Crisis Preparedness & Response Toolkit

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Crisis Response Toolkit

- Climate Resilient Debt Clause (CRDC)
- IPF DDO
- Rapid Response Option (RRO)
- Disaster Risk Transfer
- Improved DPF Cat DDO
Climate Resilient Debt Clause (CRDC)

A “debt pause clause” that provides eligible borrowers the option to defer payments on their new and existing IBRD/IDA loans on meeting pre-determined thresholds when triggered by a natural disaster.

Eligibility

Offered to IBRD- and IDA-eligible Small States Forum [SSF], Small Island Developing States [SIDS] and WB-defined small states

Covered Disasters

Limited to tropical cyclones, hurricanes, and earthquakes.
IPF DDO
Investment Project Financing (IPF) with a Deferred Drawdown Option (DDO)

- A **contingent credit line** that provides timely access to funds for a **project or a public institution** to ensure the continuity of operations
- Funds become available for disbursement after the pre-agreed drawdown trigger is met
- Deferred disbursement of an Investment Project Financing up to five years, can be renewed for three more years
Improved Cat DDO
Catastrophe Deferred Drawdown Option (DPF Cat DDO)

What is a Cat DDO?

● World Bank’s primary instrument to provide contingent financing for immediate liquidity following a natural disaster, and/or health-related event

● Funds become available for disbursement after the drawdown trigger – typically the member country’s declaration of a state of emergency – is met

● At approval a country must have an adequate macroeconomic policy framework and a satisfactory disaster risk management program in place
Enhancement 1: Rapid Response Option (RRO)

**KEY ASPECTS OF RRO**

- Repurposing of up to 10% of undisbursed and uncommitted IPF and PforR balances in a portfolio per year for emergency response
- Funds disbursed through an IPF Contingent Emergency Response Project (CERP) or to top up a DPF Cat DDO
- Funds remain with host project financially and legally – but are operationally delinked
- Requires regular strategic country engagement at least every 12 months, including to identify potential source operations
- Preparedness measures are undertaken as part of the IPF CERP or DPF Cat DDO
Risk reduction and preparedness
Government budget, grants, loans such as WB IPF, DPL, PforR

Contingency funds

Flexible development lending
Rapid Response Option (RRO), Emergency IPF, IPF CERC

Sovereign contingent credit
DPF Cat-DDO, IPF-DDO, IPF CERC, other market, MDB, or bilateral contingent lending

Contingent finance/guarantees for firms and financial institutions

Budget Reallocation

Climate-resilient debt clause (CRDC)

Alternative risk transfer
Catastrophe bonds, catastrophe swaps, derivatives (DRTT), other market options

Sovereign or subnational catastrophe insurance
Regional risk pools, International (re)insurance markets

Insurance of public assets and sectoral insurance

Domestic insurance markets
Catastrophe insurance, agriculture insurance, insurance for SMEs and financial institutions

Risk Transfer

Analytical, advisory and knowledge tools
Diagnostics, value for money analysis, risk modeling, financial product design, etc.

Low intensity / high frequency

High intensity/low frequency
Questions

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