

Framework for Prioritization of Country Support: Process and Methodology

1 Introduction

Background

Launched at COP27 by the Vulnerable Twenty (V20) Group and the Group of Seven (G7), the Global Shield (GS) against Climate Risks aims to **increase protection for vulnerable people by providing and facilitating substantially more and better pre-arranged finance** against disasters. Greater financial protection should lead to better and more reliable disaster preparedness and response, which is an important element of addressing losses and damages exacerbated by climate change. The GS promotes a demand-driven process, which is owned by the vulnerable countries' governments. General information on the GS's objectives, main elements and interventions can be found in the [GS Concept](#).

Objective of this document

An initial cohort of pathfinder countries have already been invited to participate in the Global Shield (GS) in-country process. It is planned that additional countries will be added to the list. As more countries may seek to access the GS than can be accommodated, countries will need to be prioritized.

This document defines the **process that will be used for prioritizing countries as well as the criteria that will be considered during the process**. It is a transparent and consistent process, which centers the needs of the most vulnerable people to climate and disaster-related losses¹. It builds on existing frameworks, such as the [SMART Principles for Premium and Capital Support](#) and the [InsuResilience Principles](#), and defines clear roles in the process for GS bodies – the Global Shield Board (GSB), the Coordination Hub (CH), the Technical Advisory Group (TAG), and the GS Secretariat.

This country prioritisation framework, however, **does not define how much funding will be allocated to each country by the Financing Structure**. The GS generally aims to provide needs-based support to countries in alignment with other resilience-building and CDRFI initiatives in the respective country, while acknowledging individual governance and funding allocation frameworks of each financing vehicle. It is however clear that annual cohorts of GS partner countries are limited in size due to constraints of overall funding and available support resources in the GS.

This document was jointly developed by the (interim) GS Secretariat and the Centre for Disaster Protection, in close consultation with members of the CH. **The overarching framework was reviewed and endorsed by the InsuResilience High-Level Consultative Group (HLCG) on May 25, 2023. The technical annex has been consulted with Coordination Hub members and incorporates their feedback.**

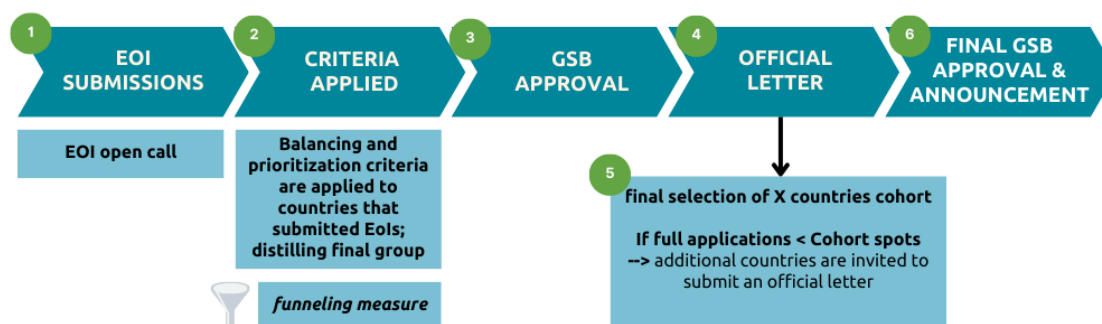
¹ The GS can also support regional initiatives (e.g. a joint application by various countries, incl. through regional risk pools). Such particular cases will be taken up separately from this framework based on recommendations and demands raised within the GS Coordination Hub.

2 Country Prioritization Principles

The country prioritization framework builds on the following principles:

- **Cohorts of additional GS partner countries** shall be added to the overall GS pipeline annually. Once a new cohort of partner countries is announced, the respective countries can start the GS ICP with the goal to develop and submit a request for CDRFI support. A country is considered a GS partner country for the time span from the preparation of the ICP to the conclusion of implementation of requested CDRFI solutions.
- Every cohort shall include those **countries prioritized in line with the proposed methodology** that have demonstrated interest and commitment to conduct the ICP to subsequently receive support by the GS for implementation of tailored financial protection.
- Every cohort size and composition shall make **most efficient use of available funds and support capacity under the GS²**. As countries will complete the ICP at different pace, the number of GS partner countries will likely accumulate over the first few years, which will impact the availability of GS support and hence the potential cohort size.
- **Every cohort shall best possibly balance countries** from different regions.
- Maximum **transparency throughout the process** should be ensured. This includes full disclosure of the methodology and the final ranking as approved by the GS Board. The GS Secretariat will openly share information accordingly via the GS Website.

3. Country Prioritization Process



1. A global **call for Eoi** will be published, allowing countries to signal interest in becoming a part of the GS partner country pipeline. A preliminary cohort size based on anticipated funding shall be communicated by the GS Secretariat. All countries that submit an Eoi should participate in exploratory conversations between the respective government representatives and the GS Secretariat, outlining benefits, clarifying inquiries, and setting expectations³.

² Cohort Sizes will be determined based on the total available funding in the GS Financing Structure (i.e. committed funding minus allocated funding), the number of countries already undertaking In-Country Processes, and an estimate of expected funding requirements per country, building on past experience from CDRFI implementing programmes and funding facilities, and corresponding analytics conducted by the GS Secretariat.

³ For countries with limited capacity to submit Eoi, support can be provided by the GS Secretariat (in collaboration with the V20 Secretariat, if needed)

2. **Countries that have submitted an EoI will be ranked** according to the methodology presented in chapter 4, which is based on objective, measurable and needs-based criteria⁴ and this will be complimented by qualitative input gained through consultation between a country's government and the GS Secretariat.
3. The **GSB is asked to endorse** the cohort of countries proposed by the GS Secretariat by way of non-objection⁵. In accordance with the designated cohort size, the respective number of prioritized countries will be invited to submit an official letter of commitment.
4. Supported by further consultations with the GS Secretariat, the countries submit an **official letter of commitment**. In this letter, the country must specify and demonstrate the following:
 - a. **Ministerial commitment** by government entity that is crucial for GS processes (led by the ministry selected by the country and including leadership and support by other relevant ministries, e.g. Finance, Environment/Climate Change, Agriculture, Social Protection, Disaster Risk Management, Met Office, etc.) towards the in-country process through its entirety⁶.
 - b. An **In-Country Coordinator**, i.e. a **governmental focal point** and a potential support structure.⁷
 - c. The country's commitment to **conduct the process in an inclusive and participatory manner** that involves all relevant stakeholders, including representation of the needs of women and marginalized communities.
5. The GS Secretariat checks the official letters of commitment against the points a-c listed under 4, if required, in consultation with the TAG. In case the designated cohort size is not reached with applications, the GS Secretariat can actively reach out to additional countries which had initially submitted an EoI and invite them to submit an official letter.
6. Upon final GSB approval (by non-objection), the **list of the new country cohort will be publicly announced**, e.g., at the subsequent WB/IMF Annual meetings, UNFCCC COP, or other high-level political forums subsequent to the GSB meeting.

4 Methodology and Criteria

Global Shield support is open for countries on the DAC list of ODA recipients⁸. As such, Least Developed Countries (LDCs), Small Island Developing States (SIDS), Lower and Upper Middle-Income Countries (LIMCs & UMICs) are all eligible for receiving support by the GS⁹.

As more countries may seek to access the GS than can be accommodated countries will need to be prioritised. This section defines key considerations for how countries will be prioritized for GS

⁴ Country selection will also take into account relevant sanctions lists. Final decision on exclusion of countries should be taken by GSB.

⁵ Endorsement by GS Financing Vehicles may also be necessary depending on their individual governance arrangements / requirements

⁶ A substantial decrease in commitment after a country has been selected may lead to termination of GS support. Such cases would be brought to the GSB for final decision.

⁷ A guidance note for the ICP will be shared alongside the final prioritization framework which outlines the role and tasks of the In-Country Coordination. The GS Secretariat supports the preparation of the In-Country Coordination.

⁸ Countries not on the OECD DAC List of ODA recipients can still receive funding through the CVF and V20 Joint Multi Donor Fund as one of the financing vehicles under the GS Financing Structure. While such countries are not excluded from GS support, priority will still be given to the poorest and most vulnerable to the effects of climate change.

⁹ The framework will also take into account that eligible countries differ slightly per financing vehicle; GS-SP can respond to requests to countries on the DAC List of ODA recipients, GS-FF can support World Bank member countries, while V20 members could receive support by the V20 JMDF regardless of ODA status. However, the DAC List of ODA recipients generally provides a good reference framework for needs-based country selection under the GS.

support based on objective, measurable and needs-based criteria. A description of how the criteria will be assessed is further elaborated in a technical annex to this document. Acknowledging the GS's ambition to provide more and better financial protection at a global level, country selection also considers regional diversity. This is achieved through inclusion of a **balancing criterion** to each cohort.

Countries in fragile and conflict-affected situations (FCS) are often particularly vulnerable when it comes to climate shocks, as in most cases, their situation further reduces coping capacities. The underlying data for the prioritization criteria might not capture most recent developments of FCS countries. Also, due to their particular situation, it might not always be feasible to conduct the ICP and implement CDRFI solutions. For these reasons, a **case-by-case assessment** will be applied regarding their ability to join the GS as a partner country (cf. Section 3). Further options could be developed, for example, cross-country support programmes provided through the central Financing Structure.

Country leadership and clearly defined expectations for in-country support are key pillars of the GS In-Country Process. The EoI from countries' governments as well as subsequent consultations with the Global Shield Secretariat are therefore vital to clarify inquiries, reaffirm countries commitment and set expectations.

The final decision will therefore be based on both the final output from the technical annex as well as the information provided by the GS Secretariat to the GS Board following its consultation with the country's government.

4.1 Prioritization Criteria

In line with existing frameworks for needs and performance-based allocation in development-finance, a transparent and consistent method for prioritizing countries should be based on their needs for support.

To determine the level of need, this framework uses **three criteria**: i) **poverty**¹⁰ ii) **climate and disaster risk**, and iii) **readiness**.

A primary object of the GS is to "increase protection for vulnerable people". Poorer populations are disproportionately affected by disasters and are often clustered in areas of greater hazard exposure¹¹. Therefore, incorporating poverty as a dimension for country prioritization is important to ensure the targeting of vulnerable people living in poverty⁸. Furthermore, datasets capturing country-level poverty measures globally are relatively readily available and well-maintained.

¹⁰ It was originally proposed to focus on 'relative' rather than 'absolute' poverty, however, following the testing of the indicators absolute poverty was found to better reflect poverty levels in low-income countries. Relative poverty is measured by looking at the number of people living under a set percentage of the median income in a country with a benchmark of 60% being used by the OECD and EU. Where the median income in low income countries is very low it can result in a much lower share of the population living under a set median than is found in high-income countries with a much broader range of incomes.

¹¹ Hallegatte, S., Vogt-Schilb, A., Rozenberg, J., Bangalore, M. & Beaudet, C. (2020) From poverty to disaster and back: A review of the literature. Economics of Disasters and Climate Change.

Given the GS's focus on increasing protection against climate and disaster risk, understanding a country's predisposition to natural hazards and the magnitude of populations at risk is fundamentally important to ensure that financial support is targeted towards those most at risk.

Finally, 'readiness' for financial protection is important to ensure that GS resources are allocated to projects with the highest potential impact, and greatest likelihood to support vulnerable people at scale. Readiness is defined as a multi-factor assessment of a countries' ability to effectively further CDRFI actions,

The suggestion to focus on these three criteria was endorsed by the HLCG at its meeting in May 2023. Details on the indicators used for each of these criterions is provided in the technical annex.

4.2 Balancing Criterion

Acknowledging the GS's ambition to provide more and better financial protection at a global level, country selection should aim at **regional diversity**. Regional balancing will consider the size of regions and their relative vulnerability, avoiding disadvantage for countries from large regions with high relative vulnerability compared to smaller regions and or regions with low relative vulnerability.

The application of the balancing criteria will be done as follows:

- The designated cohort size in this example is 8. In this example, the cohort includes two countries per region (LAC, Africa, Asia and the Pacific).
- Countries are clustered by region and prioritized within regions based on the criteria in section 4.1. Two countries per region are selected. These six are complemented by two additional countries that rank highest in the overall ranking and are not yet selected.
- Transparency of the procedure should be ensured at every step.

Technical Annex

Introduction

This technical annex provides a detailed description of the criteria that will be used to prioritise country support under the V20/G7 Global Shield against Climate Risks (GS). As per the HLCCG's decision, the following three criteria will be used to inform the country prioritisation: i) poverty, ii) climate and disaster risk, and iii) country readiness. This annex outlines how each of these dimensions is measured, the data sources and indicators applied, and how the dimensions are compiled into aggregate country scores. It builds on further consultations with members of the GS Coordination Hub.

Poverty

Definition

Poverty, as defined by the World Bank, is a condition characterised by the inability of individuals or households to meet their basic needs for a minimum standard of living. This includes insufficient income to afford essentials such as food, clean water, shelter, education, and healthcare. Poverty exacerbates climate vulnerability by limiting individuals' and communities' capacity to adapt to and cope with climate-related impacts. This leaves them more exposed to extreme weather events, food insecurity, and health risks associated with climate change and natural hazards.

Indicator Description

The Poverty Headcount Ratio at \$3.65 is used to reflect poverty in the Global Shield country prioritisation process¹². This index quantifies the number of people living on less than \$3.65 per day and thus helps to categorise countries based on the share of people living in poverty. This is especially important for policymakers as it helps prioritise interventions and resources more effectively to lift people out of poverty and reduce the intensity of their deprivation. The main rationale for using the poverty headcount ratio at \$3.65 in this framework is data availability and the comparability of data between countries. While the poverty gap index may be better suited to display the severity of poverty, calculations based on the poverty gap index provide limited information as the values are all clustered near 0, with the exception of a limited number of extreme cases. This would skew the results of the aggregation of values significantly in favour of the countries which have either a particularly high poverty gap or have missing data. A similar problem applies to the poverty headcount ratio at \$2.15, where the majority of countries are clustered near 0. The decision to not use the multidimensional poverty index was made based on data availability as data on the poverty headcount ratio is more widely available for the GS target group.

Application of Data in the Framework

Poverty is measured using the poverty headcount ratio at \$3.65, as measured by the World Bank¹³. The data set covers more than 83% of all countries in the target group. Some values were excluded to ensure comparability: as the Covid-19 pandemic had a severe impact on poverty data, comparing

¹² Data collected from the World Bank Poverty and Inequality Platform. URL: <https://data.worldbank.org/indicator/SI.POV.LMIC>

¹³ World Bank (n.d.). Poverty headcount ratio at \$3.65 a day (2017 PPP) (% of population). <https://data.worldbank.org/indicator/SI.POV.LMIC>

pre-pandemic data with post-pandemic data would generate biased results. For this reason, the data is limited to data collected before 2020, using the latest available value for each country.

Climate and Disaster Risk

Definition

Risk is the “effect of uncertainty on objectives” (ISO31000). In the context of climate and disaster risk, it includes adverse, sudden onset, extreme weather events such as tropical storms, droughts, floods or heavy rainfall, that become more severe and unpredictable due to climate change; as well as human-induced and natural hazards such as wildfires, earthquakes and tsunamis.

Risk is a function of hazard, exposure, and vulnerability (drawn from [IPCC AR6 2021](#) and the InsuResilience [Glossary](#)):

Hazard is the potential occurrence of a natural or human-induced physical event or trend that may cause loss of life, injury, or other health impacts, as well as loss and damage to property, infrastructure, livelihoods, service provision, ecosystems and environmental resources.

Exposure is the presence of people; livelihoods; species or ecosystems; environmental functions, services, and resources; infrastructure; or economic, social, or cultural assets in places and settings that could be adversely affected.

Vulnerability is the predisposition to be adversely affected, including susceptibility to harm and lack of capacity to cope and adapt.

Indicator Description

The INFORM [index](#) is a valuable tool for comparing climate and disaster risk between countries worldwide. It is published by the Disaster Risk Management Knowledge Centre (DRMKC) of the Directorate-General Joint Research Centre (DG JRC) of the European Commission. INFORM aims to reflect the complexity of risk by including a wide range of indicators to assess risk from various angles, including human-induced and natural hazards, exposure, multi-dimensional vulnerability, and coping capacity.

INFORM is regularly updated and provides a global perspective, enabling comparisons between countries and regions. Its use of standardised indicators enables a consistent and comparable assessment. Furthermore, it is open-source and its methodology and underlying index components are publicly accessible and individually applicable. INFORM data will be used in the Country Prioritization Framework extracting those index components that serve the specific information needs of the Framework (see below).

It is important to note that comparing climate and disaster risk of countries through indexes like INFORM has limitations. A general critique is that they can oversimplify complex realities and their results can be biased by data gaps and subjectivity in indicator selection. Further, they often lack consideration of cultural and local contexts and may not adapt well to the dynamic nature of climate risk.

That being said, based on expert consultations and desk research, INFORM is the most versatile and comprehensive climate and disaster index available¹⁴.

Application of Data in the Framework

Climate and Disaster Risks are included in the framework using a modified version of the INFORM index. The INFORM data set contains data for all ODA DAC and V20 countries. The data is modified to address the specific needs of the GS country prioritisation framework. More specifically:

- The Human Development Index and the Multi-dimensional Poverty Index were excluded from the vulnerability dimension as poverty is assessed separately (cf. above);¹⁵
- Corruption and government effectiveness were excluded as these indicators are addressed through the readiness dimension (cf. below);
- The weights of the vulnerability, hazard and exposure, and lack of coping capacity dimensions were changed. As the poverty dimension was excluded from vulnerability, the weighing was reduced from 33% to 30%. Lastly, the weighing of lack of coping capacity was reduced from 33% to 10% to account for the exclusion of institutional coping capacity (addressed separately in the readiness dimension). As a result, the weight of hazard and exposure was increased to 60%, reflecting the needed focus on these risk components in this dimension.

The values in the INFORM index are ranked between 10, representing the highest-risk value, and 0, representing the lowest-risk value. The data in the INFORM data set is almost normally distributed, with the majority of the data being concentrated between 3.6 and 5.2. and the remaining data being distributed along both sides of this range.

Readiness

Definition

Readiness is a multi-dimensional concept which reflects countries' preparedness for CDRFI, i.e. their capacity to ensure that systems, stakeholders and policies are well-positioned to effectively implement and scale CDRFI solutions¹⁶. This includes but is not limited to regulatory frameworks, political stability, governance, and existing CDRFI strategies.

Indicator Description

To cover the multi-dimensional nature of readiness, **three readiness indicators** are included in this Framework: **i) Governance readiness, ii) CDRFI policy environment and iii) Market readiness.**

¹⁴ It is important to emphasise that using the INFORM index for the prioritization of the GS country support is separate from the application of risk data to inform and design specific CDRFI solutions in GS countries. The latter should build on more refined and granular risk data, crowding in local experience and as much as possible applying probabilistic risk models.

¹⁵ Furthermore, the Human Development Index is concentrated on income and includes indicators such as life expectancy and education whereas the poverty headcount ratio is concentrated on poverty. The Multidimensional Poverty Index is not as broadly available for our target group of countries as the poverty headcount ratio.

¹⁶ UNDRR (n.d.) Preparedness. <https://www.undrr.org/terminology/preparedness>

Governance readiness is derived from the Notre Dame Global Adaptation Initiative's (ND-GAIN) Country index¹⁷ with minor adjustments¹⁸. It combines three sub-indicators¹⁹ by calculating the arithmetic mean of political stability and non-violence, control of corruption, and rule of law. The ND-GAIN Country index is a free, open-source index that among other things, assesses a country's readiness to leverage private and public sector investment for adaptive actions. This Index is updated annually and makes estimates using the best available research outputs and data. The governance indicator is useful in capturing the diverse institutional factors that enhance application of climate adaptation. Stable and reliable institutional arrangements are vital conditions for sustainable and effective uptake of CDRFI.

The second indicator accounts for the **CDRFI policy environment** of the respective country. It is measured using a sub-indicator indicating whether a CDRFI strategy is existent or/and whether risk finance and planning is integrated into National Adaptation Plans, Nationally Determined Contributions, Integrated National Financing Framework or other key policy documents. As such, this indicator measures whether specific policy actions have been adopted by the country to enable CDRFI instruments and their further development.

Lastly, **market readiness** is assessed through the combination of two sub-indicators: regulatory quality and financial literacy. Regulatory quality is extracted from the ND-GAIN Country index governance component²⁰. Financial literacy is measured through World Bank Global Findex data²¹. Both dimensions play an important role for the development of sustainable and inclusive risk markets in vulnerable countries.

Application of Data in the Framework

The data used leverages multiple sources, including Worldwide Governance Indicators (WGI) through ND-GAIN, InsuResilience Vision 2025 Monitoring and Evaluation (M&E) data²² for the availability of CDRFI strategies, and World Bank's Global Findex.

Governance readiness is weighted with 35%, CDRFI policy environment with 30%, and market readiness with 35%. Data for all indicators will be in the range from 0 to 1, 0 representing the lowest level of readiness. The following formula is employed for the weighted readiness score:

$$= \textit{Governance readiness} * 0.35 + \textit{CDRFI policy environment} * 0.3 + \textit{Market Readiness} * 0.35$$

While acknowledging the limitations of the aforementioned indices and data, the indicators and their respective data sources were selected based on their suitability, reliability and availability, building on consultations with members of the GS Coordination Hub.

¹⁷ University of Notre Dame Global Adaptation Initiative (2023). Country Index Technical Report. https://gain.nd.edu/assets/522870/nd_gain_countryindextechreport_2023_01.pdf

¹⁸ It excludes regulatory quality as this is covered in the market readiness sub-indicator.

¹⁹ The ND-GAIN index readiness sub-indicators are directly taken from the World Governance Indicators (WGI).

²⁰ ND-GAIN index also uses World Governance Indicators as a data source for regulatory quality.

²¹ The indicator on the percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution or report personally using a mobile money service in the past year, poorest 40% (% ages 15+) is used.

²² InsuResilience Global Partnership (2022). Background note on targets and indicators for Vision 2025. 20210601_ME_Background_Note.pdf (insuresilience.org)

Aggregate Index

This section outlines how the indicators above are compiled into an aggregate value for each country. The general approach for the aggregation is to multiply the values for the three dimensions with a weighing associated to each. The proposed weighing is 30% Poverty; 40% Risk; 30% Readiness. This generates values that are easily comparable and can be easily communicated, thus increasing transparency of the framework and its results.

Due to differences in the formatting of values in the three dimensions, the values need to be normalised to allow for data analysis and comparison. To achieve this, the indexes will be normalised by percentile-ranking the scores for each dimension. This means, that the countries will be ranked between 1 (highest risk, highest poverty, highest readiness) and 0 (lowest risk, lowest poverty, lowest readiness). This allows for a comparison between the countries.

The formula for the aggregate value is thus as follows:

$$\text{aggregate value} = \text{poverty} \cdot 0.3 + \text{risk} \cdot 0.4 + \text{readiness} \cdot 0.3$$

In case of missing values, the formula is adapted to avoid penalising countries' aggregate score as a result of missing data. This is done as follows:

- If value for readiness is missing: $\text{risk} \cdot \left(\frac{0.4}{(0.4+0.3)}\right) + \text{poverty} \cdot \left(\frac{0.3}{(0.4+0.3)}\right)$
- If value for risk is missing: $\text{poverty} \cdot \left(\frac{0.3}{(0.3+0.3)}\right) + \text{readiness} \cdot \left(\frac{0.3}{(0.3+0.3)}\right)$
- If value for poverty is missing: $\text{risk} \cdot \left(\frac{0.4}{(0.4+0.3)}\right) + \text{readiness} \cdot \left(\frac{0.3}{(0.4+0.3)}\right)$

In case of missing values, the weight of the missing value is redistributed to the two remaining values so that a) the sum of the remaining weights is equal to 1; and b) the relative proportion of the remaining weights is maintained, so that it represents the ratio without the missing value.

Alternatives to this approach to missing values that were considered but rejected were using the mean of the results for the different dimensions, or the median for the different dimensions rather than re-distributing the remaining weight. As it was found to result in a significant reduction of the aggregate scores for the countries that are most at risk. Therefore, the re-distribution of the values was chosen as the final method for the aggregation of scores for countries with missing values.

Lastly, if more than one value is missing, it is proposed that the country will not receive a scoring but will be dealt with separately. This is because relying on a single value in such cases could result in extreme factors disproportionately affecting the scoring and the corresponding scoring decision.

Looking forward

The indicators in the technical annex will be used to guide the selection of the next cohort of Global Shield countries. It is envisaged that at a later point, and for future cohorts, revisions might be made to further improve and refine the indicators. For instance, if a reliable data source can be found it would be intended to add in information on shock responsive social protection schemes to the 'readiness' criterion. Any changes will be made in a transparent manner and following consultation with CH members.