The Economics of Early Response and Resilience

April 2017

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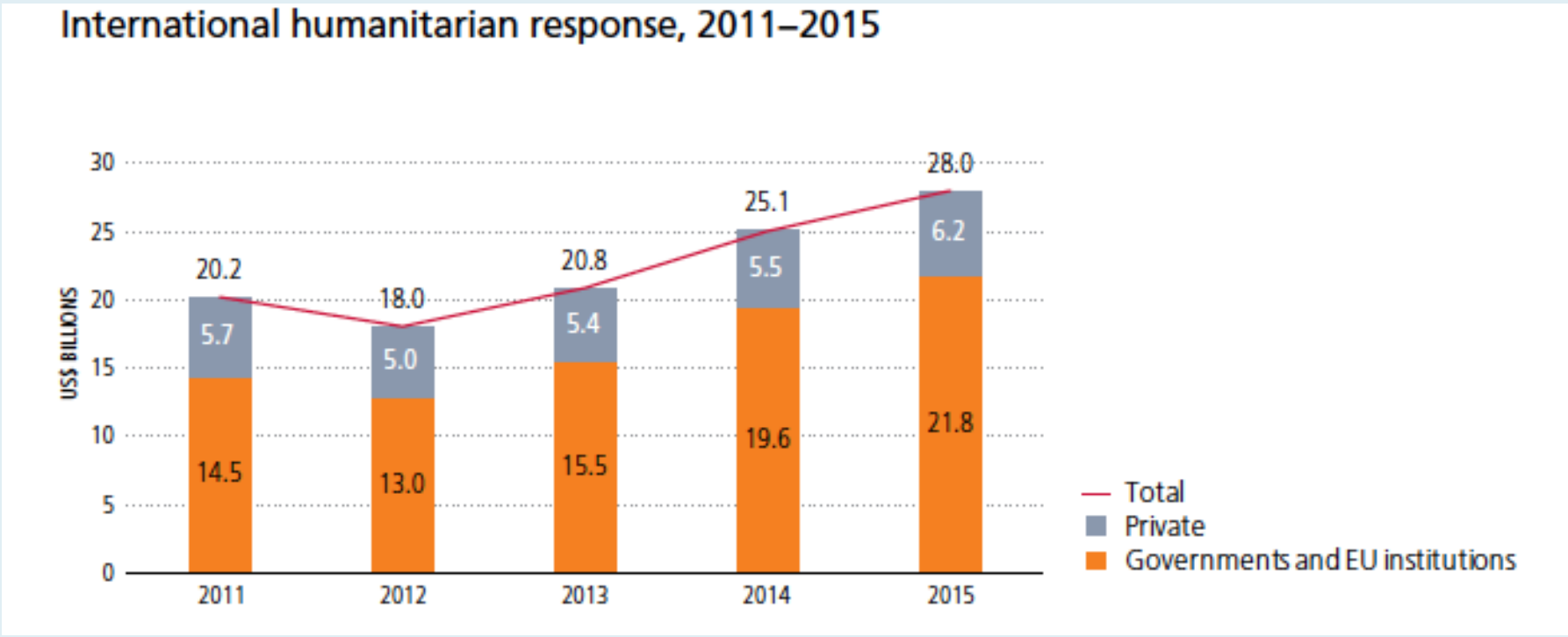
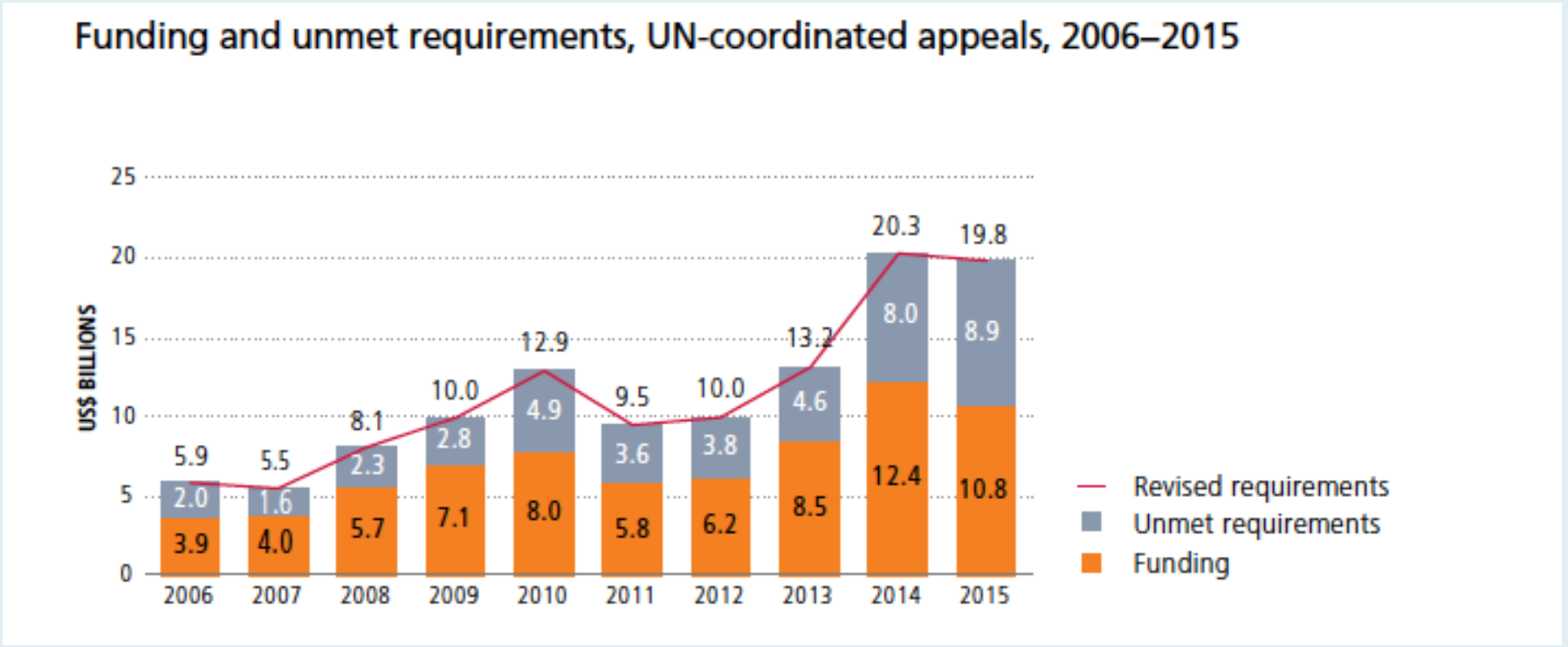
A humanitarian system under pressure

International Humanitarian Assistance reached a record high in 2015

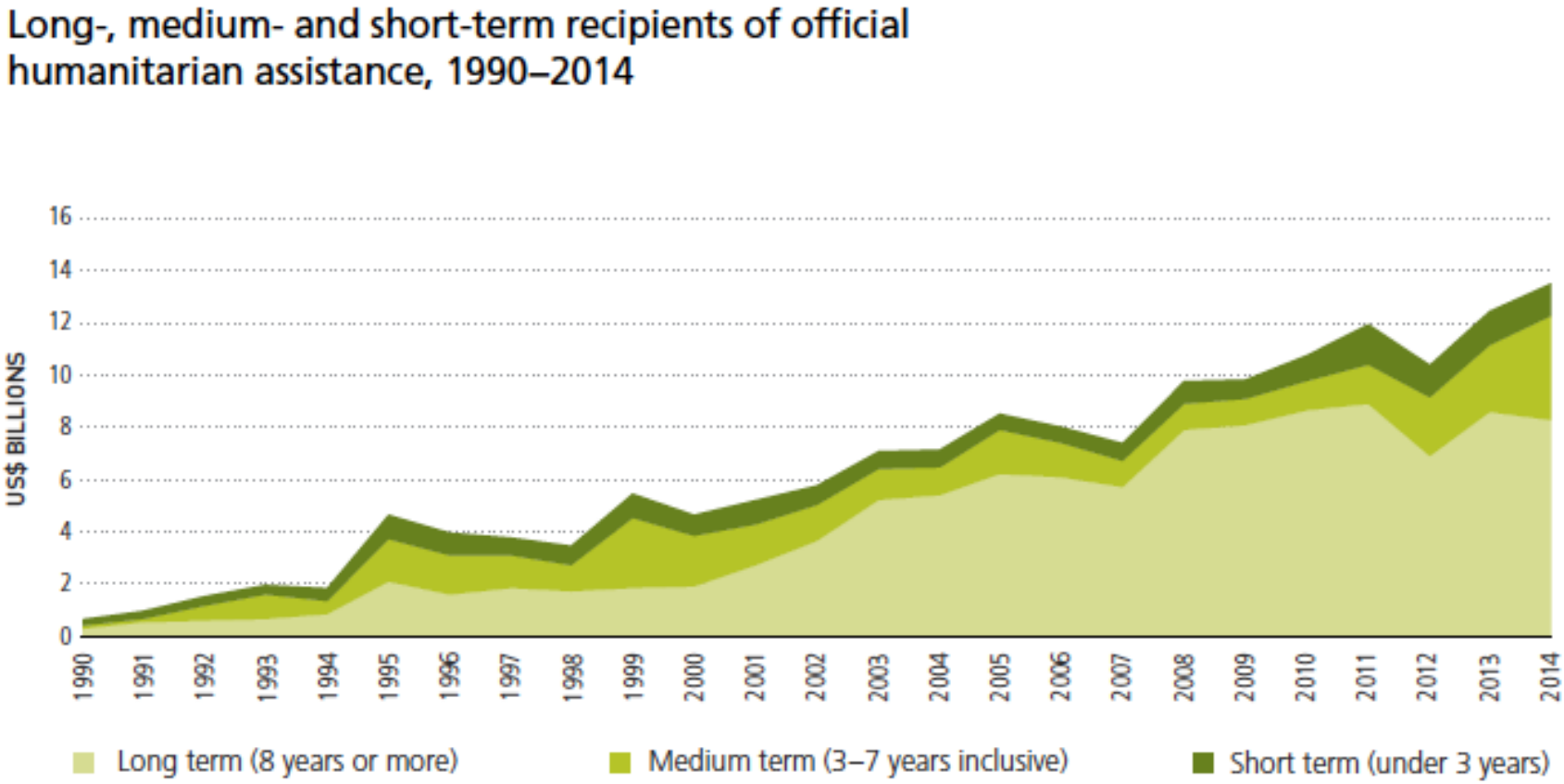


The funding gap continues to widen

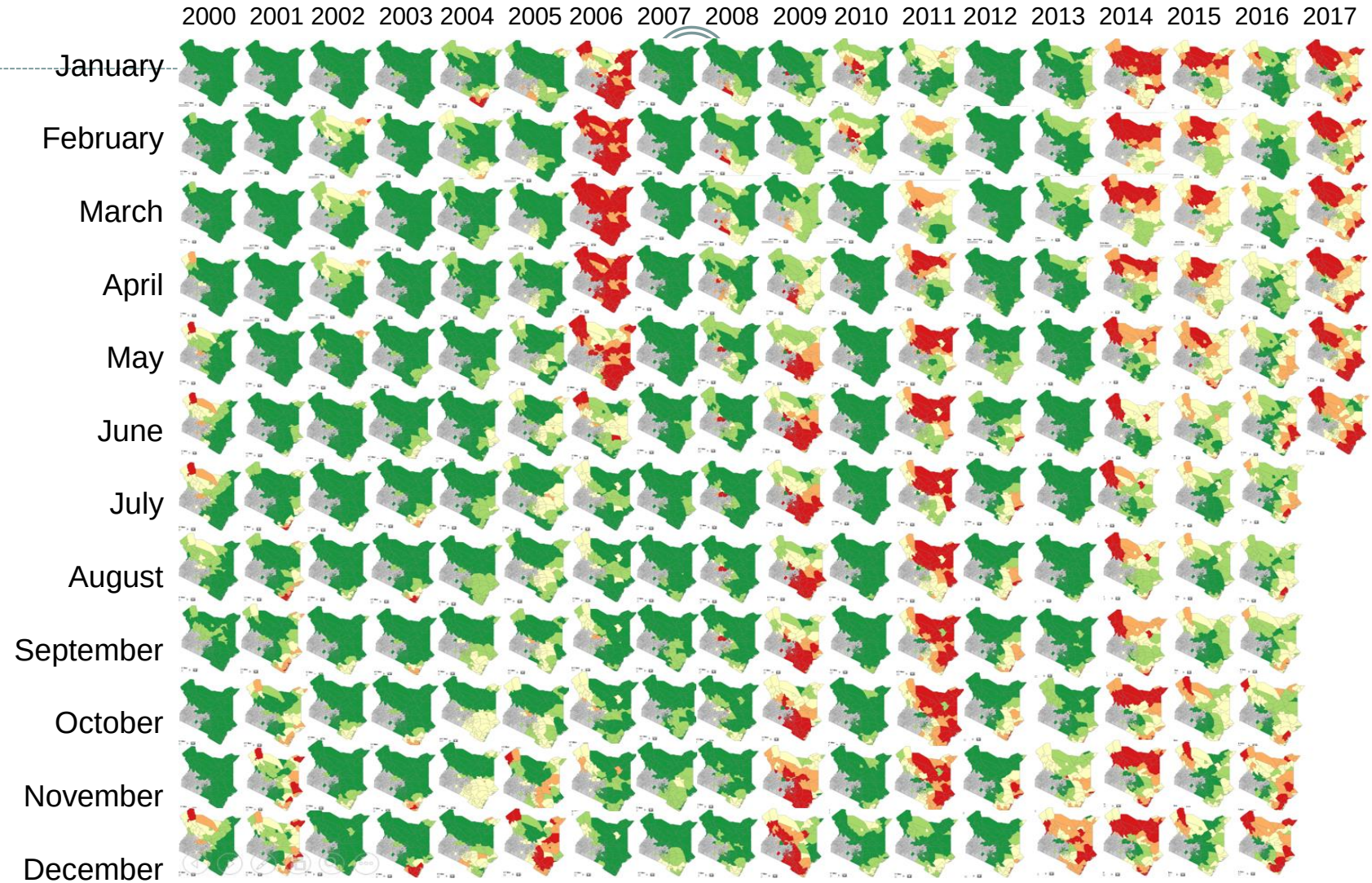
Since 2004, the funding requirements of inter-agency humanitarian appeals have increased six fold, from $3.4 billion to $19.8 billion in 2015. Despite record levels of funding, the funding gap widened to a staggering 45 percent ($8.9 billion) in 2015.



Recurrent Crises Prevail



Kenya NDVI/Fodder



Unprecedented and rising need

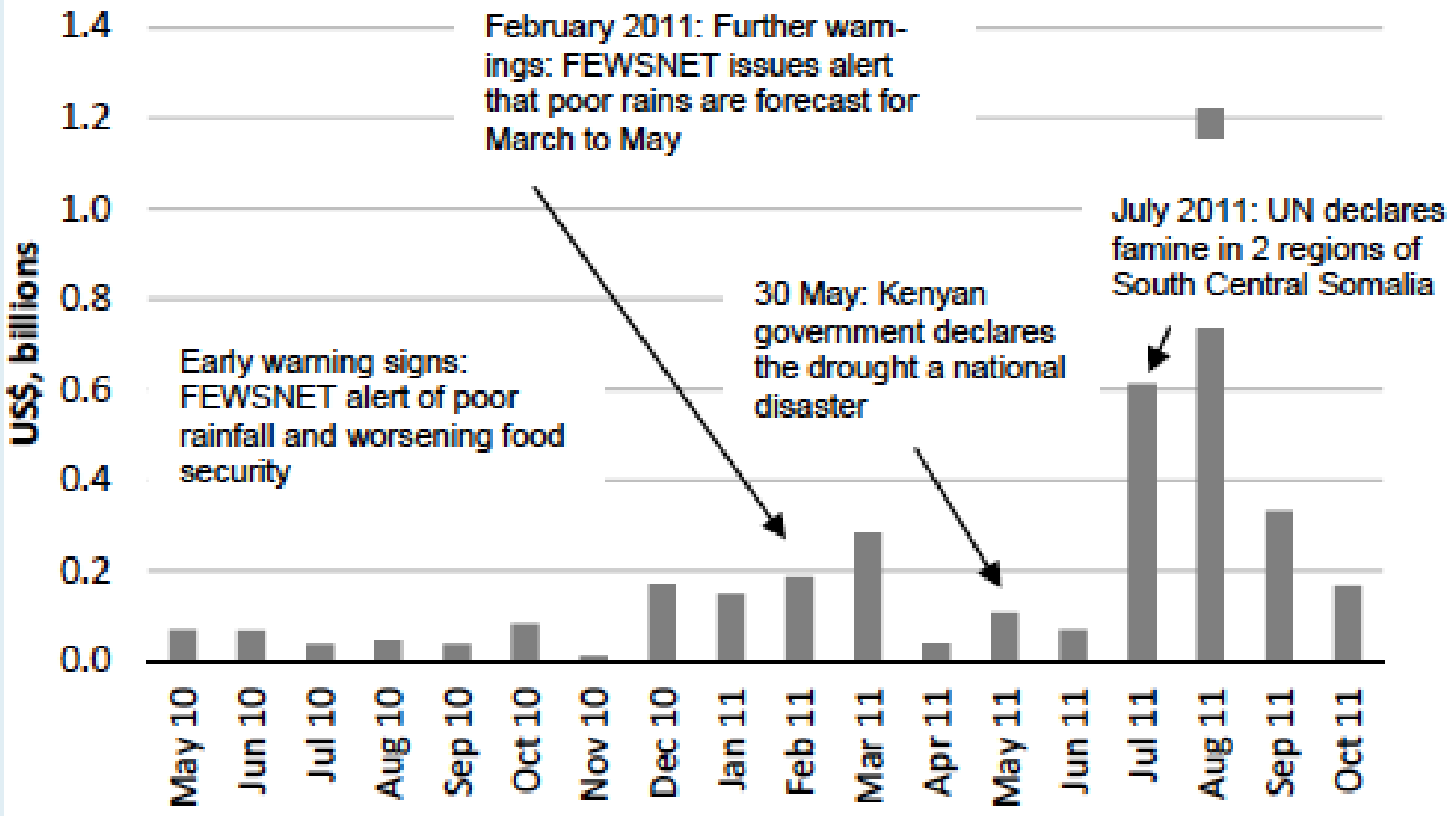
The economic cost is even greater:

- The economic cost of conflict in 2014 was estimated at $14.3 trillion.
- Average Annualized Losses (AAL) from natural disasters estimated at $314bn per year.

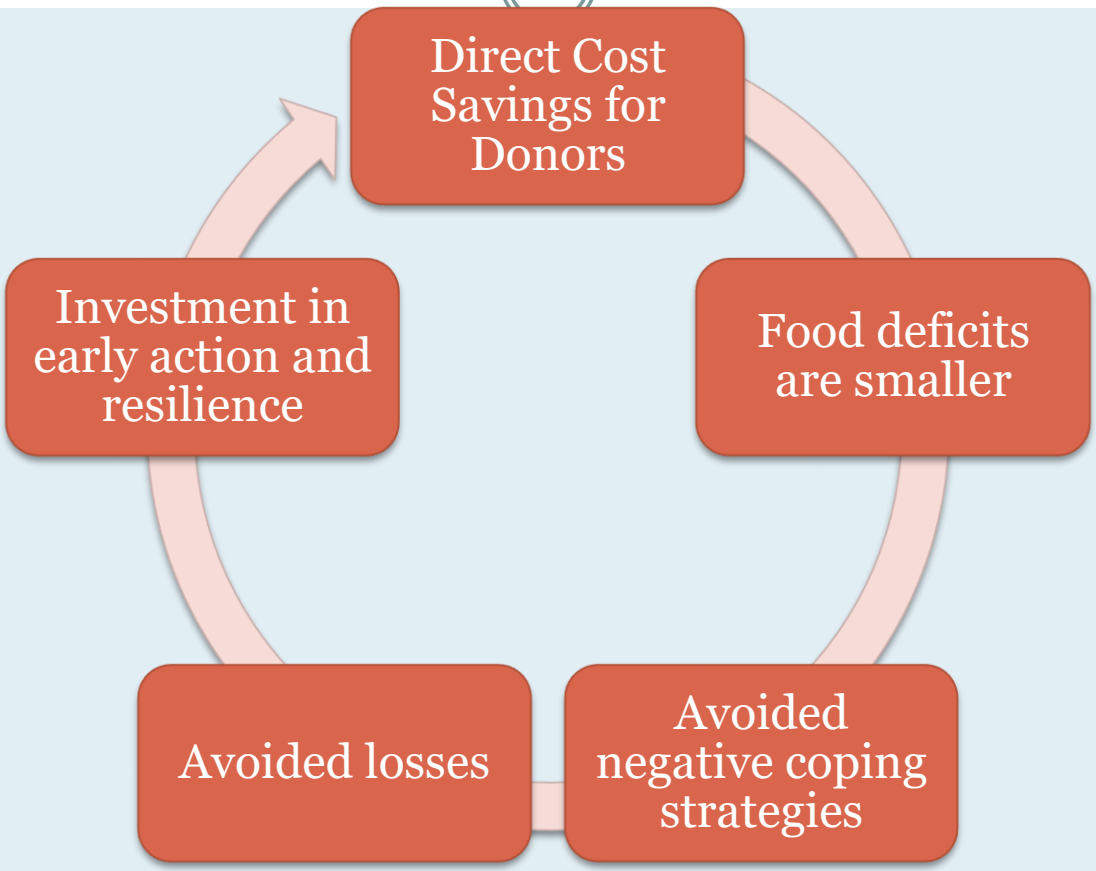
And costs are only rising:

- 43% of the world's poor live in fragile conditions; this increases to 62% by 2030.
- AAL is projected to increase to $415bn per year by 2030

Response continues to arrive late



What are the benefits of early response?

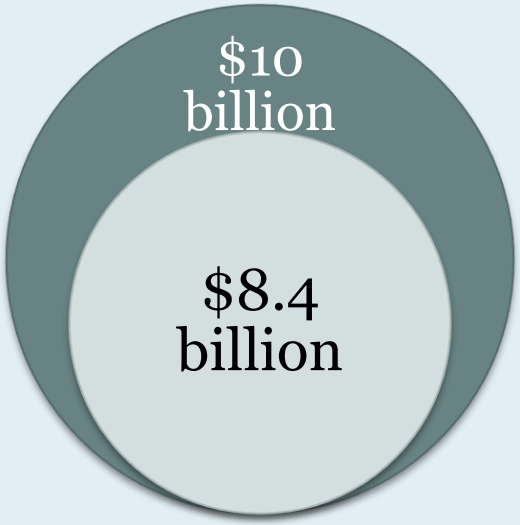


Direct Cost Savings to Donors

- WFP analysis of the price differences between the lowest and next-best quotes from suppliers, for over a third of WFP's 2010 food procurement expenditure
- Led to savings of between 23 and 33 percent of the cost of commodities (at least US$99 million on a procurement spend of US$423.8 million).

Direct Cost Savings to Donors

- If these savings were applied to the approximate US$10 billion that is spent on food aid each year, cost savings on food aid alone could save an estimated US$1.7 billion in donor budgets.

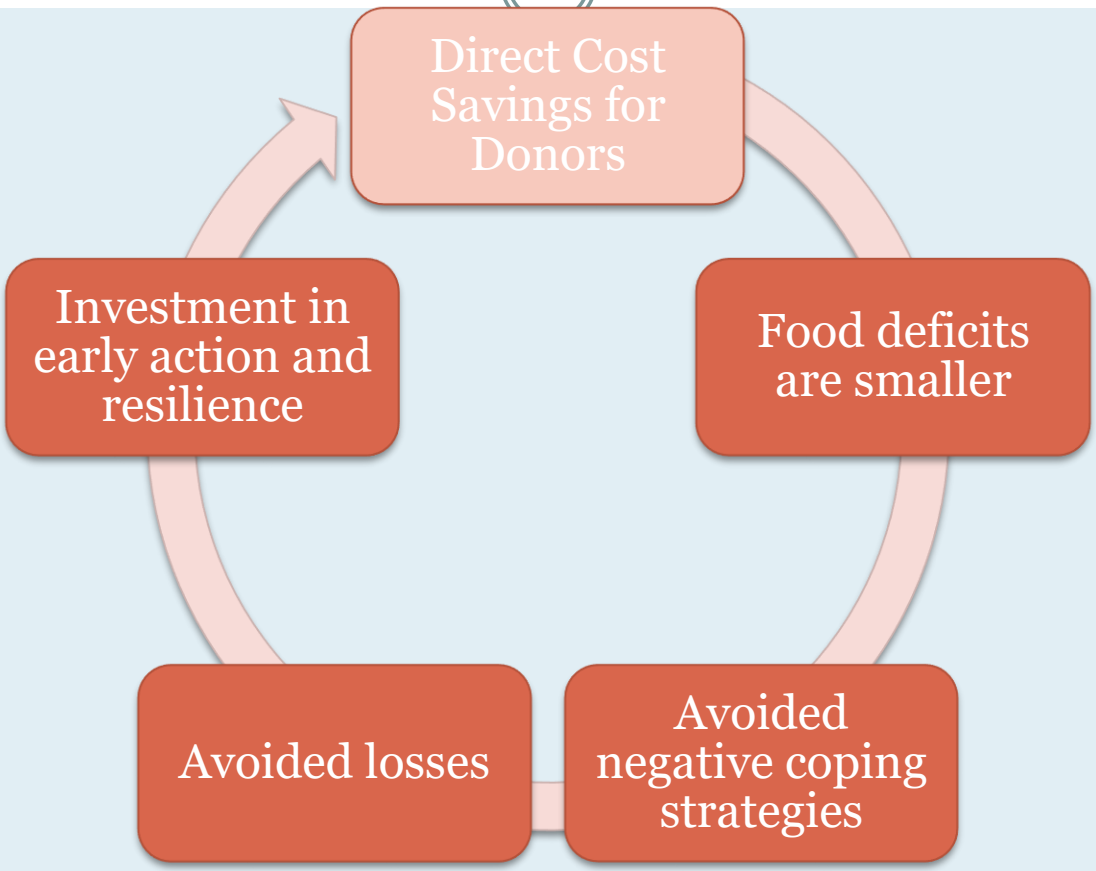


Donor cost savings of US$1.7 billion on food procurement alone

Direct Cost Savings to Donors

- UNICEF/WFP study
- Return on investment for emergency preparedness in three countries
- Pre-positioning of emergency supplies brought returns of between 1.6 and 2.0 on the cost of transport alone for internationally procured goods.

What are the benefits of early response?



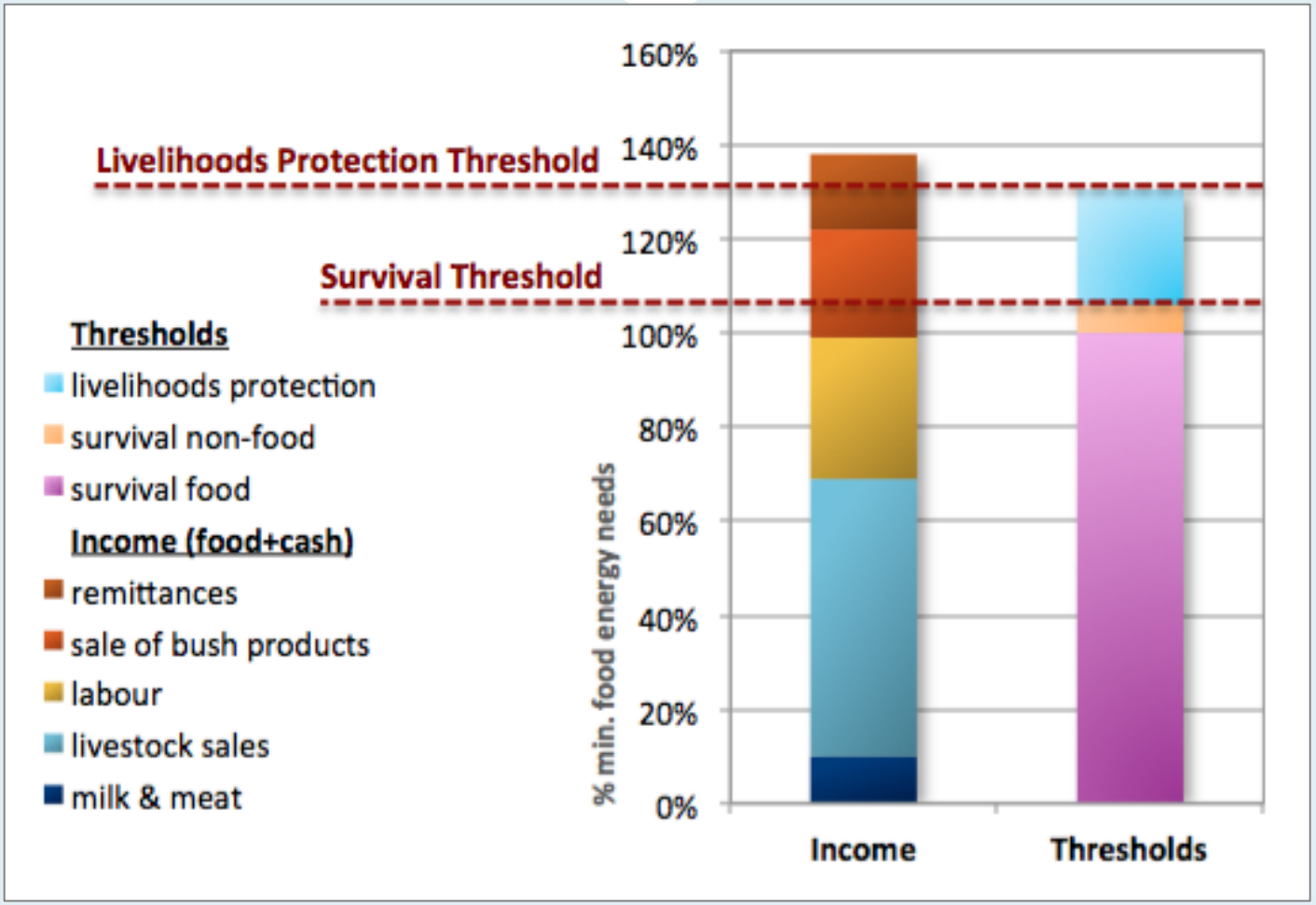
DFID Economics of Early Response

- Conducted in five countries – Kenya, Ethiopia, Niger, Mozambique, Bangladesh
- Used Household Economy Approach (HEA) modelling to estimate the food deficit under a late and an early response

HEA Approach

- HEA is a livelihoods-based framework for analysing the way people obtain access to the things they need to survive and prosper.
- Used in conjunction with a herd dynamics model to estimate the cost of aid and livestock losses under a high magnitude drought in Kenya and Ethiopia.
- Uses drought and “terms of trade” data to model the impact of events on household economies.
- Based on data collected at a household level; used by FEWSNet for their early warnings.

HEA

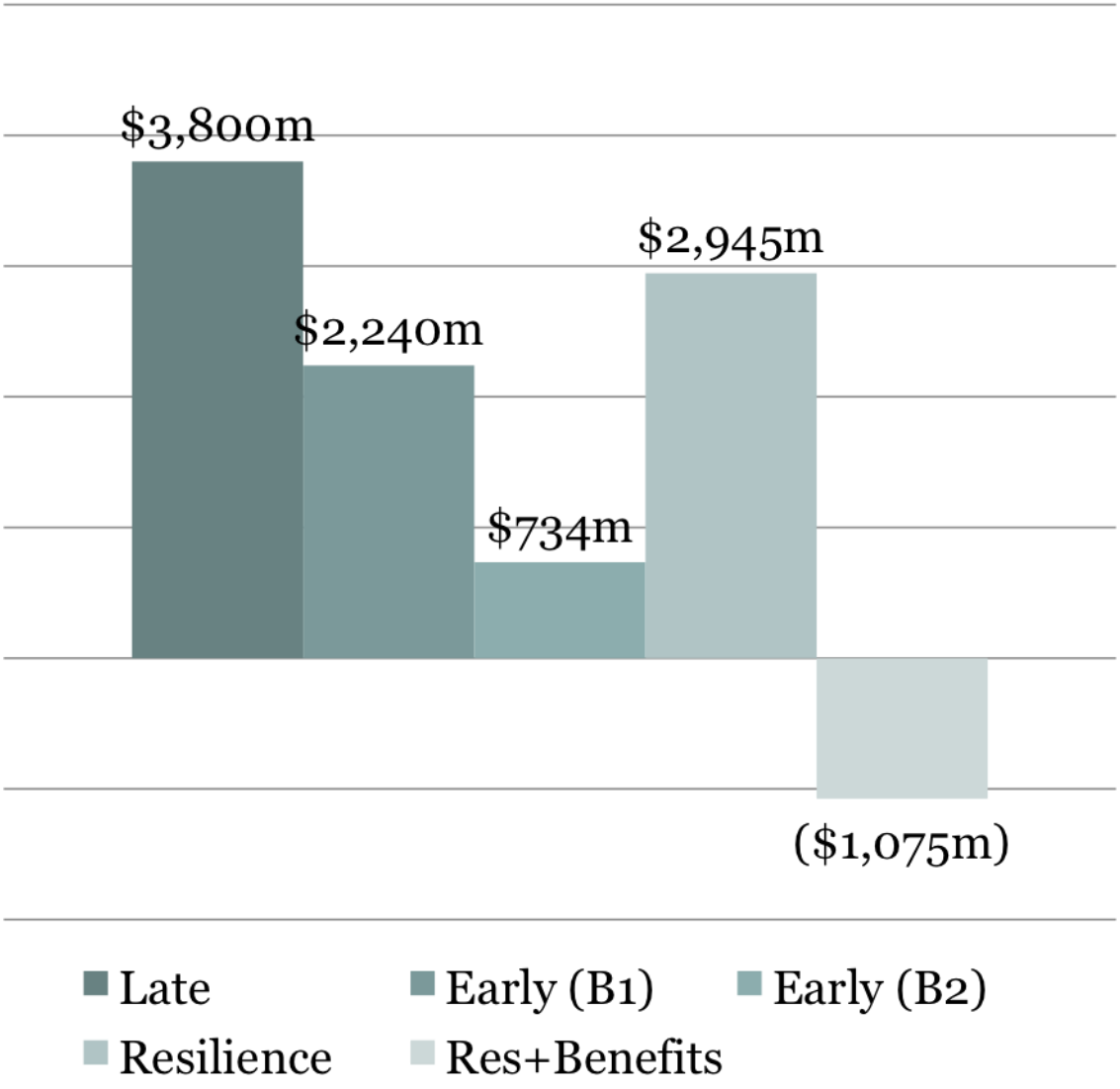

Livelihoods Protection Threshold
Survival Threshold
Thresholds
livelihoods protection
survival non-food
survival food
Income (food+cash)
remittances
sale of bush products
labour
livestock sales
milk & meat
160%
140%
120%
100%
80%
60%
40%
20%
0%
% min. food energy needs
Income
Thresholds

ETHIOPIA – Bottom Up

Early response in Southern Ethiopia would save between $1.6 and $3.1 billion in the cost of response.

Every $1 spent on destocking and early response yields $311 in reduced aid costs and avoided losses of animals.

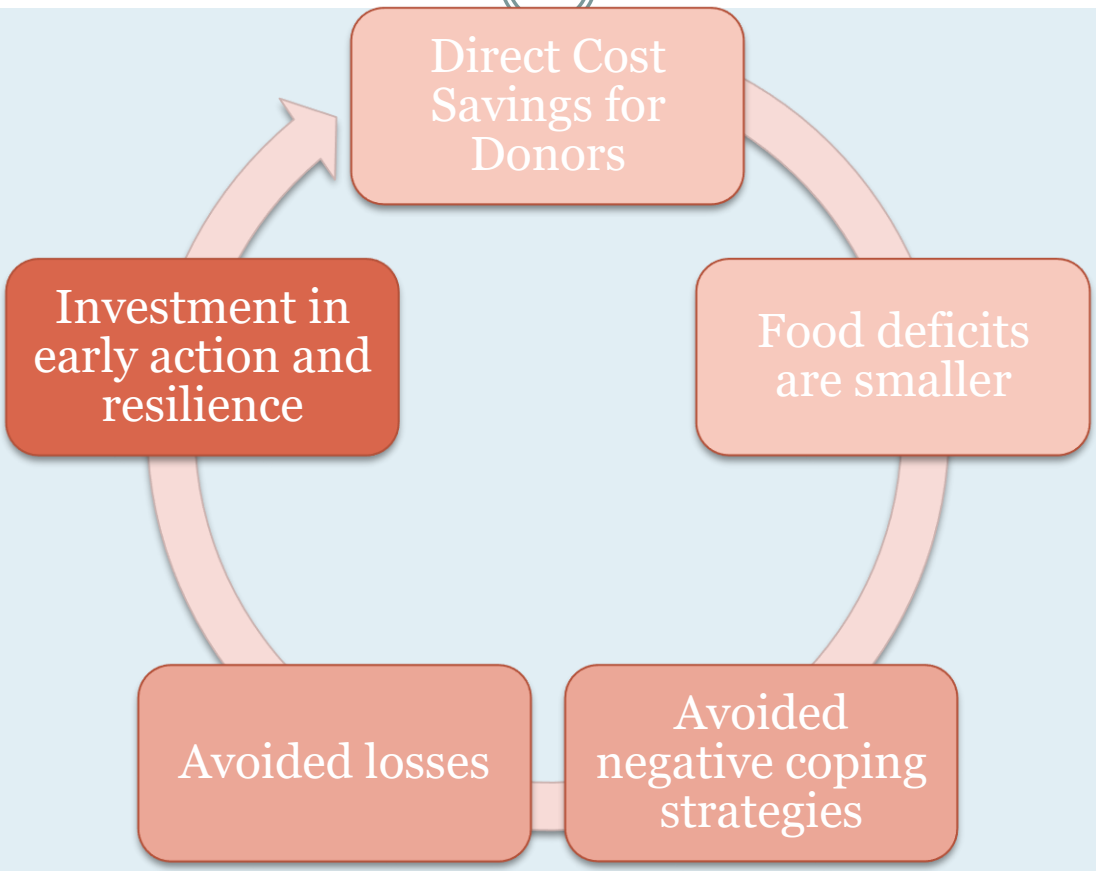
For every $1 spent on resilience, $2.8 of benefit are gained.



DFID Study

- Household food deficits are decreased by 15 percent on average as a result of receiving early transfers.
- Early response would have to be taken 2-6 times before the costs outweigh late response.

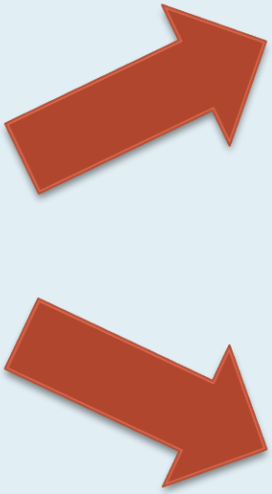
What are the benefits of early response?



Investment in Early Action and Resilience

- What if the US$1.7 billion in donor savings on food was reinvested in Early Action and Resilience?

Donor cost savings of US$1.7 billion on food procurement alone



EWS:
Cost: $1 billion
Avoided losses: $13 billion

Disaster Risk Reduction:
Returns range between 3:1 and 15:1

Longer-term Resilience Building

Summary

Current Evidence	Further Evidence
• Empirical analysis of cost savings - food aid costs • Modelled food deficits • Modelled animal losses	• Empirical evidence of cost savings – other commodities • Actual changes to food security • Actual changes to animal losses (though fairly robust to model)

Summary

Current Evidence	Further Evidence
• Empirical data on costs/benefits of resilience • Modelled impact of resilience on food deficit	• More systematic evidence • Actual changes to food security and other indicators as a result of greater resilience investment