



Global Risk Financing Facility



Supporting Early Action Towards Climate Shocks, Disasters & Crises

Alliance Partner of



Supported by



Federal Ministry for Economic Cooperation and Development

Implemented and Managed by



WORLD BANK GROUP



GFDRR

Global Facility for Disaster Reduction and Recovery



UKaid
from the British people

A woman carrying a child on her back, walking through a field. The image is a faded, blue-tinted photograph that serves as the background for the text.

Even in advanced economies,
major disasters have caused
damages of up to 20% of GDP.

This can be up to 200%
in small island states¹.

The Global Risk Financing Facility (GRiF) provides grants and technical expertise to help developing countries safeguard development progress and recover more quickly from the financial impacts of climate shocks, disasters and crises.

www.globalriskfinancing.org

A Changing World

More than a billion people globally have lifted themselves out of poverty in the last 15 years.

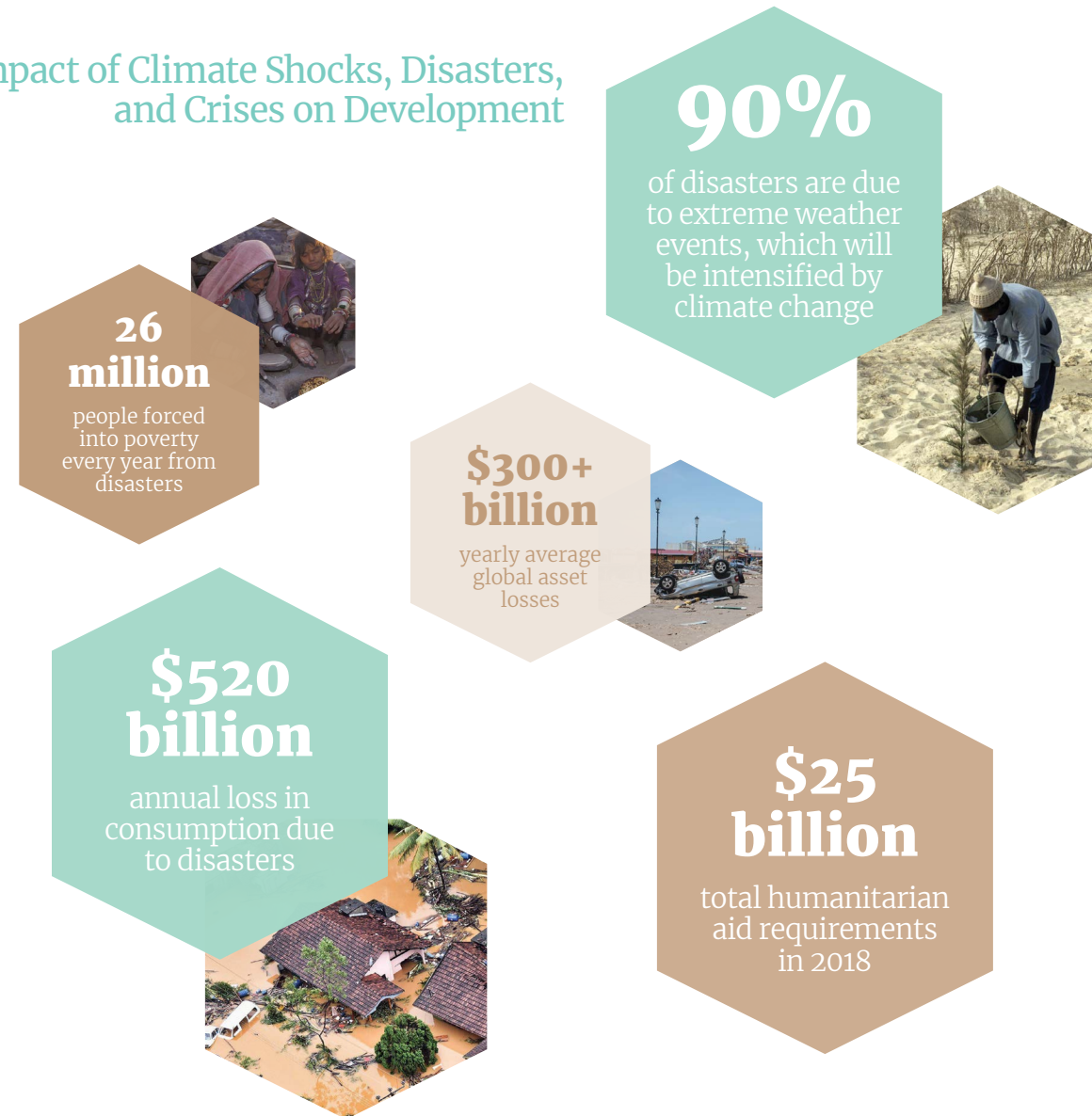
But these people – and other communities around the world – are facing growing threats from climate shocks, disasters, and other crises. Rapidly growing populations and economic growth are putting more people and assets in harm's way.

Climate change is further increasing the frequency and severity of extreme weather events. These events not only take lives, they also disrupt livelihoods, increase political instability, and can even contribute to conflict and migration. The poorest households bear the brunt of these impacts, with women and girls being especially vulnerable.

Governments are increasingly forced to divert substantial resources away from crucial development efforts to fund emergency response, recovery, and reconstruction needs. When government relief funds fall short, citizens bear the cost. Humanitarian aid systems, already overstretched, cannot suffice.

Ad hoc emergency finance – critical as it is – must be our last resort.

Impact of Climate Shocks, Disasters, and Crises on Development



Early Action for Resilience

A rapid response to climate shocks, disasters, or other crises is key to saving lives, preserving livelihoods, and helping communities bounce back quickly. Early action can also reduce the economic impact of shocks.

Responding effectively to shocks – without jeopardizing fiscal stability and development spending – requires:

- Arrangements for funding before an event strikes.
- Well-designed disbursement mechanisms so funds promptly reach beneficiaries.
- Data and analytical tools to inform reliable decisions.

**\$1 secured in
contingent
financing for timely
and predictable
disbursement for
emergencies can
save up to \$5 over
the long term**



2011-12 Drought in East Africa



Beginning in July 2011, a severe drought spread across Somalia, Djibouti, Ethiopia and Kenya, **causing an acute food crisis** in the region. **Ethiopia was able to avoid a major loss of life** as the government, with donor support, had set up the Productive Safety Net Program.



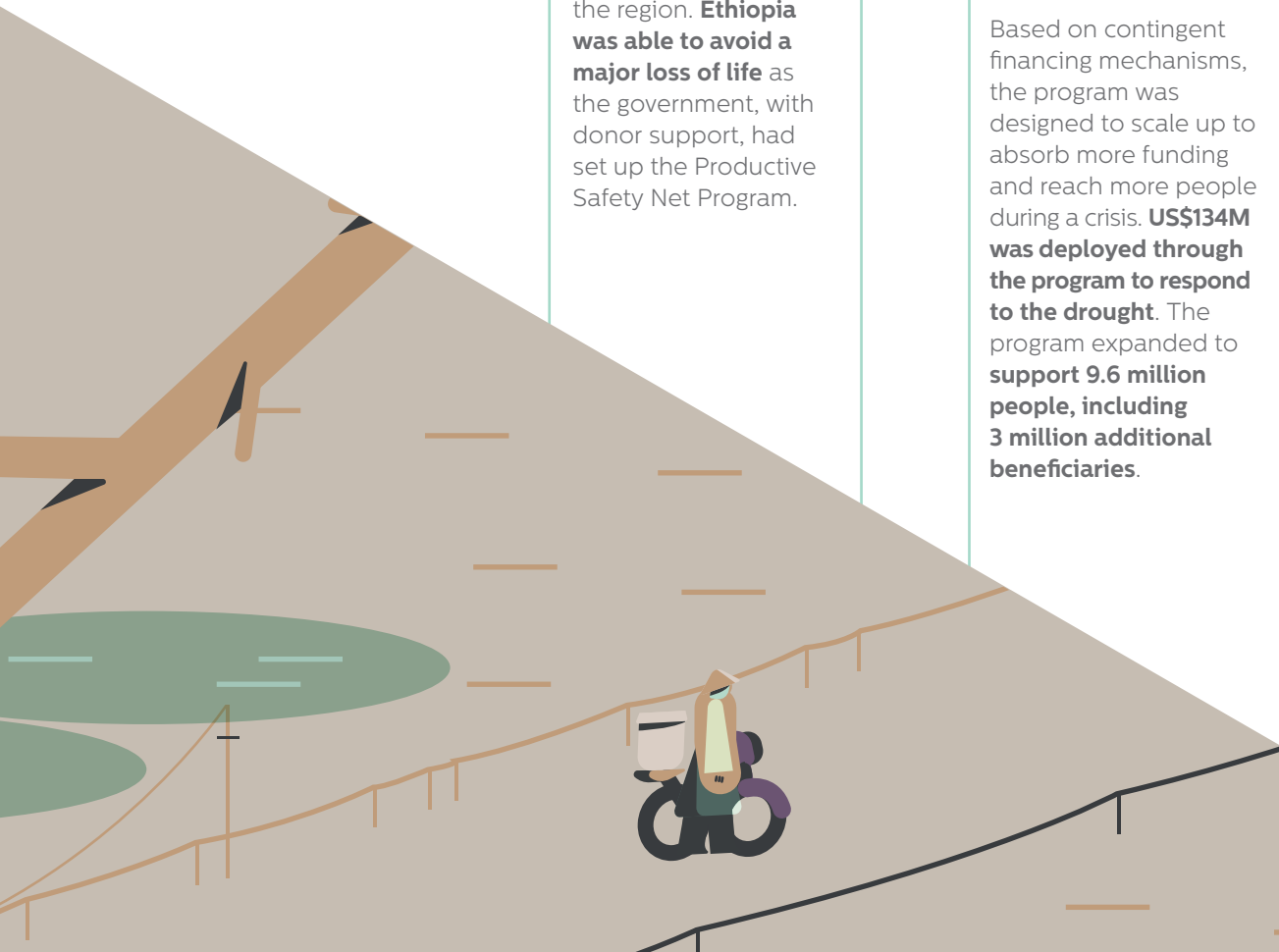
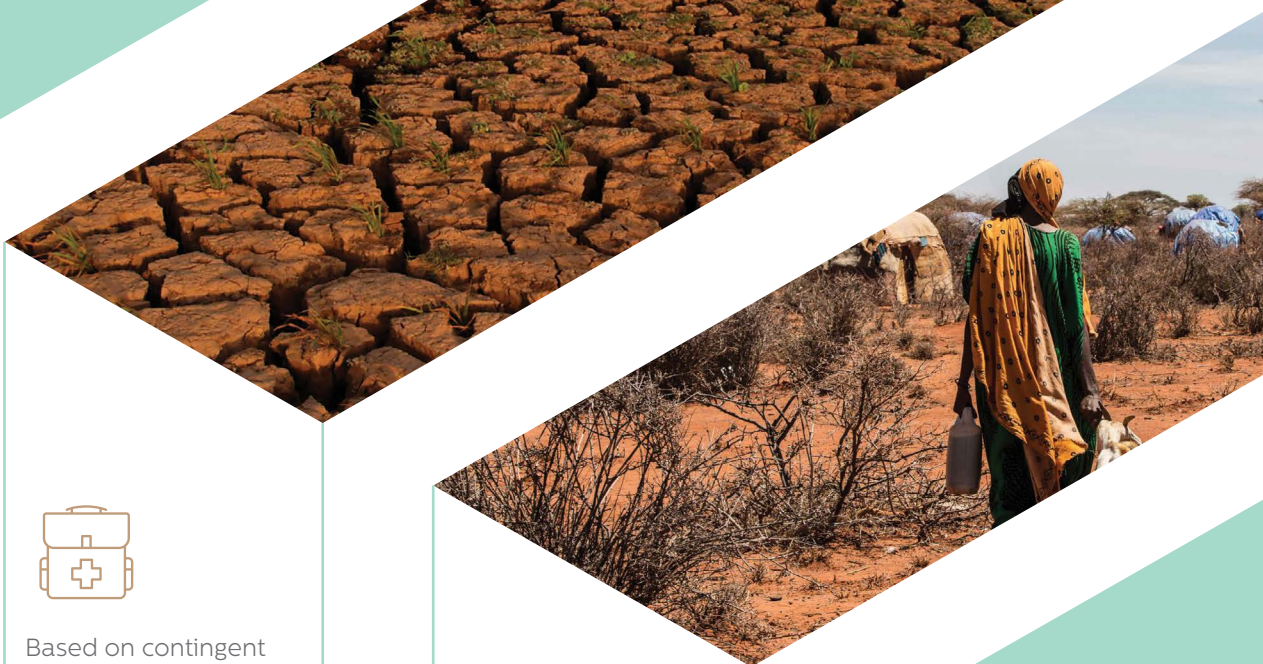
Based on contingent financing mechanisms, the program was designed to scale up to absorb more funding and reach more people during a crisis. **US\$134M was deployed through the program to respond to the drought.** The program expanded to **support 9.6 million people, including 3 million additional beneficiaries.**



By providing support to households at the early signs of the drought, the program helped to **maintain beneficiaries' access to food, reduce malnutrition, and keep children in school.**



Analysis of the Ethiopian government's response shows that every **US\$1 secured in contingent financing for timely and predictable disbursement for emergencies can save up to US\$5 over the long term.**



Scaling Up Financial Preparedness for Climate Shocks, Disasters, and Crises

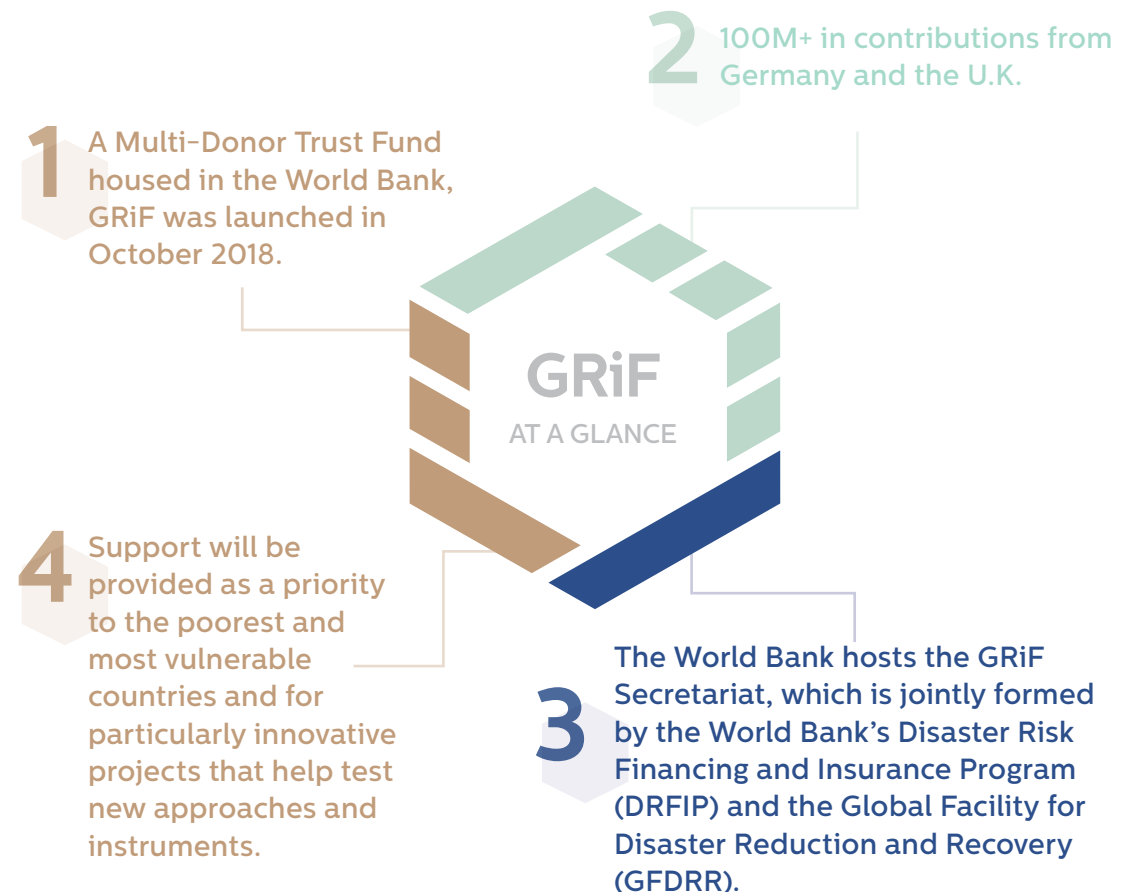
Over the last decade, the World Bank has helped several countries develop their financial risk management strategies, which enable a shift towards an active risk management approach.

Financial and technical barriers still prevent countries from implementing such solutions at scale. The barriers include:

Up-front costs of financial instruments, such as premium payments for insurance schemes or opportunity costs for contingent financing.

Limited resources where governments must choose between financing uncertain future risks and spending on urgent development needs.

Investments and technical know-how required to assess risks and make systems shock-responsive, for example, developing triggers and setting up disbursement channels for funds.



The Global Risk Financing Facility works with governments to **implement risk financing instruments** and **strengthen country systems** for the quick disbursement of funds.

GRiF does this by providing:

- Grants to overcome financial barriers for testing, scaling up, and improving financial protection mechanisms;
- Technical assistance that enables the implementation of innovative financial protection mechanisms.

GRiF works with development partners, international humanitarian organizations, the private sector, and civil society representatives to support governments in implementing these risk financing solutions.

GRiF will also bring good practices and lessons learned from climate and disaster risk financing to other types of emergency events. In particular, this would include support to fragile countries in collaboration with partners. By arranging shock-responsive financing before the onset of a crisis, GRiF aims to help alleviate the otherwise inevitable strain on humanitarian funding.

GRiF will also aim to identify new entry points in the infrastructure and human development sectors to scale up financial planning for early action.

Enabling

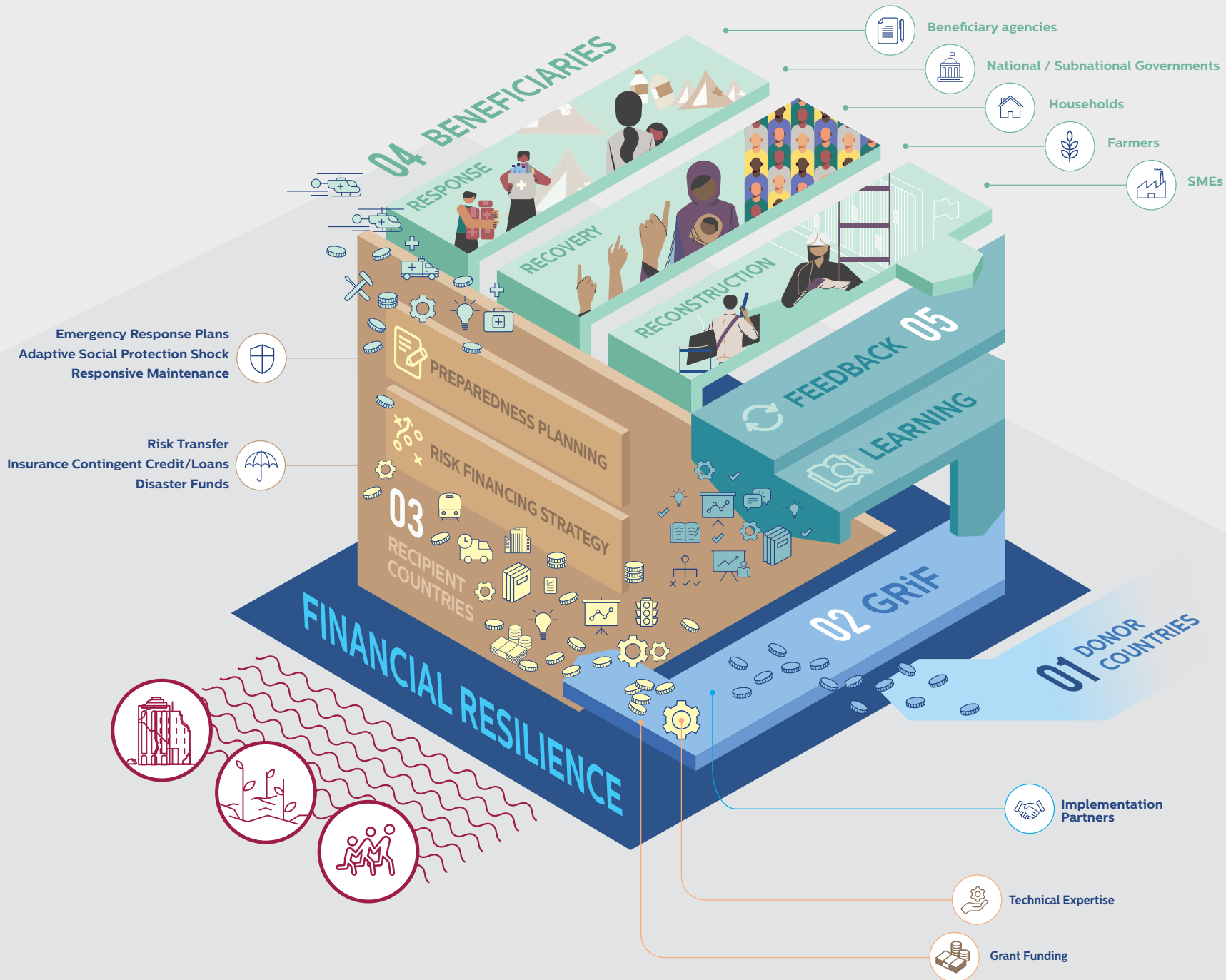
Early Action

FOR

Financial

Resilience

A positive
feedback loop for an
uncertain future



Effective Financial Resilience at Scale

GRiF can help governments develop and implement their risk financing strategy to comprehensively increase financial resilience. Effective disaster risk financing solutions build on the following principles:

1 Provide funding at the right time

Rapid availability of funds after a shock or during the first signs of a worsening situation is crucial for quick relief and early recovery. There is more time to mobilize larger resources for long term reconstruction programs.

3 Disburse funds effectively

Governments require dedicated mechanisms and appropriate expertise to effectively allocate, disburse, and monitor recovery and reconstruction funds.

2 Layer disaster risk

By combining multiple financial instruments, governments can minimize the cost of obtaining funds and protect against a range of events of different frequencies and severities.

4 Powered by data and analytics

Financial analysis of risk data and quantitative evidence empowers governments to take risk-informed decisions in allocating scarce public resources for resilience.

GRiF's Technical Expertise

Backed by the World Bank and other key partners, GRiF can draw on technical expertise and provide implementation support for grants, including, but not limited to:

- Designing and implementing risk financing policies and strategies
- Risk analytics and risk modelling
- Financial modelling and actuarial analysis
- Insurance and capital market advisory, and product structuring

GRiF itself will **NOT** directly provide or place any financial instruments.

Guiding Principles for GRiF Support

GRiF provides support in line with key principles, including:



Country ownership and readiness

The recipient country demonstrates readiness to work on a risk finance solution, for example, by working on a risk financing strategy, by having an adequate legal and regulatory framework, and through political commitment.



Improvements in preparedness and resilience

Funds from GRiF create incentives for preparedness and prevention as essential complements to financial instruments.



Value for money and product suitability

Financial products are priced based on sound actuarial principles. They adequately account for risks and operating expenses, and provide value for money.



Participatory process

The process to design, implement, and evaluate the solution is inclusive. It aims to invite the participation of all stakeholders who can inform and champion these solutions, especially beneficiary communities, civil society organizations, and the private sector.



Open and accessible data and risk modeling

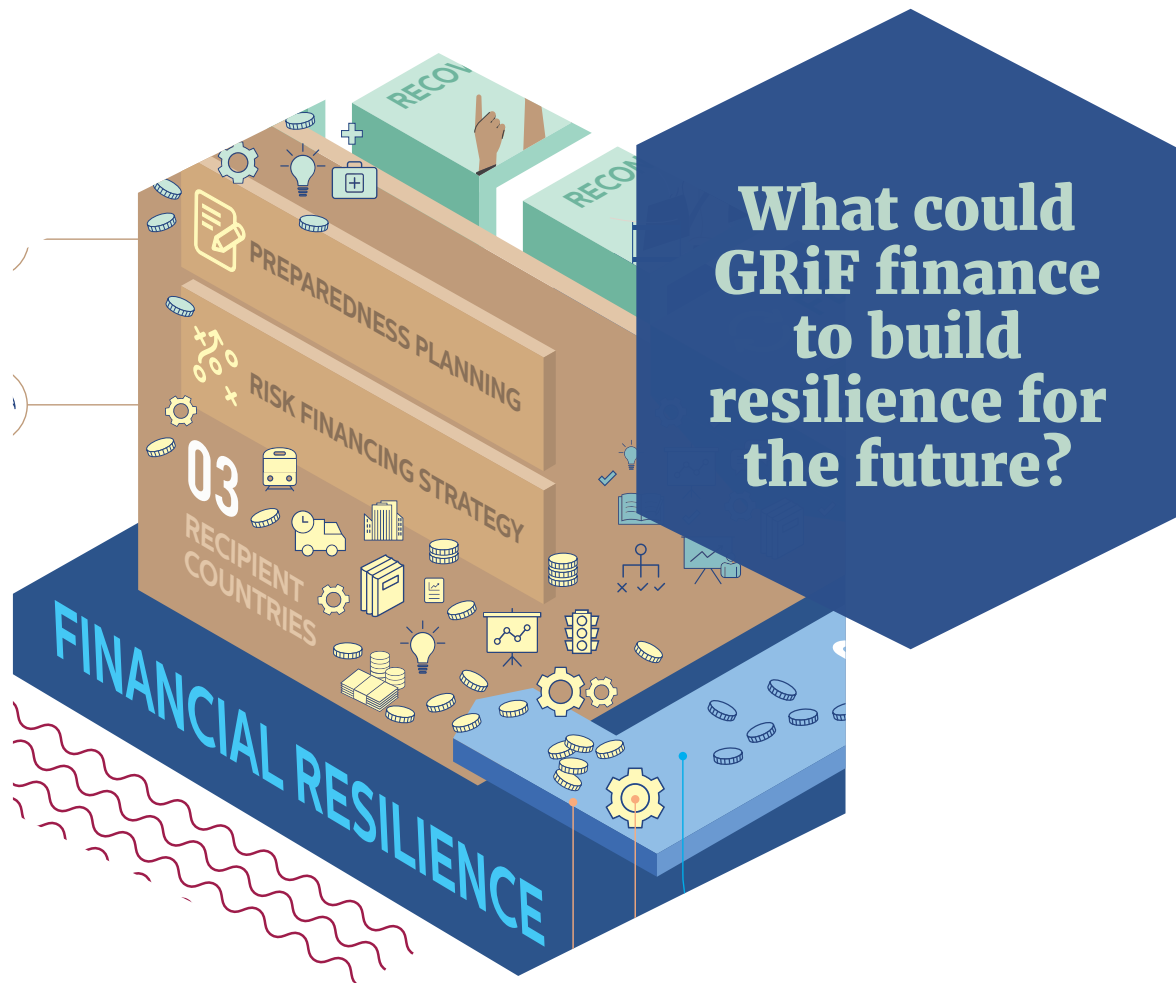
The risk model and data underpinning the solution is open (as far as feasible), available for third parties to review, and transparent to avoid information asymmetries between risk carriers, clients, and donors.



Competitive procurement process and non-preferential treatment

Providers of subsidized financial instruments are selected through a competitive, robust, and transparent process, leveraging the private sector for maximum value.

Transforming Systems to Protect Our Future



- **Investments supporting risk financing mechanisms**
E.g. start-up or operating costs and/or up-front capital contributions for risk pools or disaster funds.
- **Costs of risk financing mechanisms**
E.g. co-payment of insurance premiums, contingent financing arrangements, or other risk financing solutions.
- **Investments that help link pre-arranged funding to national delivery mechanisms**
E.g. establishing triggers and adapting social safety nets to scale up in response to disasters, integrating disaster risk into public financial management systems.

The background features a stylized illustration in shades of brown and beige. On the left, a person in a white coat with a red cross on their chest holds a bag of supplies. In the center, a person in a hooded garment is shown. On the right, a group of diverse people is depicted. The word 'RECOVERY' is written in large, bold, sans-serif letters across the middle of the scene. Several hands are raised in the foreground, suggesting a public gathering or a community meeting.

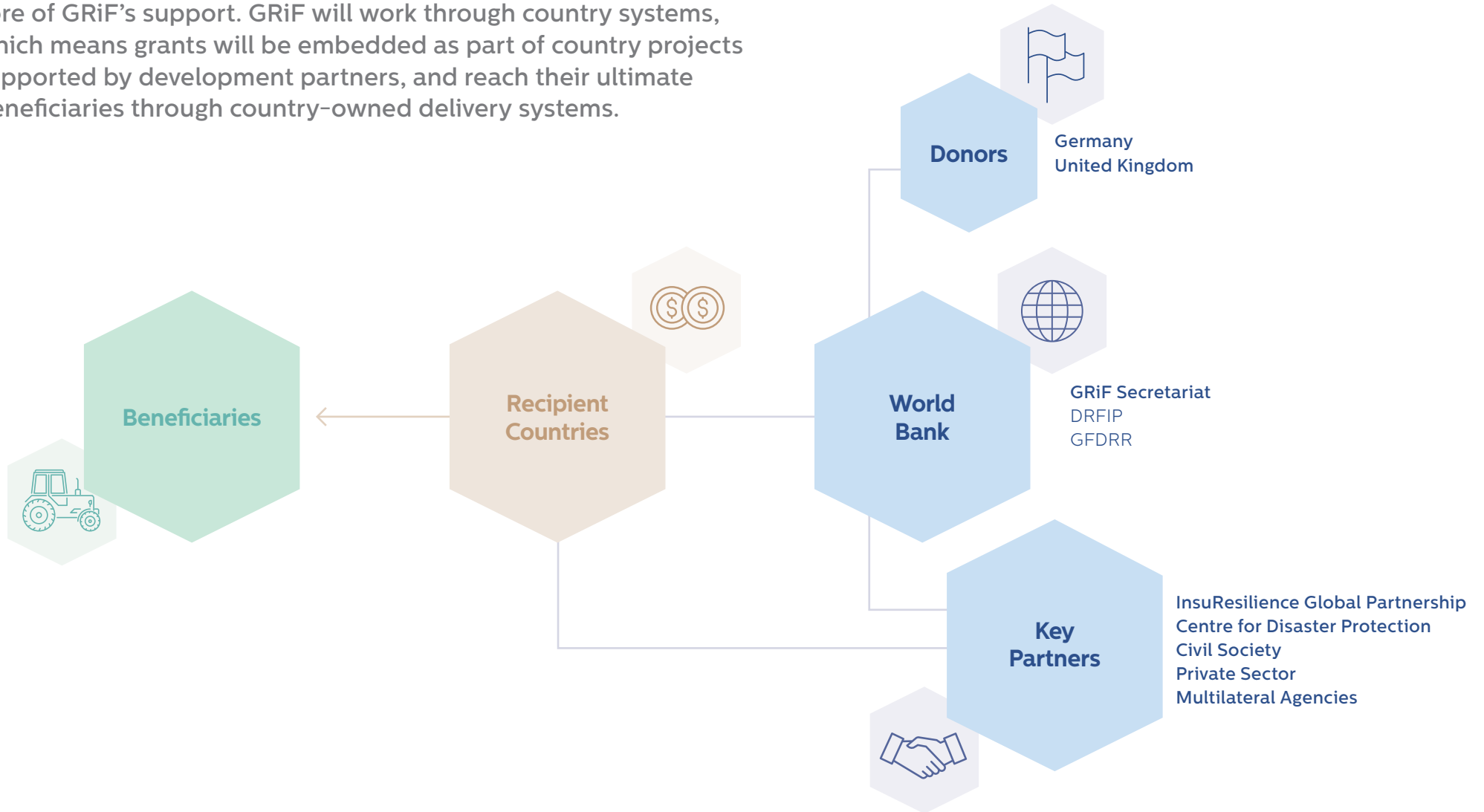
Diverse Solutions for Diverse Needs

Comprehensive risk financing solutions aim to protect different groups across society, including national and subnational governments, vulnerable households, farmers, as well as homeowners and small and medium enterprises.

To this end, GRiF looks to support projects across all sectors. This cross-sectoral approach would, for example, protect fiscal planning and public financial management; public assets and infrastructure; human capital; and urban and rural development gains.

A Country-Centered Design

Countries' own efforts to strengthen financial resilience are at the core of GRiF's support. GRiF will work through country systems, which means grants will be embedded as part of country projects supported by development partners, and reach their ultimate beneficiaries through country-owned delivery systems.



Working Together for a Stronger Tomorrow

GRiF brings together a wide range of actors and partners to maximize resources and knowledge. It will also invest in a participatory monitoring, evaluation, and learning framework to better measure results and integrate lessons learned.

GRiF is aligned with the vision and principles of the InsuResilience Global Partnership and will aspire to meet its pro-poor principles. As a member of its Program Alliance, it promotes knowledge sharing and collaboration.

GRiF-financed projects will build comprehensive financial packages that include market-based solutions. The ability of GRiF to directly co-finance risk transfer instruments will be an important step towards helping more countries access private sector risk financing solutions.

As key stakeholders, civil society organizations will be consulted in the design, implementation and evaluation of GRiF activities and financial instruments.



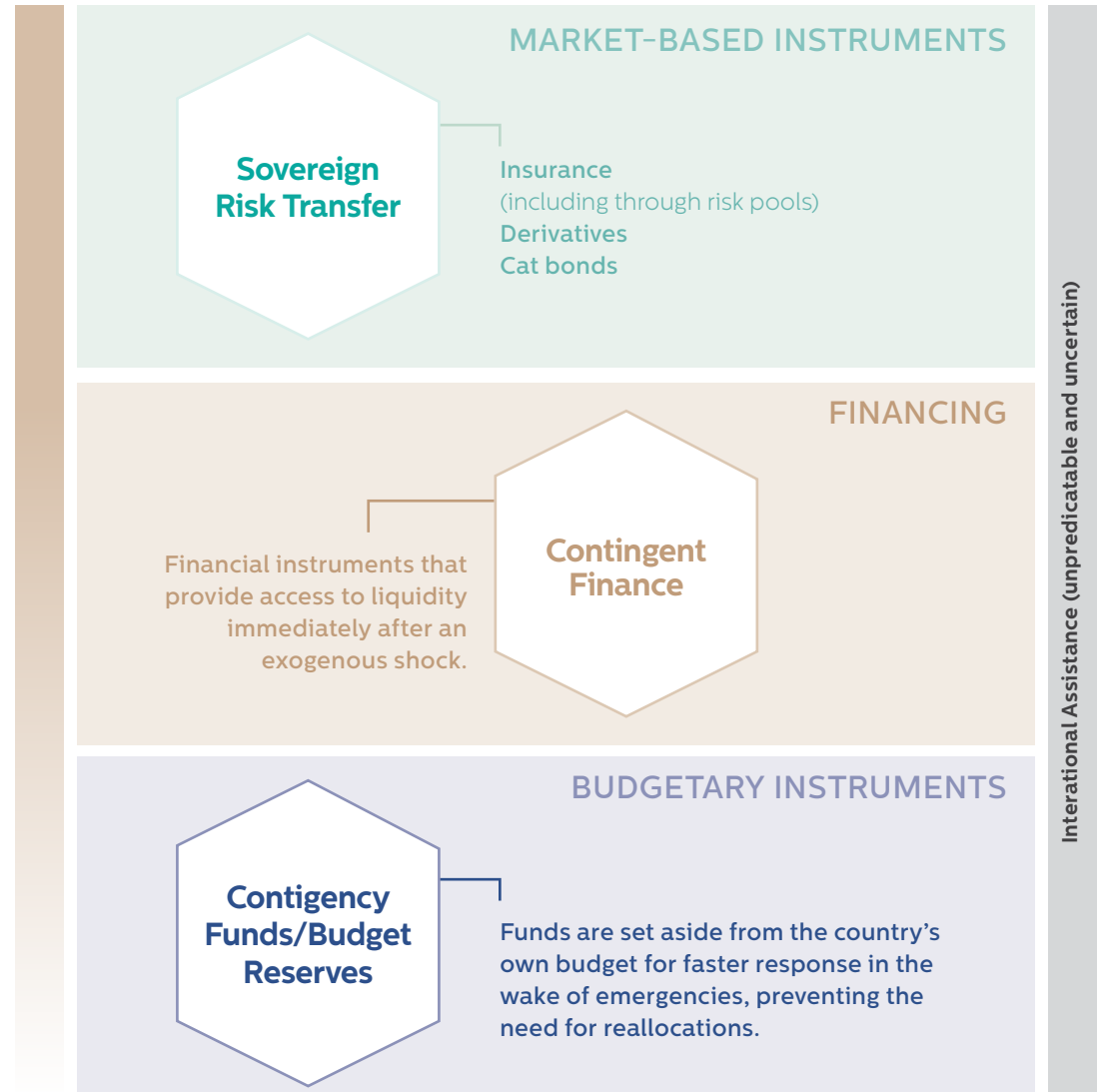
GRiF in Action

GRiF supports the implementation of comprehensive financial protection strategies.

These strategies combine the strengths of different instruments to most efficiently finance shock response.

High Severity
Low Frequency

Low Severity
High Frequency



Strengthening Mozambique's Resilience to Natural Disasters

GRiF's first grant to support a program to strengthen Mozambique's resilience to disasters was approved in March 2019.

The program, with GRiF's support, helps enhance the government's financial resilience.

A sovereign insurance scheme and co-financing premium payments are being set up to protect the country's Disaster Management Fund against severe events.

The program supports the Disaster Management Fund to build reserves and become fully operational.

\$8 million funding

from GRiF with \$6M for premium financing and the remaining \$2M for technical assistance.

The program funding consists of a \$90 million grant provided by the World Bank's International Development Association (IDA).

Up to \$9 million will be made available immediately to provide emergency relief in the aftermath of the tragic Cyclone Idai.



ILLUSTRATIVE EXAMPLES

Solutions that Could be Financed Through GRiF

Depending on the specific circumstances and country requirements at the onset of a shock, GRiF can provide a range of financial preparedness solutions as illustrated below.

PROJECT CASE

Emergency Response And Recovery To Sudden Onset Shocks

Following a shock, governments require immediate liquidity for emergency response, to maintain basic public services, and for safeguarding the livelihoods of the most vulnerable. However, access to short-term liquidity is often a challenge.



EXAMPLE

The Philippines Parametric Catastrophe Risk Insurance Program

Leveraged international markets to provide more than \$600 million in parametric insurance protection against severe earthquakes and typhoons for public assets within 25 provinces.

GRiF

How GRiF Could Be Involved:

Subsidize start up costs, Co-finance premiums,
Help design disbursement mechanisms for quick and effective response.

PROJECT CASE

Delivering Financial Support To Affected Households

Climate shocks, disasters, and other crises tend to have the greatest impact on the poorest households. Additionally, it is often women and girls who bear the brunt of the impact. Mechanisms to deliver rapid assistance at the first signs of, during, and after a crisis are essential to protect the welfare of the population.



EXAMPLE

Northern Uganda Social Action Fund

World Bank funding to this program includes a shock-responsive cash-for-work component to provide rapid assistance directly to the most vulnerable households at the early signs of a drought.

GRiF

How GRiF Could Be Involved:

Invest in building adaptive systems, Provide funding for the contingent component.

Continuity Of Critical Public Services

Damage to public assets such as buildings, transportation (roads, bridges, rail, ports, airports), energy generation, and waste water treatment plants represents a significant cost to governments in the wake of a major event. Shocks also interrupt critical public services such as electricity, water, education, and healthcare.



Public Asset Insurance in Indonesia

Following a national decree, an indemnity insurance program for public assets is under development, with the aim to eventually protect assets owned by all ministries at the national level.

How GRiF Could Be Involved:

Subsidize start-up costs or co-finance premiums,
Support establishment of a self-insurance fund in the medium term.

Financial Sector Development

A strong domestic financial sector and increased insurance penetration helps countries minimize the negative economic impact of disasters. Resilient payments infrastructure enables funds to flow rapidly to affected areas. Increasing access to finance helps governments channel assistance directly to affected households.



Morocco Integrated Risk Management Program

To support the implementation of a new catastrophe risk insurance law, the government is establishing a solidarity fund for non-insured low-income households.

How GRiF Could Be Involved:

Subsidize start up costs, Co-finance capital, first loss, or risk transfer,
Support operating costs.



A woman from a village in Bombali, Sierra Leone, showing her beneficiary ID card for a World Bank Social Safety Net Program, which scaled up after the Ebola outbreak in 2016.

© Simoni P. B. / ICF

Frequently Asked Questions

1. Who are GRiF's beneficiaries?

GRiF works through country systems, which means grants are embedded as part of country projects, reaching ultimate beneficiaries on the ground – including farmers, small and medium enterprises, and others who are often disproportionately impacted from disasters – through country-owned delivery systems.

2. How is GRiF managed?

The World Bank hosts a Secretariat to manage GRiF. The Secretariat includes a Technical Manager and a Trust Fund Manager. The Disaster Risk Financing and Insurance Program (DRFIP) in the Finance, Competitiveness, and Innovation Global Practice, acts as the Technical Manager. The Global Facility for Disaster Reduction and Recovery (GFDRR) in the Climate Change Group, acts as the Trust Fund Manager.

3. Does GRiF provide insurance?

No. GRiF itself is not a direct provider of insurance or other financial instruments; nor is it a new global risk pool. Rather it will provide financial and technical support to lower the technical and financial barriers preventing countries from accessing and using such instruments.

4. How are funding decisions made?

GRiF funding decisions are based on a set of principles, which include both strategic allocation and technical appraisal. Criteria assessed include country ownership, participatory approach during the project design, technical quality and value for money of the proposed financial instrument(s), and competitive procurement of market-based instruments.

5. What countries does GRiF support?

GRiF support is provided as a priority to the poorest and most vulnerable countries. Support is also available to countries for particularly innovative projects that help test and demonstrate new approaches and instruments. In the first year of implementation, the focus is on countries in Asia and Africa. GRiF donors decide on strategic priorities for resource allocation.

6. How does GRiF crowd in the private sector?

GRiF-financed projects aim to build comprehensive financial packages that include market-based solutions. The ability to directly co-finance risk transfer instruments is an important step towards helping more countries access private-sector risk financing solutions.

Frequently Asked Questions

7. How will GRiF incentivize risk reduction and preparedness?

By providing early finance, GRiF will primarily enable faster, more cost-effective response and recovery. It will also drive greater disaster preparedness and resilience by both directly investing in and providing incentives for strong national delivery mechanisms such as national disaster funds or safety net mechanisms, linked to the pre-arranged funding. For example, GRiF grants could help scale up disaster-linked social protection mechanisms to better respond to disasters or other shocks under the condition that well-functioning delivery channels are in place. These kinds of measures would also ensure that financing from GRiF is targeted to reach the poorest and most vulnerable.

8. How will GRiF ensure inclusive design and participation?

Preparation of GRiF grants will involve meaningful consultation from all relevant stakeholders in the design, implementation, and evaluation of these instruments. This includes community-level organizations and civil society, as well as private sector representatives who can inform and champion solutions on the ground. Through its investments, GRiF will put an emphasis on gender sensitivity, for example through the inclusion of gender-disaggregated data in reporting systems to inform/modify flow of funds and taking into account gender differences in vulnerability.

9. How will GRiF work in FCV settings?

GRiF will scale up mechanisms tested with disaster risk financing to support pre-arranged finance for other crises.

Within the World Bank, GRiF is already supporting the operationalization of the Global Crisis Risk Platform, with an initial grant to support the analytical work to design the Famine Early Action Mechanism (FAM). Additional activities are envisioned in the pipeline to adapt existing climate and disaster risk financing instruments to crisis risk financing instruments and help deploy this in fragile countries. GRiF will also explore partnerships to potentially support partners that work more directly in fragile or conflict situations, such as with the World Food Program, International Federation of Red Cross and Red Crescent Societies, or the Start Network.

10. How will GRiF coordinate with risk pools?

Driven by country demand, GRiF could support governments to access existing risk pools, enhance existing risk pools, or in rare circumstances set up new risk pools. In particular, GRiF could co-finance premiums for products from risk pools or serve as a vehicle to finance start-up and operating costs of new risk pools.



We envision a world where people's **lives and livelihoods are protected** from the impact of climate shocks, disasters, and crises.

Contact us to help build a stronger tomorrow.

Benedikt Signer

bsigner@worldbank.org

Sumati Rajput

srajput1@worldbank.org



**Global Risk
Financing Facility**

Supporting Early Action to Climate Shocks, Disasters, and Crises