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GRiF Technical Talks

Online Speaker Series, Session 6: The Challenge Fund: Innovations in Risk Financing (Funding Round #3)

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



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Technical Talk #6

This talk will provide an overview of the Challenge Fund: Innovations in Risk Financing, a recently completed funding window supported by GRiF which piloted new and innovative approaches to overcome challenges and strengthen disaster risk management in developing countries.

About the Challenge Fund: Innovations in Risk Financing



An initiative of the Global Facility for Disaster Reduction and Recovery (GFDRR) and the UK's Foreign, Commonwealth & Development Office (FCDO), the "Challenge Fund: Innovations in Risk Financing" aimed to connect innovation to local contexts to help identify climate and disaster risk, and enable more effective decision-making to build resilience. The Challenge Fund: Innovations in Risk Financing is the third in a series of four rounds of funding under the Challenge Fund.

Development Need



Developing countries are often the hardest hit by floods, cyclones, droughts, and earthquakes, yet they are also the least equipped to address these risks. There are a number of exciting innovations that could help – from crowd-sourced mapping projects that reveal hazards with unprecedented precision, to self-learning modeling algorithms that can predict a disaster before it strikes. The Challenge Fund aims to connect innovation to local contexts to help better identify changing climate and disaster risk and enable more effective decision-making to build resilience through targeted investments in innovation.



This funding round supported the development of innovative risk financing mechanisms and the alignment of management actions with on-the-ground user needs, to help countries ensure that their populations are financially protected in the event of a disaster.



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Project Objective

Challenge Fund: Innovations in Risk Financing – Building on the success of two previous funding rounds, in May 2018, the Global Facility for Disaster Reduction and Recovery (GFDRR), the World Bank, the UK’s Foreign, Commonwealth & Development Office (FCDO) and the Centre for Disaster Protection launched a third Challenge Fund round to pilot and support the development of innovative risk financing mechanisms.

Through targeted investments in innovation, the Challenge Fund’s goal is to better enable communities to build resilience to climate change and natural disasters by moving from data to insight to behavior change. The specific objective of this round of the Challenge Fund was to pilot and support the development of innovative risk financing mechanisms to better target vulnerable communities.

The Challenge Fund: Innovations in Risk Financing focused on the following thematic areas that require innovative solutions:

 <p>Disaster Risk Financing for Early-Action</p>	 <p>Machine Learning and Big Data for Disaster Risk Financing</p>	 <p>Disaster Risk Financing Mechanisms to Manage Food Insecurity</p>
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Impact

GRiF provided USD 650,000 to this window of funding, which closed in June 2021. More than 275 expressions of interest were received in this round of the Challenge Fund, and ultimately three projects were selected and funded:

Project

01

“Towards Impact-Based Forecasting: Upgrading InaSAFE and GeoSAFE to Enable Forecast-Based Action” delivered an impact-based forecasting tool for floods in Indonesia.

Project

02

“SMART: A Statistical Machine Learning Framework for Parametric Risk Transfer” delivered a new methodology for parametric risk transfer with optimized triggers, and was tested for tropical cyclones, floods, and droughts for the agricultural sector in the Dominican Republic.

Project

03

“Forecast-Based Financing for Food Security - F4S” delivered an impact-based forecasting model for food insecurity, along with an assessment of the cost effectiveness of different cash transfer mechanisms in Ethiopia, Kenya, and Uganda.

The Challenge Fund has proven to be an effective way to solicit new ideas from external parties that donors and international organizations may not be familiar with. Seed funding from the Challenge Fund can lead to the development of future disaster risk management instruments and improved resilience.



For more information

To learn more about the Global Risk Financing Facility, please visit <https://www.globalriskfinancing.org/>

To learn more about the Challenge Fund, please visit <https://www.gfdr.org/en/challengefund>

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