



Strengthening the Global CDRFI¹ Architecture: Recommendations by the InsuResilience High-Level Consultative Group

Climate change is threatening vulnerable communities all over the world. Extreme weather events such as heatwaves, heavy precipitation, droughts, and tropical cyclones are increasing in frequency and intensity, and evidence of climate change as the cause of this trend is growing further (IPCC, 2021). Communities are experiencing climate impacts more frequently and more severely. Governments are increasingly struggling to assist people affected. Moreover, lower income countries and small economies are facing the prospect of more frequent and devastating compounding shocks and cascading risks. Multiple disruptive events—including disasters, economic and financial crises, and pandemics— can strike simultaneously or in rapid sequence, so vulnerable countries are affected more and more by increasing losses and damages. In light of that, the InsuResilience Global Partnership via its governing body, the High-Level Consultative Group, has taken up the discussion on whether global efforts, institutional arrangements and formats of support surrounding the provision of climate and disaster risk finance and insurance (CDRFI) solutions, i.e. the “Global CDRFI Architecture”, is fit for purpose. The following recommendations have been drafted based on the discussions of the High-Level Consultative Group and aim for an improved setup.

1. Increase the share of prearranged risk finance and ensure sustained financial protection

There is growing evidence that prearranged risk finance enables faster and more effective disaster response to affected communities and can lower the overall economic cost of disasters. The share of prearranged finance, in relation to overall disaster and crisis response funds, should therefore be increased through a significant expansion of funds for technical and financial assistance in vulnerable countries. Support shall be provided following a demand-driven and needs-based approach guided by the IGP’s pro-poor principles and by estimates on the scale of risks emerging from impacts eventually happening, beyond which can be prevented through adaptation, with focus on quality, detail and the balance between technical and financial assistance. Building on the DRF campaign under UK’s G7 presidency in 2021 and the call for a smarter risk financing system under the Crisis Lookout Coalition, the scale up in funds needs to build on a global understanding of the protection gap, and how much funding the international system needs to prearrange in order to close this gap.

These efforts should also include a substantial scale-up in premium financing and capital support to improve access to and affordability of CDRFI solutions at the local, national and regional level with a view to increasing the protection in particular of the poor in line with IGP’S Pro-poor principles. The InsuResilience SMART Principles for Premium and Capital Support are a guideline for this, and their application should be encouraged within all implementing efforts supported by donor countries and the InsuResilience Program Alliance. Similarly, the Centre for Disaster Protection’s [“7 keys for highly effective DRF”](#) are fully complimentary to these principles and can inform broader decision-making on funding, programming and solution design.

¹ Climate and Disaster Risk Finance and Insurance

2. Foster a more systematic and coherent CDRFI Architecture, including better coordination of solutions in countries

Comprehensive and sustained financial protection against climate and disaster risks on a global scale needs to engage the full realm of stakeholders: countries, international financing institutions, development and humanitarian organisations, regional risk pools, the private sector, as well as civil society and community-based organisations.

A financial vehicle is needed which can systematically close protection gaps, prioritise support to the most vulnerable, and channel funds efficiently and according to countries' needs to implementing organisations (local level as well as international level) across the globe. This would make the full breadth of risk financing solutions and approaches offered across this institutional landscape available for at-risk countries, depending on their needs, allowing them to combine different instruments effectively within risk-layered strategies. Maximum power should hereby be given to countries in the decision over which organisation(s) will channel the technical and financial support, and which needs and vulnerabilities should be prioritised. In order to leverage the full potential of the insurance industry, collaboration modes should be established which enable the private sector, both local and global, to engage early on in the design of strategies and solutions. Countries and regions in which various CDRFI solutions are being implemented would further benefit from a focused exchange among and with implementing partners. Similarly, thematic discussions and knowledge transfer among donors and implementers could foster the development, implementation, monitoring, and quality assessment of CDRFI solutions. To promote a more systematic and regular coordination of activities on the ground, the InsuResilience Program Alliance could be strengthened to include all interested donors and programs with a view to enable such inter-agency exchanges.

3. Be informed by and strengthen local capacities

Guided by the established InsuResilience Global Partnership's Pro-Poor Principles and the Gender Declaration, CDRFI needs to be informed by, and developed to strengthen local capacities. We recommend to mainstream an inclusive and participatory approach and gender equity principles in the design and deployment of CDRFI solutions, recognising the differential impact of disasters on different vulnerable groups. We acknowledge the full potential that sustainable, pro-poor, domestic (micro-)insurance, and international insurance markets and financial markets can bear, in order to contribute to close the protection gap. By centering local actors' knowledge in creating solutions, building on existing market structures and informal mechanisms, leveraging government social protection systems, and engaging national and local civil society, the CDRFI Architecture shall be grounded in strong bottom-up relationships with these local capacities.

4. Enable and promote risk-informed decision making

When top-notch risk analytics and rigorous evidence are applied, most disasters and crises are better anticipated. In addition, communication channels, especially appropriate messaging for at risk populations, needs to be improved. Significant investments are needed to expand risk analytics in vulnerable countries, leverage local knowledge, improve local capacities, improve data generation and management, and ultimately enable risk-informed decision making and planning on all levels. To make sure we learn from both CDRFI successes and failures, CDRFI implementation needs to be complemented with investments in evidence generation, building on the priorities outlined under the InsuResilience CDRFI evidence roadmap and making a conscious effort to channel learnings back into strengthened local capacities and institutional memory. The CDRFI Architecture needs to enable better access to and application of existing and newly generated evidence and risk information for decision makers at all levels through knowledge pooling, South-South exchange, and further formats.

5. Create long-lasting resilience benefits by connecting CDRFI to risk reduction, anticipatory action, and national adaptation planning

CDRFI is not a stand-alone solution. It works most effectively when integrated within broader resilience-building, social protection, and anticipatory actions. Co-benefits between risk financing and other elements of risk management and prevention should be systematically explored. Solutions that break silos and unlock synergies with risk prevention, risk reduction and risk retention efforts and instruments should be encouraged within CDRFI programmes. The humanitarian sector should become an integral part of the global CDRFI Architecture, promoting the use of prearranged risk financing within humanitarian aid and anticipatory action. At the national level, the integration of CDRFI and risk analytics within adaptation planning (including National Adaptation Plans), development planning and SDG localisation can enhance investment decision-making and create long-lasting resilience benefits for the most vulnerable individuals, institutions, and countries. The Architecture shall formally establish links between CDRFI and the mentioned frameworks and workstreams in both global and local terms.