

Risk Finance Umbrella Program:

CONSOLIDATING RESOURCES FOR
STRONGER IMPACT





Background

THE DEVASTATING ECONOMIC IMPACT

Every year, natural disasters result in approximately US\$150 billion in economic losses, directly impacting 200 million people. World Bank research estimates that by 2030 an additional 100 million people could face extreme poverty due to climate change. In the absence of pre-arranged Disaster Risk Financing (DRF) solutions, fragile and vulnerable countries face a significant financial burden in the aftermath of disasters. DRF policies and instruments can lay the groundwork for developing and managing risk finance solutions.





A CONSOLIDATED APPROACH

The World Bank's Crisis and Disaster Risk Finance (CDRF) global team, part of the Equitable Growth, Finance and Institutions (EFI) Practice Group, helps client countries manage financial risks associated with disasters, climate shocks, and crises. Through analytical, advisory, financial, and convening services, it assists vulnerable countries in transitioning from crisis responders to proactive risk managers. The EFI Practice Group, with its focus on equitable and sustainable growth and poverty reduction, utilizes finance and private sector solutions to protect development gains from financial shocks caused by crises, including those related to climate change.

As part of its reform process, the World Bank is consolidating funding into "umbrella" programs to strengthen the alignment of resources with the strategic priorities of its development partners, the World Bank, and clients, through its country-based work program. The Risk Finance Umbrella (RFU) Program, supported by the Swiss Secretariat for Economic Affairs (SECO) and the United States Agency for International Development (USAID), combines two trust funds. This consolidation streamlines the DRF portfolio, elevates strategic discussions through its governance mechanism, reduces transaction costs, and consolidates knowledge-sharing and reporting initiatives.



WHAT IS THE RISK FINANCE UMBRELLA PROGRAM?

The RFU Program, established in 2022, enhances the financial resilience of low- and middle-income countries against disasters, climate shocks, and crises. Through grants, it supports analytical and advisory activities that focus on improving financial management, developing market-based solutions, and strengthening sectoral risk finance mechanisms. RFU work supports the preparation of lending operations and aims to mobilize additional financing for the implementation of risk financing instruments, including through the World Bank's Global Shield Financing Facility (GSFF).

THE RFU PROGRAM'S THREE PILLARS

The three pillars of the RFU Program, which are interlinked, demonstrate the variety and complexity of the DRF agenda.



Pillar 1: Strengthening Pre-arranged Financial Resources

Grants made to projects help countries access pre-arranged financing so that they can protect their budgets from the costs associated with relief and recovery efforts. With such mechanisms in place, they are better able to focus macroeconomic policies on longer term sustainable growth.

EXAMPLE: IN ALBANIA, THE WORLD BANK TEAM HELPED THE GOVERNMENT IMPROVE ITS PUBLIC FINANCIAL MANAGEMENT BY QUANTIFYING THE POTENTIAL IMPACT OF DISASTERS IN ITS BUDGET PLANNING. FOR THE FIRST TIME, THE MINISTRY OF FINANCE AND ECONOMY ACCOUNTED FOR THE POSSIBLE FINANCIAL IMPACT NATURAL DISASTERS IN ITS FISCAL RISK STATEMENT.



Pillar 2: Developing Financial Markets for Risk Finance

Grants made to projects contribute to stronger, more stable domestic financial markets for DRF instruments. Projects help develop market-based risk-transfer instruments and strengthen legal and regulatory frameworks to create a more enabling environment for them.

EXAMPLE: IN NEPAL, THE GOVERNMENT IS PRIORITIZING THE FINANCIAL PROTECTION OF ITS PUBLIC ASSETS. WITH RFU PROGRAM FUNDS, THE TEAM WORKED WITH THE NEPAL INSURANCE AUTHORITY TO AMEND THE PROPERTY INSURANCE DIRECTIVE, SETTING NEW, MORE RISK-INFORMED PROPERTY INSURANCE TARIFF RATES FOR COMMERCIAL, INDUSTRIAL, AND PUBLIC ASSETS.



Pillar 3: Strengthening and Integrating Sectoral Risk Finance Mechanisms

Grants made to projects support countries in establishing or expanding so-called shock-responsive systems, those mechanisms that ensure post-disaster funding flows efficiently to those who need it. The RFU Program is helping subnational governments integrate national DRF policies into local efforts.

EXAMPLE: IN UGANDA, THE WORLD BANK IS USING THE FINDINGS OF A RECENT DRF DIAGNOSTIC TO SCALE UP A SHOCK-RESPONSIVE SOCIAL PROTECTION PROJECT TO PROTECT POOR HOUSEHOLDS AGAINST FOOD INSECURITY CAUSED BY DROUGHTS AND FLOODS. THE PROJECT WILL EXPAND EMERGENCY FUNDS FOR DROUGHT PROTECTION FROM EIGHT DISTRICTS TO 20. THE ENGAGEMENT WILL ALSO SUPPORT THE GOVERNMENT IN DEVELOPING A COMPREHENSIVE DRF STRATEGY.



RFU PROGRAM COUNTRY SUPPORT

RFU Program grants primarily support upstream analytical and advisory work conducted by World Bank teams to prepare lending operations and programs. This work is complemented by downstream financing vehicles, including the GSFF (formerly the GRiF), which co-finance DRF activities implemented by client countries.



Analytical and Advisory Services

The Program currently has 14 active projects focused on analytical and advisory services, which have received a total of US\$1.58 million in funding. The RFU Program, in coordination with World Bank counterparts, ensures that financial resilience interventions are embedded within client country work programs. RFU Program grants fund the analytical and advisory activities that contribute to an improved enabling environment to implement pre-arranged DRF solutions. For example, in Nepal, RFU Program funds facilitated the development of a flood risk model and a valuation framework for schools and hospitals that can be expanded to value other public assets in the future. Advisory services are the core activities of the RFU Program, helping mainstream risk finance in the development agenda of client countries. In South Africa, the RFU Program conducted a fiscal gap analysis as part of the country's DRF diagnostic, that compared the risk exposure of the national budget to the amount of post-disaster financing it could access through the financial instruments it had in place.



Knowledge Sharing

The Program finances the Financial Protection Academy which has trained 30,000+ stakeholders in 20 languages across 150 countries and the world's largest Community of Practice on Disaster Risk Finance with over 10,000+ members. The RFU Program invests globally in standardized and customized training, executive education, communities of practice, and knowledge resources, including online learning and publications. Newly created Centers of Excellence will focus on delivering an enhanced "training of the trainers" program. Project teams receiving RFU Program funds incorporate knowledge-sharing activities into their work plan to strengthen their understanding of DRF initiatives among their governmental counterparts. A new Crisis Preparedness Playbook serves as a compendium of the World Bank's DRF expertise.





Policy Dialogue

The Program was instrumental in launching the “Disaster Risk Insurance and Finance in Central America Consortium” at COP27 in November 2022, which aims to cover up to two million smallholder farmers in El Salvador, Guatemala, and Honduras to increase their food security and financial resilience. The RFU Program contributes to high-level policy initiatives, such as the G20, and international working groups, such as the Network for Greening the Financial Systems.



Leveraging Technical Knowledge and Expertise

The Program focuses on addressing food security concerns in contexts such as Ethiopia, Niger, and Somalia, by funding capacity building and technical studies to develop agricultural insurance markets. Countries facing institutional and social fragility or violence encounter significant obstacles in achieving financial resilience, even without considering the impact of natural disasters or climate shocks. The RFU Program supports these countries by providing critical data analytics, developing financial solutions, and establishing disbursement mechanisms. The RFU Program also contributes its technical expertise to World Bank initiatives like the IDA Crisis Response Window and Early Response Financing, which aim to rapidly mobilize financial resources in response to emerging disease outbreaks and food security crises. Additionally, the program collaborates with the Global Crisis Risk Platform to enhance the World Bank’s capacity to anticipate, identify, and monitor compound risks and complex crises affecting client countries.



THE WAY FORWARD

The RFU Program will prioritize funding more comprehensive projects from countries, providing timely assistance in the face of disasters, climate shocks, or other crises. With the RFU Program now firmly established, it will focus on refining its portfolio, funding more in-depth projects while meeting the demand from countries to provide just-in-time assistance when disasters, climate shocks, or other crises occur. Additional funding would give the RFU Program greater leeway to support innovative approaches that could extend the benefits of DRF solutions to new sectors or environments.

The RFU Program aligns with the World Bank’s Gender Strategy and prioritizes integrating a gender lens into its work. It aims to identify and address gaps between women and men in risk finance activities by designing interventions that promote gender equality. The program also strives to measure progress by utilizing sex-disaggregated data whenever possible.

The RFU Program aligns with the Global Shield Financing Facility (GSFF), which channels grants to developing countries through World Bank projects and projects prepared by other partners. Collaboration with stakeholders such as civil society organizations, risk pools, private sector, and humanitarian partners aims to harmonize results frameworks. This coordination enables seamless integration between advisory activities and the implementation of financial packages. The RFU Program also seeks closer alignment with other World Bank and partner investments to ensure access to critical finance for DRF agendas and enhance connectivity with knowledge resources.

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