Global Risk Financing Facility
Technical Talks

Session 7:
3 Years of GRiF | Implementation Highlights
May 5, 2022 | 09:00 AM – 10:00 EDT

Global Risk Financing Facility
Supporting Early Action to Climate Shocks, Disasters, and Crises
About the Webinars

**WEBINARS**
A series of webinars focusing on GRiF and its innovative projects.

**KNOWLEDGE PRODUCTS**
You will receive an email with post-event resources.

**QUESTION & ANSWERS**
Thank you for sharing questions with your registration. If you have more, please use chat box.
Structure of Webinars

1. Introduction & Opening Remarks
2. Lightning Presentations
3. Questions and Answers (use chat box)
4. Wrap-Up
Opening Remarks

Olivier Mahul

Practice Manager, Crisis and Disaster Risk Finance, World Bank Group
Opening Remarks

Nicola Jenns

Disaster Risk Finance Advisor, Foreign, Development & Commonwealth Office, United Kingdom
Lightning Presentation

Ronette Jordan

Disaster Risk Management Specialist, Global Facility for Disaster Reduction & Recovery, World Bank Group

Global Risk Financing Facility
Supporting Early Action to Climate Shocks, Disasters, and Crises
About GRiF

A multi-donor trust fund that helps countries design and implement financial solutions to manage disasters and climate shocks.

Established in October 2018 and financed by the governments of Germany and the United Kingdom with over $300 million in pledges.

Projects are designed as part of World Bank projects investments so financial solutions are embedded in broader risk management frameworks.
Why is GRiF Relevant?

GRiF is helping to remove financial barriers to risk protection and contributing to global agendas for scaling up implementation of climate and disaster risk financing.

Financial support & Implementation Support
- Start-up and operating costs of instruments
- Direct costs of instruments (e.g., risk pool capital, premium subsidies)
- Establishing systems and delivery channels
- International best practice and technical expertise (e.g., analytics, knowledge exchange, etc.)
- Capacity Strengthening (e.g., training, etc.)

Creating a Demonstration Effect
- Testing and piloting innovative risk finance solutions
- Proving effectiveness and viability
- Giving countries the incentives to continue to finance after the GRiF grant (e.g., Jamaica CAT BOND)
- Attracting other funding sources and resulting in scaling (e.g., first-ever impact-based forecasting tool for floods in Indonesia)

Global Partnerships
- InsuResilience Global Partnership
- High level consultative group
- Program Alliance
- Insurance Development Forum

GRiF is helping to remove financial barriers to risk protection and contributing to global agendas for scaling up implementation of climate and disaster risk financing.
Where does GRiF Work?
Lightning Presentation

Simon Hagemann

Financial Sector Specialist,
Crisis and Disaster Risk Finance,
World Bank Group
Year 3 in Numbers

GRiF is delivering results, demonstrating impact and supporting development outcomes

1. **Over $200 million** in grant financing; $154 for full grants, $3.5M in scoping

2. **$2.2 Billion** in planned or active World Bank-financed projects co-financed by GRiF full-project grants

3. **38 projects**, 11 country projects; 6 regions, 7 Global practices;

4. **16.7 Million beneficiaries** will be reached with GRiF instruments once fully in place
FY21 Highlights/Select GRiF Projects

- Mobilization of private capital: Jamaica
- Shock-responsive social safety nets: Malawi, Sierra Leone
- Micro, small, and medium-sized enterprises: Burkina Faso, Rwanda
- COVID
New Projects in FY22

- Horn of Africa (full grant)
- Lesotho (full grant)
- Nepal (scoping)
- Lao PDR (scoping)
- Possible additional projects in West Africa and South-East Asia
Innovation Investments

GRiF is creating solutions through cutting-edge innovation.

DEFINITION
Programmatic activities with the potential to unlock significant technical improvements in the efficiency of financial instruments and/or spending during and after shocks and crises.

Progress in 4 key areas:

01. Next Generation Drought Index

02. Detailed financial exposure mapping

03. Climate physical risk assessment

04. Compound risk assessment
Bringing Financing to Scale: Lessons from GRiF

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

Working with new partners to test innovative ideas can further standardize available financial solutions for everyone.

Coordinating within the global risk financing ecosystem is key.

Subsidies are most effective when complemented with technical support and offered as part of a comprehensive financial protection strategy.
IBRD Catastrophe Bond for Jamaica Hurricane Risk

Naomi Cooney
Senior Financial Officer, Capital Markets and Investments, World Bank Treasury
Jamaica Cat Bond Project Background

USD1.2 billion cost of natural disasters between 2001 and 2010, with USD 350 million cost from Hurricane Ivan in 2004

Jamaica is implementing a risk financing strategy to improve its fiscal resilience to disasters

The catastrophe bond compliments Jamaica’s existing pre-arranged financing instruments

Premium and transaction costs are funded by grants from GRiF and USAID
What is a Catastrophe (cat) Bond

Financial instrument that transfers catastrophe risk from a sponsor (e.g. Jamaica) to bond investors

Sponsors receive a payout when a disaster event meets certain pre-defined criteria, and the payout is not repayable

Bond investors provide full funding at issuance ensuring that funds are promptly available for payout

**A cat bond is not a debt obligation for the sponsoring entity (they do not issue the bond)**
Jamaica Cat Bond Transaction, July 2021, $185m

<table>
<thead>
<tr>
<th>Principal (Maximum Payout)</th>
<th>Risk Coverage Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$185 million</td>
<td>24-July-2021 to 21-Dec-2023</td>
</tr>
</tbody>
</table>

**Transaction Structure**

- **Global Risk Financing Facility (UK and Germany funded)**
- **United States Agency for International Development**

**The Government of Jamaica**

**PREMIUM PAYMENT (or Risk Margin)**

**Risk Transfer Agreement**

**PAYOUT AMOUNT**

**IN CASE OF AN ELIGIBLE EVENT**

**THE WORLD BANK**

**BOND COUPON** (Compounded SOFR + Funding Margin + Risk Margin)

**Bond Documentation**

**PROCEEDS**

**REDEMPTION AMOUNT**

**CAPITAL MARKET INVESTORS** (E.g., investment funds, pension funds, reinsurers and other institutional investors)

**Global Risk Financing Facility**

Supporting early action to climate shocks, disasters, and crises.
Trigger and Payout Structure

Parametric Trigger Grid Structure

Payout Structure

Stepwise payout function in each box

% of Notional

mb

Global Risk Financing Facility
Supporting Early Action to Climate Storms, Disasters, and Diseases
### Lessons Learned and Achievements

#### Lessons Learned

<table>
<thead>
<tr>
<th>No.</th>
<th>Lesson</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Political champions, dedication of key competent staff in the government was essential</td>
</tr>
<tr>
<td>02</td>
<td>Close collaboration and communication across stakeholders</td>
</tr>
<tr>
<td>03</td>
<td>Donor support enables uptake of DRF solutions in developing countries</td>
</tr>
</tbody>
</table>

#### Achievements

<table>
<thead>
<tr>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch Ratings issued a special report on how the transaction significantly strengthens Jamaica’s natural disaster risk mitigation strategy</td>
</tr>
<tr>
<td>Trading Risk award for “Closing the Protection Gap Initiative of the Year”</td>
</tr>
</tbody>
</table>
Q&A

Please share your questions in the chat box.

If possible, please indicate to which speaker(s) you would like to address your question(s).

Scan the QR code to join the Disaster Risk Finance Community!
WRAP UP

Stay tuned
Forthcoming technical talks

Materials from previous talks
Available on event page.

Post-event email
With resources coming soon.

Thank you for attending!