across many programmes operating in climate-vulnerable countries regardless of sector, and involving new donors such as the Green Climate Fund (GCF). This should be as part of efforts to ***support*** rather than ***recreate*** the humanitarian system – other channels will always be needed for large-scale emergency response funding should there be a major shift in context (Willits-King et al., 2020).

Not every programme will necessarily be appropriate for a CM, for example if the implementer does not have sufficient experience or if another organisation would be better placed to provide the response. However, to support wider aims around risk-informed approaches and early action, CMs could be offered on a non-mandatory but 'opt-out' basis, where partners still have to perform some risks analysis and provide an explanation as to why a CM is not suitable for their context. As one interviewee explained, sometimes an approach has to become a requirement for funding before you see real progress.

More evidence is needed to better understand CMs, in particular how the different possible designs impact the quality of support received by affected communities. From the literature reviewed for this note, most CMs have been used for drought and recurrent predictable shocks – less is known about using CMs for rapid onset or extraordinary shocks. Also, no resources were found that considered how the type of implementing partner affected the use of CMs (for example, if they were a private entity, INGO, national NGO or CSO), and whether their organisational incentives shaped the use of CMs.

More robust evidence and sharing of approaches would help with the development of best practice in relation to CMs. In particular, there needs to be consideration of how to balance requirements for desirable features, such as triggers and contingency plans, with practicalities around capacity and administrative burdens. There is still much to explore in order to improve the global use of CMs, but there was a clear appetite from interviewees to move this agenda forward and realise the full potential of CMs both within and across organisations.

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