

Global Risk Financing Facility: Technical Talks



Session Title: Start Network | Start Financing Facility

Session Summary

Date: September 22, 2021 | Total Registrations: 170 | Number of countries represented: 50



Opening remarks: Nicola Jenns (Disaster Risk Finance Coordinator at the Foreign, Commonwealth & Development Office, UK) discussed the Start Network's strong track record of developing innovative solutions, documenting and learning from those solutions, and reaching targeted beneficiaries.



Lightening Presentation: Emily Montier (Head of Crisis Anticipation and Risk Financing for Start Network, UK) explained the origin of the Start Financing Facility, which is the proposed financial infrastructure of the Start Network. This included the reasons why such an infrastructure is needed, the GRiF support to the initiative, and the specific features of its setup.



Technical Interview: Clare Harris (Technical Lead for Crisis Anticipation and Risk Financing at Start Network, UK), Amjad Ahmad (Disaster Risk Finance Coordinator for Start Network, Pakistan), and Emily Montier were interviewed by Benedikt Signer (Senior Financial Sector Specialist, Crisis and Disaster Risk Finance [CDRF], WBG) on better understanding the Start Financing Facility, its design, objectives, and how it fits in the broader climate and disaster risk finance architecture.



Audience Interaction: Sumati Rajput (Financial Sector Specialist, CDRF, WBG) facilitated the session which featured live polls and audience engagement questions. Benedikt Signer concluded with a facilitated Q&A session.



Global Risk Financing Facility

Supporting Early Action to Climate Shocks, Disasters, and Crises

Key Takeaways

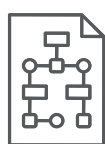
1. Striking the right balance between consistency and flexibility is challenging, yet essential.



Humanitarian funding in response to disasters and crises is often reactive and slow. Every year, approximately USD 26 billion in humanitarian financing flows to various countries in crisis. Of that, more than a third goes directly to non-governmental organizations (NGOs). Funding often doesn't arrive until bad news hits, even though more than half of these crises are predictable, such as cyclical floods, droughts, and heat waves.



Crisis response at scale can increase efficiency. With financial support from GRiF, the Start Financing Facility was designed based on an analysis of existing funding streams and consultations with member organizations in vulnerable countries. The facility provides the financial infrastructure to scale up locally-led responses to crisis into a system of financial preparedness, in part by pooling funds in order to maximize efficiency and share risk. To achieve this efficiency, risk can be aggregated so that it is shared among other members of the network, necessitating some degree of consistency while also accounting for local differences. For example, a large tropical cyclone may cause flooding in multiple countries; however, the response may differ from one country to another based on differences in needs expressed by the community and governance structures.



Effective responses reflect local contexts. To strike this balance, the Start Financing Facility uses a “building blocks” framework that allows member countries to build out their systems and ensure they reflect the different ways organizations work together. In each country, a network of NGOs working together (alongside government, United Nations, and wider partners) request prepositioned funds to cover predictable risks such as droughts, heatwaves, or cyclones. These requests are made based on a financing strategy, risk analytics, contingency planning and costing, and operation protocols, all of which provide for a predictable funding pathway for modeled crises. This system allows for aggregation which in turn enables solutions at scale, but it also enables flexibility, local design, and ownership. Most importantly, this system of aggregation allows for the pooling of risk across partners and across countries.

2. Involving all stakeholders from the outset leads to better outcomes.



When decisions are not informed by the stakeholders they are seeking to support (such as vulnerable populations), they are unlikely to effectively address their needs. Further, including all stakeholders increases the likelihood that issues are addressed up front, as opposed to further down the line when issues may be harder to solve.



Examples exist in Pakistan and in Senegal. In Pakistan, the government cannot cope with the scale of natural disasters on its own. Start Network works with provincial authorities and grassroots organizations to ensure that decision-making is localized, ensuring the buy-in of local communities and stakeholders. As Amjad underscored, one cannot call it a whole-system approach unless all the stakeholders have bought in. In Senegal, the government was using insurance to cover ground nut production, its main cash crop, in case of drought. By involving the humanitarian sector, it became evident that the most vulnerable populations relied on millet, through subsistence farming, to feed their families. Based on input from the humanitarian actors in Senegal, Start succeeded in including millet as a covered crop, thereby addressing the needs of the poorest people and supporting the system to be more tailored to their food insecurity.

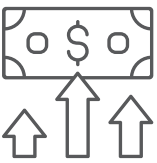


These examples provide evidence that including local groups and vulnerable populations helps to ensure that the needs of all affected groups are taken into account. When decisions are made in advance (rather than in the heat of a crisis) this gives greater opportunity for local communities and responders to play a leading role in determining who requires what assistance and where.

3. A single instrument approach has limitations.



The Start Financing Facility has been designed based on lessons learned from funding crisis response in countries around the world. For example, the Start Network worked with the African Risk Capacity (ARC), an organization that helps African countries purchase parametric insurance policies, whereby payouts are made when pre-agreed triggers are met. NGO partners could then purchase a replica insurance policy to complement the government's policy. Start Network purchased its first [ARC Replica](#) policy to protect against drought in Senegal in 2018 alongside the Senegalese government.



While this model has improved outcomes for vulnerable populations and enabled a successful response to a drought compounded by COVID-related risks in 2020, it also underscored some limitations. Specifically, purchasing an insurance policy is expensive and results in a payout in the event of a major disaster, which is appropriate for catastrophic events. This tool needs to be complemented by other pre-arranged sources of funding for smaller, more frequent disasters. This is reflected in the design of the Start Financing Facility which includes not just insurance to cover larger disasters, but also pooled funds that can be used to respond to small and medium disasters. In this way, the facility is able to respond to more crises efficiently and support more people in need.

In closing, the speakers reiterated the need for the humanitarian system to move from being reactive to proactive in order to maximize the opportunities of unlocking disaster risk finance before disasters occur. They also suggested that this model requires a collaborative culture and a willingness to learn from failure, with an invitation to donor governments to increase their support of this paradigm shift.

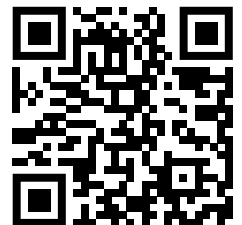
Additional Resources

- To learn more about Start Financing Facility, please visit [click here](#).
- To learn more about ARC Replica, please visit [click here](#).

More Information:

To share your thoughts on the Technical Talks, please [click here](#). To learn more about the Global Risk Financing Facility, please visit <https://www.globalriskfinancing.org/> or contact Technical Team Leads [Benedikt Signer](#) and [Sumati Rajput](#) or Trust Fund Team Leads [Zoe Elena Trohanis](#) and [Ronette Gwendolyn Jordan](#).

To learn more about the Start Network, please visit <https://www.startnetwork.org/> and for the Start Financing Facility, please visit <https://startnetwork.org/start-financing-facility> or contact [Emily Montier](#).



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