GRiF.
A look back.
A look ahead.
GRiF is helping to boost resilience at all levels of the economy: at the macro-level to build better buffers; at the mid-level to get firms back into action quickly; and at the micro-level to protect households, assets, and livelihoods.

David Malpass, World Bank Group President, 2019 UN Climate Action Summit
This is the school / that government funds helped build / These are the funds / all going to building a school for today / These are the children / that went to the school / that used up all the funds and made a better life for themselves / and their communities / These are more funds / the government spent / so more children could go to school / more desks could be bought / more villages could be helped / This is the storm / that laughed at all those funds / that worked to build the school / This is the storm that washed out the school / that educated the children / that couldn’t be rebuilt / This is the world without disaster relief financing / These are the funds / that didn’t think about tomorrow / This is the world that couldn’t be rebuilt / Where nothing was taught / Where the children couldn’t go on to make a better life / for themselves / or their communities / Where no children raised the standard of living / Where no children raised the quality of health care / These are the government funds / used up all at once / This is the world that could never get better / Because of disasters that were never planned for / This is the world without disaster risk financing / This is the world without help for the washed-out school / that teaches the children / who change the world / This is a world / a world we can improve together today / by putting aside some funds for tomorrow / A world where planning ahead is using your head / This is the world made better by you / Made better with disaster risk financing /
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Executive Summary.
Words of hope and progress.

When we began GRiF, the Global Risk Financing Facility, back in 2017, we really had no idea how much we would accomplish.

Uncertainty did not stop us. Our ambition was as big as the problems the world faces. Disasters force an estimated 26 million people into poverty each year. Climate change and will only add to this number, bringing bigger challenges than ever before.

Working together, the World Bank and governments of Germany and the UK took GRiF further in the last three years than we imagined. GRiF grants are already scaling up efforts to strengthen the financial resilience of vulnerable countries all around the world. We are proving that after virtually any sort of shock, pre-arranged financing can effectively reach and assist the poor and vulnerable. We are working with insurance markets to bring their unparalleled expertise in risk management, and their capital, to support the vulnerable. GRiF is reacting and growing quickly, and our momentum and ability to plan is always improving.

We’re also working with the European Space Agency, to address data scarcity in low-income countries. And we are contributing to the InsuResilience Global Partnership’s Vision 2025. We are starting to work with the Centre for Disaster Protection to share lessons from GRiF operations to ensure that those in need receive more effective and timely help.

This Annual Report documents activities from June 2019 until July 2020, detailing how we support planning in an uncertain world. There’s always more we can do. Together, and thanks to you, we will do it.
Grif. The Year in Numbers

Pledges, contributions, and grants

Pledges and contributions: $235.6 million
12 projects worth $97 million are currently active
11 projects are being explored with $2.2 million in scoping grants
Project grants support $775 million in World Bank operations ($400 million for low-income countries)

1/3 of projects & 10% of funding are for global public goods
4 project grants & 4 scoping grants are for fragile, conflict, and violence-affected countries and related public goods
All projects address natural hazards
2 project grants & 6 scoping grants address pandemics and/or compound risks
3 project grants address food insecurity
In FY20, Grif scoped projects in 3 new sectors

Communications and knowledge sharing:

/ 2,000 people reached with Grif publications through 4 websites
/ 5,000 people reached with Grif newsletter
/ 100 people reached through virtual and in-person knowledge-sharing events

Progress and impact to date:

* indicates linkages with InsuResilience result areas
Percentage of projects working in key areas that made progress in FY20:

Policy dialogue around risk finance: 91%
Public financial management: 71%
Support to risk finance legislation: 43%
Strengthened delivery systems: 89%
Access to data and information needed for instrument design: 82%
Design of risk finance instruments: 71%

Grif-funded global public goods were piloted in 4 countries
~1.2 million people received emergency cash transfers related to COVID-19 response through Grif-supported social protection systems in Malawi and Sierra Leone*
This report highlights the progress GRiF achieved in fiscal year 2020 (FY20). It focuses on how GRiF works and what it funds, drawing on country examples to illustrate how the facility’s principles lead to action—and ultimately impact. It shows how GRiF is expanding the application of risk financing solutions to new sectors, contexts, and hazards, including to compound risks that will occur in the wake of the global COVID–19 pandemic. It also showcases how grants from the program are developing innovative analytics and other public goods that underlie the design of financial solutions. Finally, it offers a summary of GRiF’s participation in the global risk financing ecosystem through learning and sharing of new knowledge with partners and the public. Information on GRiF’s alignment with World Bank processes, detailed financial information, project summaries, results of FY20 progress as measured against the facility’s indicators.

A year of expansion.
For GRiF, the year was marked by expansion in a variety of ways. After completing its pilot phase in FY19, in FY20 the facility awarded $85 million in new grants, bringing the total value of project grants to nearly $100 million. By the close of the year, GRiF had already fully programmed its pipeline and awarded scoping grants to explore nine potential projects.

The selection of these projects provided an opportunity for GRiF to test the grant selection process and its guiding principles, both developed in FY19. The implementation of existing and new grants also allowed the facility to demonstrate that greater synergies and impact result when knowledge, analytical and advisory services, and finance are combined and embedded as part of World Bank projects.

The year saw GRiF stretch the boundaries of risk financing. Thanks to connections facilitated by the GRiF Technical Committee, the facility was able to engage in exploratory conversations about potential projects with several new sectors, including energy and water, to identify how sector-specific financial impacts can be managed.

In addition, GRiF explored opportunities to apply risk financing to risks beyond natural hazards. GRiF financed three global grants advancing knowledge and analytics around food insecurity risks, one scoping project exploring the application of risk financing to migration flows, and two full grants and six scoping grants addressing pandemics and/or financial solutions to compound risks.

Finally, GRiF expanded the share of its portfolio focused on countries affected by fragility, conflict, and violence (FCV) and supporting the humanitarian sector. FCV countries face several disadvantages when it comes to preparing for shocks and providing emergency response in the aftermath of disasters and crises, so work in these areas has the potential for great impact. There is also an important opportunity to shift the traditional ex post humanitarian funding model to a timelier and more effective ex ante model. At the end of FY20, one country grant, three public goods grants, and four scoping projects were in FCV countries or related to humanitarian issues.

The GRiF Secretariat also built out its core functions. The facility adopted a monitoring, evaluation, and learning (MEL) framework to help assess progress against indicators and key results going forward and to learn from its experience. It also began to implement its communications strategy, reaching out to GRiF stakeholders through communication products as well as knowledge-sharing events. Finally, it initiated work to include a gender lens in its portfolio.

1The World Bank’s FY20 runs from July 1, 2019, to June 30, 2020.
2All dollar amounts in this report are US dollars.
A year of change.

If the experiences of FY20 taught the world anything, it was that very real consequences ensue when a potential risk is actualized. At the close of the fiscal year, the COVID-19 pandemic had caused over 500,000 deaths out of 10 million confirmed cases and had devastated health care systems and economies worldwide. The case for disaster preparedness has perhaps never been stronger.

GRiF responded to the pandemic by reflecting on its objectives and mandate. GRiF foresaw that disasters and other crises would continue throughout and after relief and recovery efforts, and that additional shocks could devastate countries whose populations, systems, and economies had already been overwhelmed by the pandemic. Accordingly, GRiF rapidly restructured its pipeline to provide short- and medium-term grants to help countries prepare for potential compound shocks. By the end of FY20, GRiF had already awarded three grants worth $750,000 in line with this approach.

Furthermore, some existing grants were able to quickly adjust to support COVID-19 response. In Sierra Leone and Malawi, teams developing shock-responsive safety nets were able to use GRiF-funded technical assistance to build and adapt systems for COVID-19 emergency support. Between the two countries, GRiF financing helped enable emergency transfers to around 350,000 people, demonstrating proof of concept for prearranging financial and technical assistance.

A look ahead.

Going forward, the program will continue to invest in its pipeline and track the implementation of its operations on the ground. It will continue to work closely with key partners including the InsuResilience Global Partnership and the Centre for Disaster Protection. It will focus on rolling out its monitoring, evaluation, and learning through projects, including measuring its contribution to Vision 2025, and on clearly and broadly communicating these efforts. GRiF will also develop and pilot a gender action plan. Finally, the Secretariat and its donors will continue to discuss the future direction of the program.
GRiF: Who we are, what we do, why we matter.
Helping the world’s vulnerable become more resilient and more responsive.

GRIF aims to strengthen vulnerable countries so they can resist, rebound, and recover from the financial impacts of today’s inevitable shocks. We seek to strengthen financial resilience by enabling earlier and more reliable response to and recovery from climate and disaster shocks. Over time, we will work to lessen the effects of a wider range of crises, by establishing or scaling up pre-arranged risk financing instruments, including market-based instruments like insurance. All this is how we work with countries—so that they can respond better, recover sooner, and reduce the impact of disasters.
GRIF provides finance and technical expertise to develop new pre-arranged financing instruments and help existing ones grow. These financial tools and systems help countries and their people prepare for—and recover more quickly from—the impacts of climate shocks, disasters, and crises. To maximize the impact of grants, financial solutions are designed as part of World Bank projects. Because every sector, every project, and every country can be negatively affected by climate and disaster shocks, GRIF cofinances projects from across development sectors.

Grants address the challenges of financial and technical barriers to pre-arranged financial solutions by financing up-front costs associated with protection instruments and by building systems that can rapidly and efficiently channel resources where they are needed, when they are needed. GRIF grants can also finance the development of global public goods that address key research and analytical gaps in the risk financing field. Accordingly, GRIF facilitates smarter, more thoughtful, and more efficiently designed financial solutions.

How GRIF is structured.

GRIF is a Multi-Donor Trust Fund. In FY20, GRIF had pledges and contributions of over $230 million from the governments of Germany and the U.K.

The World Bank, Germany, and the United Kingdom form the GRIF Steering Committee. This serves as the primary governing body, providing all guidance and strategic advice on GRIF’s program priorities.

The GRIF Secretariat leads work planning and reporting. It also coordinates dialogue with donors. The Secretariat is jointly formed by the World Bank’s Disaster Risk Financing and Insurance Program (DRFIP) in the Finance, Competitiveness, and Innovation (FCI) Global Practice and the Global Facility for Disaster Reduction and Recovery (GFDRR) in the Climate Change Group (CCG).

The Secretariat is supported by a multidisciplinary Technical Committee. The Technical Committee makes sure GRIF has sufficient thematic and trust fund expertise both for building a robust portfolio and for learning from ongoing projects. For more information on the Technical Committee’s role, please see the box in the special feature on page 112 “Integrating financial planning across development sectors”.

As a whole, the program contributes to the InsuResilience Global Partnership’s Vision 2025. GRIF also maintains strategic partnerships with other members of the InsuResilience Program Alliance, including the InsuResilience Secretariat and Centre for Disaster Protection.

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1 GRIF finances programmatic public goods proposals. It does not finance small public goods grants.
**GRiF’s funding priorities.**

Originally, GRiF’s programming approach sought to help existing disaster risk financing (DRF) dialogues and operations move forward. Over the last year, GRiF’s portfolio has evolved. It now includes a variety of projects that are in new sectors, that address different risks, and that use new financial products—see the special features “Integrating financial planning across development sectors” and “Putting financing to work: Beyond natural hazards.”

GRiF prioritizes country projects that include these features:
- Integration of financial planning in new sectors
- Innovation in financial solutions
- Expansion of tools and financial solutions to address new risks

It prioritizes global public goods projects that do the following:
- Provide implementation support to the GRiF portfolio
- Address key research and analytics gaps for country project assessment criteria

In coordination with Steering Committee and Technical Committee members, the GRiF Secretariat responded to the COVID-19 pandemic by quickly adapting its funding approach and restructuring a portion of its pipeline (see special feature “GRiF’s response to COVID-19”). This was an effort to support countries in better preparing for and responding to the possible compounding effects of future climate shocks and disasters, over and above the extensive financial impact caused by the pandemic.

This support is being awarded in the form of grants for two types of actions:
- Short-term analytical and preparatory actions
- Medium-term actions supporting preparation for compound shocks

**The instruments GRiF funds.**

GRiF funding can cover costs associated with start-up, operation, capitalization, implementation, technical assistance, and systems building to enable different risk financing instruments.

**For example, GRiF covers risk retention instruments:**
- **Contingency funds.** Financial reserves set aside and earmarked for emergency use
- **Shock-responsive safety nets linked to contingent cash transfers.** Social protection systems that can expand to deliver emergency funds to more beneficiaries and/or provide additional resources to existing beneficiaries.

**GRiF also covers risk transfer instruments:**
- **Sovereign insurance.** Insurance policies taken out by governments that pay out when disasters strike
- **Domestic insurance.** Products offered by in–country insurance providers to groups such as farmers, herders, small and medium enterprises, and households
- **Risk pools.** Institutions that allow multiple parties to aggregate their risks of climate shocks, disasters, or other crises.
How GRiF-funded projects make an impact.

The GRiF program objective is to strengthen financial resilience of vulnerable countries by enabling earlier and more reliable response and recovery to climate and disaster shocks, and over time to a wider range of crises, by establishing or scaling up pre-arranged risk financing instruments, including market-based instruments like insurance.

The program is designed with the expectation that as risk financing solutions are designed and funded, they will be increasingly operationalized by countries. Further, that by embedding funding in larger World Bank operations, governments will strengthen their national policy, planning, and delivery systems for response and recovery. In turn, when disasters strike, pre-arranged funding will be delivered enabling better response and recovery and reducing impact.

The program design also anticipates that through GRiF public goods grants, partnerships, and MEL and communications activities, GRiF will help catalyze a greater variety of available risk financing solutions and enable more strategic and collaborative thinking around risk finance at the global level. The resulting convergence around best practices will then lead to increased demand for and use of concessional support for risk financing and ultimately shift multilateral support toward ex ante solutions.

Progress toward this vision depends on some assumptions, which are mapped out in detail on page 92 on monitoring and evaluation. Some of these assumptions were explored more fully in an evidence review on barriers to uptake of financial solutions and on the link between technical assistance and more effective and timely responses.
3 GRiF: Grant portfolio.
GRiF is at work across the globe, offering support to dozens of countries and millions of people. In FY2020, we awarded six new project grants worth $83 million: these supported Afghanistan, Jamaica, Malawi, Morocco, and the Southeast Asia Disaster Risk Insurance Facility (SEADRIF), and included a global goods grant for Crisis Risk Analytics. We also awarded eight new scoping grants enabling countries to explore the possibility of future projects. Our progress this year brought the total value of our portfolio to nearly $100 million awarded across 15 full projects and 11 scoping projects. GRiF grants support $775 million in World Bank operations.
Public goods grants: GRiF at work.

- $5.5 million grant awarded to support the development of Crisis Risk Analytics. Activities financed through this grant will leverage satellite data, innovative technology, and analytics to build ex ante and forecast-based financial solutions to complex and emerging risks.

- Project activities continued on four previously awarded global goods grants: a Challenge Fund promoting the application of an open data framework for hazard, exposure, vulnerability, and loss data; a Challenge Fund for innovative risk financing mechanisms and capacity building; the Famine Early Action Mechanism to develop monitoring, analytics, and a private sector financing solution for famine risk; and the Start Network to design a financial infrastructure to deliver donor funds to frontline humanitarian nongovernmental organizations (NGOs).

- $450,000 grant awarded to help quantify the impact of the COVID-19 crisis on water service providers and to explore the creation of a water liquidity facility to ensure continuous delivery of water services in the event of future shocks.

- $200,000 grant awarded to carry out an assessment of the financial impacts of COVID-19 and other disaster shocks on small and medium enterprises in vulnerable countries.

- Scoping efforts continued on a feasibility assessment and design of a Capacity Strengthening Program. This program trains and embeds Disaster Risk Finance Fellows in ministries of finance or other relevant ministries and departments in developing countries.

- A global goods grant to improve post–disaster damage data collection, which was piloted in Armenia, completed in FY19.

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4 The Challenge Fund is a Global Facility for Disaster Reduction and Recovery (GFDRR) and Foreign, Commonwealth & Development Office (FCDO)-led initiative that makes targeted innovation grants that connect experts in new technologies with at-risk communities.
Country Grants*

- **Jamaica**: $16.4 million grant supporting a $70 million World Bank operation. This project finances premium payments for a risk transfer instrument that will expand the country’s suite of financial preparedness instruments to protect its budget from climate shocks.

- **Morocco**: $5 million grant, supporting a $200 million World Bank operation, to issue a catastrophe bond that will provide a sustainable, public funding mechanism to protect vulnerable households during catastrophes. The project also supports improvements to climate risk modeling, and awareness-raising of drought risks.

- **Malawi**: $21 million grant, part of a $125 million World Bank operation. This project enables the country’s Social Cash Transfer Program to scale up during emergencies and funds the design of a parametric insurance instrument that will provide protection against more severe events.

- **Afghanistan**: $25 million grant to support the design, set-up, and co-financing of premium payments for a shock-responsive mechanism for a new social protection system being set up under a corresponding $200 million World Bank operation.

- **Southeast Asia**: $10.5 million grant to support the development of the SEADRIF ecosystem. The project will enable SEADRIF to become a regional risk financing platform for all Association of Southeast Asian Nations (ASEAN) countries.

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*This map shows relevant projects in GRiF’s portfolio. It includes projects in implementation, projects in advanced scoping, and projects that have closed. Project details have been provided for those countries where projects moved from scoping to implementation in FY20.
A Modern Aesop for a Modern World
The Mice once called a meeting to decide on a plan to free themselves of their enemy, torrential rain. Terrible storms that flood villages, destroy crops, wipe out homes, schools and roads.

They wished to find some way of knowing when a storm was coming, so they might have time to run away. Indeed, something had to be done, for they lived in such constant fear of storms that they hardly could do anything by night or day, year after year.

Many plans were discussed, but none of them was thought good enough. At last a very young Mouse got up and said:

“I have a plan that seems very simple, but I know it will be successful. All we have to do is to hang a bell about the torrential rain. When we hear the bell ringing we will know immediately that a storm is coming.”

All the Mice were much surprised that they had not thought of such a plan before. But in the midst of the rejoicing over their good fortune, an old Mouse arose and said:

“I will say that the plan of the young Mouse is very good. But let me ask one question: Who will bell torrential rain? Would it not be better to prepare for the rain instead?”

It is one thing to say that something should be done, but quite a different matter to do it. GRIF knows that uncertainty is certain. What matters is preparation.
The Oak & the Reeds

A Giant Oak stood near a brook in which grew some slender Reeds. When the wind blew, the great Oak stood proudly upright with its hundred arms uplifted to the sky. But the Reeds bowed low in the wind yet they whistled a happy and confident tune.

“You have no reason to be sure of yourself,” said the Oak. “The slightest breeze that ruffles the surface of the water makes you bow your heads, while I, the mighty Oak, stand upright and firm before the howling tempest.”

“Do not question our ways,” replied the Reeds. “The winds do not scare us. We are resilient. We bow before the gusts and so we do not break.”

The mighty Oak scoffed and was scornful. “When you are strong, you can last forever.”

“Ah,” said the Reeds. “You have resisted so far. But the measure of real strength is how you bounce back.”

As the Reeds spoke a great monsoon rushed out of the north. The Oak stood proudly and fought against the storm, while the resilient Reeds bowed low. The wind redoubled in fury, and all at once the great tree fell, torn up by the roots, and lay among the pitying Reeds.

As vital as it is to build strong, we cannot resist the forces of nature. It is far better to build with resilience, so we can rebuild rather than be destroyed.
In a spell of dry weather, when the Birds could find very little to drink, a thirsty Crow found a pitcher with a little water in it. But the pitcher was high and had a narrow neck, and no matter how he tried, the Crow could not reach the water.

The poor thing felt as if he must die of thirst. Then an idea came to him. Picking up some small pebbles, he dropped them into the pitcher one by one. With each pebble the water rose a little higher until at last it was near enough so he could drink.

Then the wise Crow said, “I cannot rely on a pitcher. It might provide for me one time or two times. Better I should build a reservoir so I am sure to have water when most I need it.”

In a pinch a good use of our wits may help us out. But it is better still to plan for the certainty of uncertainty.
Our principles.
GRiF believes in working in countries that are hit by devastating shocks and aims to enable countries to better manage the impacts of disasters and other crises. The world's most vulnerable nations are our priority. For maximum effectiveness, we work with countries that are willing to allocate needed resources toward sustained financial protection. We also make sure our projects are anchored in a strategy that supports long-term financial stability. GRiF finances high-quality, open data and models to create sustainable, scaled-up risk financing. We leverage the best science and innovation to design solutions that meet high standards and respond to country needs.
GRIF grants are guided by a set of principles that represent GRIF’s values. These principles were selected to maximize GRIF’s beneficial impact on the financial resilience of developing countries and the well-being of vulnerable people exposed to shocks and crises.

The principles help guide strategic allocations for GRIF’s portfolio, and offer guidance for technical enhancement of project implementation.

The following country stories illustrate a selection of the GRIF principles in action.

- Level of economic development and vulnerability.
- Sustainability and exit strategy.
- Country ownership and readiness.
- Comprehensive financial protection.
- Participatory process.
- Improvements in preparedness and resilience.
- Capability, plans, and systems.
- Accountability and clear decision-making processes.
- Target beneficiaries.
- High-quality, open data and models.
- Value for money and suitability of the product.
- Communication of the product.
- Quality and reliability of the product.
- Competitive procurement process and nonpreferential treatment.
Mozambique’s leadership in advancing its own risk financing agenda

**GRiF Principle: Country ownership and readiness** mean that the country has the intention and political support to implement DRF solutions. These can be shown by an existing or developing DRF strategy, an adequate regulatory framework, or political commitment.

**GRiF Principle: Sustainability and exit strategy** mean that the country (or donors, if necessary) has a clear plan to finance the product in the medium term. For GRiF financing, subsidies are set at the minimum level to make a project viable and are scheduled to decrease over time in an effort to reach self-funding, where possible. Sustainability is demonstrated through the country’s willingness and ability to allocate sufficient resources toward financial protection.

**2019 disasters in Mozambique**

In March and April 2019, Mozambique made international headlines when it was struck by two consecutive cyclones, Idai and Kenneth. Winds over 125 miles per hour and ensuing rains pummeled the coastline in the region’s most intense storms in over 50 years. In all, over 2 million people were affected, and the cyclones led to $3 billion in losses, which included critical physical infrastructure and the previous season’s agricultural harvest.

In August and September, while damage from the cyclones was still being cleared, a third, quieter disaster began to unfold: the second consecutive year of drought, which prevented planting at a time when there were no remaining food stocks from the previous season.

**Historical political support for disaster risk management**

The 2019 disasters were extreme, but Mozambique is no stranger to natural hazards. Over the past 20 years, the government has been strengthening its policy and institutional framework to better prevent, mitigate, and respond to disasters. Its initial focus was...
Backstopping the Disaster Management Fund with sovereign risk transfer

According to an ADRF–financed disaster risk financing diagnostic conducted for Mozambique in 2018, in most years budget allocations are unpredictable and insufficient for financing the annual contingency plans for disaster response. The government will need an additional layer of protection in case another large disaster comes along, such as another Cyclone Idai or Kenneth.

To help meet this need, part of the $2 million that GRiF has programmed for technical assistance is being used to develop capacity within the Ministry of Economics and Finance and the National Disaster Risk Management Institute (INGC). This support will help the government evaluate and select an appropriate sovereign risk finance instrument to provide protection against infrequent, large-scale events; develop a cyclone risk model; and design and place a risk transfer product. Once the government selects an instrument, the $6 million risk transfer component of the GRiF grant will be used to cofinance three years’ worth of corresponding insurance premiums, with a declining subsidy and an increasing amount of counterpart financing.

Government’s financial commitment to shifting to a long–term disaster finance strategy

After Cyclones Idai and Kenneth, recovery was largely financed through traditional humanitarian funding mechanisms. However, the Government of Mozambique has committed $36.27 million in counterpart funding to the World Bank operation, including annual budget allocations to the Disaster Management Fund and allocation of $6 million from IDA to cofinance sovereign insurance premiums alongside the GRiF grant. This commitment demonstrates the government’s dedication to improving its disaster finance, preparedness, and response in anticipation of future major disasters.

In a context where the country is struggling to mobilize financing for reconstruction of infrastructure destroyed by the two disasters, there is a growing expectation that Mozambique can gather experiences on how to mobilize resources for post-cyclone reconstruction.

Augusta Maita, former General Director of the INGC and Minister of Sea, Inland Waters and Fisheries of Mozambique
Scaling and layering shock-responsive social protection in Malawi

GRIF Principle: Comprehensive financial protection: Financial solutions, including risk-layering strategies, should be part of an integrated and comprehensive approach to reducing risks and building resilience for the long term. Instruments should be anchored in a strategy that supports long-term fiscal stability and should be considered part of an overall strategy for paying for disasters. Consideration should be given to potential perverse incentives created through the structuring of subsidies.

A comprehensive financial protection strategy
Malawi’s National Disaster Risk Finance Strategy, adopted in 2019, is a comprehensive approach to developing financial solutions and systems that can protect both the government’s budget and the country’s vulnerable population. The strategy follows a risk-layering approach, ensuring that appropriate tools are in place to provide funding for immediate recovery and longer-term reconstruction in response to risks of various scales and frequencies.

Identifying—and filling—household-level protection gap
In developing the strategy, the government identified a major protection gap at the household level. Around 70 percent of Malawi’s population lives below the international poverty line of $1.90 per day, but collectively, its core safety net programs cover only around 25 percent. The main safety net system, the Social Cash Transfer Program, covers less than 10 percent. Both droughts and localized flooding, which are common in Malawi, tend to affect poor, rural households disproportionately, widening the protection gap.

Over the past several years, the Social Cash Transfer Program has been scaled up on an ad hoc basis to respond to lean-season food insecurity and other shocks based on needs identified by the Malawi Vulnerability Assessment Committee.
Scaling up in response to the COVID-19 pandemic

In Malawi (as in most countries), the COVID-19 pandemic is expected to strike hardest in urban areas, where unfortunately the Social Cash Transfer Program does not typically operate. To reach these populations with emergency pandemic assistance, socioeconomic profiles were used to identify hot spots in four cities: Blantyre, Lilongwe, Mzuzu, and Zomba. Through GRiF-financed technical assistance, the Unified Beneficiary Registry was strengthened to respond to scale-ups and was then employed to identify the poorest households in these cities. These steps allowed the government to begin implementing an emergency horizontal and vertical scale-up: additional government and IDA-funded cash support was provided to the 185,000 regular Social Cash Transfer Program households—about half of the program’s beneficiaries nationwide—and to the new urban beneficiaries. In all, GRiF systems strengthening helped facilitate emergency cash transfers to 1 million beneficiaries.

Seeing the success of channeling disaster funds through the safety net, the government included scalable social protection in the National Disaster Risk Finance Strategy. In FY20, GRiF awarded a $21 million grant to fund the design, implementation, and financing of the shock-responsive mechanism. In the event of a drought, this mechanism will enable the existing Social Cash Transfer Program to reach additional households and/or top up payments to existing beneficiaries.

Implementing layered financing in a shock-responsive safety net

In addition to fitting into the government’s layered risk financing system, the shock-responsive mechanism will itself incorporate a layered approach to financing. The first layer, cofinanced by the Government of Malawi with $10 million of its IDA allocation, will be a contingent financing instrument intended to fund small to medium-size scale-ups in response to drought. The second layer, funded by $10 million of the GRiF grant, will be a risk transfer instrument (such as sovereign insurance) that enables larger scale-ups in more severe drought years.

Building on existing systems to enable rapid, efficient shock responses

By strengthening and expanding an existing social protection system, GRiF is leveraging a tried-and-true distribution channel and limiting the complexity of implementing financial protection. Specifically: GRiF funding is delivering comprehensive training to support the government in design of a triggering mechanism; developing a scalability handbook that outlines the rules governing a scale-up; implementing an e-payments system to enable more rapid and reliable payments; expanding coverage of the Unified Beneficiary Register to enable horizontal scale-ups; and facilitating policy dialogue on the effectiveness of leveraging existing systems to channel post-disaster resources. Together, these activities will ensure that resources are channeled to those most in need as rapidly and efficiently as possible, reducing the protection gap in emergencies.
Encouraging preparedness and planning in Southeast Asia through a risk financing ecosystem

**GRiF Principle:** Improvements in preparedness and resilience mean that the impact of GRiF grants will stretch beyond increased uptake of DRF. They will also lead, directly or indirectly, to strengthened risk management that incorporates new or improved elements of prevention, preparedness, and resilient recovery.

**Risk pools—not just a financial instrument**
Successfully implemented in the Pacific, Caribbean, and most recently in Africa, regional risk pools facilitate countries’ access to DRF products and lower premiums through risk aggregation and transfer services. Less acknowledged, but perhaps even more valuable, is the broader ecosystem that risk pools can create for improved risk management. As regional institutional structures, risk pools support regional coordination, development of political mechanisms, preparedness planning, investments in reliable risk data and models, and monitoring and evaluation, among other critical actions.

**Establishing the first risk pool in Southeast Asia**
In July 2019, after nearly four years of preparation, the Southeast Asia Disaster Risk Insurance Facility was established by Cambodia, Indonesia, Japan, Lao People’s Democratic Republic, Myanmar, the Philippines and Singapore. This is the first risk pool in Southeast Asia, one of the regions of the world most vulnerable to weather extremes and geophysical disasters. SEADRIF is designed to operate as a regional platform that provides participating nations with advisory and financial services to increase preparedness, resilience, and cooperation in response to climate and disaster risks. By increasing pre-disaster planning and post-disaster relief and reconstruction funding, SEADRIF will protect people and their livelihoods. It will also contribute to ongoing economic development and poverty reduction.

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Developing the risk pool involves establishing an entirely new entity, determining what role countries will play, developing rules for governance, and ensuring an appropriate legal and regulatory environment. It also involves identifying and aggregating good risk information and developing reliable regional risk models, identifying what types of products the pool will offer, and ensuring that the pool has strong management.

By the end of FY20, SEADRIF’s institutional structure, including the SEADRIF Insurance Company, had been established, and the first product had been developed for Lao PDR and Myanmar. That product is now being finalized.

// Supporting the development of the SEADRIF ecosystem

Though still at an early stage, work on developing the broader system supporting SEADRIF member countries has also begun. The $50,000 GRiF scoping grant helped build on ongoing policy dialogue with stakeholders in the region. As a result, a full GRiF grant to support the further development of the SEADRIF ecosystem was awarded just prior to the close of the fiscal year.

The new GRiF project grant will undertake a number of key activities:

// Support the World Bank in carrying out its role as lead technical advisor, bringing together countries, donors, and the private sector to support SEADRIF member countries to set a new direction for risk finance in Southeast Asia

// Support the further improvement and customization of the SEADRIF flood risk monitoring platform, which will be used to price and trigger the financial solutions

// Work with countries to enhance both regional and country-level systems to ensure that disaster funding will flow smoothly from the instruments to recipients

// Support the provision of public asset management data and analytics services to SEADRIF member countries to improve public asset insurance schemes and enhance a future SEADRIF product for public asset insurance

// Contribute to improved two-way flow of critical risk information by investing in upgrades of countries’ damage reporting and payout tracking systems and providing countries with the data and analytics needed to support the rollout of new products

// Invest in regional capacity building and learning programs on climate and disaster risk finance

// Incentivize improved risk management through services provided alongside financial instruments and strengthen preparedness planning.

The grant will enhance both regional and country-level systems to ensure that disaster funding will flow smoothly...
I do small business for a living, but with the COVID-19, my business collapsed. I have already closed my business because sales were not coming, and I needed to provide food for my children and grandchildren.

I have five children. The eldest lost her husband, so she came to stay with me with her three children. All of us survive from this small business. I was at home when the chairman called me that NaCSA is here to assist us with small capital to start or increase our business. I came and I was registered, from which I received the sum of Le 1,309,000. I immediately used Le 1,000,000 to buy goods. As you can see, for the past two weeks, I have made a tremendous comeback. I gave the Le 300,000 to my eldest daughter; she is now selling cookery. NaCSA money changes life.

Beneficiary of the COVID-19 emergency cash transfer.
Rapidly reaching vulnerable households with financial assistance

In June, in line with the Emergency Response Manual, the shock-responsive systems were in place, and the $4 million contingency financing was released to flow through them. Within only three months, the Government of Sierra Leone’s National Commission for Social Action (NaCSA), with World Bank and GRiF support, began to channel emergency cash transfers to around 174,000 beneficiaries in five major cities, including the capital of Freetown. The emergency transfers targeted vulnerable informal sector workers and their families, a population that, as in most parts of the world, is not normally covered by the existing safety net. Identifying the target beneficiary group required outreach to a number of nontraditional partners for appropriate data. Creative solutions were used to ensure that funds reached the right set of beneficiaries—quickly. For the first time ever in Sierra Leone, it was possible to target urban informal sector workers. This advancement can be replicated for future regular and emergency cash transfers.

Inspiring contributions from partners and continued investment in financial resilience

Based on the success of this initial response, the European Union has agreed to provide an additional €5 million for emergency cash transfers designed to reach 228,000 more people by the end of the calendar year. The Government of Sierra Leone has also been enthusiastic about the results of the response, and is interested in setting aside funds to be held in contingency in an upcoming project. This successful experience of delivering emergency cash transfers in response to the COVID-19 pandemic will inform how the remaining GRiF-funded system-building resources will be targeted. In addition, the COVID-19 Emergency Response Manual will provide the basis for continuing to refine and formalize contingency planning ahead of the next shock.

While both scale-ups proved to be effective, the country did not have a systematic way of scaling the safety net for shocks. To address this need, in 2019 GRiF awarded a $2.5 million grant to support the government’s investment in a pre-planned shock-responsive social protection. In addition, the government decided to hold $4 million of a $30 million World Bank social protection project as contingent finance, to be released as emergency cash transfers in the event that a shock requires a scale-up.

Enabling emergency response to the COVID-19 pandemic through GRiF grant flexibility

The implementation of the GRiF grant initially focused on preparing for natural disasters; but not long after the grant was awarded, the world was overwhelmed by the COVID-19 pandemic. Fortunately, because of Sierra Leone’s past experience with outbreaks such as Ebola, pandemics were included in the scope of the GRiF project. As a result, in April 2020, the contingency funding and GRiF support were swiftly reoriented to support COVID-19 relief.

Building on existing systems to facilitate rapid response

GRiF resources were used to develop a COVID-19 Emergency Response Manual that defined the rules governing how the social safety net would be scaled up to meet the emerging needs. The GRiF funding also supported the government in adapting its systems to target and enroll beneficiaries of the emergency cash transfers who were not in the existing registry. This step also served to expand the database for the next shock. In parallel, the corresponding World Bank project supported the government in rolling out an e-payments system to deliver the emergency cash transfers. This facilitated the rapid flow of funds and generated learning for the use of e-payments in future shock responses.

GRiF resources were used to develop a COVID-19 Emergency Response Manual.
CRISIS RISK ANALYTICS: LEVERAGING INNOVATIVE TECHNOLOGY FOR BROADER RISKS

GRiF Principle: High-quality, open data and models are necessary to create sustainable, scaled-up risk financing. The data and risk modeling work developed complies with data transparency, shareability, and reusability principles. This work uses the best science and innovation, raises the standard of understanding, and leaves a legacy of open data and information for a wide audience.

High-tech, but siloed, analytics

Since the early 1990s, high- and middle-income countries have made significant investments in DRF instruments and the accompanying data, tools, and models that support them. Since that time, advancements in technology and data analytics such as real-time satellite data, big data, and machine learning algorithms have enabled increasingly accurate forecasting, improved risk modeling and loss estimates, and lowered prices, facilitating the development of robust DRF markets in these economies.

Low-income and FCV countries, however, face numerous—and different—constraints. Data are scarce, risks are complex and interlinked, and information on trends does not stretch back nearly as far as in higher-income peers. Most importantly, perhaps, the technical expertise needed to develop analytic solutions that are relevant and appropriate to these contexts has mainly been used to work on challenges in high- and middle-income countries.

Facilitating innovation

For the first time, GRiF’s $5.5 million Crisis Risk Analytics grant is bringing together some of the world’s most advanced risk analytics expertise, including the European Space Agency, to focus on creative uses of the latest technology to meet the unique challenges in low-income and FCV contexts.
The project draws on Earth Observation and remote sensing, big data, and predictive analytics to improve risk identification and national and sectoral diagnostics, develop better risk models and triggers, and achieve other advances to promote better-informed and earlier preparedness and financial response to crises. The project also focuses on developing innovative approaches to assess overlapping risks in complex situations.

**Satellite data for earlier drought response**
Alongside and complementing funding from the European Union’s Disaster Risk Finance Analytics program, the Crisis Risk Analytics grant has been supporting the development and customization of the Next Generation Drought Index. This is a suite of activities that combines expertise, tools, and focused training to improve countries’ capacity to finance, monitor, and respond to droughts using the latest technology, including satellite remote sensing and other complementary data sets. The first phase, which involved developing a hybrid drought risk financing approach that linked quantitative, satellite-derived information with local expert knowledge (as shown on facing page), was successfully piloted in Senegal in FY20. Next steps will involve strengthening the dashboard, integrating machine learning methods, focusing on capacity building, and further customization for the Senegalese context. It will also include deployment to additional countries and provide independent benchmarking for existing drought monitoring systems.

**Measuring drought-related food insecurity**
This grant is also supporting the development of a drought metric that could be used both in early warning ahead of drought-related food insecurity and in designing a trigger for a potential food security risk financing instrument. This year, the team developed thresholds for drought and food insecurity measures in Afghanistan. The drought metric combines particular measures of rainfall, soil moisture, and temperature to obtain a composite index. The analysis found a strong correlation between the drought metric and the food security index during critical months.
The Crisis Risk Analytics program is ideally positioned to address critical gaps between space technology and much-needed risk information by focusing on niche, targeted risk financing applications in developing countries. To date, the program has been leveraging European Space Agency and European Earth Observation expertise and contributions (for example, Earth Observation for Sustainable Development) and the crisis and disaster risk finance activities to deliver fully demand-driven, high-impact products and solutions to clients in Senegal and West Africa.

The potential to further deploy these is certainly very promising, and we very much look forward to scaling up our joint efforts, including through our newly established Global Development Assistance program.

Stephen Coulson, Head of Sustainable Initiatives Office, European Space Agency
Knowledge, collaboration, and learning.
Learning together.
Working together.
Improving the world together.

Our mission—GRiF’s and our donors’—is ambitious. We believe all of us, working, learning, and sharing together, can achieve more than some of us working alone. This will enable the global community to offer more effective solutions and protect a larger number of people around the world. For the climate and disaster risk finance and insurance community, the InsuResilience Global Partnership is the primary networking and knowledge-sharing platform. It creates momentum needed to keep the global community engaged in this important area.
end poverty
The sum of $14.85 million was approved in September 2019, with additional financing of $1.515 million awarded in February 2020.

May 2020
- 3 grants aligned with GRiF’s approach to mobilize for COVID-19
- 1 scoping grant for shock-responsive social protection in Afghanistan

October 2019
- 1 scoping grant for subnational disaster risk management systems in Colombia

July 2019
- 1 project grant: $5.5 million for Crisis Risk Analytics
- 1 scoping grant for enhancing DRF policy in the Philippines

September 2019
- 2 project grants of $21 million for a scalable social safety net in Malawi
- $16.4 million for risk transfer in Jamaica

February 2020
- 3 scoping grants:
  - A water sector project in Bangladesh
  - Risk finance solutions in the Democratic Republic of Congo
  - Scalable agricultural insurance in Senegal

June 2020
- 3 project grants:
  - $25 million for shock-responsive social protection in Afghanistan
  - $10.5 million for financial resilience in Southeast Asia
  - $5 million for risk transfer solutions in Morocco

April 2020
- 2nd GRiF Technical Committee Meeting held virtually
- 4th GRiF Steering Committee Meeting held virtually; Monitoring, Evaluation, and Learning plan and communications strategy adopted
- InsuResilience Program Alliance Meetings held virtually

March 2020
- Virtual MEL Framework Validation Workshop with InsuResilience, FCDO, BMZ, and Centre for Disaster Protection

December 2019
- GRiF Secretariat participated in UN Climate Change Conference COP25 and InsuResilience Partnership Forum

November 2019
- GRiF ‘Theory of Change approved by the Steering Committee

October 2019
- GRiF Technical Committee established
- 3rd GRiF Steering Committee Meeting
- InsuResilience Program Alliance Meetings, World Bank Group Annual Meetings

September 2019
- World Bank Group president positions GRiF as a priority at the UN Climate Action Summit
COMMUNICATIONS

Year in review

In FY20, GRiF set out its communications strategy, identifying how it will use its communications activities to contribute toward its mission.

The communications strategy also identified GRiF’s main audiences, decided on communications products for reaching them, and developed an implementation plan.

In line with the strategy, GRiF this year launched its first communications products:

- A brochure that introduces the program, its mission, and key components
- A video that introduces the mechanics of the program
- A newsletter series that shares information on funded projects and lessons learned with over 5,000 readers
- Two widely read blog posts, one on GRiF’s relevance during the COVID-19 pandemic and one on DRF lessons to inform COVID-19 response

GRiF also continued to add information to its website (http://globalriskfinancing.org/), which it updates regularly to share information and engage a range of stakeholders.

In addition to communicating through these products, the Secretariat participated in two face-to-face knowledge-sharing events in FY20: a knowledge exchange week at the World Bank and an experience-sharing event for prospective teams.

The strategy is built around three pillars.

Pillar 1. Integrate financial resilience. By highlighting the importance and benefits of financial preparedness, GRiF seeks to encourage policy makers and finance ministries to integrate financial resilience into their core development processes. By detailing grant processes, GRiF aims to clearly communicate to governments and World Bank teams how to apply for GRiF funding.

Pillar 2. Expand global knowledge. As GRiF projects pilot innovative solutions and generate insights about designing instruments to strengthen financial resilience, the facility contributes to the broader knowledge base around risk finance.

Pillar 3. Inform stakeholders, potential grantees, and the public. Sharing GRiF’s structure, objectives, approach, and successes raises awareness, inspires partnerships, enables new projects, and encourages new donors to participate.

World Bank / Global Risk Financing Facility
GRiF’s objectives and activities are contributing to global agendas for scaling implementation of climate and disaster risk financing. Financial planning for shock response involves a large range of partners, including governments, development partners, private sector organizations, and the humanitarian community, among others. More effort is required to bring all stakeholders together to exchange knowledge and learn from their respective engagements. GRiF and the World Bank are helping to shape new and emerging partnerships to scale up such learning and collaboration.

Donors: Governments of Germany and the United Kingdom

GRiF is currently funded by the governments of Germany (BMZ) and the United Kingdom (FCDO).

Looking ahead

In the coming year, GRiF will roll out new elements of the communications strategy. A key priority is the development and distribution of case studies and early results stories (highlighting both successes and challenges). These will be drawn from the wide array of innovative approaches being funded.

ENGAGING PARTNERS

GRiF’s objectives and activities are contributing to global agendas for scaling implementation of climate and disaster risk financing. Financial planning for shock response involves a large range of partners, including governments, development partners, private sector organizations, and the humanitarian community, among others. More effort is required to bring all stakeholders together to exchange knowledge and learn from their respective engagements. GRiF and the World Bank are helping to shape new and emerging partnerships to scale up such learning and collaboration.

Donors: Governments of Germany and the United Kingdom

GRiF is currently funded by the governments of Germany and the United Kingdom. As founding partners of the program, both donors have played a key role in providing guidance on program design and delivery. Together with the World Bank, both donors are members of the GRiF Steering Committee, providing strategic guidance on GRiF program priorities. In order to maintain the program’s visibility, both donors continue to position GRiF as a flagship initiative within their climate and DRF agenda.

InsuResilience Global Partnership

As the primary networking and knowledge-sharing platform for the climate and disaster risk finance and insurance community, the InsuResilience Global Partnership creates and promotes the political momentum necessary to keep the global community proactive and engaged in this important area. GRiF is a member of the partnership’s Program Alliance, a collaborative platform that facilitates information exchange on risk financing services such as risk analytics, technical assistance, and solution design.

This year, the InsuResilience Global Partnership launched Vision 2025, which lays out its strategy for enabling the scale-up of solutions that strengthen the resilience of poor and vulnerable people at a global scale. GRiF’s MEL framework takes into consideration relevant results areas of Vision 2025.
Centre for Disaster Protection

The Centre for Disaster Protection, funded by the United Kingdom, sources innovative ideas and leverages partnerships to bring about change in the way money is programmed for disaster and crisis risk management. In the coming year, the Secretariat will explore collaboration with the Centre for Disaster Protection especially on evaluation and learning activities.

The private sector

GRIF has a core focus on bringing private sector expertise and capital to support climate risk management in vulnerable countries. In addition to growing private participation in risk management by co-funding insurance premiums, GRIF financed activities are also bringing core private sector expertise to vulnerable countries. For example:

/ In Jamaica, the private insurance sector participated in GRIF training and capacity-building sessions alongside the public sector.

/ The Famine Action Mechanism, funded under a global public goods grant, hired a private sector actuarial firm to develop its food security financial model, onboarded three (re)insurance and capital market firms to assess the model’s reliability, and created a Private Sector Sounding Board to guide a feasibility study and gauge investor appetite for a potential first global financial transaction to transfer famine risk to markets.

The humanitarian sector

GRIF directly invested in efforts to strengthen collaboration and knowledge sharing with humanitarian nongovernmental organizations by financing the design of the Start Financing Facility. Other examples of GRIF projects that engaged humanitarian actors in early finance include the following:

/ A global public goods project explored ways in which Red Cross and Red Crescent National Societies in Southeast Asia could use insurance solutions to fill gaps in their existing post-disaster financing mechanisms.

/ In Somalia, a GRIF scoping grant enabled the development of a framework that uses predefined triggers and locally available quantitative and qualitative information to identify early stages of emerging food security crises. It also enabled work with the UN Food Security and Nutrition Cluster and other associated agencies to identify and prioritize anticipatory and early actions that can be scaled up for future crises.

/ A GRIF grant to the Challenge Fund financed a Red Cross and Red Crescent Climate Centre and Kartoza project to explore impact-based forecasting, which would translate data and advanced analytics into actionable intervention maps that humanitarians can use to plan their responses.
Landscape of GFDRR and FCI risk financing programs

GRiF works within an ecosystem of risk financing programs that offer upstream technical assistance as well as targeted support to regions for design and implementation of financial solutions. The figure below maps out the major risk financing initiatives within the World Bank and how they complement one another.
**KEY EVENTS**

GRiF actively contributes to the global shift from ex post disaster response toward ex ante financial preparedness. GRiF also helps generate more strategic and collaborative thinking around risk finance by donors, the World Bank, and other stakeholders. As part of this effort, GRiF and World Bank leadership attend global and partner events to support and advocate for the climate and disaster risk finance and insurance agenda, to remain current on the latest thinking and learning from other practitioners, and to share operational experience and lessons learned with the broader community. Key events attended by GRiF leadership in FY20 are listed below.

**UN Climate Action Summit, September 2019, New York**

David Malpass, president of the World Bank Group, highlighted the need for access to liquidity after disaster shocks and introduced GRiF as a key initiative toward this goal. The InsuResilience Global Partnership launched its Vision 2025, which sets out how it will scale up and accelerate risk finance over the coming six years and which GRiF’s funding and MEL framework are aligned with.

At the Climate Summit, GRiF’s donors—Germany (BMZ) and the United Kingdom (FCDO)—announced a series of coordinated commitments to enhance climate change resilience for the most vulnerable countries, with the aim of contributing risk management expertise and capital to Vision 2025. The commitments included additional contributions of €20 million to an earlier pledge of over €120 million from BMZ, and a new contribution of £90 million from FCDO; this funding will further support GRiF initiatives to pilot, test, and scale up innovative risk financing solutions in developing countries.

**UN Climate Change Conference COP25 and InsuResilience Global Partnership Forum, December 2019, Madrid**

At the opening ceremony, the UN Secretary-General emphasized the importance of making financial resources available to build climate resilience and enable disaster response and recovery in developing countries. The GRiF Secretariat also participated in the third annual InsuResilience Global Partnership Forum, held alongside the COP25.

**InsuResilience Program Alliance Meetings, October 2019, Washington, DC, and April 2020, virtual**

In October, the Vulnerable 20 Troika discussed its ideas for disaster risk finance and insurance solutions in poor and vulnerable countries. At the April meeting, BMZ, the United Nations Development Programme (UNDP), and the Insurance Development Forum presented their tripartite agreement and its possible contribution to the InsuResilience Vision 2025.

**GRiF Steering Committee Meetings, October 2019, Washington, DC, and April 2020, virtual**

At the third GRiF Steering Committee Meeting in October, the members agreed on updates to the Operations Manual. They also discussed the strategic plan for the project pipeline, and reflected on operational and governance processes. In light of the COVID-19 pandemic, the April Steering Committee Meeting was held virtually, and a major focus was how to mobilize GRiF resources to support resulting compound shocks, both through reprioritizing the pipeline and through restructuring ongoing projects. The members also agreed on the strategic prioritization of funds across sectors and fragile and conflict-affected contexts, discussed operational and governance topics, and welcomed the MEL framework and communications strategy developed by the Secretariat.

**GRiF Technical Committee Meetings, October 2019, Washington, DC, and April 2020, virtual**

The GRiF Technical Committee met for the first time in October. The meeting clarified the committee’s role in building the pipeline and included an update on the initial set of projects. The April Technical Committee Meeting was held virtually and focused on GRiF’s response to the COVID-19 pandemic and other steps by the Secretariat to hone its pipeline priorities.
MONITORING, EVALUATION, AND LEARNING

Year in review

By supporting the development and testing of innovative risk financing solutions, GRiF is itself an innovative pilot. Investments are expected to yield a variety of outcomes, all of which present a tremendous opportunity to learn about disaster and crisis risk finance for vulnerable countries.

In FY20, the Secretariat established a strong MEL foundation that will be built on over the life of the facility.

First, to flesh out and conceptually illustrate how GRiF activities and investments are expected to create positive change, the MEL team, including Secretariat staff and external MEL experts, designed a Theory of Change. As part of the effort to identify key assumptions on which the Theory of Change rests, the MEL team also undertook a literature review of evidence on DRF.

Elements of the GRIF Theory of Change

To establish a plan to capture and share lessons from GRIF on what works well (and not so well) across an array of different geographic, economic, and political contexts, the MEL team designed a MEL framework (see figure below), which is based on the Theory of Change.

Components of the GRIF MEL framework

Looking ahead

In FY21, GRIF will focus on operationalizing the GRIF MEL framework.

Monitoring: The Secretariat will implement a systematic process to collect data semiannually from task teams. Together with portfolio information that the Secretariat already monitors, a results framework will be populated. The results from this analysis will help the GRIF Secretariat assess how well GRIF is delivering on its activities.

Global Risk Financing Facility / World Bank
**Evaluation:** The GRiF MEL team will launch the first two evaluations, which will explore and test research questions underlying the causal mechanisms of early links in the Theory of Change:

- How has the establishment of GRiF influenced the broader risk financing agenda within the World Bank?
- To what extent do the GRiF models (role, governance, operations, financing structure) support the delivery of GRiF outputs?

These initial studies are also an opportunity to officially launch the rolling research and evaluation plan, thereby setting up the processes and systems needed to evaluate GRiF over the longer term. Each study will involve a desk review and primary data collection via key informant interviews. Each is also expected to produce a short report on findings to help bolster the evidence base.

**Learning:** GRiF will produce a more detailed learning plan that will articulate how findings from GRiF monitoring and evaluation activities are shared across stakeholders and communications platforms. The GRiF Secretariat will also sponsor two learning events targeting internal and external stakeholders, which will share initial findings from the monitoring and evaluation activities described above.
6

Special features.
In our efforts to improve disaster response, we are working to improve GRiF itself. Over the last 10 years we’ve innovated in analytics, tools, and financial solutions. We are also prioritizing a Gender Action Plan to address the different needs of men and women in how we respond to events and the solutions we provide. Through the Start Financial Facility we are funding national-level networks of response in the most fragile states. All the while, we are extending risk financing solutions in World Bank projects in new sectors, including agriculture, energy, and water.
PUTTING RISK FINANCING TO WORK: BEYOND NATURAL HAZARDS

The last 10 years have seen significant innovation in analytics, tools, and financial solutions to address natural disaster and climate risks. GRiF’s primary aim is to make strategic investments that scale these advances. Nearly all projects GRiF finances are working primarily to strengthen vulnerable countries’ resilience to natural hazards such as droughts, earthquakes, typhoons, and cyclones.

At the same time, GRiF’s development objective is to “strengthen vulnerable countries’ financial resilience... over time to a wider range of crises.” Accordingly, GRiF is working to expand the use of risk financing tools to cover the risk of conflict and violence, pandemics and other health shocks, and interactions between risks, all of which can affect the lives and livelihoods of people and the stability of economies and governments.

In FY20, three of the awarded global grants addressed food insecurity risks, and one scoping project explored the impact of the flow of displaced people. One awarded country grant, one awarded global grant, and six scoping grants addressed pandemics and/or financial solutions to compound risks.

Project examples
In FY20, GRiF funded a feasibility study for the Famine Action Mechanism. The study investigated the potential for a market-based risk transfer instrument for food security crises—a first for the humanitarian and development communities as well as for international capital markets. In parallel, a GRiF scoping grant supported the development of the first Famine Action Mechanism Action Plan in Somalia in preparation of a full project to roll out pre-arranged financing for famine response in the country. Both projects provide new insights that will inform the application of future financial solutions in food security contexts.

Under the Challenge Fund: Innovations in Risk Financing project, GRiF is funding research that uses forecasting information and proxy variables highly correlated with food security risk to trigger early financing. The project is integrating machine learning on food insecurity drivers with evaluation of the cost-effectiveness of various cash transfer mechanisms to take the first steps toward operationalizing an impact-based forecasting model.

GRiF’s response to COVID–19
The great global shock of FY20 was, of course, the COVID–19 pandemic. By the end of June, the World Health Organization had already reported over 10 million confirmed cases and 500,000 deaths. At the Steering Committee meeting in April, GRiF stakeholders reflected on what role the facility could, and should, play as the pandemic reached more and more low- and middle-income countries.

As the pandemic spread, much attention from governments and donors worldwide was rightfully focused on engaging in rapid prevention, preparedness, response, and recovery. At the same time, GRiF foresaw that as the pandemic raged, disasters and other crises would continue, leading to compound shocks to already stressed systems, budgets, and populations.

Restructuring the pipeline to mobilize for COVID–19
Because crises can catalyze uptake of pre-arranged financing for future shocks, GRiF restructured its pipeline to provide short- and medium-term grants. These are designed to help countries prepare financially for disaster risks even during the pandemic relief and recovery period. As an immediate measure, GRiF is providing small short-term grants (up to $200,000) for analytical work that incorporates financial preparedness to compound shocks into COVID–19 response and recovery projects currently under preparation. In the medium term, GRiF has set aside approximately $35 million to support three to five grants...
that cofinance operations to design and establish financial solutions for compound shocks; the resulting mechanisms will be sustained beyond the immediate pandemic to respond to future shocks and crises.

By the end of FY20, GRiF had already awarded three grants worth $750,000 in line with the approach for mobilizing GRiF for COVID-19.

In Burkina Faso, for instance, the team is exploring the feasibility of adding a crisis window to its Partial Portfolio Credit Guarantee Scheme for small and medium enterprises. The window would reserve additional capital for future shocks such as droughts. This reserve would offer liquidity to lending agencies like banks and microfinance institutions, allowing them to make new loans and restructure existing loans throughout the crisis, even if existing borrowers default.

Another example is a $450,000 grant funding financial assessments of the impacts of COVID-19 on water utilities in three pilot countries, Albania, Brazil, and Colombia. The findings from these assessments will then be used to develop a national, regional, or global liquidity facility to provide timely support to water service providers so they can continue service delivery even in the face of future shocks.

Adapting existing projects to support pandemic preparedness and response

Given the broad scope of GRiF’s financing, some existing GRiF projects were able to address the complexities of the ongoing pandemic within their original mandate of responding to climate shocks and disasters. For example, teams in Malawi and Sierra Leone that were building shock-responsive safety nets were able to rapidly shift their attention from programming for disaster risks to leveraging these systems to support COVID-19 emergency response.

The Crisis Risk Analytics grant was originally designed to explore compound risks, about which very little is understood. The pandemic has only made this need more pressing. A quantitative assessment of the economic, financial, and distributive effects of various potential combinations and magnitudes of compound risks was carried out in a range of locations (Indonesia, Jamaica, Kenya, and the Philippines). The study found that compound risks trigger reinforcing feedback loops that amplify losses and induce long-lasting negative effects on the economy and on public debt sustainability. These findings are demonstrated in the figure below. Another subproject, the Compound Risk Monitor, is developing a tool to identify compound risk hot spots by using World Bank and external risk databases to track existing and emerging risks in near-real time. While the focus is on the interactions between COVID-19-related impacts and wider social, economic, and fragility concerns, the monitor will cover a range of sectors—from food security to natural hazards to economics.

GRiF in FY20 awarded three grants worth $750,000 in line with the approach for mobilizing for COVID-19.

Modeled impact of compound risks on Gross Domestic Product (GDP)
**GENDER**

Even in stable conditions, most development indicators show vast discrepancies in well-being between men and boys on the one hand and women and girls on the other. When climate, disaster, and other shocks strike, these inequalities are often amplified. Standard risk financing solutions are not generally designed through a gender-informed process. Therefore, the funding that flows from them does not actively reduce, and in some cases may even exacerbate, these discrepancies.

Unfortunately, while these trends are widely acknowledged by practitioners around the world, very little is understood about how disaster impacts, access to insurance, and downstream benefit flows affect men and women differently. To date, only minimal work has been done to explore how risk financing solutions can be designed to account for gender variances. Much more work is needed to build an evidence base of good practice, and to support country systems in prioritizing and operationalizing gender considerations, with a particular focus on women and girls.

**Looking inside**

In line with GRiF’s aim of prioritizing instruments that address the different needs and vulnerabilities of men and women, in FY20 the facility began work on identifying how it could better support gender-responsive risk financing.

As a first step in this process, GRiF turned internally to explore how its own programming and monitoring cycle could be improved to incorporate a gender-responsive and gender-sensitive view. The resulting concept note found opportunities for GRiF to integrate gender into its design, delivery, and monitoring and evaluation.

**Looking ahead**

The internal review set the stage for GRiF to undertake further work on gender that is more operationally oriented. FY21 will begin with a rapid review of gender and risk financing at the World Bank. Alongside technical consultations with a range of specialists, the rapid review will inform the development of the GRiF Gender Action Plan, an overarching strategy outlining how GRiF will support the integration of gender-focused solutions in financial preparedness solutions.
Natural disasters and other crises can wreak havoc anywhere, but nowhere more than in already fragile states. In countries with ongoing institutional and social instability or violent conflict, the compounding effects of a new shock can shatter already weakened social and governmental systems, leading to devastating outcomes.

Compared to disasters that strike in comparatively stable locations, those that strike in already fractured contexts deal a more destructive initial blow and are more difficult to respond to and recover from. For the most part, FCV countries themselves have limited emergency response capacity, and humanitarian response can lag due to continued reliance on ex post funding streams. Once responses are mounted, they can be slowed, disrupted, and stalled by the existing violence, weak institutions, and poor infrastructure.

Given the many challenges facing FCV countries, there are numerous entry points where financial preparedness can have substantial impact. GRiF continues to focus on climate vulnerability, but in FY20 the facility expanded application of risk financing concepts to FCV countries and other complex risk environments.

At the close of the year, GRiF was already financing projects that address these issues from multiple angles. One of the projects in GRiF’s active portfolio was awarded to an FCV country, Afghanistan, while three active public goods projects explored different ways to integrate pre-arranged financing and associated analytics into the humanitarian sector. It is also evident that demand for financial planning in FCV contexts is increasing: 4 of the 11 projects undergoing scoping for future project grants were in FCV countries.

Building shock-responsive social protection to reduce reliance on ad hoc humanitarian support in Afghanistan

In Afghanistan, the rates of poverty and food insecurity both hover around 50 percent. Rates are even higher in rural areas, where the population depends heavily on subsistence agriculture and is vulnerable to droughts of increasing frequency and intensity. Both poverty and food insecurity rates are expected to increase as a result of the COVID-19 pandemic, with infections expected to peak at the end of 2020—around the same time as the annual lean season.

Despite the fact that natural disasters have affected nearly 19 million people across the country and have cost around $173 million since 2000, Afghanistan usually responds to shocks with donor financing implemented by humanitarian agencies. As a result, investment in building government response capabilities, sustainable national systems, and long-term resilience has been limited, and support to shock-affected households has been late and insufficient. This year, the COVID-19 outbreak demonstrated the absence of social protection and financing mechanisms to provide financial assistance to the poorest and most vulnerable during times of crisis.

In FY20, GRiF awarded $25 million, its largest grant to date, to help the Government of Afghanistan transition toward a more sustainable and development-oriented approach. The project will enable the development of a foundational social protection delivery system to provide regular assistance to chronically vulnerable beneficiaries during normal years, as well as a shock-responsive mechanism that will allow it to scale up in drought years. The grant also builds on and deploys innovative work on drought indexes and triggers for financial solutions developed under GRiF’s Crisis Risk Finance Analytics global goods grant.
The design process identified three key needs:

/ A way to get ahead of predictable crises
/ A way to act faster to avoid losses
/ A way to enable localized responses for under-the-radar crises

To meet these needs, the Start Financing Facility was designed as an aggregation platform that funds national level networks of frontline humanitarian responders to proactively manage crises. It will draw on risk analysis and strategy, prioritization, and planning; match local needs with funds and financial structures; and pool risk—all in order to enable greater efficiencies, timeliness, predictability, and localization for more impactful responses that avoid losses and save lives and livelihoods.

Small grant, dramatic impact

When this engagement began, it seemed likely that the grant would finance the design of a relatively small financing facility that would sit alongside the Start Network’s existing funds. In practice, the participatory design process led to greater network buy-in. This led Start to rethink the structure of its core crisis financing along DRF principles. The Start Financing Facility is now seen as the future financial infrastructure for the Start Network. It will include trigger-based pooled funds as well as more flexible funds for backstopping against basis risk and covering nonmodeled shocks.

By complementing the GRiF grant with other funding, the Start Network managed to rapidly implement pilots in several countries. The first of the pilots has already triggered twice in response to a heat wave and flooding in Pakistan. The Start Network has also already developed a pipeline of open source catastrophe risk models to enable additional expansion.

Finally, the design of the Start Financing Facility has created an opportunity for the Start Network to talk with both existing and new donors about shifting toward pre-arranged financing models. In response, donors have already started to express interest in providing the resources necessary to begin to build out and provide seed funding for the facility.
We do not know where will be the displacement of the population. We need flexible funds to respond to these alerts, wherever and whenever. But we also need predictable funds to respond in the long term to this movement. The [existing funds] cannot resolve all problems in the area of displacement.

NGO in the Democratic Republic of Congo, responding to Start Financing Facility survey
and losses to power generation assets and consumer incomes due to blackouts. Following recent floods, the government reached out to the World Bank for support in managing the financial risks faced by its power infrastructure.

As part of this support, the GRiF scoping grant is enabling work to help the government better understand the country’s exposure to multi-hazard risks that could affect its power assets and potentially have a wider impact throughout the country. It is also exploring what risk financing mechanisms could be used to facilitate more rapid response to disaster-related energy service interruptions. This work could unlock additional finance from GRiF for design and implementation of an instrument to strengthen the energy sector’s financial resilience.

Global water liquidity facility
Demand for water has skyrocketed during the COVID-19 pandemic, and water service providers are struggling to keep up amid a slew of related pressures on their operations and financial solvency.

In the short run, water service providers need liquidity to continue delivering this essential service, and to stabilize their operations and cover their cash deficits. In the medium to long run, they need a sustainable mechanism that will enable them to respond effectively in the case of compounding shocks from disaster risks, and to future liquidity shocks.

In FY20, GRiF awarded a grant that will support immediate financial impact assessments of the ongoing pandemic on water utilities and at the same time help set the groundwork for long-term financial resilience among water service providers worldwide.
To meet short-term needs, the grant is funding financial impact assessments that identify the financing gap faced by utilities in Albania, Brazil, and Colombia. The assessments will enable the utilities to conduct financial planning, make important (and evidence-based) decisions, justify public finance support, and prepare for potential follow-on risks.

Leveraging the opportunity offered by these three pilots, the grant is likely to draw from lessons learned to develop a conceptual design and proposed financial structure for a national, regional, or global liquidity facility.

The GRiF Technical Committee

Cross-sectoral engagement

The GRiF Technical Committee is a multidisciplinary and multi-sectoral body of experts, comprising focal points from Global Practices and units from across the World Bank. The Technical Committee has several responsibilities:

- It ensures that GRiF’s risk finance expertise is complemented with sectoral expertise and knowledge on adjacent and cross-cutting topics.
- It represents the collective ideas and interests of the respective member groups.
- It encourages sector leaders and operational teams in areas that have not traditionally engaged in risk finance to explore potential engagements with GRiF.

Pipeline

The Technical Committee’s greatest value has been helping to program GRiF grants. A number of new and ongoing scoping projects have come about through formal and informal conversations with Technical Committee members. Since Technical Committee members are either directly involved in or are lead advisors of many projects, with a bird’s eye view of the World Bank’s operational portfolio, this body serves as a platform to provide access to ongoing projects and operational demand for suitable GRiF engagements.

Project preparation process

When GRiF was established, the Technical Committee was expected to conduct a technical review of GRiF grant proposals prior to award. Experience in FY20 found that, in practice, this step duplicated the Quality Enhancement Review (QER) process already being undertaken by the World Bank for the full World Bank project. Operational experience also showed that this step came too early in the process, as much of the technical work on instrument design is done during implementation. Therefore, this function was not deemed relevant for the Technical Committee.

Corporate priorities

The Technical Committee is chaired by FCI’s Global Director and includes senior-level representatives. This structure which helps to maintain strong alignment of the disaster risk finance agenda with corporate priorities and keeps the topic relevant within the World Bank.
Lessons we’ve learned.
We act. We help. We learn. We improve.

Disasters – large, small, or in-between – are not going away. And the costs of dealing with them are not going down. GRiF is responding in a number of ways. We’re applying tested risk financing solutions to new risks. We’re strengthening the preparedness of low-capacity countries. And we’re integrating GRiF grants for risk finance instruments into larger World Bank projects, demonstrating the value of making financial planning central to countries’ development planning. All this helps provide governments with new ways to adapt and respond to the financial impacts of different shocks and crises.
LESSONS WE’VE LEARNED

While the Secretariat is preparing to undertake its first formal evaluations as part of its MEL framework in FY21, several important lessons emerged through implementation in FY20.

There is potential for applying financial solutions to new risks and contexts. Over the last two years, GRiF has tested applications of risk financing solutions to new risks. Engagements in food-insecure and FCV environments like Somalia and Afghanistan point to clear demand for financial solutions in fragile contexts. For countries, the most attractive components of GRiF financing have included not only the support for systems building and preparation of financial solutions, but also the strengthening of the overall institutional and policy environment that is enabling better disaster and crisis preparedness in low-capacity environments.

There is demand for customizing risk financing instruments for different sectors. One of the design features of GRiF is to test the demand for financial solutions in development sectors beyond traditional disaster risk management and urban projects, where these have previously seen traction. Over the last two years, the GRiF Secretariat has had conversations with eight sectors, including infrastructure sectors such as water, transport, and energy. Many of these discussions are nascent and exploratory, but there is commitment from countries to test new and innovative ideas and to develop new sectoral solutions.

Embedding risk financing solutions in long-term development projects is good practice. Integrating GRiF grants for risk finance instruments into larger World Bank projects is a first step toward demonstrating the value of integrating financial planning in countries’ core development planning processes. World Bank projects provide grants the luxury of being anchored in the ongoing dialogue on countries’ development priorities. Furthermore, World Bank projects typically run between three and five years, providing the space and time needed to design instruments well. This is also potentially enough time for the GRiF grant to demonstrate proof of concept and for countries to move toward owning and financing these solutions on their own once the grant financing runs out.

Governments want flexible financial solutions and systems that can adapt and respond to different shocks and crises. The coronavirus pandemic highlighted the importance of designing agile and flexible instruments and systems that can easily be restructured to respond to emerging shocks and crises. In Sierra Leone and Malawi, the teams were quick to reorient the funds available to design the systems needed to facilitate the shock response. In Sierra Leone, contingent IDA funds held in reserve were mobilized as emergency cash transfers to reach vulnerable populations much faster than the regular safety net program, which is still being restructured to mobilize for the emergency. This demonstrates the value not only of pre-arranged finance, but of pre-arranged flexible finance.
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<tr>
<td>ADRF</td>
<td>Africa Disaster Risk Financing Initiative</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>BMZ</td>
<td>Federal Ministry for Economic Cooperation and Development (Germany)</td>
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<td>CNAAS</td>
<td>National Agricultural Insurance Company</td>
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<td>FCDO</td>
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