



# Demonstrating that Preparedness Pays Off

*A Joint Project by UNICEF and WFP*

## Project summary

A new multi-agency emergency preparedness project, launched in 2013 with funding from the UK's Department for International Development (DFID), saw UNICEF and WFP join forces in "Strengthening Humanitarian Preparedness in High Risk Countries". In addition to improving emergency readiness in more than 25 high-risk countries, the project has also made the wider case for preparedness, demonstrating the time and cost savings derived from such investment. The increased inter-agency and partner efforts also resulted in greater coherence and efficiency in overall emergency response.

## Model demonstrates preparedness pays

In an innovative endeavour, UNICEF and WFP together with the Boston Consulting Group (BCG) developed a model to estimate the financial "returns" and time savings from specific preparedness efforts at country level, including emergency supply pre-positioning, infrastructure development, staff training and contingency arrangements for contracting externally.

*Investing in preparedness is a smart way of allocating scarce resources as it provides significant opportunities to reach more people faster by reducing emergency response time and costs.*

## RETURN ON INVESTMENT STUDY: KEY FINDINGS

Evaluations from investments in three project countries – Chad, Madagascar and Pakistan – provide evidence that taking early action is efficient and cost-effective:

- Of the US\$5.6 million invested in preparedness in the three countries, US\$12 million was saved - more than double the investment.
- All preparedness investments saved either costs or time. 64 per cent of them saved both.
- 75 per cent of investments demonstrated significant cost-savings.
- 93 per cent of investments saved time. None increased time.
- Response time was accelerated by one week, on average.

The model can be used to identify opportunities to reduce costs and increase the speed of humanitarian response. It will be made available to partners and the wider humanitarian system.

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Rehabilitated airstrip in Tissi, Chad, securing year-round humanitarian access to otherwise inaccessible high-risk areas. Photo: Courtesy of WFP

# Emergency Preparedness: Return on Investment Study

## What is an ROI?

The ROI (return on investment) is a financial measure in which an ROI rate of 1 indicates that future costs will be reduced by the same initial investment amount. All rates greater than 1 indicate a higher cost saving than the original investment.\*

\* a 10% discount rate has been applied in all estimates of savings and ROIs.

## Insights from results

The findings show that humanitarian preparedness is complex and must be tailored. Investments with high returns in one country may not necessarily indicate similarly high returns in another country. However, patterns have emerged from the study:

- Pre-positioning of internationally-sourced emergency supplies yield ROIs of 1.6 – 2.0 and significant time savings (14-21 days average) across all pilot countries.
- Large infrastructure investments yield the highest absolute money savings (up to US\$ 5.2m).
- The level of a country's dependency on external goods and services, corresponds with higher ROI to ensure their availability in an emergency.
- Countries with higher coping capacities have higher ROIs for human capital (e.g. training and organizational capacity).
- All investments have various additional qualitative benefits for humanitarian action (e.g. higher reliability, local expertise development, capacity spillover to the broader humanitarian community and other long-term multiplier effects).

## What are the wider implications?

Funding preparedness will not remove the obligation or imperative to respond to emergency needs. But the result of the study show that there is still a large gap between potential savings from preparedness investments and the actual cost of humanitarian response – implying **substantial investment opportunities in high-risk humanitarian contexts**. Favorable returns on investment are encouraging for the humanitarian community and donors already investing in these areas. When global humanitarian needs, costs and complexities have never been higher, the evidence presented in this study makes a strong case for early funding toward emergency preparedness.

## Future directions

More resources to invest in preparedness activities would facilitate swifter, more efficient response, implying more lives saved. A more balanced allocation of limited funds, between preparedness and response, in high risk countries would increase effectiveness and yield greater benefits to affected populations.