



START READY

**RISK
POOL 03**

MAY 2024 - APRIL 2025

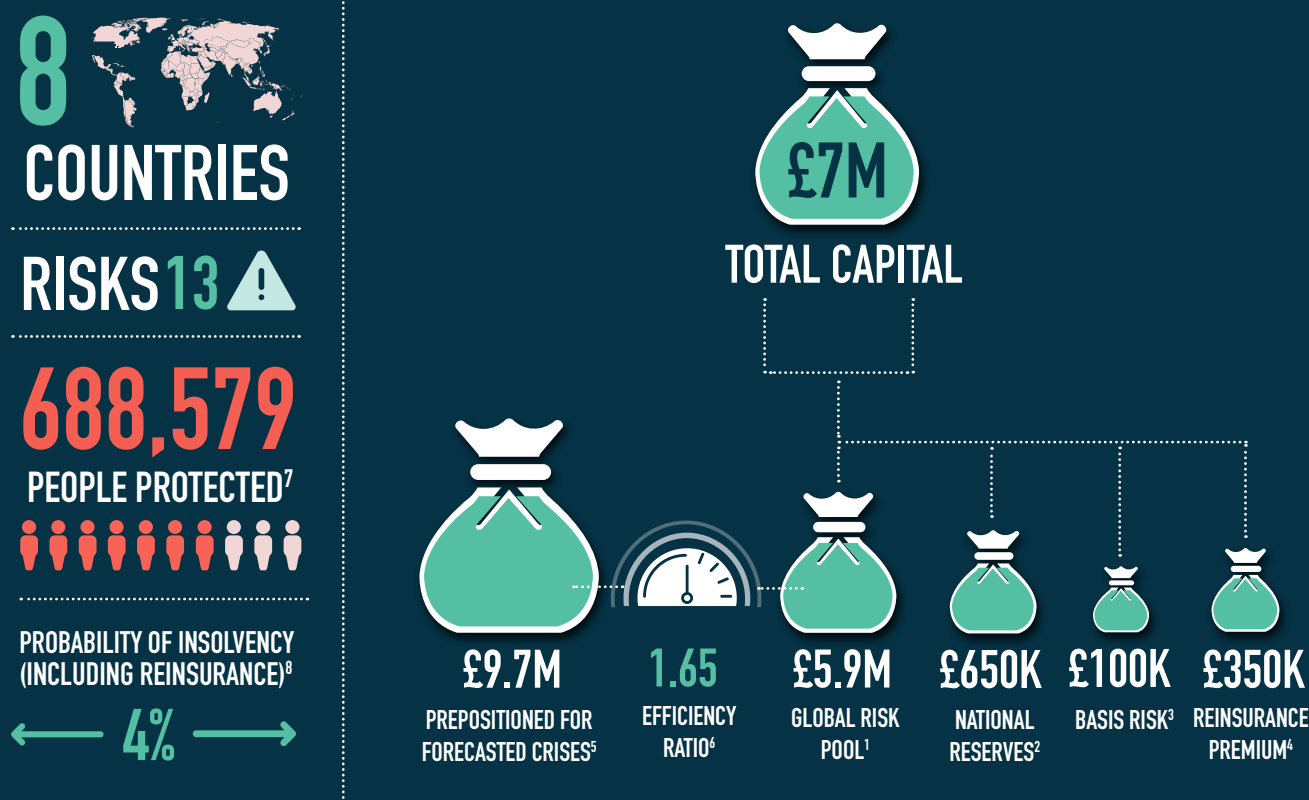
STRUCTURING REPORT

**START
NETWORK**

INTRODUCTION

Start Ready enters its third year with the launch of the Start Ready Risk Pool 3; live May 2024 to April 2025. Holding £7m in capital, 2.5 times bigger than the fund was two years ago, Start Ready is able to protect almost 700,000 people from climate-related risks. This protection is achieved through prepositioning funds that are disbursed to NGO members ahead of climate hazards based on reliable forecasts, enabling them to implement anticipatory actions and early response activities. By using principles of risk pooling, Start Network is able to stretch funds 1.65 times, increasing the efficiency of limited humanitarian funds which is particularly important within the context of climate change.

SUMMARY OF COVERAGE OFFERED: HIGHLIGHTS



¹ funds allocated for risks, disbursed in the event that predefined thresholds are reached, used to implement anticipatory and early response activities.

² flexible funds allocated to countries with active DRF systems for the purpose of pre-season operational readiness and preparedness for implementing anticipatory actions.

³ globally held fund available to all risks included within the Start Ready Risk Pool, disbursed upon application, verification, and approval for events not captured by the DRF system due to model error.

⁴ insurance policy that provides a layer of protection to the global risk pool funds from going insolvent. The payout provides further capital to ensure that continued activations are possible and therefore further protection to at-risk communities.

⁵ the amount of funds that are prepositioned for all the risks that would be activated on forecasts of crises.

⁶ the stretch of the pool, the ratio of funds prepositioned against funds allocated.

⁷ the number of people who would be reached with anticipatory and early response activities if forecast thresholds are reached

⁸ the likelihood of all funds being spent and the fund depleted before the end of the Risk Pool (including any reinsurance payout).

STRUCTURING OF RISK POOL 3

PURPOSE: FUNDS PREPOSITIONED FOR RISKS, DISBURSED IN THE EVENT THAT PREDEFINED THRESHOLDS ARE REACHED, USED TO IMPLEMENT ANTICIPATORY AND EARLY RESPONSE ACTIVITIES.

What guided decisions:⁹

- Equity between risks
- Return period/probability of attachment
- Members requested coverage as expressed in coverage application form
- Timing of risk season (consideration of top-up potential)
- Prior track record of successful implementation

Country	Risk	Prepositioned amount	# of activations	Return period of attachment ¹⁰
PAKISTAN	Fluvial floods	£750,000	1	1-in-3.5 years (national)
PAKISTAN	Drought	£600,000	1	1 in 5 years (subnational)
PAKISTAN	Heatwaves	£90,000	6	1-in-2 years (subnational)
DRC	Fluvial floods	£700,000	1	1-in-5 years (national)
BANGLADESH	Fluvial floods	£900,000	1	1-in-5 years (national)
BANGLADESH	Cyclones (April - May Season)	£180,000	1	1-in-4 years (subnational)
BANGLADESH	Cyclones (Oct - Nov Season)	£420,000	1	1-in-4 years (subnational)
PHILIPPINES	Cyclones (Moderate scenario event)	£162,600	1	1-in-3 years (subnational)
PHILIPPINES	Cyclones (High scenario event)	£220,500	1	1-in-6 years (subnational)
PHILIPPINES	Cyclones (very high event)	£500,000	1	1-in-12 years (subnational)
SENEGAL	Drought	£750,000	1	1-in-2 years (national)
ZIMBABWE	Drought	£800,000	1	1-in-3 years (subnational)
MADAGASCAR	Cyclones	£750,000	1	1-in-2 years (national)
MADAGASCAR	Drought	£600,000	1	1-in-4 years (subnational)
SOMALIA	Drought (Der Crop)	£343,800	1	1-in-2 years (national)
SOMALIA	Drought (Der Pastoral)	£200,000	1	1-in-2 years (national)
SOMALIA	Drought (Gu Crop)	£343,800	1	1-in-2 years (national)
SOMALIA	Drought (Gu Pastoral)	£200,000	1	1-in-2 years (national)
SOMALIA	Fluvial floods	£750,000	1	1-in-2 years severity (subnational)

⁹Start Ready Governance Committee are the decision-makers. For more information, see: <https://startnetwork.org/learn-change/news-and-blogs/start-ready-appoints-governance-committee>

¹⁰the probability/likelihood of the crises happening, measured in years

NATIONAL RESERVES

PURPOSE: FLEXIBLE FUNDS ALLOCATED TO COUNTRIES WITH ACTIVE DISASTER RISK FINANCING SYSTEMS FOR THE PURPOSE OF PRE-SEASON OPERATIONAL READINESS AND PREPAREDNESS FOR IMPLEMENTING ANTICIPATORY ACTIONS.

What guided decisions:

- Members requested coverage as expressed in coverage application form
- Number of systems,
- Crisis onset speed,
- Anticipatory focus of system,
- Historical utilisation from previous risk pools



● COUNTRY
● ALLOCATION



PAKISTAN - £120K



DRC - £100K



BANGLADESH - £120K



PHILIPPINES - £105K



SENEGAL - £10K



MADAGASCAR - £110K



SOMALIA - £65K



ZIMBABWE - £60K

REINSURANCE

PURPOSE: THIS PROVIDES A LAYER OF PROTECTION TO THE GLOBAL RISK POOL FUNDS FROM GOING INSOLVENT. THE PAYOUT PROVIDES FURTHER CAPITAL TO ENSURE THAT CONTINUED ACTIVATIONS ARE POSSIBLE AND THEREFORE FURTHER PROTECTION TO AT-RISK COMMUNITIES.

REINSURANCE PREMIUM ¹¹	£288k
REINSURANCE LIMIT ¹²	£1.2m
PROBABILITY OF ATTACHMENT ¹³	26%
PROBABILITY OF EXHAUSTION ¹⁴	4%

¹¹The cost of the reinsurance policy

¹²The maximum payout that we would be entitled to

¹³The likelihood that Start Network would need the payout, i.e., use up all funds and still need to make further activations

¹⁴The likelihood that Start Network run out of funds including using up all the funds available from the insurance payout (residual risk)

BASIS RISK

PURPOSE: GLOBALLY HELD FUND AVAILABLE TO ALL COUNTRIES INCLUDED WITHIN THE START READY RISK POOL, DISBURSED UPON APPLICATION, VERIFICATION, AND APPROVAL FOR EVENTS NOT CAPTURED BY THE DISASTER RISK FINANCING SYSTEM DUE TO MODEL ERROR

TOTAL BASIS RISK

£100k

PREPARATIONS FOR RISK POOL 3

1. APPLICATIONS

The call for applications of coverage was launched in February 2024 restricted to those countries with Start Network members already engaged in a developed Disaster Risk Financing system which met the [Start Ready Core Minimum Standards](#). Through a coordinated effort with members & Start Network Hubs submitting requests collectively, Start Network received applications from 8 countries across Africa and Asia. In total, we received requests for over **£20M** in prepositioned financing, though members indicated that if there was no restriction to this request, there would be needs and capacities for almost **£100M** in prepositioned financing. An additional £2m was requested for pre-seasonal preparedness and operational readiness activities.



“[T]he Start Ready approach... [adopts a] grounded method where affected communities directly dictate the support they require... Over the past years, we have demonstrated that local knowledge and pre-financing can help reduce two-thirds of the impact of disasters. This shift was made possible through a change in mindset among humanitarian actors, with [Start Network] particularly leading that change”

ZAHID AMIN SHASHOTO, HEAD OF PROGRAMME, CLIMATE CHANGE & WATER GOVERNANCE,
UTTRAN [START FUND BANGLADESH MEMBER]

2. START READY GOVERNANCE

The [Start Ready Governance Committee](#) is a sub-committee of the Start Network Board delegated to make key funding and strategic decisions around Start Ready. The committee is made up of representatives from the membership, joined with external specialists coming from the actuarial, risk financing, and risk management sectors. This year, we saw the first rotation of the committee with two members rotating out and being joined by incoming members Veronika Bertram, an expert in disaster risk financing and insurance working for the Centre for Disaster Protection, and Aydrus Daar, the executive director of WASDA, a Somali-Kenyan NGO and leader of the Start Network Somalia Hub. The committee convened in late March for two online meetings to discuss the overall framework for the new Risk Pool, and again at the start of May. This two day in-person workshop enabled the committee to review the performance of Start Ready and activities in Risk Pool 2, discuss the strategic direction of the risk pool, and importantly decide on the structuring of Risk Pool 3. This year, the allocation of ARC Replica premium funding was also integrated into Start Ready governance. The ARC Replica programme enables Start Network members to buy parametric insurance policies to protect against severe climate risks. Start Ready and ARC Replica complement each other operationally, and it is helpful to have the committee overseeing funding decisions in combination.



3. CAPITAL IN START READY RISK POOL 3

Thanks to contributions from 11 donors, Start Ready Risk Pool 3 went live with a total of £7m in capital. This marks an impressive increase of 250% in capital from Risk Pool 1 and a 25% increase from Risk Pool 2. Start Ready donors now include EU Humanitarian Aid, UK Foreign, Commonwealth & Development Office, German Federal Foreign Office, Ministry for Europe and Foreign Affairs (France), Department of Foreign Affairs, Ireland, IKEA Foundation, L'Oréal Climate Emergency Fund, Swiss Re Foundation, Howden Group Foundation, Margaret A. Cargill Philanthropies, and a new contributing donor, H&M Foundation.



“Ireland is delighted to be supporting Start Ready’s Risk Pool 3 with climate finance to enable partners and communities implement much needed anticipatory and early response actions before climate hazards occur”

SINEAD WALSH, DIRECTOR, CLIMATE UNIT, DEPARTMENT OF FOREIGN AFFAIRS, IRELAND.

WHAT'S NEW

1. NEW RISKS

Two new risks were added to the Start Ready Risk Pool this year following investment in the build of these systems.

THESE ARE:

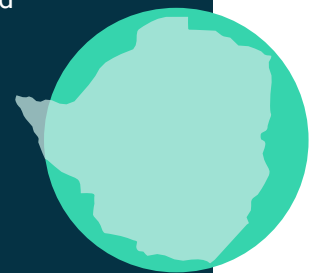
SOMALIA FLOOD

Somalia Flood: the system began development in August 2023, following leadership and requests from the Government of Somalia and Somali Disaster Management Agency (SODMA) as a result of heightened riverine flood risk from El Niño. The model used was validated by multiple stakeholders and housed by SODMA, with Start Network members attaching to complement impact and reach alongside WFP. The system was piloted during the heavy rains in October 2023 with FCDO support, activating and disbursing \$400,000 to distribute water filters, WASH NFIs, mosquito nets, disinfection of high-risk areas, and promotion of hygiene.



ZIMBABWE DROUGHT

Zimbabwe Drought: in Risk Pool 1, Start Ready was live in Zimbabwe using an end of growing season ARV model that activated in June 2022 disbursing £470,000. Following an evaluation of this first activation, some of the learning demonstrated that the amount, timing, and relevance of actions were not as anticipatory as they could be. Members therefore decided to take a year out of the risk pool to improve the system. This involved identifying a new model for Start Ready which could activate within the evolution of the agricultural season (enabling a longer window of opportunity for implementation of anticipatory actions before drought impacts), and contingency planning to identify those appropriate anticipatory activities, including development of anticipatory action protocols. The new model identified through this scoping exercise was a WFP built and maintained model which can activate early in the growing season. The new system involves a new approach to risk layering with Start Ready activating at the start of the growing season to implement drought anticipation activities, and an ARC Replica parametric insurance policy activating end of season if the drought indicators continue to be severe for early response activities.



2. UPDATES TO DISASTER RISK FINANCING SYSTEMS

All Disaster Risk Financing systems undergo maintenance and development throughout the year, supported by Start Network's Crisis Anticipation and Risk Financing team. Here are some examples:



- **IMPROVING NATIONAL GOVERNANCE AND DIVERSIFYING MEMBERSHIP BASE:** aligned with Start Network's strategy to promote locally led action, all Start Ready's DRF systems are managed & governed at the national level by the membership. This involves strengthening national governance processes, engagement of local & national NGOs, and onboarding of local & national NGOs as members to receive direct funding from Start Network. Aligning DRF management with hub development and strengthening governance in non-hub countries is key to this. Furthermore, new member intake has recently been completed or underway in Pakistan, Somalia, DRC, and Zimbabwe.



- **GEOGRAPHICAL EXPANSION:** depending on the exposure of the risk, success of the existing system, and capacity of the membership, some systems have sought to increase the coverage of the disaster risk financing system. This involves expanding the model domain to ensure forecasting abilities with sufficient skill in these new areas as well as contingency planning to develop sub-national plans of action. The Pakistan heatwave system has increased from 6 urban areas to 11 given the increase in high temperatures seen across the region, and the Bangladesh cyclone system has doubled the number of regions covered from 4 to 8 to protect more coastal communities from cyclone risk.



- **MODELLING APPROACHES:** Start Network is continually adapting its technical models to ensure they are stronger. For example, the Philippines cyclone forecast model is capable not only of indicating an impending cyclone, but also the severity of this cyclone. Alongside, members have developed corresponding contingency plans according to the different severities that could be seen. Globally, instead of a binary activation, Start Network is trialling an approach to activate different levels of funding depending on the severity of the forecasted cyclone to enable appropriate financing and activities.

ENABLERS FOR POOLING FUNDS: ASKS FOR DONORS



- **UNEARMARKED FUNDING:** Start Ready pools funds across countries and risks. This enables the funding mechanism to be more efficient. Start Network has established a governance structure for accountable and expert decisions to be made of the structuring. For risk pooling to be effective, funds must be flexible across the portfolio and released when a trigger is met, rather than earmarked for specific countries.



- **MULTI-YEAR FUNDING:** Funds committed over several years helps to ensure the sustainability of Start Ready, and means continued protection in future risk pools. This is because Start Ready operates as an annual Risk Pool creating a portfolio of diverse climate risks and prepositions funds against these risks based on assessing probabilities of their occurrence. This means that each year will be different depending on what risks materialise and which do not, and in some years there will be many triggers whilst other years only a few. Given this, it is challenging to manage funds based on annual budgets as compared to multi-year funding which enables the flexibility of disbursements when activations occur.



- **UNIFIED REPORTING:** Start Ready as a pooled fund receives funds from a diverse and growing donor base. Funds are pooled and stretched to achieve maximum efficiency, and a small allocation is used for operational readiness and reinsurance which are both viewed as impactful for ensuring effectiveness of the mechanism. We publish annual structuring reports to provide transparency over allocations, and annual summary reports, providing transparency over what happened in the risk pool and the impact. In order for effective pooled fund management, a unified approach to reporting is needed.

WITH THANKS TO:



[German Federal Foreign Office](#)

[UK Foreign, Commonwealth & Development Office](#)

[Department of Foreign Affairs, Ireland](#)

[Swiss Re Foundation](#)

[Margaret A. Cargill Philanthropies](#)

[Howden Group Foundation](#)

[EU Humanitarian Aid](#)

[IKEA Foundation](#)

[The French Ministry for Europe and Foreign Affairs](#)

[L'Oréal Climate Emergency Fund](#)

[H&M Foundation](#)

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ACTED ACTION AGAINST HUNGER UK ACTIONAID AFPDE ASBL (ASSOCIATION DES FEMMES POUR LA PROMOTION ET LE DÉVELOPPEMENT ENDOGÈNE) AGE INTERNATIONAL/HELPAGE INTERNATIONAL AGRICULTURAL DEVELOPMENT ASSOCIATION (PARC) APPUI AUX FEMMES DÉMUNIES ET ENFANTS MARGINALISÉS (AFEDEM) ASOCIACIÓN DE SERVICIOS COMUNITARIOS DE SALUD (ASECSA) ASSOCIATION FOR GENDER AWARENESS & HUMAN EMPOWERMENT (AGAHE) AZAT FOUNDATION BRAC INTERNATIONAL BRIGHT STAR DEVELOPMENT SOCIETY BALOCHISTAN (BSDSB) CADENA CARE INTERNATIONAL UK CARITAS BANGLADESH CARITAS GOMA CARITAS INDIA CARITAS SRI LANKA CATHOLIC AGENCY FOR OVERSEAS DEVELOPMENT (CAFOD) CATHOLIC RELIEF SERVICES - UNITED STATES CONFERENCE OF BISHOPS CESVI CHRISTIAN AID COMMUNITY DEVELOPMENT FOUNDATION (CDF) COMMUNITY WORLD SERVICE ASIA CONCERN WORLDWIDE (UK) CORDAID DEUTSCHE WELTHUNGERHILFE E.V. DEVELOPMENT ORGANIZATION FOR COMMUNITY DOABA FOUNDATION DOCTORS OF THE WORLD DORCAS AID INTERNATIONAL EHD EHSAR FOUNDATION ENVIRONMENTAL PROTECTION SOCIETY (EPS) FARMERS DEVELOPMENT ORGANIZATION GOAL HEALTH & NUTRITION DEVELOPMENT SOCIETY (HANDS) HELP FOUNDATION HUMANITY & INCLUSION UK (HANDICAP INTERNATIONAL) INITIATIVE FOR DEVELOPMENT AND EMPOWERMENT AXIS (IDEA) ISLAMIC RELIEF LAAR HUMANITARIAN AND DEVELOPMENT PROGRAMME (LHDP) LASOONA MANZIL ORGANIZATION BALOCHISTAN MECHANISM FOR RATIONAL CHANGE (MRC) MEDAIR MERCY CORPS MIDEFEHOPS ASBL MUSLIM AID MUSLIM HANDS MUZAFFARABAD POVERTY ALLEVIATION PROGRAMME NARI DEVELOPMENT ORGANIZATION (NDO) NATIONAL INTEGRATED DEVELOPMENT ASSOCIATION (NIDA-PAKISTAN) NORTH-EAST AFFECTED AREA DEVELOPMENT SOCIETY (NEADS) NATIONAL NETWORK OF LOCAL PHILANTHROPY DEVELOPMENT OXFAM GB PACIFIC ISLANDS ASSOCIATION OF NON GOVERNMENTAL ORGANISATIONS (PIANGO) PARTICIPATORY RURAL DEVELOPMENT SOCIETY (PRDS) PEOPLE IN NEED (PIN) PLAN INTERNATIONAL PRO-VIDA QATAR CHARITY RELIEF INTERNATIONAL RURAL COMMUNITY DEVELOPMENT SOCIETY (RCDS) RURAL DEVELOPMENT FOUNDATION (RDF) RURAL DEVELOPMENT ORGANIZATION BUNER RURAL EMPOWERMENT AND INSTITUTIONAL DEVELOPMENT (REPID) SAMI FOUNDATION SANGTANI WOMEN RURAL DEVELOPMENT ORGANIZATION (SWRDO) SAVE THE CHILDREN UK SOCIETY FOR MOBILIZATION ADVOCACY AND JUSTICE (SMAAJ) SOLIDARITÉS INTERNATIONALE SUKAAAR FOUNDATION THARPARKAR SUSTAINABLE ENVIRONMENT AND ECOLOGICAL DEVELOPMENT SOCIETY (SEEDS) TEARFUND THE ALLIANCE FOR INTERNATIONAL MEDICAL ACTION (ALIMA) TRÔCAIRE VEER DEVELOPMENT ORGANIZATION WAR CHILD WELFARE ASSOCIATION JARED WORLD JEWISH RELIEF WORLD VISION YOUTH ORGANIZATION YUGANTER GARGAAR RELIEF AND DEVELOPMENT ORGANIZATION - GREDO SAVE SOMALI WOMEN AND CHILDREN TAAKULO SOMALI COMMUNITY KAALO AID & DEVELOPMENT WAJIR SOUTH DEVELOPMENT ASSOCIATION CENTRE FOR PEACE AND DEMOCRACY HORN OF AFRICA VOLUNTARY YOUTH COMMITTEE (HAVOYOCO) SOCIAL-LIFE & AGRICULTURAL DEVELOPMENT ORGANIZATION STEWARD WOMEN MOTHER AND CHILDREN DEVELOPMENT AID (MACDA) TITI FOUNDATION HOPE RESTORATION SOUTH SUDAN (HRSS) WOMEN FOR CHANGE