Learning Brief #1

Global Risk Financing Facility: Technical Talks

Session Title: Global Risk Financing Facility – An Overview

Session Summary

Total Registrations: 285 | Number of countries represented: 60+

Opening Remarks: Olivier Mahul (Practice Manager, Crisis and Disaster Risk Finance, WBG) and Zoe Trohanis (Lead Disaster Risk Management Specialist, Global Facility for Disaster Reduction and Recovery [GFDRR], WBG) discussed the importance and relevance of the GRiF initiative.

Understanding GRiF: Sumati Rajput (Financial Sector Specialist, Crisis and Disaster Risk Finance, WBG) delivered a lightening presentation on GRiF and its workings.

Technical Interview: Donor representatives, Nicola Jenns (Disaster Risk Finance Adviser, Foreign, Commonwealth & Development Office [FCDO], United Kingdom) and Martin Kipping (Head, Climate Policy Division, Federal Ministry for Economic Cooperation and Development [BMZ], Germany) were interviewed by Benedikt Signer (Program Coordinator, Crisis and Disaster Risk Finance, WBG).

Audience Interaction: Kaavya Krishna (Senior Financial Sector Specialist, Crisis and Disaster Risk Finance, WBG) facilitated the session featuring live polls and audience engagement questions. Sumati Rajput concluded with a facilitated Q&A session.

Global Risk Financing Facility

Supporting Early Action to Climate Shocks, Disasters, and Crises

Event Resources: Please **Click** here to access the recording, fact sheet, and PowerPoint slides.

Key Takeaways

1. Setting up pre-arranged financing linked to systems is the first step toward sustainable financial protection in countries.

Creating the enableing environment: This is the core focus of GRiF and where it adds most value, to cover the upstream costs, creating the enabling enviornment, for establishing risk finance solutions by helping countries overcome the obstacles for design and development of such solutions. A key principle for GRiF is to ensure financial solutions are sustainable, which requires sound building blocks as opposed to stand alone transactions. This includes developing robust financial risk models that use quality information; design and placement of a financial solution; strengthening the underlying systems such as public financial management systems, delivery systems, claims management systems, among others.

Long-term engagement: There is recognition in the global community that this is challenging in a 3 to 5 year time span for the country to fully bear the implementation costs of these instruments, particularly where these solutions are pioneering the concept of pre-arranged financing, or are being implemented in fragile and conflict-affected contexts. Therefore, co-financing by donors for implementation costs or premiums may need to be a long-term engagement. Furthermore, these solutions need to create additional incentives for risk reduction and preparedness measures, by ensuring financing is directly linked to contingency planning.

2. There is an opportunity to innovate in new areas and with new partners.

Programs like GRiF offer opportunities to test new ideas, pilot new solutions, and learn from experience, all of which can further help standardize various offerings. For example:

Helping to 'de-risk' sectors: GRiF has been focusing on addressing residual risk at the macro level. However, GRiF can work with sector-specific line Ministries to 'de-risk' sectors like energy and transport, where risk financing can help address the 'residual financial risk'. This risk can be mitigated by creating risk management structures, contingency plans, risk transfer mechanisms, and incentivizing precautionary measures to secure assets and investments in various sectors.

Working with the private sector: Projects are underway to support small and medium enterprises (SMEs) after a shock, to lower default risk for SMEs by continuing to allow access to credit, for example with instruments like Partial Portfolio Credit Guarantees.

Working with humanitarian partners: GRiF has provided technical support to entities like Red Cross and the Start Network to build in early financing principles and pool risk, thereby creating more effective and efficient financing models for humanitarian aid. (For example, please see the Start Network's report on risk pooling). There is increasing demand to build out such mechanisms.

3. Going forward, coordination and coherence within the global risk financing architecture is key.

Increasing demand and supply: Over the last few years, there has been an increasing demand and supply for risk financing solutions, which had led to fragmentation of global efforts. Governments want to be better financially prepared for shocks and crises. Development partners are willing to support this with technical and financial assistance. Therefore, with the increase in demand, there is an increase in subsidy offers from different development partners. These offers are rarely standardized, creating confusion around decision-making for clients who need to assess the different offers and make decisions.

Working together: Countries need a portfolio of layered risk finance solutions to address potential events of different frequencies and magnitudes. Different actors in the DRF field offer their own comparative advantage providing support to address different risk layers. Building cooperation and collaboration with different players, instead of competition and duplication of work, will result in the best possible DRF solutions to countries most in need and should be a priority. Some of the ways to achieve this are by creating standards for subsidy support, creating a level playing field for different partners involved in the risk financing space, and incentivizing partners who can address the different layers of risk in a country's risk financing strategy.

Additional Resources

Annual Report:

- The link to the GRiF Annual Report is here, and documents activities from July 2019 until June 2020, detailing how GRiF supports planning in an uncertain world.

Blogs:

- "Financial Resilience Around the World" details lessons learned over two years of GRiF implementation.
- "How Burkina Faso is Leveraging a Credit Guarantee Scheme to Help SMEs Weather the COVID-19 Economic Crisis" - The blog discusses how the Financial Support Project is being restructured to assist the government of Burkina Faso to tackle the compounding effects of COVID-19 to support the private sector, particularly SMEs.

More Information

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

Contact Information

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