



Global Shield
against Climate Risks

VISION 2025 UPDATE

MID-TERM REVIEW OF INSURESIENCE VISION 2025

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Implications for the
Global Shield against
Climate Risks



IMPRINT

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FOREWORD

By the Co-Chairs of the Global Shield against Climate Risks



Hon. Dr. Mohammed Amin Adam
Minister of Finance, Republic of Ghana



In 2023, Ghana’s Ministry of Finance initiated the in-country processes under the Global Shield against Climate Risks – the successor initiative of the InsuResilience Global Partnership – to take stock of existing pre-arranged and trigger-based financing solutions and to discuss ways to close protection gaps. Experts from all relevant fields came together, in a country-led approach, to identify gaps and solutions for addressing protection needs of vulnerable people and communities. We are proud to have submitted the request for a well-informed protection package to the Global Shield and look forward to unlocking Global Shield resources for Ghana through its myriad partners in support of the aims of the Global Shield encapsulated in Vision 2025, and to sharing our experiences and lessons with other climate vulnerable countries.”



The Global Shield against Climate Risks is at the forefront of international efforts responding to loss and damage from climate change. As one of the loss and damage funding arrangements, the Global Shield already built up a comprehensive governance structure. In 2023, the demand-driven and inclusive work was kicked-off in Ghana and Pakistan, and remaining path-finder countries and the Pacific region are expected to follow. Beyond that, the V20 and G7 initiative will expand its support to additional countries to reach the most vulnerable communities in 2024. Thanks to the collective efforts and achievements of the InsuResilience Global Partnership, we are now halfway towards Vision 2025. The Global Shield will continue this legacy and remains fully committed to reach the targets laid out in the Vision 2025.”



Dr. Bärbel Kofler
Parliamentary State Secretary to the Federal Minister for Economic Cooperation and Development, Germany

INTRODUCTION

The Global Shield's continuous commitment to Vision 2025



The devastating consequences of climate change are highly visible in countries that have contributed little to its causes. In combination with globally increasing fiscal constraints, climate vulnerable countries bear the largest burden in dealing with climate-related disasters, while facing substantial gaps in financial protection.

Launched at the UN Climate Action Summit 2019, [Vision 2025](#) tracks financial protection against climate and disaster risks in vulnerable countries across a broad range of implementing partners under the [InsuResilience Global Partnership](#).

A comprehensive set of indicators in six result areas measures the scale and quality of financial protection being implemented. Vision 2025 thus raises the collective ambition of implementing programmes and provides transparency on the evolution of financial protection efforts in vulnerable countries.

Building on the technical and analytical work, network, and learnings of the InsuResilience Global Partnership, the [Global Shield against Climate Risks](#) was launched at COP27 in November 2022 as a joint initiative of the Vulnerable Twenty (V20) Group of Finance Ministers and the G7. As part of the emerging international financial architecture responding to loss and damage, the Global Shield aims at closing financial protection gaps of climate vulnerable countries through more and better pre-arranged and trigger-based finance.

The Global Shield promotes a more systematic, coherent, and sustained approach to financial protection, enabling national actors to anticipate, respond and ultimately become more resilient to climate risks. A systematic, country-led and context-specific process helps countries to identify protection gaps and request needs-based support. Based on a robustness check through the Technical Advisory Group, the Global Shield mobilises and coordinates support from a range of programmes and actors in the field of Climate and Disaster Risk Finance and Insurance (CDRFI).

This Vision 2025 Update, informed and developed through data collected by the Global Shield Secretariat in 2023, reflects the Global Shield's commitment to continue tracking the ambitious collective targets put forward by the InsuResilience Global Partnership. By giving relevant insights into the status of CDRFI efforts across vulnerable countries, the report provides vital information for the further development and practical work of the Global Shield.

STATUS UPDATE AND MID-TERM REVIEW

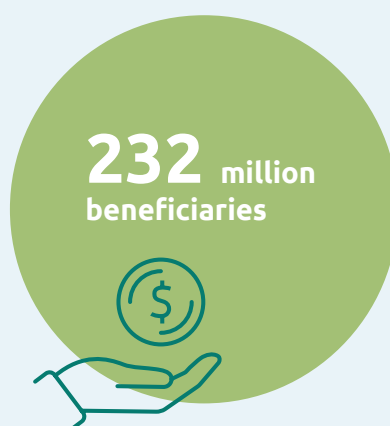
Vision 2025 Highlights

In 2023, a total of 35 organisations and programmes reported on their progress across 646 projects with regards to people protected, the amount of financial protection provided, development of project pipeline, and geographical spread of implementation (see list of contributing programmes in the annex). This collective effort captures both technical and financial assistance, the development of CDRFI strategies, as well as the provision of financial protection by risk pools and the private sector. It includes inclusive insurance, meso-level insurance, sovereign risk transfer, and multilateral CDRFI instruments.

Following the trend seen in previous years, the number of people benefitting from financial protection has continued to increase, leading to a total of 232 million beneficiaries by the end of 2023.

Correspondingly, the total amount of financial protection (i.e., coverage volume) also grew to over USD 9.7 billion, indicating an increasing share of CDRFI in total disaster and crisis financing¹.

The following sections shed light on the progress achieved under [Vision 2025](#) so far according to its six result areas and identify the potential for further action under the Global Shield.



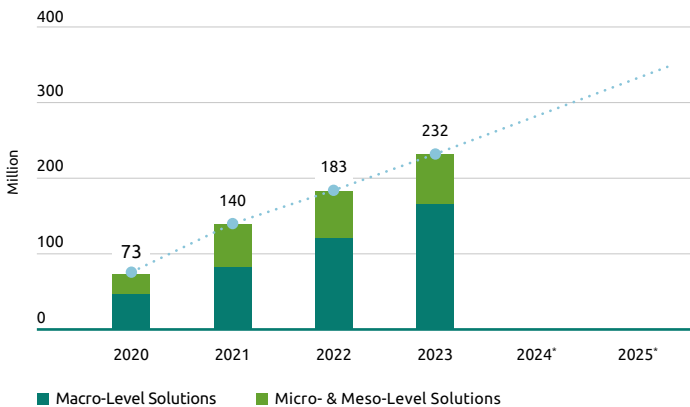
¹ All information provided here is based on the InsuResilience Monitoring and Evaluation (M&E) framework, which offers scientifically grounded metrics for the 19 indicators outlined in Vision 2025. A more detailed explanation of these indicators can be found in the [M&E Background Note](#). The Global Shield Secretariat conducts annual data collections, which serve as the foundation for most of these indicators. Data collected through the annual data collection is supplemented by additional in-depth studies. In 2022, additional research was conducted on the status quo of gender-responsiveness among CDRFI projects under the initiative, with the findings detailed below. In 2023, additional research is underway to assess the cost effectiveness impact of the implementation of CDRFI instruments under Vision 2025.

Result Area 1 Number of people protected and total risk covered

A total of 232 million people benefited from CDRFI instruments as of the end of 2023. More than 27 % of the beneficiaries were protected through micro- and meso-level risk financing instruments, while the remaining 73 % of beneficiaries were covered by macro-level instruments².

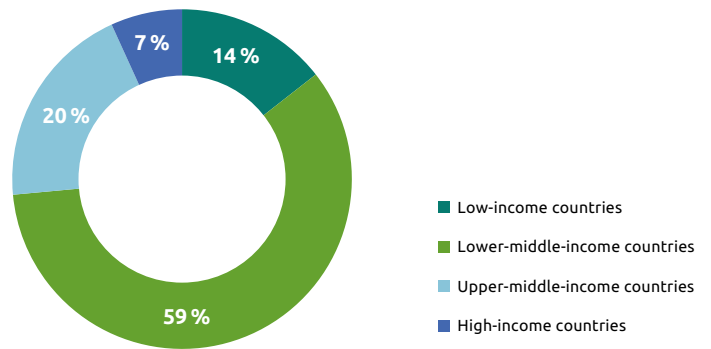
The number of people protected has grown consistently over the past four years, with a 27 % increase from 183 million to 232 million between 2022 to 2023. At this trajectory, over 300 million vulnerable people could be protected by collective efforts under Vision 2025 by the end of 2025. However, despite this upward trend, the ambitious Vision 2025 goal of providing protection to 500 million people annually could not be met.

Total number of beneficiaries from 2020 to 2023



* Projected number of beneficiaries according to the trend of previous increases of this number

Share of beneficiaries per income group in 2023



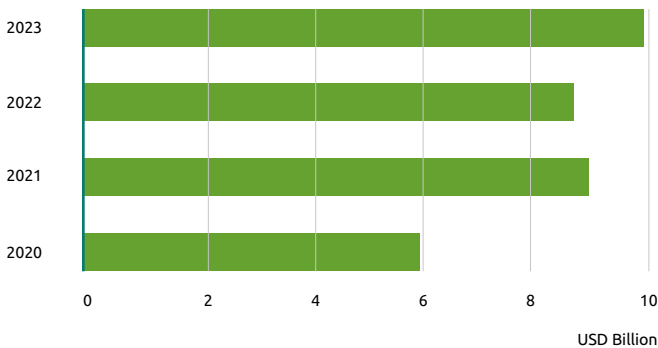
A closer look at the global distribution of beneficiaries in 2023 reveals that lower-middle-income countries constitute the majority of beneficiaries. In low-income countries, the total number of beneficiaries has doubled from the previous year, exceeding 33 million and representing 14 % of all beneficiaries. Overall, more than two-thirds of beneficiaries reside in low- and lower-middle-income countries, which speaks to the concerted efforts that have been made in recent years to reach vulnerable communities in these countries. However, more coordinated and sustained efforts are crucial to close the substantial protection gap that still prevails in these groups of countries.

2 For further information on how beneficiaries are assessed for both micro/meso and macro-level CDRFI, please see the [Vision 2025 M&E Background Note](#).

Regarding the coverage volume, almost USD 10 billion of CDRFI is provided across all programmes reporting to Vision 2025. Coverage volume represents the amount of protection provided by CDRFI instruments, determined by calculating the total maximum payouts that would be disbursed if trigger conditions were met. In total, coverage volume amounted to USD 9.8 billion in 2023 compared to USD 8.5 billion in 2022, with risk-transfer-based instruments providing 30% of coverage³ and non-risk-transfer-based instruments⁴ providing 70% of coverage. **The USD 2.9 billion of risk-transfer-based coverage is a strong proxy for the USD 5 billion risk capital commitment by the insurance industry under Vision 2025.** A more granular analysis will however be needed to fully assess this indicator.⁵



Coverage volume offered by CDRFI solutions under Vision 2025 from 2020 to 2023



There is a notable growth in coverage volume offered in low-income countries, primarily driven by (sub-)sovereign risk transfer instruments. The sum increased from USD 94 million in 2022 to 228 million in 2023, largely caused by the African Risk Capacity’s (ARC) expansion of coverage in the region. However, low-income countries still only represent 3%, indicating a vast protection gap among the most vulnerable countries and their populations.

³ This refers to policy limits from micro/meso-level insurance and (sub-)sovereign risk transfer.

⁴ This includes credit-based pre-arranged finance offered by multilateral development banks.

⁵ Risk transfer is facilitated both through risk carriers capitalised by donor contributions as well as through the provision of coverage by private insurance companies. Separating the private sector contribution would thus require further analyses which may be conducted at the end of Vision 2025.

BOX 1

Vision 2025 in a world of growing crises

The past four years have seen an alarming trend in global crises, as the Covid-19 pandemic compounded with conflicts, climate impacts, exacerbating public debt levels, supply chain shortages, and inflationary pressures. As a result, the world is facing a severe food crisis. According to the World Bank, a quarter of a billion people are estimated to suffer from acute food insecurity – representing more than a 33 % year over year increase⁶. Projections suggest that without additional action, 950 million people may be severely food insecure through 2030⁷.

Responding to these alarming developments, efforts under Vision 2025 have seen a gradual increase of projects with food security as a protection objective. While there are no target indicators explicitly connected to protection objectives under Vision 2025, programmes are asked to state the primary objective for each project⁸. The share of projects with food security related protection objectives has increased under Vision 2025, with half of projects reporting this as a primary protection objective in 2023.

Share of projects with food security related protection objectives



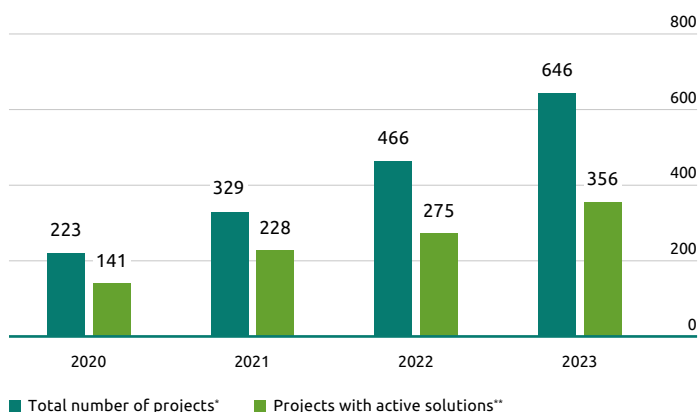
Result Area 2 and 3

Number of countries with comprehensive disaster risk financing (DRF) strategies and active CDRFI solutions

The 2023 data on the number of countries with comprehensive DRF strategies in place or in development revealed contradictory information, potentially attributed to reporting biases. In 2022, implementing programmes of the InsuResilience Global Partnership reported 64 countries with DRF strategies. Further research on this indicator would be needed to provide a meaningful insight.

The overall number of CDRFI-related projects has almost tripled since 2020. As of the end of 2023, projects were mostly focused on countries in Sub-Saharan Africa (46 %) and Latin America and the Caribbean (33%), with macro-level projects constituting 36 % of projects in Sub-Saharan Africa and 59 % in Latin America and the Caribbean, while micro/meso-level projects accounting for 41 % and 27 % respectively.

Project pipeline growth from 2020 to 2023



* Total number of projects includes all projects that are reported as either in-development or under implementation.
 ** Projects with active solutions are projects that have led to active CDRFI solutions and have active beneficiaries at the time of reporting. With this new definition, numbers may vary from previous InsuResilience Annual Reports.

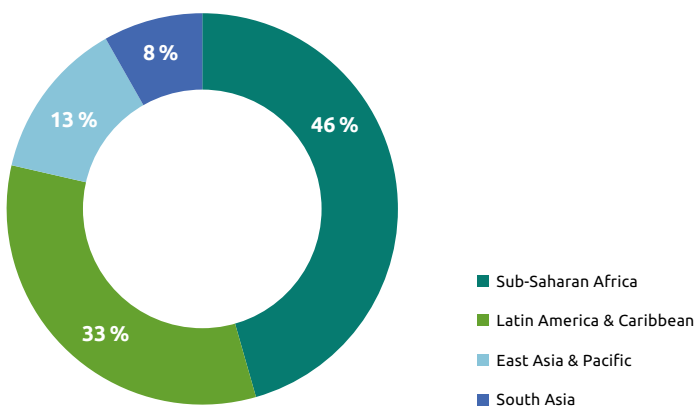
6 World Bank 2023: [World Bank Scales Up Food and Nutrition Security Crises Response to Benefit 335 Million People](#)
 7 Following [1996 World Food Summit](#), food security exists when all people, at all times, have physical and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.
 8 The coverage objective encompasses the list of key project objectives, such as protecting against crop and livestock loss, business interruption, household property loss, safeguarding corporate assets, ensuring food security, and providing immediate relief and public reconstruction, as reported by the implementing programmes.



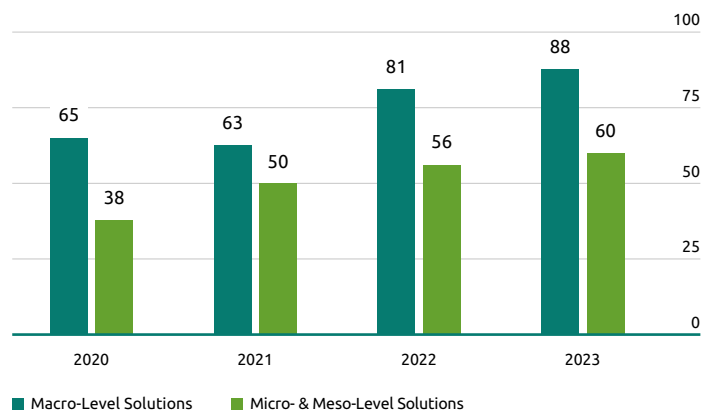
The growing number of projects has also resulted in an increase in active CDRFI instruments, highlighting that efforts by the international community are yielding tangible outcomes in providing financial protection at either the macro-, meso- or micro-level. The total number of active solutions went up from 275 in 2022 to 356 in 2023. Most notably, there was a surge in projects offering micro- and meso-level insurance solutions for households and businesses in Sub-Saharan Africa, increasing from 63 projects in 2022 to 116 in 2023⁹.

The number of countries adopting CDRFI solutions, an indicator under result area 3, has increased over the past years. By the end of 2023, there were 88 countries with macro-level solutions in place, already exceeding the target of 60 countries under Vision 2025. Of these 88 countries, more than half are low-income or lower-middle-income countries, primarily located in Sub-Saharan Africa, Southeast Asia, and the Pacific. The number of countries with micro- and meso-level solutions amounted to 60, which corresponds to 86 % of the Vision 2025 target of 70 countries.

Distribution of projects across different regions in 2023



Vulnerable countries with CDRFI solutions in place from 2020 to 2023



⁹ This upswing might be attributed to the launch of various initiatives and programmes over the past years providing technical assistance and product development support for inclusive insurance products, as well as supporting risk carriers with risk capital and underwriting capabilities.



Result Area 4 to 6 Cost-effectiveness, development/ human impact, and evidence

Good progress can be reported on the ability of CDRFI instruments to pay out quickly and reliably.

By 2025, Vision 2025 aims for all index-based risk financing instruments to meet at least two of the criteria¹⁰ for high-quality monitoring and mitigation of basis risk. Currently, 60% of index-based risk financing instruments meet these criteria, up from 40% in 2022. For the timeliness of payouts, 69% of instruments fulfil Vision 2025 benchmarks surpassing the 2025 target of 65% and showing a positive trend in the ability of CDRFI solutions to deliver quick funding when disasters hit. However, further validation will be required due to the reliance on self-reported data for these results. To address this, an ongoing study package is currently validating result area 4 indicators on basis risk monitoring, low cost of providing coverage, and competitiveness of the private insurance markets, with the results slated to be published later this year. Some preliminary results are shown in box 2.

BOX 2

Preliminary results of the validation study on competitive private insurance markets (indicator 4.c)

As part of the [Vision 2025](#) mid-term review, Oxford Policy Management (OPM) commissioned by the Global Shield Secretariat is currently carrying out a study that aims at tracking and validating progress on the three indicators under result area 4, i.e. (4.a) basis risk monitoring, (4.b) low cost of providing coverage, and (4.c) competitive private insurance markets. Regarding the competitiveness of private insurance markets, OPM identified unaffordability and low levels of financial literacy as two major barriers hindering entry and market growth, which points at opportunities for continued action under Vision 2025. Enhanced collaboration and partnerships among key public and private stakeholders, along with capacity building, are highlighted as positive impacts achieved under the ambition of Vision 2025. The full set of reports will be made available over the course of this year and will include reports on indicators 4.a, 4.b and 4.c, which will discuss achievements and identify potential areas for improvements for each of the indicators.

¹⁰ The timeliness of payouts is assessed through two components under Vision 2025: (1) the interval between the triggering event and the payout, compared to benchmarks (macro: two weeks, meso: one month, micro: two months), and (2) the interval between the payout and the receipt of funds by the ultimate beneficiaries (for macro- and meso-level schemes only), which is compared to benchmarks based on industry figures.



More work is needed to strengthen gender-responsiveness under Vision 2025. As reported in the [2022 Annual Report](#) of the InsuResilience Global Partnership, the [Centre of Excellence on Gender-smart Solutions](#) commissioned a study to investigate the gender-responsiveness of programmes and projects, one of the indicators under Vision 2025 related to development impact. The identified gap that remains with regards to the set target of all CDRFI schemes fulfilling all three criteria for gender responsive CDRFI is partly caused by limited data availability and analysis regarding gendered impacts, as well as by a lack of expertise and capacity within projects and programmes.

Responding to the need for increased capacity building and expertise on implementing gender responsive CDRFI programming, the Centre of Excellence created the Technical Advisory Facility (TAF) to provide tailor-made advisory support for gender-smart approaches, including specific areas like monitoring & evaluation and integrating gender considerations into the policy development process at the national and institutional level.

BOX 3

Technical Advisory Facility Progress in 2023

The number of applications received for the first cycle of the TAF, and the geographical spread of applicants pointed to a growing appetite for such advisory services. The TAF facilitated peer-learning workshops after cycle 1 and cycle 2 to provide a platform for participants to share individual successes and challenges and learn from each other's experiences. The TAF is currently in cycle 3 and shall continue to support CDRFI programmes and projects going forward.



LOOKING AHEAD

Implications for the Global Shield against Climate Risks



Looking back on the past four years, an increase in CDRFI solutions in climate vulnerable countries has led to greater financial protection for vulnerable people in various regions. While this is a measurable progress, it is evident from this review that it is still a long way until the ambition put forward by Vision 2025 is met.

As the intensity and frequency of climate-related disasters continue to escalate, there is a critical need for sustained and coordinated efforts to measure and address the existing protection gap, putting the needs of vulnerable people at the heart of all efforts.

The developments examined above are a call for the Global Shield and its partners to accelerate efforts and increase protection of vulnerable people. The Global Shield can channel funding to set up pre-arranged finance more systematically, prioritising the needs of the most vulnerable, addressing crucial affordability barriers and developing inclusive national insurance markets. It also improves coordination of implementation efforts on the ground to ensure comprehensive protection, leveraging the full [toolkit of CDRFI solutions](#). Looking ahead, the Global Shield, as part of the emerging international financial architecture responding to climate-related loss and damage, will build upon the progress achieved under the InsuResilience Global Partnership and foster collaborative and inclusive efforts to reduce the protection gap, ultimately protecting the lives and livelihoods of vulnerable communities.

ANNEX

Overview of Vision 2025 Programmes that reported in 2023

Reporting Programmes and Members*	Number of projects**
African Risk Capacity (ARC)***	37
ARC Replica	23
Asian Development Bank (ADB)	21
Asia-Pacific Climate Finance Fund (AcliFF)	9
CCRIF SPC (formerly The Caribbean Catastrophe Risk Insurance Facility)	60
CGIAR	1
Climate Risk and Early Warning systems (CREWS)	75
Global Index Insurance Facility (GIIF)	2
Global Shield Financing Facility (Formerly: Global Risk Financing Facility) (GSFF)	16
IBISA	6
IDB Contingent Credit Facility for Natural Disaster Emergencies and Public Health Emergencies (CCF)	15
InsuResilience Investment Fund (IIF)***	32
InsuResilience Solutions Fund (ISF)***	46
Luxelare	3
Microinsurance Catastrophe Risk Organisation (MiCRO)***	14
Munich Re	1
Natural Disaster Fund (NDF)***	90
Pacific Catastrophe Risk Insurance Company (PCRIC)	10
Promotion of Shock Resilient Loans in West Africa***	4
PULA Advisors	70
RADIANT YACU	2
Southeast Asia Disaster Risk Insurance Facility (SEADRIF)	2
UNDP Insurance and Risk Finance Facility	25
Urban Infrastructure Insurance Facility (UIIF)***	6
V20 Sustainable Insurance Facility	15
WFP Anticipatory Action	21
WFP R4 Rural Resilience Initiative***	17
World Bank IBRD Catastrophe Bonds	2
World Bank IBRD Cat DDOs	6
World Bank IDA Cat DDOs	7

* The number of listed programmes here may differ from the total reported, as some programmes are included under ISF.

** Projects include both financial protection in implementation as well as active financial protection instruments.

*** Supported or (co-)initiated by KfW

