

# Global Shield against Climate Risks: *German G7 Presidency and V20 Concept*

Berlin and Accra, 21 September 2022

In partnership with the Vulnerable Twenty (V20),<sup>1</sup> the Group of Seven (G7) committed to **jointly work towards a Global Shield against Climate Risks.**<sup>2</sup> To this end, this concept is proposed together by the V20 and the German G7 Presidency and aims to set out a **potential structure** of the Global Shield (GS), including **key elements and processes.**<sup>3</sup> In its current version, it includes the diverse perspectives of the G7, V20 and members of the InsuResilience High-Level Consultative Group (HLCG) and Program Alliance (PA). It will be tabled for endorsement at the upcoming InsuResilience HLCG meeting in October 2022 with the aim of launching the GS at COP27 in November 2022.

## 1. Introduction

The V20 and the G7, working closely with other partners, want to further scale up action and support for poor and vulnerable people and countries facing increasing risks of losses and damages from climate change.

This work is aligned with the goals of the Glasgow Dialogue and aims at collaborating with the Santiago Network on Loss and Damage (SNLD).<sup>4</sup> During its G7 Presidency, and building on the 2015 G7 InsuResilience Initiative, Germany has prioritised the issue of losses and damages. Funding for disaster response and recovery is **still mainly arranged ex-post, increasing the cost of disasters and their impact on lives and livelihoods.** Moreover, climate-fuelled risks have driven up the cost of capital and debt to unsustainable levels, especially across climate vulnerable economies, worsening financial protection gaps. **Increasing pre-arranged finance** which disburses quickly and reliably before or just after disasters happen, **and expanding instruments of financial protection** for governments, communities, businesses, and households **can lower the impact of disasters, make vulnerable countries' economies more resilient, safeguard sustainable development, and protect lives and livelihoods of poor and vulnerable people.** This effectively

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<sup>1</sup> Recalling the [1st Climate Vulnerables' Finance Summit Communiqué](#) in July 2021, the V20 proposed key actions under the V20 Climate Prosperity Recovery Agenda including the further development of the Climate and Disaster Risk Finance and Insurance (CDRFI) architecture. In October 2021, the [5th High Level Consultative Group Meeting of the InsuResilience Global Partnership](#) approved to set the enhancement of the Global CDRFI Architecture as a core topic for 2022.

<sup>2</sup> See also respective [information sheet](#) on the Global Shield against Climate Risks.

<sup>3</sup> The concept was prepared by BMZ / Germany and the V20. We thank for all the advice and input from various experts in preparing this concept.

<sup>4</sup> In reference to relevant decisions and outcomes under the UNFCCC process, including Paris Agreement Article 2.1(b), Article 7, Article 8.3; Global Goal on Adaptation Work Programme; Glasgow 1/CP.26.

contributes to global efforts for averting, minimising and addressing losses and damages exacerbated by climate change.

**V20 Communique:** “[...] Closing the financial protection gap through the creation of an adequately-resourced, centralized and coordinated G7 presidency-initiated Global Shield for financially protecting against climate-related losses and damages. The Global Shield as a centralized mechanism for adaptation and resilience can build domestic, regional and international markets in order to avert, minimize and address losses and damages is important to strive for. We will all be better off because we can build a market to handle these risks in a highly effective way and to encourage a system that delivers the objective of resilience to economies and climate justice to communities. [...]”<sup>5</sup>

**G7 Development Ministers’ Communique:** “[...] We are committed to working with partners outside the G7 to further strengthen the global CDRFI architecture so it becomes more systematic, coherent and sustained, and will work towards a Global Shield against Climate Risks. [...] We will work with the IGP to build a strong coordination mechanism for CDRFI and call upon the InsuResilience Solutions Fund and the WB Global Risk Financing Facility to contribute by identifying and covering protection gaps and supporting a wide range of partners.”<sup>6</sup>

**G7 Summit Communique:** „We recognise the urgent need for scaling-up action and support to avert, minimise, and address loss and damage particularly in vulnerable developing countries. We commit to scale up climate and disaster risk finance and insurance (CDRFI) and will work towards a Global Shield against Climate Risks, building on the InsuResilience Global Partnership and other initiatives. We ask our Development Ministers to make progress on the Global Shield by COP 27.”<sup>7</sup>

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<sup>5</sup> See [V20 Ministerial Communique | Vulnerable Twenty \(v-20.org\)](https://vulnerable20.org/), 21.04.2022.

<sup>6</sup> See G7 Development Ministers Communique, 19.05.2022.

<sup>7</sup> See G7 Leaders Summit Communique, 28.06.2022.

## 2. Objective

The GS will **increase protection for poor and vulnerable people** by providing and facilitating substantially more and better pre-arranged finance against disasters.<sup>8</sup> Greater financial protection and faster and more reliable disaster preparedness and response<sup>9</sup> will **help to cost-efficiently and effectively avert, minimise and address losses and damages** exacerbated by climate change.<sup>10</sup>

## 3. Approach

To achieve its objective, the GS will use **evidence-based, systematic, and inclusive analyses** of countries' protection gaps, taking into account existing disaster risk reduction (DRR), adaptation, and CDRFI efforts (see chapter 5).<sup>11</sup> It will apply these analyses to design, fund, and facilitate interventions to address these gaps. The interventions will be built around and accountable to **national ownership and coherent coordination among stakeholders**.

The GS will ensure more systematic, coherent, and sustained financial protection through the following elements:

1. Increased **financial protection cooperation across G7, V20, and other vulnerable economies** to drive urgent resources to help close the (financial) protection gap.
2. A **strengthened coordination mechanism** within the global CDRFI architecture to overcome fragmentation and leverage the full potential of CDRFI. The GS will ensure coherence of different institutions' and donors' efforts at the global, regional and national level to foster

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<sup>8</sup> Acknowledging the need for integrated disaster risk management and the exposure of many climate-vulnerable countries to hazards beyond climate-related risks, the GS will also support countries in strengthening financial protection for geophysical risks, and in dealing with compounding and cascading risk scenarios.

<sup>9</sup> The GS recognizes that a holistic approach to increase protection for the poor and vulnerable needs to comprise a variety of instruments and activities, incl. risk prevention, risk reduction (e.g. through investments in climate-resilient critical infrastructure), investments in preparedness (e.g. the establishment of an early warning system and pre-positioning of relief goods), early and anticipatory action (e.g. preparation of early warning and awareness messages), as well as response activities supported by CDRFI to absorb and recover from disaster impacts more quickly and to build back better. As a consequence, the GS recognises the importance of complementarity with adaptation measures and reaffirms the goal set at COP26 for developed countries to double the funding provided to developing countries for adaptation by 2025.

<sup>10</sup> In the short term, the GS will provide additional momentum and accelerate efforts to achieve the targets under the InsuResilience Vision 2025. This is the Partnership's multi-year work plan announced at the UN Climate Action Summit in 2019. It includes six result areas with 19 ambitious target indicators, incl. the annual protection of 500 million poor and vulnerable people through CDRFI by 2025 (more information [here](#)). In the medium and long term, a new ambition framework may be developed to detail specific targets for the Global Shield beyond 2025.

<sup>11</sup> The GS acknowledges that the protection gap is not synonymous with the insurance protection gap. The latter is the difference between the amount of insurance that is economically beneficial, and the amount of coverage actually purchased. This gap is smaller than the broader risk protection gap which describes the difference between total losses incurred by a country's population (in particular vulnerable population segments and assets exposed to hazards) and insured losses (i.e. transferred risk, with the difference resulting in losses whose risk was retained). Defined as above, the insurance protection gap is hard to measure and subjective. Therefore, it is usually replaced by an indicator comparing covered loss to total economic loss. This figure, however, needs to be put into perspective as a certain level of risk retention makes economic sense.

synergies, including by consistently integrating CDRFI elements into their core development programming. This mechanism is **designed in partnership with – and with clear accountability to – affected countries themselves.**

3. A **global, flexible, and collaborative financing structure** to mobilise and/or pool respective donor and other funds and enable a more systematic global approach to closing protection gaps, taking into account prevailing country circumstances (e.g. cost of capital and debt sustainability) and ensuring coherence of cross-country approaches (such as the regional risk pools), ecosystem resilience, and other CDRFI programmes.
4. **Sustained protection** in the face of increasing climate risks by scaling up existing successful CDRFI programmes in the short-term and preparing country-specific, needs-based CDRFI support packages in the medium term, across the full spectrum of instruments, including the scaling up of **smart premium and capital support** to address affordability barriers, **focusing on protecting the poorest and most vulnerable people.**

#### 4. Eligibility

**Countries on the DAC list of ODA recipients<sup>12</sup>** are eligible for support under the GS. Priority will be given to addressing the needs of the poorest and most vulnerable to climate and disaster risk. A tailored approach will therefore be pursued in addressing the needs of Least Developed Countries (LDCs), Small Island Developing States (SIDS), and of Lower and Upper Middle Income Countries (LMICs/UMICs). In all cases, there will be a clear, gender-sensitive focus on poor and vulnerable people.

The GS, under co-leadership by the V20, will determine a pipeline of eligible countries, identified based on transparent criteria such as poverty levels or incidence and vulnerability to disasters.

#### 5. Identifying needs, choosing interventions, and types of support

Country ownership and needs are at the heart and centre of country packages, and the GS will align behind vulnerable country strategies for closing protection gaps faced by poor and vulnerable people.<sup>13</sup>

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<sup>12</sup> Countries currently not on the OECD DAC List of ODA recipients can receive funding through the CVF and V20 Joint Multi Donor Fund (V20JMDF, see Chapter 9). Other opportunities exist through knowledge sharing at the global level, participation in regional risk pools and through crowding in of the private sector.

<sup>13</sup> In case that such country strategies do not yet exist, the Global Shield can also provide support upon a corresponding country request to develop such strategies or support policy reforms, see below in chapter 5.

### *Identifying needs*

Various hazards with different levels of frequency and severity can affect households, businesses, organisations, and governments in different ways. Reflecting this, a risk-layering approach<sup>14</sup> will be applied, which is cognizant of the dynamic character and relationship of adaptation and CDRFI. It will also promote smart financial structuring to design insurance and address premium costs even for higher tail risk. In the process of risk-layering, and to address the urgent need for strengthening the availability of quality risk analytics and capacities at a sub-national, national, and regional level, and the respective V20 demand, risk analyses will be conducted at a country level in order to quantify and assess risks and protection gaps and inform decision-making on CDRFI interventions and instruments of highest priority. The analyses and their development should address vulnerability drivers such as age, gender, disability, legal status, etc. and be designed such as to maximise their positive impact on national and sub-national prevention, preparedness, and adaptation efforts, and meet clear standards for transparency, independence, and technical rigour.

### *Instruments*

Building on this, the GS will be able to support **instruments** designed to provide rapid financial assistance to households and businesses to act early against and respond to climate and disaster-related losses, as well as to pre-arrange finance for governments, humanitarian agencies, and international and local non-governmental organisations (NGOs) for disaster preparedness and rapid response<sup>15</sup>:

- At the **household and business level**, these instruments comprise, for example, livelihood protection, social protection systems, livestock and crop insurance, property insurance, business interruption insurance, risk-sharing networks, and credit guarantees;
- At the **level of (national and subnational) governments, humanitarian agencies and NGOs**, the GS will support the integrated development of instruments used to ensure that money is available when needed (money-in), and the processes to ensure that the money is spent on providing what affected individuals and communities need when they need it most (money-out):
  - o **Money-in**: risk transfer products (e.g. insurance via regional risk pools and development insurers), contingent credit and grant mechanisms, contingency funds, pre-arranged finance (incl. forecast-based), or financial market instruments such as catastrophe bonds, where appropriate, etc.<sup>16</sup>;
  - o **Money-out**: shock-responsive social protection, early and anticipatory action protocols, contingency plans (incl. for restoring critical infrastructure), cash transfers, etc.

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<sup>14</sup> See e.g. [InsuResilience Annual Report, 2018, page 20](#).

<sup>15</sup> See [Centre for Disaster Protection, 2021](#)

<sup>16</sup> Any instrument supported by the Global Shield will need to be aligned with and supportive of local and regional risk market development.

### *Range of support*

Depending on a country's or regional and local readiness for these instruments, they may request different **types of support**. While some countries are well positioned to request implementation or scale up of a specific instrument, others may first request broader programmatic **support for risk market development** to facilitate implementation of instruments at a later stage while benefiting from disaster preparedness and response support by service providers, upon request. The GS will **leverage the full potential of support offers, expertise and capital available across the global CDRFI architecture**.

Depending on the country-specific context, and to support the creation and strengthening of local risk markets and time-sensitive disaster risk management, **technical and/or financial assistance** will be made available under the GS in order to:

- **Support policy reforms, CDRFI strategies, and strengthened regulatory frameworks**, incl. capacity building for a wide range of stakeholders and advisory, e.g. for risk analytics;
- **Foster investments**, incl. for but not limited to systems building and preparedness, developing local and regional risk markets, capitalization of risk carriers, premium financing, and the **development and strengthening of distribution channels** (incl. appropriate, transparent and nimble delivery structures such as (sub-)national, enterprise and community access points);
- **Leverage risk industry engagement**, incl. risk analytics<sup>17</sup> product and trigger design, market development and underwriting.

### *Integration and alignment with broader climate risk management and sustainable development efforts*

The GS acknowledges the crucial role CDRFI plays in **safeguarding and promoting sustainable development**. In providing support and designing instruments, the GS will ensure CDRFI contributes to and aligns with broader development and climate change policy, financing, and planning at different (e.g. national and local) levels, for example, through integration in climate change policy and planning documents, such as Nationally Determined Contributions (NDCs) and/or National Adaptation Plans (NAPs), and within Integrated national financing frameworks (INFFs), World Bank Climate Change and Development Reports (CCDRs), International Monetary Fund (IMF) surveillance Article 4 reports, IMF Climate Macroeconomic Assessment Program (CMAP) and V20-led Climate Prosperity Plans. Through its systematic, evidence-based in-country approach, the GS will build upon and seek **maximum alignment of CDRFI with broader climate change adaptation and DRR** strategies. This is to avoid duplication and inefficiencies, ensure complementarity of CDRFI, create synergies with other resilience-building measures, and ultimately incentivise investments in risk reduction and transformative adaptation.

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<sup>17</sup> All risk analytics supported by public funds will need to be publicly accessible.

For example, the GS support for climate risk analyses will also inform and facilitate effective risk reduction measures.

In particular, the GS will seize the vast potential of linking the design of CDRFI to **early warning systems** (especially in the framework of the United Nations Secretary General’s Early Warning for All Initiative), including by working with the Climate Risk & Early Warning Systems (CREWS) Initiative and the Systematic Observations Financing Facility (SOFF), so as to enable payouts even before disasters hit and support **anticipatory action**, e.g. by supporting forecast-based financing approaches of humanitarian actors. Furthermore, the GS will leverage the important role **social protection systems** can play in preventing or lessening the negative impact of shocks on particularly vulnerable people and in reducing the scale of humanitarian needs. Where possible, the GS will seek to integrate efforts to close protection gaps with efforts to strengthen and scale national social protection systems.

## 6. Proposed structure of the Global Shield - overview

It is the **explicit aim to minimize the creation of new institutions and to instead build as much as possible on existing structures**. However, in order to deliver on the GS’s objective in a timely, inclusive, and efficient manner, existing structures and contributing partner programmes will need to be reformed, endowed with broader mandates and include a wider range of stakeholders.

The GS is proposed to consist of the following elements:

- i **Political and strategic guidance and oversight provided by the GS High-Level Consultative Group** (HLCG, an evolution of the InsuResilience Global Partnership (IGP) HLCG). In addition to the current HLCG set-up, further donors of the GS Financing Structure (see below) and additional vulnerable countries may join the HLCG.
- ii **Overarching technical work, global coordination beyond country-specific dialogues and preparation of decisions for the GS HLCG by the GS Coordination Hub**. The Coordination Hub consists of the reformed IGP PA and is **supported by the GS Secretariat** (strengthened IGP Secretariat) and a **Technical Advisory Group (TAG)**. PA membership<sup>18</sup> will be expanded to become more inclusive, including: V20 Secretariat, representing vulnerable countries, and the Insurance Development Forum (IDF) Secretariat, representing the private sector. Subsequently, new donors of the GS Financing Structure as well as further partners may join the GS Coordination Hub based on consensus-based decision by existing members, e.g. humanitarian agencies, NGOs, philanthropic organisations, and bi- and multilateral development organisations and banks.<sup>19</sup>

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<sup>18</sup> Current IGP PA membership: BMZ, FCDO, Asian Development Bank: Asia-Pacific Climate Finance Fund (ACliff), Centre for Disaster Protection, KfW Development Bank incl. InsuResilience Solutions Fund, UNDP Insurance & Risk Financing Facility (IRFF), World Bank Global Risk Financing Facility (GRiF) & Global Index Insurance Facility (GIIF).

<sup>19</sup> PA member composition may change over time based on changing needs and circumstances.

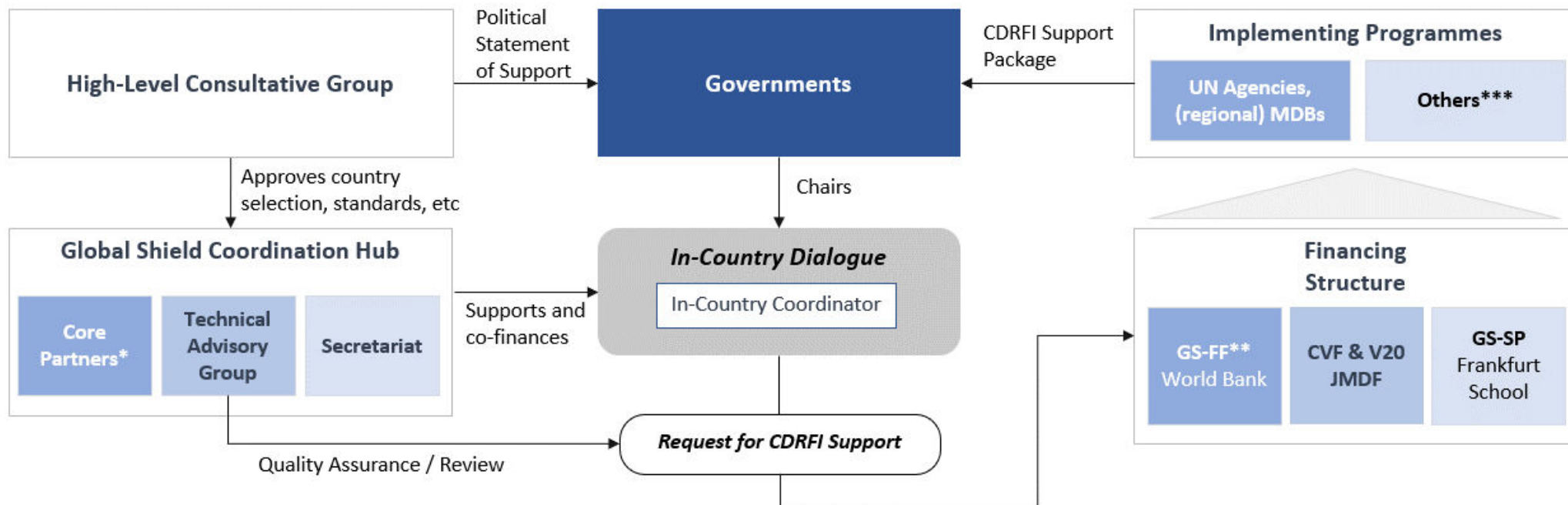
- iii **Identifying country-specific CDRFI needs, gaps and options of interventions / instruments through inclusive in-country-dialogues, including through V20-led Climate Prosperity Plans<sup>20</sup>, under the leadership of host countries.** The in-country dialogue will be facilitated by an in-country coordinator and supported by the GS Secretariat and members of the GS Coordination Hub, as needed. It will aim to integrate the IMF's capacity building and surveillance expertise and engage relevant local stakeholders. Where possible, it will build on national platforms and working groups.
- iv **GS-focused financing provided through a central GS Financing Structure** as a single point of entry encompassing three complementary vehicles: (i) the Global Shield Solutions Platform (GS-SP) building on the InsuResilience Solutions Fund (ISF) (hosted by Frankfurt School of Finance and Management gGmbH (FS)); (ii) the Global Shield Financing Facility (GS-FF, the reformed Global Risk Financing Facility (GRiF)) hosted by the World Bank; and (iii) the Climate Vulnerable Forum (CVF) & V20 Joint Multi-Donor Fund (V20 JMDF).<sup>21</sup> The three will work, depending on their setup, with implementing organisations, governments, private sector, NGOs, humanitarian agencies, and other existing CDRFI programmes and linked service providers to address the needs identified in the in-country dialogue and design and implement respective country support packages. Coherence and synergies will also be sought with other financing sources and vehicles for maximum impact.

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<sup>20</sup> See V20-led Climate Prosperity Plans ([V20 Ministerial VIII Communique April 2022](#) ; [Climate Prosperity Plan Objectives](#)), furthermore also the IMF in-country consultations and SNDL (to be operationalized in COP 27).

<sup>21</sup> The V20 JMDF supports the V20 initiatives including the Loss and Damage Funding Program.





\* V20 Sec, BMZ, FCDO, ADB, Centre for Disaster Protection, KfW, UNDP, World Bank, IDF Sec

\*\* GS-FF can fund both World Bank-executed projects and external projects via transfer-outs

\*\*\* Private Sector, Risk Pools, IIF, NDF, GIZ, V20 SIF/UNEP FI PSI, V20 Loss and Damage Funding Program, Climate Prosperity Plans, bilateral G7 programs

Figure 1: Global Shield against Climate Risks – Proposed Structure.

Based on i – iv), different partners play distinct roles in the proposed GS structure. High-level representatives of institutions from different stakeholder groups are united in the HLCG. A distinct (though partially overlapping) group of closely involved institutions with the technical capacity, expertise, and mandates to support global CDRFI coordination equips the three branches of the GS Coordination Hub (Core Partners (i.e. extended former IGP PA), TAG, Secretariat). The financing structure consists of three complementary financing vehicles (funds) that pool and distribute financial resources for specific CDRFI projects requested as the result of the in-country dialogue. These projects would be designed and carried out by implementing programmes, i.e. programmes hosted or run by UN agencies, Multilateral Development Banks (MDBs), private sector institutions, risk pools and others. Where feasible and opportune, these institutions/programmes would contribute further complementary financial resources beyond those flowing from the GS financing structure to the CDRFI projects. Participation in the HLCG and GS Coordination Hub is based on membership, whereas the pool of implementing programmes is entirely open and inclusive, and financial allocations by the Financing Structure ultimately depend on the “best fit” organisation as per the country’s needs and its request.

## **7. Global oversight and coordination – mandates and activities**

Political oversight of the GS is provided by the HLCG and overarching technical work and coordination by the GS Coordination Hub. Following the principle of subsidiarity, country support packages are developed at the country level, through inclusive in-country dialogues under the leadership of host countries and subsequent support by existing programmes and the Financing Structure.

### *Principles*

- Inclusivity, Transparency, Accountability, Subsidiarity;
- Demand-drivenness, results-focus, benefitting from the learning-by-doing dividend, i.e. GS procedures will be revisited regularly and adapted if necessary.

### **1. The GS HLCG**

The specific functions of the GS HLCG are to:

- Approve country selection for developing CDRFI country support packages;
- Approve common principles and standards for CDRFI country support packages, the in-country dialogues and the resulting request for CDRFI support;
- Provide a political statement of support to countries for a funding envelope to be delivered for the CDRFI support package;
- Promote further contributions to the GS Financing Structure and its vehicles from donor governments, the philanthropic community and other innovative sources of finance as well as non-monetary engagement among state and non-state partners;

- Encourage other initiatives to adhere to principles (e.g. SMART Principles<sup>22</sup>) and processes used by the GS, such as the importance of impartial technical review of CDRFI investments;
- Provide strategic guidance to the GS Coordination Hub, fostering effective coordination, collaboration, and knowledge sharing among key actors.

## **2. The GS Coordination Hub (enlarged and reformed IGP PA)**

The group of core partners, the GS Secretariat and the TAG are part of the GS Coordination Hub.

Specific functions (1-5) and underlying deliverables and activities of the GS Coordination Hub are:

- 1. Provide a forum for inclusive consultation on GS-related matters, including vulnerable countries' and broader stakeholder perspectives*
  - Mobilise the InsuResilience and partners' networks to crowd in relevant perspectives for specific contributions;
  - Facilitate knowledge and evidence sharing, learning opportunities, technical and training workshops, and use other formats to inform stakeholders on the GS, its offer to countries, and to ensure transparency.
- 2. Facilitate coordination at global level and support in-country coordination*
  - Regular meetings to update all core partners on in-country work, joint work on principles, standards and metrics, joint events, etc.;
  - Develop and update the global overview of existing and emerging CDRFI interventions and instruments per country;
  - Discuss and comment potential financial support of regional and global CDRFI initiatives and programmes based on analyses and recommendations by the TAG.
- 3. Inform and enhance GS programming by developing common principles, standards, and metrics for GS work*
  - Operationalise the SMART Principles and contribute to their further evolution;
  - Protection gap metrics and risk analytics tools;
  - Consistent approach for country selection, based on minimum criteria for country ownership, protection gap analyses, and existing CDRFI projects;
  - Draft Terms of Reference (ToRs) for In-Country Coordinator;
  - GS quality standards for country-specific 'request for CDRFI support' including the "best fit" funding vehicle.

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<sup>22</sup> [More information](#) on the Principles for SMART Premium and Capital Support that were adopted by the IGP HLCG in October 2021.

#### 4. *Create a pipeline of country projects, incl. technical support*

- Provide a point of entry for expressions of interest by countries;
- Channel country requests to funding opportunities and help source country requests through existing relationships and engagements in countries;
- Suggest priority countries for country-level engagement to the HLCG based on agreed-upon consistent approach to eligibility (see above).

#### 5. *Quality assurance for in-country dialogue and country requests*

- Through the TAG, provide quality assurance and review the country-specific requests for CDRFI support resulting from in-country dialogues;
- Support the resource mobilisation of its member institutions to fit the country's request for CDRFI support.

#### *The GS Secretariat (strengthened IGP Secretariat)*

The GS Secretariat will deliver the following functions in particular as a part of the GS Coordination Hub:

- Support the HLCG in GS-related activities;
- Elaborate country-level overviews of existing and emerging CDRFI schemes and instruments;
- Support (incl. financially) in-country coordination upon request by the partner country government, as needed;
- Commission monitoring, evaluation, learning, and reporting for GS programmes, building on InsuResilience Vision 2025 frameworks and coordinate / commission on-demand quality assurance in collaboration with the TAG;
- Channel country requests to funding opportunities;
- Support the GS Coordination Hub along any other of its functions (see above).

The administrative functioning of the Secretariat needs to be financed through regular financial allocations to core funding. In addition, staff secondments to the Secretariat by GS Coordination Hub members are encouraged.

#### *The Technical Advisory Group (TAG)*

As a part of the GS Coordination Hub, the TAG can be called upon and is available both

- i. to support countries undertaking the in-country dialogue and formulating *requests for CDRFI support* by providing recommendations, and
- ii. to provide on-demand advisory services to members of the Coordination hub and donors to the Financing Structure.

In addition, the TAG's specific role is to:

- Suggest priority countries for country-level engagement to the HLCG based on agreed-upon consistent approach to country selection (see above);
- Provide first drafts for ToR for In-Country Coordinators, quality standards for country-specific requests for CDRFI support and quality standards for in-country packages;
- Provide transparent quality assurance and review country-specific requests for CDRFI support resulting from in-country dialogues, crowding in local expertise by working with regional organisations and initiatives, as needed;
- Analyse existing funding gaps for regional and global CDRFI initiatives and provide recommendations for a possible engagement of the Financing Structure.

TAG membership would be focused on convening well-established CDRFI experts and pooling global CDRFI expertise to deliver impartial advisory. Members can further include representatives of donors, the V20 and other partners.<sup>23</sup>

## 8. In-Country Dialogue as a central element of the Global Shield

### *Principles*

- All GS in-country coordination, as well as the resulting CDRFI support package and its implementation, are initiated and fully owned by the respective government, manifesting in support from the appropriate level and institution, such as through V20-led Climate Prosperity Plans. The In-Country Dialogue should in itself foster sustainable and inclusive CDRFI capacities in the country.
- The government is supported by an In-Country Coordinator, who is nominated and mandated by the government (e.g. Ministry of Finance) taking into account the model GS ToR. The In-Country Coordinator can e.g. be a person within the government or a representative of an existing in-country structure (e.g. DRF Working Group, Donor - Country coordination working group).
- In-Country Dialogues invite all relevant CDRFI stakeholders and in-country actors, including key government representatives responsible for finance, agriculture, environment, climate change (incl. weather and climate data services), disaster risk management, infrastructure, health, and social protection, etc., local, national and international civil society and humanitarian agencies, research (incl. national/local universities and think tanks) and private sector organisations, bi- and multilateral development actors, and (regional) MDBs.

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<sup>23</sup> The GS HLCG will nominate permanent members of the TAG. When it comes to country-specific tasks, TAG composition may however be adapted as needed on a case-by-case basis to mobilise specific expertise or deal with potential conflict of interest and confidentiality issues. TAG members providing quality assurance for a certain country should not implement CDRFI instruments in that same country to avoid conflicts of interest.

- In-Country Dialogues are demand driven and facilitate consultations and knowledge-sharing between recipient entities ((sub-) sovereign governments, etc.) and implementing organisations (i.e. those institutions and development partners with technical capacity to deliver CDRFI support). Without clear request and mandate by the country, no GS funded country-specific activities will be undertaken.
- Coordination of the In-Country Dialogue builds on country-determined existing structures, analytics and documents as far as possible. The process remains maximally flexible and will be adapted to the specific country context.

## **1. Objective of the GS In-Country Dialogue**

- a) Facilitate understanding and informed decision-making by governments of
  - major risks and vulnerabilities;
  - the status of financial protection at national, sub-national, business and household levels, and corresponding protection gaps;
  - the potential role of different CDRFI interventions and instruments in addressing protection gaps, and the limitations and relative benefits of these instruments in view of possible adaptation and disaster risk reduction measures;
  - CDRFI-related formats of support and respective offers of various institutions, including comparative advantages and disadvantages and their relative complementarity.
- b) Streamline in-country conversations on CDRFI across various actors and government institutions and support governments to coordinate actors implementing or financing CDRFI interventions and/or instruments.
- c) On that basis, support the country in putting forward a country-specific *request for CDRFI support* from the GS based on identified needs.

## **2. Process, participants and main outcomes**

- The In-Country Dialogue needs to be initiated by the country's government. On request of the country, the GS Coordination Hub can support the In-Country Dialogue.
- The In-Country Coordinator may seek the support of additional actors such as international organisations, think-tanks, (national) academic and research institutions, local, national and/or international NGOs/CSOs or bilateral donors that are working in the country and can provide expertise in CDRFI stakeholder consultations. The GS Coordination Hub can support by leveraging existing relationships and engagements of IGP members.
- In-Country Dialogue participants include all relevant government agencies and partners (see above). The GS Secretariat can support the preparation of a repository of all previous and planned CDRFI projects/programmes/actors in the country.
- The process is maximally flexible and will take a "form follows function" approach in terms of underlying steps and sequencing. It will build on existing work and structures and integrate, as

opposed to duplicate, existing analyses (incl. protection gap analyses) and CDRFI-related projects. The three main outcomes the process should deliver (whether using pre-existing processes and work, where these exists, or by supporting new processes and work, where needed) are:

1. A *stocktake* of existing CDRFI interventions and instruments, both planned as well as in place;
2. A national *gap analysis* can be undertaken if not yet available, assessing both gaps in funding/financial protection as well as related to the enabling environment for CDRFI. Initiatives related to climate risk information such as CREWS, SOFF, the Global Risk Modelling Alliance (GRMA) and/or the Global Risk Assessment Framework (GRAF) are expected to contribute to such analyses;
3. A *request for CDRFI support* as a result of the In-Country Dialogue, based on gap analyses and government-led country consultations, and taking into account the GS minimum quality standards for in-country packages. The request for CDRFI support contains the CDRFI interventions and instruments of highest priority for the country, the formats of support needed for implementation, and a recommendation for one or several of the financing vehicles under the Financing Structure to facilitate the requested support. The support package requested depends entirely on the country context and the needs identified, and can range from one particular CDRFI instrument to fill a specific protection gap to a suite of support interventions and instruments to address broader gaps. The request for CDRFI support is reviewed by the TAG under the GS Coordination Hub.

## 9. GS Financing Structure

### *Principles*

- Through a global GS Financing Structure, financial support for CDRFI is implemented more systematically and coherently;
- The underlying principles for any GS financing are subsidiarity and complementarity. The Financing Structure finances CDRFI gaps identified as per countries' requests for CDRFI support that have not yet been financed (or have not been identified in the in-country dialogue better suited to be financed) by any other bilateral or multilateral donor or financing facility. It avoids crowding-out and welcomes crowding-in. Once CDRFI gaps are identified, implementation prioritisation will be based on urgency / vulnerability of the target group;
- Maximising the scope and impact of support, country requests should be directed to one or several of the financing vehicles under the Financing Structure with respective advice by the TAG;
- The institutions constituting the Financing Structure have functions and mandates beyond the GS, which are not affected by the GS.

## **1. Objectives of the Financing Structure**

- Ensuring more systematic, coherent, and sustained funding for CDRFI;
- Mobilising funds from different sources (donors, private sector, philanthropy, etc);
- Providing a single point of entry to the three different financing windows (GS-FF, GS-SP, and V20JMDF);
- Financing gaps in the implementation of needs-based, country-specific support packages (based on in-country dialogue);
- Bundling a set of complementary services and maximising value for money by giving countries financial support to access a wide spectrum of existing programmes as well as services to be commissioned to other providers such as the private sector, NGOs, humanitarian agencies, or civil society;
- Offering support under jointly agreed principles and conditions as e.g. the SMART premium and capital support principles, thus harmonising CDRFI support systematically amongst donors and implementing institutions;
- Channelling funds in a less fragmented way and widen access to finance for different types of organisations, improving transparency and accountability;
- Besides country support packages, the Financing Structure can also provide funding for global and regional programmes where these bear the potential to improve the cross-country CDRFI architecture and enable delivery at the country level in an innovative, efficient and effective manner. This will be based on a recommendation by the Coordination Hub and under the strategic guidance of the HLCG (e.g. financing global CDRFI programmes, regional risk pools etc).

In order to maximize the potential scope of financial support, the Financing Structure unites two financing vehicles, GS-SP and GS-FF, which build on existing vehicles, as well as the CVF / V20 JMDF. All vehicles will be developed and adapted according to the GS objectives.

## **2. Overarching governance of the Financing Structure**

In order to ensure lean processes and consistency of decision making between the GS HLCG and the Financing Structure, no additional governance entity should be established.

Instead, the following mechanisms will be put in place:

- Decisions by the GS HLCG and reviews and recommendations by the TAG regarding the country's requested CDRFI support have a strong guiding function for the financing vehicles and the funding allocation decisions of their respective steering units;
- The financing vehicles will signal a financial contribution to countries prior and subject to execution of the In-Country Dialogue and subject to steering committee decisions under each financing vehicle. This will be provided in conjunction with the HLCG's statement of political support;



- Operational guidelines of the financing vehicles will ensure funding allocations are aligned with GS principles and governance arrangements, and ultimately focus on funding country packages in response to country-specific requests for CDRFI support or on supporting regional or global initiatives, based on reviews and recommendations provided by the TAG.

Notwithstanding, fiduciary and accountability rules and procedures of the financing vehicles will ultimately ensure the final financing decision lies in the responsibility of the financing vehicles and their respective governance structures.

### **3. Global Shield Solutions Platform (GS-SP)**

- Primary GS financing vehicle to leverage the private sector and cooperate with complementary CDRFI implementing partners (a.o. risk pools, bilateral / national development banks and TA agencies, National Disaster Fund (NDF), InsuResilience Investment Fund (IIF), humanitarian sector, local academia and NGOs) other than MDBs or UN Agencies.
- Hosted by the Frankfurt School of Finance and Management gGmbH (FS) and managed by the management team of InsuResilience Solutions Fund (ISF).<sup>24</sup> The GS-SP will build on the funding approach and lessons learnt of the ISF.
- The GS-SP will offer grants for a wide range of interventions such as detailed risk analysis and capacity building, structuring and design of CDRFI solutions, and premium and capital support. This includes support for climate risk insurance and other CDRFI instruments, incl. anticipatory and forecast-based risk financing, shock resilient loans, grants to enhance national disaster risk funds, etc. GS-SP supports CDRFI solutions at all levels, i.e. (sub-) sovereign entities, businesses, humanitarian organisations as well as households and farmers (macro-, meso-, micro level approaches).
- Risk analysis and capacity building of local partners with respect to climate and natural hazard analytics will be provided via the GRMA, an initiative of the V20 and the IDF and hosted by the ISF. The GRMA will also be engaged to deliver risk analytics under the GS.
- When selected as a financing partner by a country, the GS-SP will use a competitive approach to identify in consultation with the country the best implementing partners and consortia to deliver the support needed, leveraging the expertise and capital of the private sector (e.g. by co-funding CDRFI product development through insurance market actors and intermediaries such as insurers, reinsurers, brokers, risk modellers and service providers).

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<sup>24</sup> The ISF is a grant facility set-up in 2019 to support the development of climate risk insurance solutions. It follows a value-chain approach by financing 1) risk analysis and capacity building, 2) concept and product development for CDRFI solutions, and 3) premium subsidies to support market introduction and scale up of CDRFI solutions.

- Consequently, the GS-SP will work with private and public sector stakeholders as well as humanitarian actors, NGOs, risk pools and other CDRFI programmes to contribute to a coherent package for individual countries based on their request for CDRFI support.
- Although non-earmarked funding is preferred, the GS-SP may accept earmarked funding.

Approval processes and implementation rules (including standards for M&E, reporting and accountability) will be prepared by GS-SP and agreed with donors.

#### **4. Global Shield Financing Facility (GS-FF)**

- This is the World Bank's primary GS financing vehicle for projects which can be integrated in ongoing World Bank programmes supporting governments in the area of risk finance, social protection, DRR, market development, and further areas.
- Hosted by the World Bank's Disaster Risk Financing and Insurance Programme and its Global Facility for Disaster Risk Reduction and Recovery (GFDRR), GS-FF can (i) implement funds through World Bank projects; and (ii) transfer to other select organisations (accredited MDBs, Multilateral Funds, and UN Agencies).
- While the majority of funding will be implemented through World Bank projects, a substantial level of resources will be made available for transfers out to eligible transferees. All projects implemented through the World Bank must be requested by the government and are subject to World Bank government dialogues and World Bank internal approval processes. There is strong commitment for the new financing vehicle to coordinate with other CDRFI stakeholders and also work with other partners through Bank executed activities.
- There is high flexibility in what type of expenditures/activities the GS-FF can fund (as long as there is agreement between the government and the World Bank) but all activities financed through the World Bank must follow all applicable World Bank policies, including existing products, approval processes, environmental and social frameworks, and fiduciary requirements.
- All projects should pay adequate attention on financing not only the CDRFI instrument but also setting up the required preparedness systems (such as social protection systems).
- At the request of donors and supported by country demand, GS-FF funding can be transferred to select MDBs and UN Agencies for implementation ("Transfer Out"). Projects then must follow the policies of the respective agency.
- Based on the experience of GRiF since 2019, expenditures would include preparation of projects, co-financing of CDRFI instruments, implementation support, and linking CDRFI instruments to preparedness systems.

Approval processes and implementation rules will be prepared by World Bank and agreed with donors to the GS-FF Multi-Donor Trust Fund based on World Bank trust fund policies.

## 5. CVF & V20 Joint Multi-Donor Fund (V20JMDF)

- The CVF & V20 JMDF is a voluntary, multi-stakeholder strategic financial and implementation tool that aims to facilitate the coordination among the respective member states of the CVF and V20 Group of the Ministers of Finance of the CVF. GCA, as the CVF/V20's Managing Partner, will function as the Fund Board's Secretariat.<sup>25</sup>
- The V20JMDF contributors include CVF/V20 members, philanthropies, and advanced economies. In this context, the V20JMDF is established to facilitate the coordination among the respective member states, and to deepen South-South cooperation, with the overall aim of enhancing members' capacities to deliver on key priorities on climate action.
- The Fund will also work to support economic and finance-related interventions, particularly in line with the programme of action determined by the V20. These will concentrate on strengthening the capacities of the respective Ministries of Finance to promote continuous development of financial and economic policies to address growing climate concerns and avail on various opportunities. Furthermore, the Fund will aspire to take forward V20 financing instruments such as the V20 Loss and Damage Funding Program and enhance V20's abilities to catalyze and mobilize financial resources to address climate change.
- The V20JMDF has a window under the mandate of the CVF & V20 Work Program with programmes to manage climate risk for climate action, including:
  1. Loss and Damage Funding Program
  2. Premium Subsidies and Capital Support (operationalized with SMART Principles and their further evolution)
  3. Off-balance sheet guarantees to reduce the cost of capital (Accelerated Financing Mechanism)
  4. Distribution channels enhancement and climate-smart insurance for micro, small and medium-sized enterprises (Sustainable Insurance Facility)
  5. Slow Onset Financial Protection Risk Pool (incl. sea level rise, displacement, etc.)
- At the request of the board, V20JMDF funding can be transferred to service providers such as select MDBs, multilateral funds, UN Agencies and other organisations for implementation.

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<sup>25</sup> More information: <https://www.v-20.org/fund>

## 6. GS Financing Structure – Overview, comparative advantages, division of labour and coordination of the financial vehicles

This table sets out the main purposes and comparative advantages of the three financial vehicles under the GS Financing Structure. This should guide the implementation of country packages and global initiatives under the Global Shield towards the financing through one or combination of specific vehicles. The GS also aims to crowd in other financing sources. Support by the Financing Structure under the GS is therefore subsidiary to other bi- and multilateral financing which will also be considered in designing country packages or considering global initiatives.

The three financing vehicles will work together to ensure coherent implementation and effective support for the in-country process and the country packages, building on the GS principles.

The table is not exhaustive. Under specific circumstances additional modalities might be considered. The table is not legally binding, the rules and obligations of the hosting organisations prevail.

	Global Shield Solutions Platform (GS-SP)	Global Shield Financing Facility (GS-FF)	CVF & V20 Joint Multi Donor Fund (JMDF)
<b>Main purpose / comparative advantage within GS</b>	<p>Primary GS financing vehicle to leverage the private sector and cooperate with a wide range of complementary private and public CDRFI implementing partners in the following categories:</p> <ul style="list-style-type: none"> <li>• Country needs of priority countries identified by the GS-HLCG and benefiting from the in-country dialogue</li> <li>• Regional and global programmes related to CDRFI (e.g. financing risk pools or a programme for insuring the development impact for infrastructure projects)</li> </ul>	<p>Primary GS financing vehicle for projects which can be integrated in World Bank and selected MDB and UN Agency programmes which support Governments in the area of CDRFI, including adaptive social protection, and benefit from the in-country dialogue</p> <p>GS-FF can integrate new components into ongoing projects through additional financing</p>	<p>Primary GS financing vehicle for projects designed by the V20 which are implemented through pre-selected entities by the CVF/V20 and the board of the Fund, benefitting from the in-country-dialogue</p>

<b>Administrative Set Up</b>	<p>Hosted by the Frankfurt School of Finance and Management gGmbH (FS)</p> <p>Managed by the CDRFI team of Frankfurt School of Finance and Management which is also managing the InsuResilience Solutions Fund (ISF)</p> <p>Collaboration with the GRMA, an initiative of the V20 and the IDF and hosted by the ISF</p>	<p>Administered by the World Bank.</p> <p>Managed by the GRiF PMT (also known as the “GRiF Secretariat”, with GFDRR as trust fund manager and Disaster Risk Financing and Insurance (DRFI) Program as technical manager)</p>	<p>Hosted in the United Nations Office for Project Services (UNOPS)</p> <p>Technical Secretariat by the CVF/V20 Secretariat</p>
<b>Eligible countries</b>	<p>Countries on the DAC List of ODA recipients</p>	<p>World Bank members, as well as non-members and countries in arrears provided Board approval is sought and obtained</p>	<p>58 members of the CVF/V20 including countries currently not on the OECD DAC List of ODA recipients</p>
<b>Eligible funding recipients</b>	<p>Category 1: All levels of (sub-)sovereign entities, businesses, humanitarian organisations or households and farmers (macro-, meso-, micro level solutions) implementing all kind of CDRFI solutions based on countries priorities and respective country packages</p> <p>Category 2: (regional) risk pools, regional initiatives and projects, national development banks and development agencies</p>	<p>Governments and eligible MDBs and UN organizations</p> <p>GS-FF can provide both Bank-executed, and recipient-executed (RE) grants. RE grants can be stand-alone (not necessarily combined with IDA/IBRD lending)</p>	<p>All pre-selected entities including UN organisations and NGOs</p>
<b>Implementation Partners</b>	<p>Local &amp; international private sector, NGOs, humanitarian institutions, academia; a.o. risk pools, bilateral / national development banks,</p>	<p>Partners of WB financed projects as by project design: national governments, and</p>	<p>UN organizations, local &amp; international private sector, NGOs, humanitarian</p>

	development and TA agencies, CDRFI service providers, impact investment vehicles, humanitarian sector, local academia and CSOs/NGOs	other development actors such as NGOs and risk pools, as well as the private sector)  Organizations eligible for Transfer Outs: MDBs and UN organizations. Projects then must follow the policies of the respective agency	institutions, academia, national and sub-national governments
<b>Instruments</b>	<p>Technical Assistance and structuring and design of CDRFI solutions, and implementation of premium and capital support</p> <p>(Matching) Grants for detailed risk analysis and capacity building on risk assessment will be financed in close collaboration and using resources of the GRMA under the ISF</p>	<p>Technical assistance and grants (often in combination with IDA/IBRD lending operations)</p> <p>There is high flexibility in what type of expenditures/activities can be funded (as long as there is agreement between the government and the World Bank). Based on past experience funding has mostly been allocated for preparation of projects, co-financing of CDRFI instruments, implementation support, linking CDRFI instruments to preparedness systems, development of policy and public financial management (PFM) reform strategies</p> <p>Under current GRiF regulations, projects cannot be 100% grant financed, but this is subject to further discussions with GS-FF donors</p>	Grants (in combination with in-kind support from partners)