Disaster Risk Finance and Insurance Learning Week 2025

University Day

What Instruments Can My Country Access to Finance Disaster Response?

The World Bank's Crisis Preparedness and Response Toolkit

WORLD BANK GROUP | Global Shield Financing Facility | INSURANCE DEVELOPMENT FORUM | Ca' Foscari University of Venice

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Risk Layering using budgetary instruments and those from the private sector and MDBs

High intensity/ low frequency Risks

Low intensity / high frequency risks

RISK TRANSFER

Alternative Disaster Risk Transfer

Reinsurance, Cat Swaps, Derivatives, other market options

Sovereign Disaster Risk Transfer

Sovereign insurance, cat bonds

Micro / Meso Disaster Risk Transfer

Insurance schemes for households, SMEs, farmers, …

RISK RETENTION

Contingent financing

IPF-DDO, Cat-DDO, DDOs from other MDBs

Flexible reallocation solutions

RROs, CERCs, CERPs, Emergency IPFs

Debt relief solutions

Climate Resilient Debt Clauses

Budgetary instruments

Regional reserves, national reserves, national contingency fund, reallocation from the national budget

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Toolkit instruments

RRO and CERP 1

- *'Rapid Response Option and Contingent Emergency Response Project'*
- Allows a country to reallocate up to 10% of funds from its IDA/IBRD national envelope for emergency funding through *'Rapid Response Option (RRO)'. CERP or Cat DDO can channel funds.*

Cat DDO 2

- *Development Policy Financing with a with a Deferred Drawdown Option'*
- Allows a country to access contingency funding at pre-arranged conditions for budget support.
- Pre-defined trigger.
- Can be topped-up with RRO.

IPF DDO 3

- *'Investment Project with a Deferred Drawdown Option'*
- Allows a country to access contingency funding for an IPF at pre-arranged conditions for emergency funding.
- Pre-defined trigger.

CERC 4

- *´Contingent Emergency Response Components'*
- Allows a country to reallocate funds from a WBG project for emergency funding.

DRT 5

- *'Disaster Risk Transactions or Risk Transfer'*
- Allows a country to purchase Cat Bonds or insurance products through WBG projects.

CRDC 6

- *'Climate Resilient Debt Clause'*
- Embedded in loan or bond agreements and enable a borrowing country to pause debt service in the event of a significant natural disaster.
- Trigger: country declaration of a national emergency

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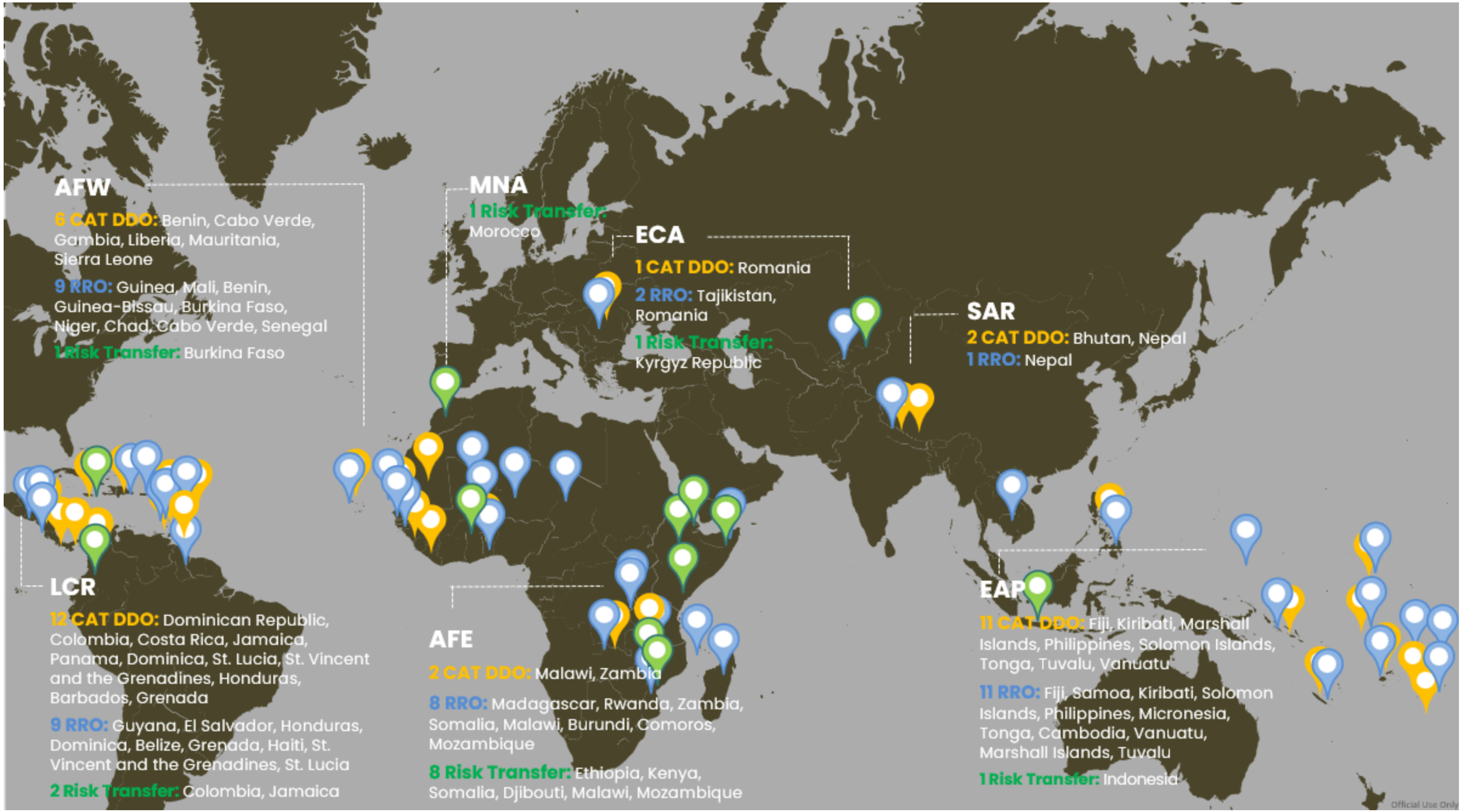

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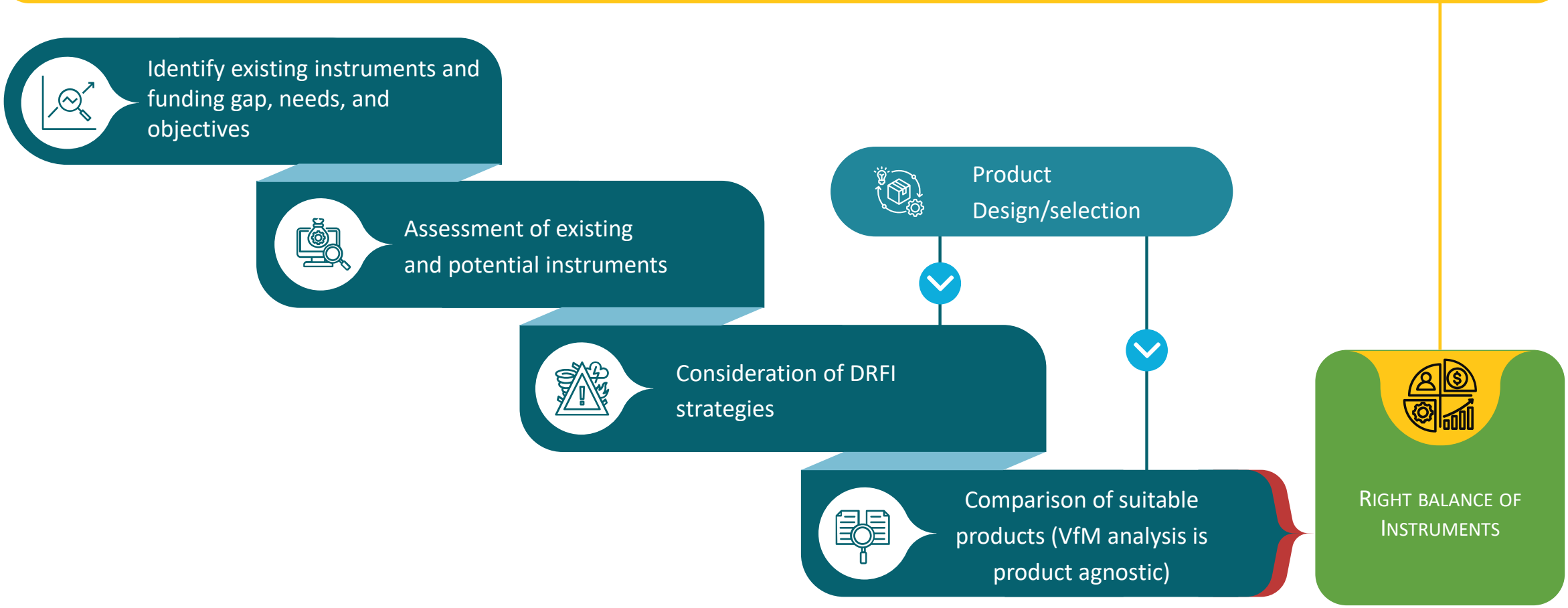
Framework for Value for Money (VfM) Analysis

Getting the right balance of instruments

VfM analysis is based on objective setting, quantitative and qualitative analysis, and frequent dialogue to inform decision making



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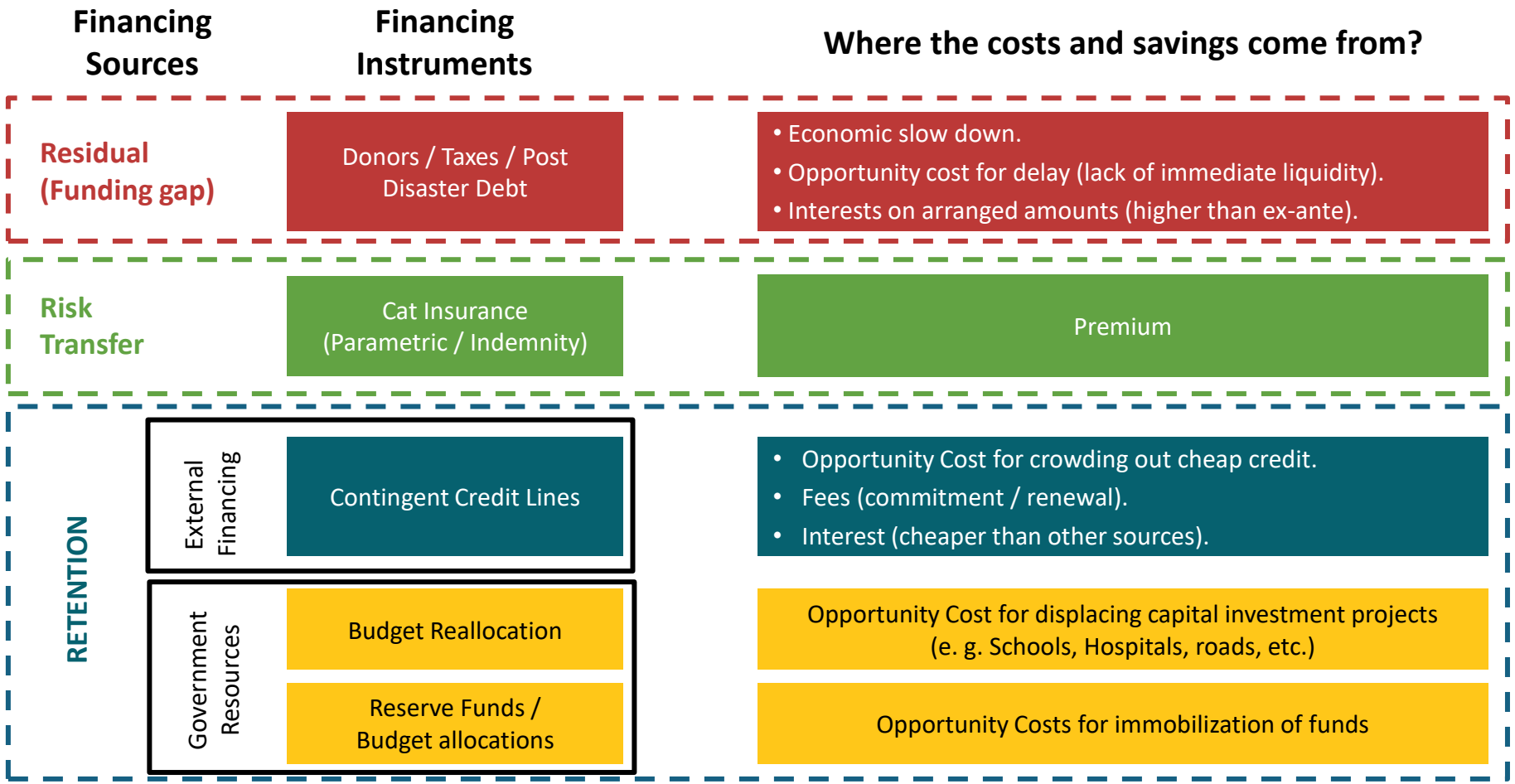
Cost Effectiveness Framework to assess strategies

Each $ generated by each instrument has a corresponding ‘opportunity cost’ and we want to minimize the overall cost through clever combination



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The six we will deep-dive into today:

Rapid Response Option	Contingent Lines Of Finance: Cat-DDO	Contingent Lines Of Finance: IPF-DDO	Disaster Risk Transfer Transactions	Contingency Emergency Response Project	Climate Resilient Debt Clauses

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