



Photo: Flore de Preneuf (World Bank)

# GRiF Technical Talks

Online Speaker Series, Session 4: Start Network | Start Financing Facility

## Introduction

The Global Risk Financing Facility (GRiF) Technical Talks webinar series is focused on technical and operational issues and shares lessons learned from the set-up and implementation of GRiF, a trust fund program housed at the World Bank.

The series aims to increase the understanding and awareness of GRiF and the projects it finances among partners interested in crisis and disaster risk finance—officials from ministries of finance as well as other line ministries, development professionals, World Bank donors, World Bank project teams, and others. In each webinar, members of the GRiF Secretariat facilitate conversations with experts in the field of crisis and disaster risk finance, who share their experiences working with the program.



**Global Risk Financing Facility**

Supporting Early Action to Climate Shocks, Disasters, and Crises



Photo: Caroline Suzman (World Bank)



## Technical Talk #4

This talk will provide an overview of the Start Financing Facility, an innovative financial infrastructure established by the Start Network, designed with technical advice and co-financing of USD 340,000 from GRiF. This new risk financing architecture for the Start Network aims to expand the reach of disaster risk financing to frontline humanitarian non-governmental organizations (NGOs).

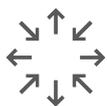
## About the Start Financing Facility



The Start Financing Facility is a new financial infrastructure that enables networks of frontline humanitarians to proactively manage risks by getting ahead of predictable crises, acting faster and more efficiently to avoid losses.

## Development Need

Humanitarian funding in response to disasters and crises is often reactive, slow, and unbalanced.



**Reactive:** Despite 55 percent of crises being somewhat predictable, funding released based on pre-agreed triggers or plans is equivalent to less than one percent of United Nations appeals funding.



**Slow:** Humanitarian funding also faces timing issues, delaying humanitarian response after a disaster or crisis. More than 90 percent of humanitarian funding is allocated to response, as opposed to less than one percent being allocated to anticipation and 3.8 percent to preparedness.



**Unbalanced:** While the larger crises attract attention, it is actually the smaller crises affecting less than one million people that constitute the vast majority of natural hazard-related disasters.

Climate change has only exacerbated these problems, creating new and challenging crisis situations with increasing frequency. There is an urgent need to bring coherence, connectivity and scale to support frontline humanitarian responders to be better prepared in advance of crises.



Photo: Dominic Chavez (World Bank)

## Project Objective

The objective of GRiF's support was to inform and enable the design of the Start Financing Facility to more efficiently fund national-level networks of frontline humanitarian NGOs to proactively manage crisis risks. The Start Financing Facility will offer an innovative approach in three ways:



### Locally-led action

The Start Financing Facility will support frontline civil society responders to access the risk analytics, training, networks and finances needed to better prepare for crises. At-risk communities will inform the prioritization of risks and plans to be put in place.



### Efficiency

The Start Financing Facility will take lessons learnt from the finance, risk, and insurance sectors – using concepts such as risk pooling and financial layering – and apply these to humanitarian action for the first time.



### Scale

The Start Financing Facility will provide one coherent entry point, through which donors can tackle a diversity of risks spanning multiple countries. Both predictable triggered funding, and flexible contingency funding (Start Funds) are available, creating a suite of financial solutions that can adapt to the complexities and realities of crises.

## Project Description

The Start Financing Facility will provide a single-entry point for donors seeking to fund disaster risk finance initiatives of NGOs in multiple countries or regions. The facility is designed to build liquidity and risk pooling through the layering of financing instruments.

*The GRiF grant of USD 340,000 supported the following activities:*



### Component 1

Involved project inception, stakeholder mapping, and stock-taking for the various donors, Start Network members, NGOs and multilateral organisations, private sector partners, governments, academic organisations, and local communities that are involved in the project. This included an [analysis of financial flows](#) that identified existing funding streams for humanitarian crises and significant gaps in that funding landscape.



### Component 2

Focused on project design, the feasibility study for the Start Financing, and bottom-up consultations with Start member organizations in vulnerable countries that included Pakistan, the Democratic Republic of the Congo and Philippines. In these three countries, the facility has now built predictive hazard models that will or have already released funding to predicted disasters including floods, droughts, heatwaves, and cyclones.

As summarized in its [October 2020 Technical Report](#), the launch of the Start Financing Facility will focus on pre-positioned funding for recurring crises for which it is possible to model where they are likely to occur, how frequently and what the impact would be on the most vulnerable communities. For these types of risks, the Start Financing Facility will put in place the following steps:



Support national networks of NGOs and partners to analyse crisis risks, and to develop risk models and contingency plans that identify what actions will be taken when and by whom when crisis triggers are met, and the funds required.



Secure contributions from donors in advance, to ensure that the pre-arranged plans can be delivered. These funds may be positioned in one of the following three ways: at the national level through local humanitarian networks; through risk pools to share risks across hubs (in the case of less frequent events); or through insurance for extreme events.



Monitor crises by triangulating information from the risk models with a range of forecasts. When a danger threshold of an impending crisis is reached, funds are rapidly released to the best-placed NGO to deliver preventive and timely assistance.

The pooling of risk will be done by identifying their probability of occurrence through statistical modelling. Through contingency planning, the Start Financing Facility will calculate how much funding may be needed to be drawn on by members. In cases when the decision is made to pool funds, less funding will be needed overall because the member hubs will be mutually sharing their risks. This will result in fewer pre-positioned crisis funds sitting around unused, and around 4 times more people protected than holding funds separately (based on estimated size of pool in year 1). To demonstrate the effects of risk pooling Start commissioned the UK Government Actuary Department to provide a theoretical illustration of pooling a number of risks, which can be viewed [here](#).



## Impact

*Now that the architecture of the Start Financing Facility is in place, the Start Network has been working to make the framework operational. These collective NGO disaster risk finance systems are already live or in development in 6 countries, and fund raising is underway to attract the seed capital necessary to launch the first pool of pre-arranged financing. The GRiF support to the Start Financing Facility has helped inform a brand-new approach to humanitarian aid, based on the latest learning in disaster risk finance, thereby helping to bridge the funding gap between humanitarian assistance and development. This project has been a breakthrough collaboration between multilateral development banks and humanitarian civil society organizations towards aligning planning for crises and disasters.*



Photo: Vincent Tremneau (World Bank)

### For more information

To learn more about the Global Risk Financing Facility, please visit <https://www.globalriskfinancing.org/>  
To learn more about the Start Financing Facility, please visit <https://startnetwork.org/start-financing-facility>

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