

# Crisis and Disaster Risk Finance Executive Education Program

## Introduction to Financial Instruments



Environmental *Change* Institute



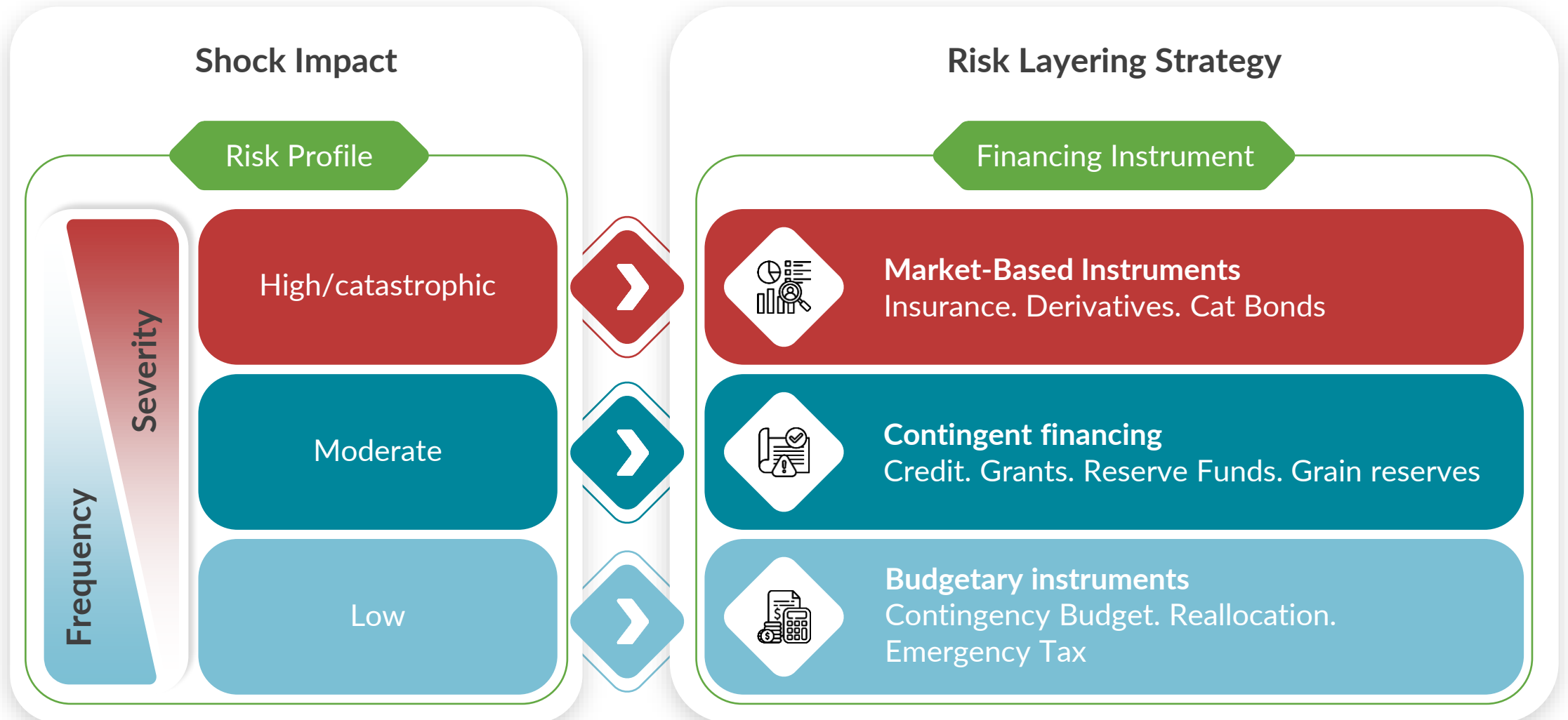
Disaster Risk Financing  
& Insurance Program



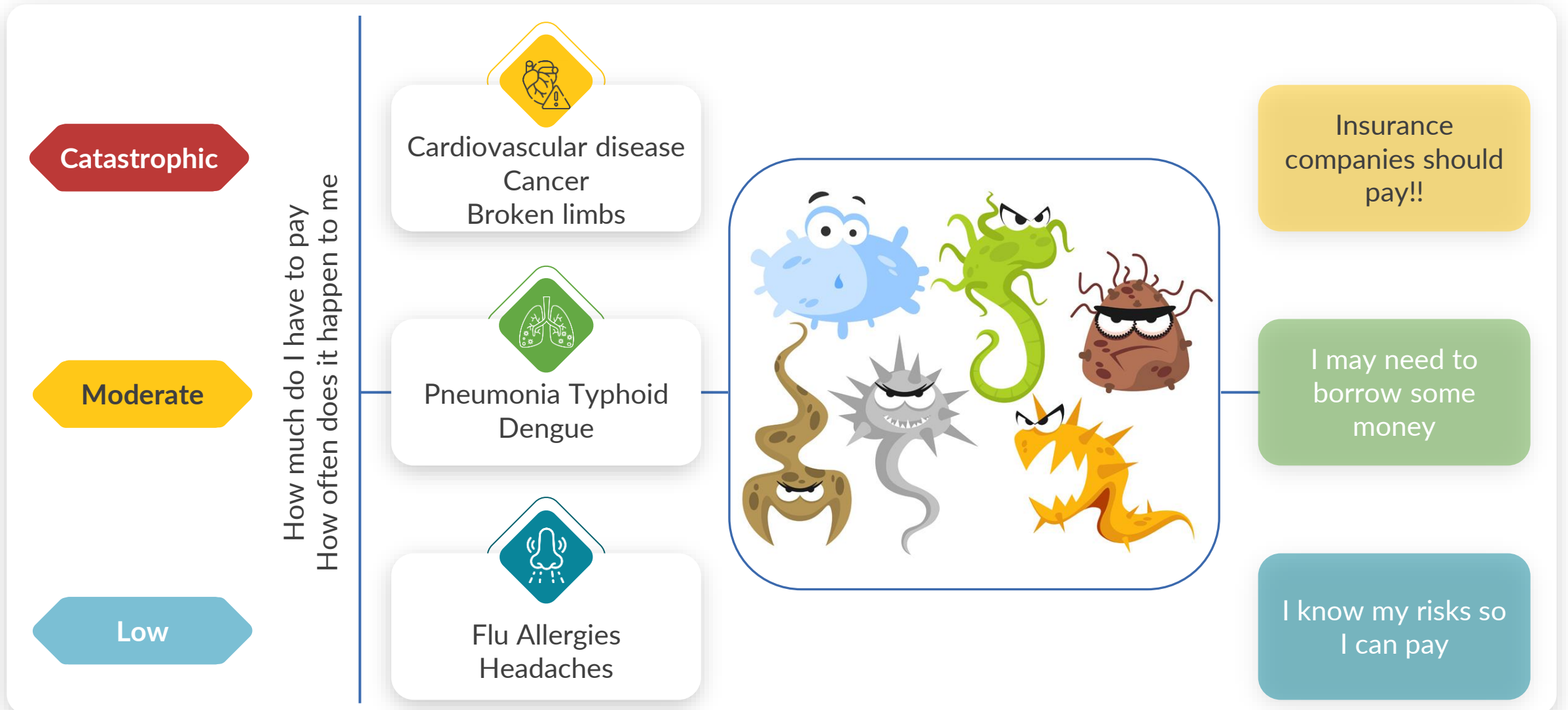
Don't worry, this is relevant...



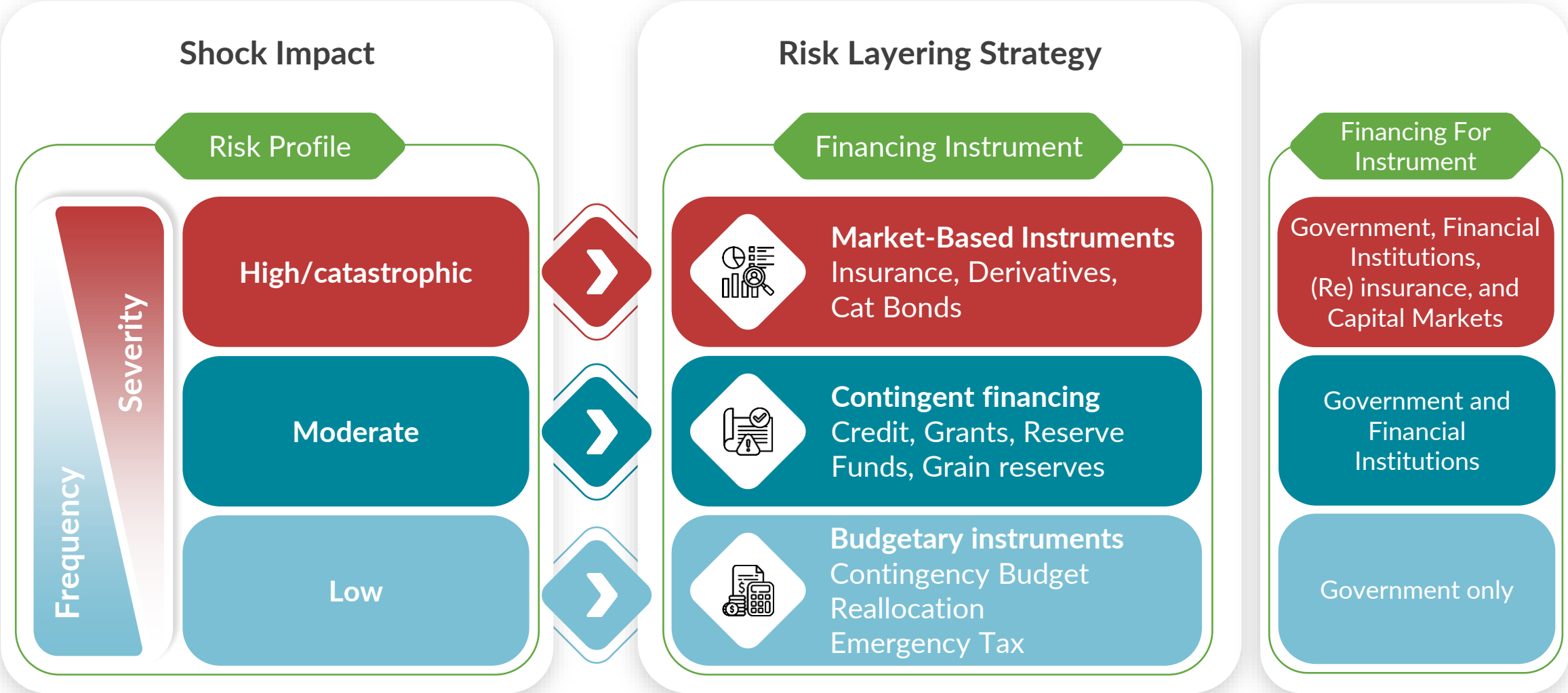
# Financial planning for climate and disaster shocks



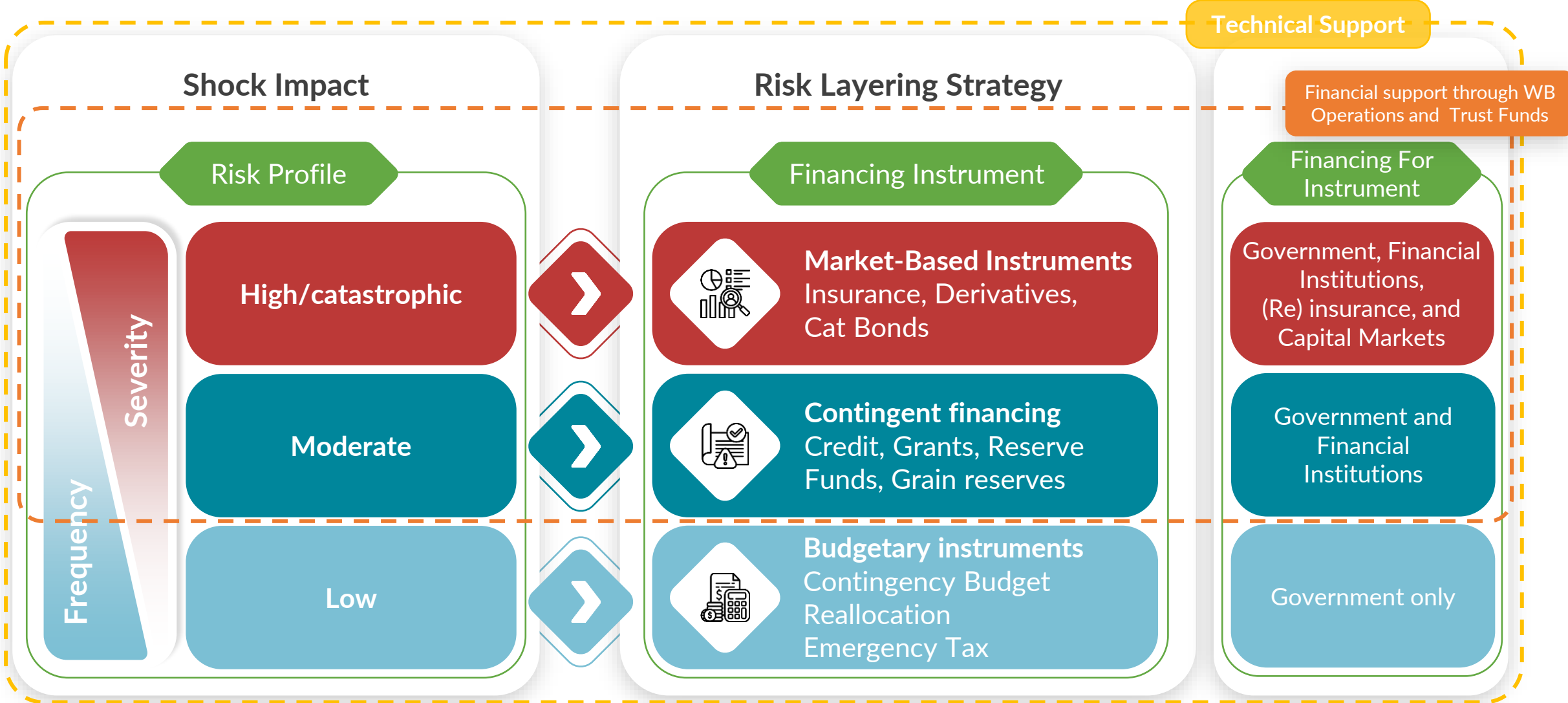
# Your health financing plan..



# Now coming back to this slide



# How we work with countries?



# The Crisis Preparedness Toolkit: Using WB operations to support clients for moderate and catastrophic events



Higher frequency/severity of disasters, health emergencies, economic and financial crises, and other shocks. Exposure to shocks is especially harmful in vulnerable countries, such as in FCV contexts. Crises are the new normal.



Evolution process - new World Bank Vision and Mission call for outcomes related to resilience, to help countries better prevent, prepare, and recover from crises. Aim to enhance preparedness in 50 countries this calendar year.



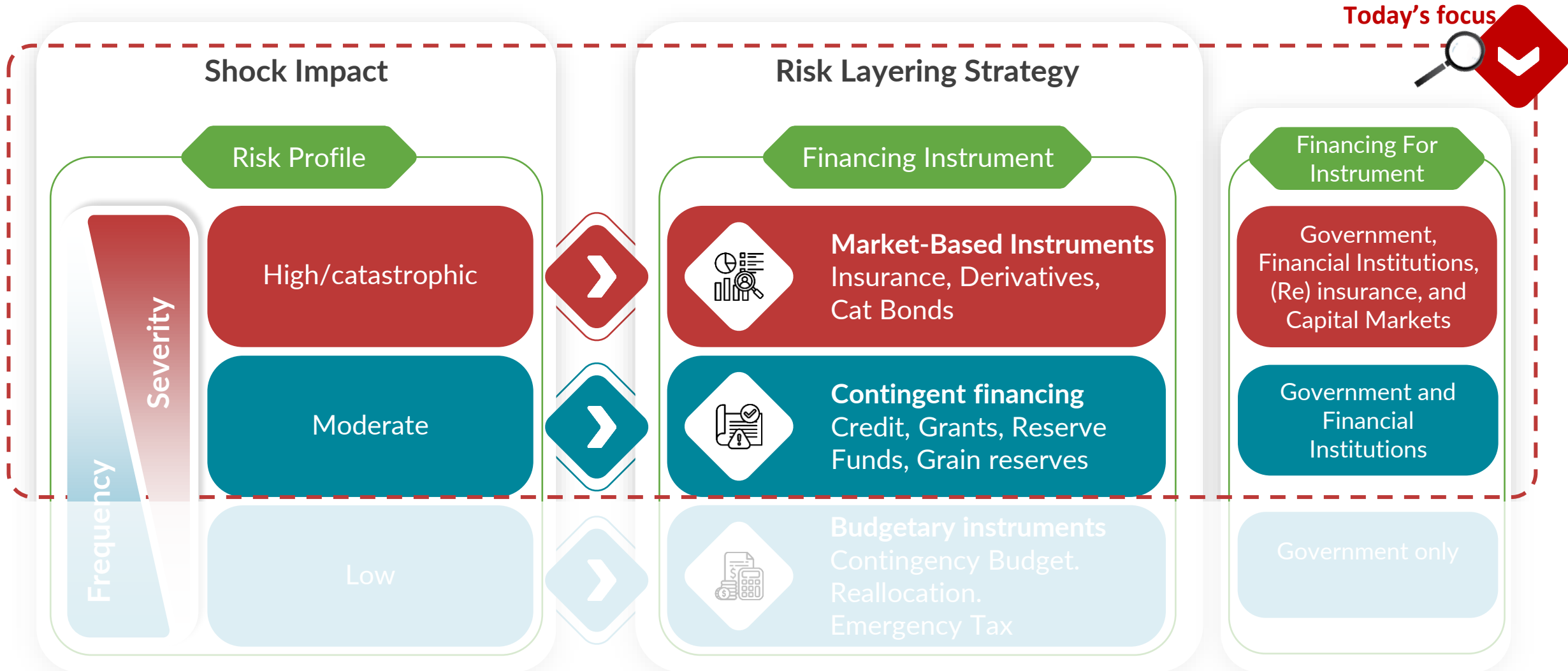
The expanded toolkit is a new value proposition for governments to deliver a rapid response when crises occur. It builds on and complements the existing Bank toolkit; incentivizes preparedness in addition to supporting response.

S. No	Crisis preparedness Toolkit	What it is?	How it works?
1	Rapid Response Option (RRO)	A portfolio-wide amendment to IPFs and PforRs <sup>1</sup> to embed a clause to enable 10% of un-disbursed from selected projects to be channeled for disaster response.	Declaration of emergency. Funds are deployed through existing Cat DDOs or CERPs.
2	Contingent Emergency Response Project (CERP)	Project prepared with no funds but just a “positive” list of activities.	Acts as a disbursement mechanism for RRO.
3	Development Policy Finance with Catastrophe DDO <sup>2</sup>	A project prepared to strengthen the country’s disaster risk management program with funds held contingent for budget support after disasters <sup>3</sup>	DDO triggers on declaration of emergency. Can be “Enhanced” through scale up with: (i) Funds from RRO; and (ii) Additional finance approved by WB management
4	Investment Project Finance DDO	A project prepared to backstop and institution or project in a variety of different kinds of crises (e.g., banking, energy, natural disasters)	DDO triggers based on pre-determined triggers can be parametric, based on market event, etc.
5	Disaster Risk Transfer Solutions (DRT)	These are insurance or capital market instruments prepared with financing from IDA and IBRD programs.	Instruments embedded in projects and triggered based on pre-determined triggers.
6	Climate Resilient Debt Clauses (CRDC)	A debt-related clause embedded in new or existing loan agreements to defer certain payments of principal and/or interest on a pre-agreed crisis event	On request, triggered based on the severity of the event. A secondary trigger (if primary is not met) is triggered if damages are greater than or equal to 10% of GDP.

Note: 1) Program-for-Results; 2) Deferred Drawdown Option ;3) Size enhancements: IDA = 500m or 1% of GDP; IBRD = 1bn or 0.5% of GDP (whichever is lower).



# Today's session will focus on..



# The four we will deep-dive into today:

**Contingency  
Funds**



**Contingent Lines  
Of Finance  
(Credit/Grant)**



**Risk Transfer  
(Insurance And Capital  
Market Instruments)**



**Climate  
Resilient Debt  
Clauses**

