



Food and Agriculture Organization
of the United Nations



A TAXONOMY OF FINANCIAL INSTRUMENTS

Eva Pek

Land and Water Division (NSL), FAO

Tunis, 15 December 2023

Regional gathering
Tunis, 12 – 16 December 2022

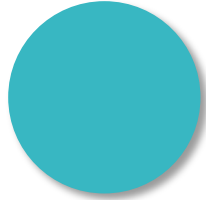


ITALIAN AGENCY
FOR DEVELOPMENT
COOPERATION

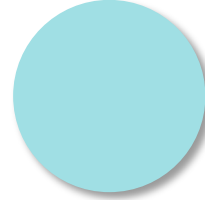


EXISTING CATEGORIZATION METHODS

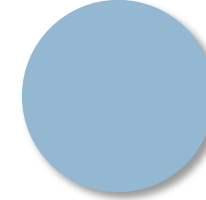
Pillar-based



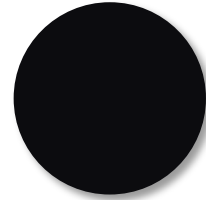
Approach-based



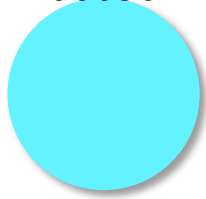
Source-based



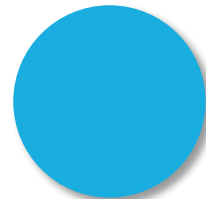
Cash waterfall-based



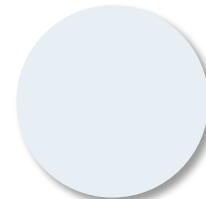
Drought timeline-
based



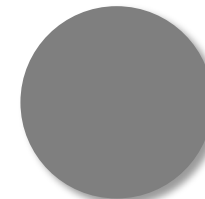
Risk management-
based



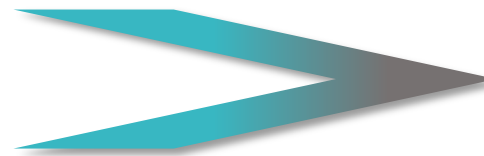
Financial
institution-based



Financing
mechanism-based



Drought-based



Finance-based



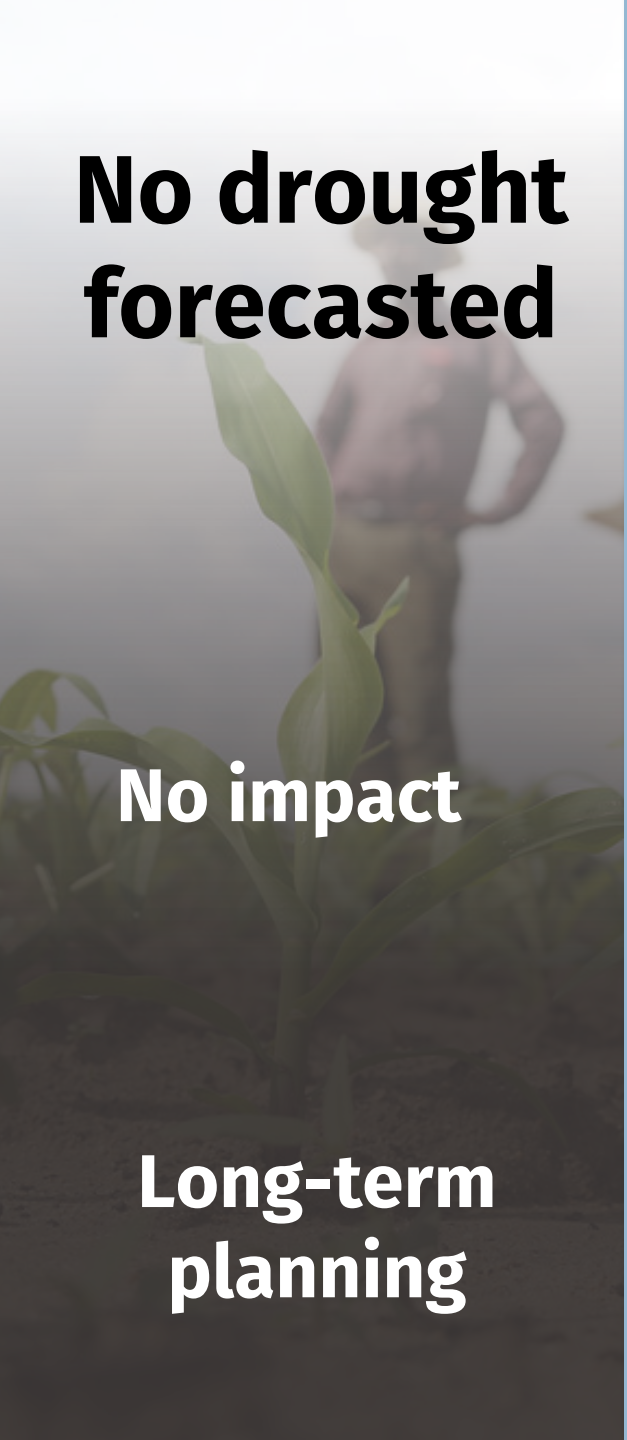
NEED FOR NEW TAXONOMY

To collate the **vocabulary** of financial sector and drought management

To **match** the phases/drought impacts and instruments

To enable the **combination** of instruments

To **plan** when, where, how finance flows should be targeted



**No drought
forecasted**

No impact

**Long-term
planning**



**Drought
forecasted**

No impact

Rapid action



**During
drought**

**Some
impacts
unfolded**

Rapid action



**Post-
drought**

**All impact
unfolded**

**Rapid action
& long-term
planning**



IMPACT HORIZON-BASED CATEGORISATION

HORIZON 1

Improved resilience



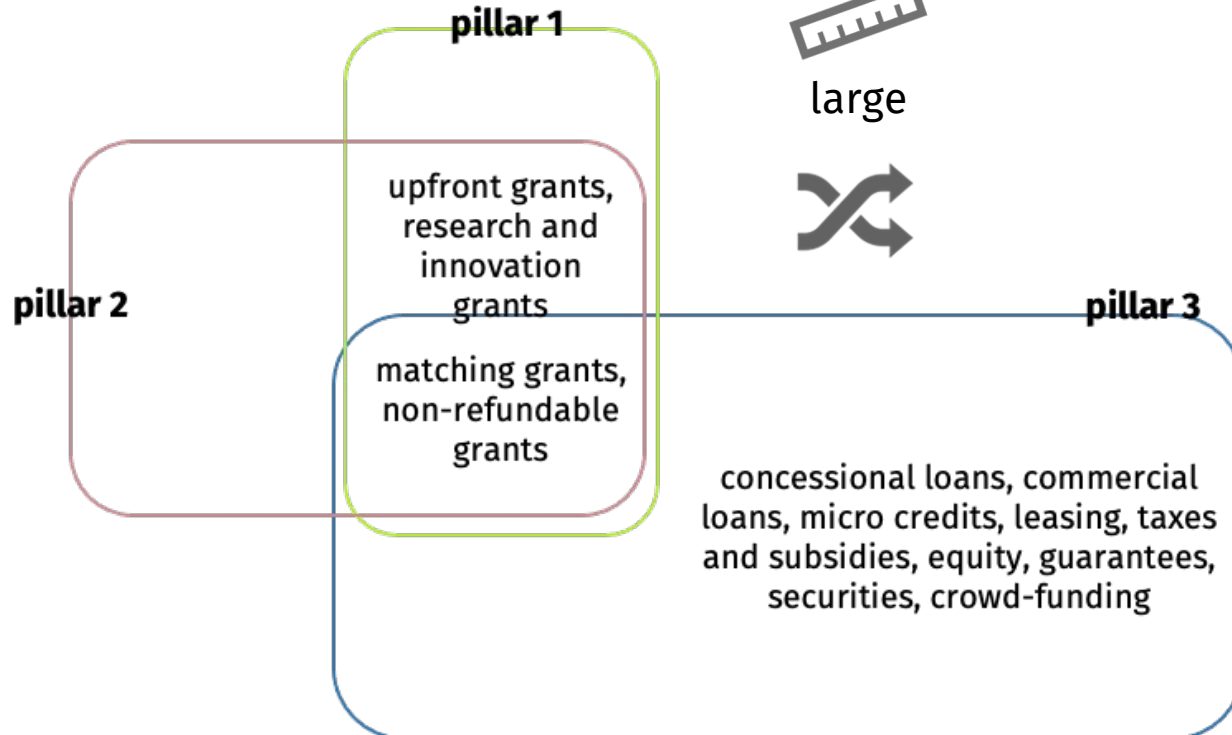
building long-term resilience to improve the ability of systems to withstand, adapt to, transform and recover from drought, including the preservations and restorations of basic functions



time-neutral, but before a successive drought event would be forecasted and priority actions should be taken



large



HORIZON 2

Early response



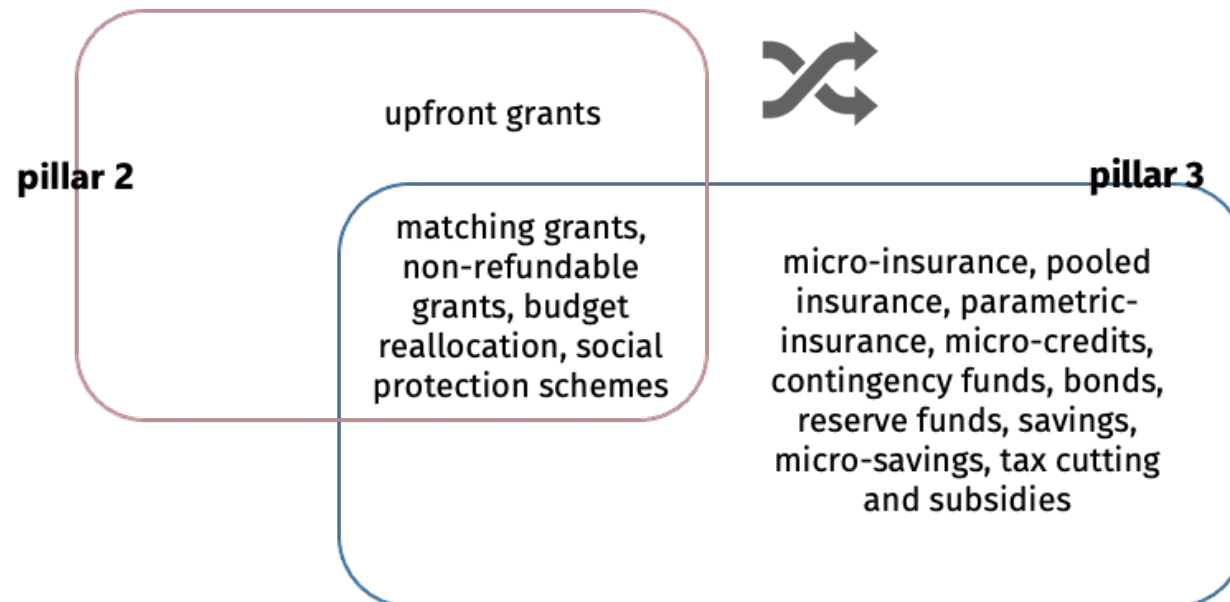
taking actions and mitigating the direct impacts of already forecasted drought, and ensuring safety and basic needs of affected systems



before the impacts of a forecasted or on-going drought event occur



small to medium



HORIZON 2

Early response



Rapid financial operation and transaction



before the impacts of a forecasted or on-going drought event occur

Accurate forecasting

small to medium



upfront grants

Preparedness at all levels of recipients

pillar 3

upfront grants, non-refundable grants, budget reallocation, social protection schemes

micro-insurance, pooled insurance, parametric-insurance, micro-credits, contingency funds, bonds, reserve funds, savings, micro-savings, tax cutting and subsidies

HORIZON 3

Recovery and restoration



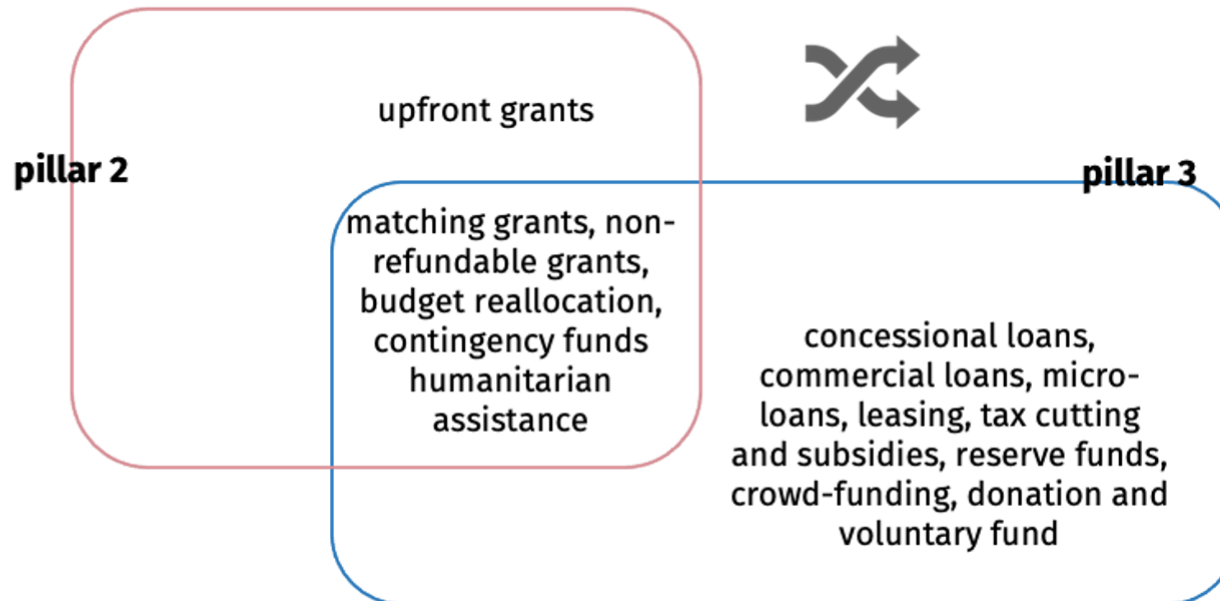
recovering from drought events after impacts occurred and restoration of systems by building back their basic functions



post-drought when impacts occurred



small to large



HORIZON 3

Recovery and restoration



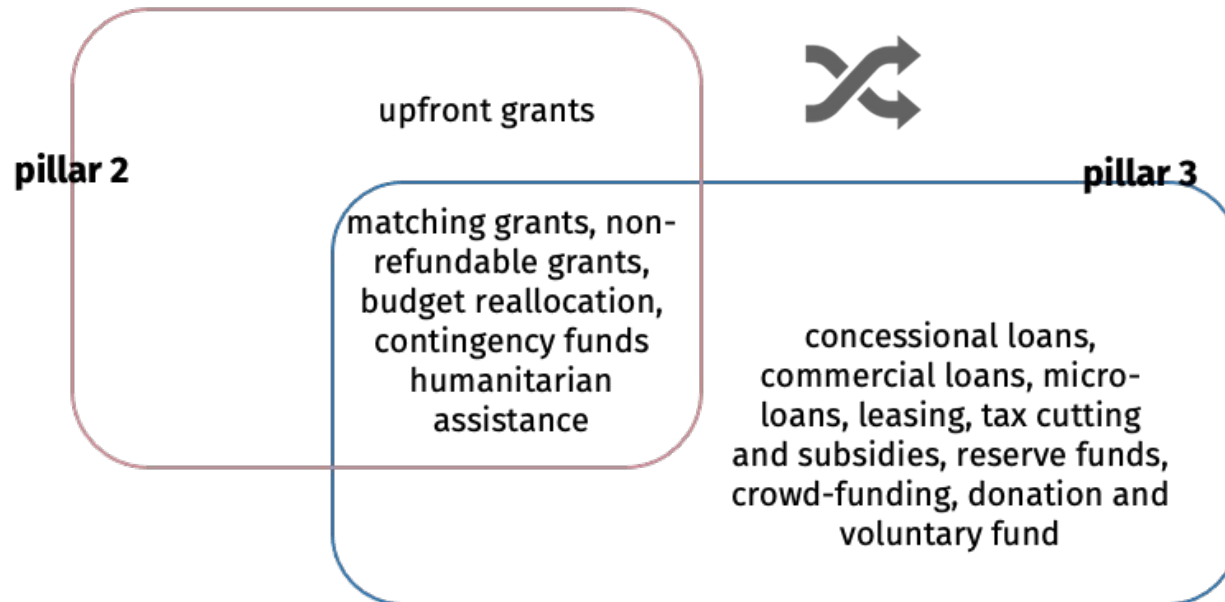
recovering from drought events after impacts occurred and restoration of systems by building back their basic functions



post-drought when impacts occurred



small to large





REACTIVE

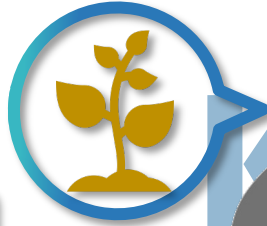
Contingencies Funds



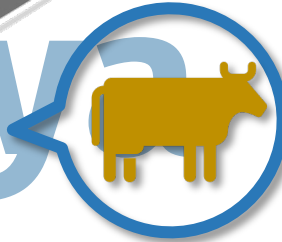
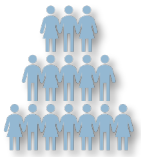
Country Emergency Funds



World Bank's Development Policy Loan with a Catastrophic Deferred Drawdown Option



15 million National Drought Emergency Fund



Kenya Livestock Insurance Programme

14.5 thousand



5.3 million Kenya Agricultural Insurance and Risk Management Program



African Risk Capacity Programme

15 million



PROACTIVE



THANK YOU FOR THE ATTENTION