

ENSURING IMPACT: THE ROLE OF CIVIL SOCIETY ORGANISATIONS IN STRENGTHENING WORLD BANK DISASTER RISK FINANCING

DISCUSSION PAPER



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The Centre for Disaster Protection works with developing countries to find better ways to manage the risks of disasters and to deliver earlier, more cost-effective support for people when disasters occur. One element of the Centre's work is influencing global policy on financing responses to disasters. This series of papers was commissioned to provide analysis, ideas and recommendations for the upcoming nineteenth replenishment of the International Development Association. The series comprises Discussion Papers and Policy Briefs, all available at www.disasterprotection.org.

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Discussion papers represent 'work in progress' documents that are intended to inspire discussion and debate. They reflect the views of their authors and not necessarily the views of the Centre for Disaster Protection. For more information email info@disasterprotection.org.

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● ACRONYMS

ADRFi	Africa Disaster Risk Financing
ARC	African Risk Capacity
Cat DDO	Catastrophe Deferred Drawdown Option
CBO	Community-based organisation
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CRW	Crisis Response Window
CSO	Civil society organisation
DFP	Drought Financing Facility
DPF	Development policy financing
DRF	Disaster risk financing
DRFIP	Disaster Risk Financing and Insurance Program
DRM	Disaster risk management
DRR	Disaster risk reduction
GRiF	Global Risk Financing Facility
HEA	Household Economy Analysis
IDA	International Development Association
IEG	Independent Evaluation Group
IGP	InsuResilience Global Partnership
INGO	International non-governmental organisation
FbF	Forecast-based Financing
MEL	Monitoring, evaluation and learning
MDB	Multilateral Development Bank
MCII	Munich Climate Insurance Initiative
NGO	Non-governmental organisation
PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
PEF	Pandemic Emergency Financing Facility
SEADRIF	Southeast Asia Disaster Risk Insurance Facility
WFP	World Food Programme

● EXECUTIVE SUMMARY

The human, ecological and economic impact of disasters is increasing. Between 1998 and 2017, climate-related and geophysical disasters killed 1.3 million people and left a further 4.4 billion injured, homeless, displaced or in need of emergency assistance (CRED and UNISDR, 2018). The current humanitarian system is severely overstretched and can meet neither current nor projected needs. A more anticipatory approach to disasters is required in order to address growing risk and secure better outcomes for those living in extreme poverty—80% of whom are likely to be living in fragile contexts by 2030 (OECD, 2018).

The World Bank's International Development Association (IDA) has a crucial role to play in expanding access to disaster risk financing (DRF) mechanisms and instruments that can facilitate the adoption of anticipatory approaches by governments and donors.

This report, which aims to inform the 19th replenishment of IDA ('IDA19')—a process that seeks to review policies and replenish resources for the fiscal years 2021-2023¹—argues that civil society organisations (CSOs) have a valuable role to play in the development and implementation of these mechanisms and instruments. With years of experience in disaster risk management (DRM) and humanitarian response, and close links with vulnerable communities, meaningful engagement with CSOs stands to increase the effectiveness and impact of DRF. Participation, collaboration and partnership would help to strengthen strategic planning, design and implementation of approaches and tools, as well as build political support and legitimacy, foster innovation and deepen accountability and learning. While DRF currently only represents a small percentage of total official development assistance, it is growing, and its operating principles must be set up in a way that support and empower those most at risk from disasters.

Key findings and recommendations of the research—literature review, key informant interviews and a survey of over 40 development, humanitarian, and disaster risk reduction (DRR) professionals—are as follows.

- **CSOs are already essential actors in designing and delivering DRM and humanitarian responses.** They are particularly important in 'last mile' delivery and in reaching the most excluded communities. As such, they offer significant knowledge and valuable perspective that could be better integrated into IDA's DRF work.
- **CSOs should be at the table for the shaping of national DRF priorities and the design of DRF schemes.** Their presence would serve to safeguard the poorest and most excluded people and ensure that the design of DRF approaches is informed by an understanding of community livelihoods, vulnerabilities, coping mechanisms and the specific challenges facing women and marginalised and excluded groups.
- **CSOs can strengthen the focus on implementation and impact.** CSOs in the vibrant DRR community are already deeply involved in contingency planning, linking governments and communities and bridging local and national planning. In fragile contexts, CSOs are often the only partner able to access communities and deliver services in contested areas, making them a natural partner of the World Bank as it works to reach its goal of 'leaving no one behind.'
- **CSOs can improve performance and reduce risk by strengthening governance, accountability and learning.** DRF can be politically challenging at the national level. By working as full partners with organisations such as the World Bank, CSOs can help to: build political support for better DRF arrangements; and hold governments and DRF providers accountable for their decisions and the products provided. CSO expertise in monitoring, evaluation and learning can also support wider efforts, demonstrating impact and supporting scaling of proven approaches.
- **CSOs are engines of innovation.** Their proximity to communities and relatively agile organisational structures enables them to develop and test new approaches that can be taken to scale by others, including the World Bank Group.
- **Fully unlocking the potential of CSO engagement requires increasing their capacity.** Current levels of CSO engagement in DRF is relatively narrow. Evidence gathered for this report suggests that there is demand within the CSO sector to increase the breadth and depth of CSOs' knowledge of, and engagement in, DRF generally, and with the World Bank's work in this area in particular.

RECOMMENDATIONS

In order to increase the impact of its DRF work, the International Development Association (IDA) should increase its engagement with CSOs. IDA19 provides an opportunity to:

- **Deepen its work with CSOs with specialist skills in DRF as implementing partners and decision makers, not just interested stakeholders.**

Specifically, space should be made to involve CSOs as partners in the development of national DRF strategies, mechanisms and instruments. Consultation with CSOs should be required within ‘prior actions’ in World Bank lending, including for DRF programs funded through Catastrophe Deferred Drawdown Options (Cat DDOs) as well as in the design and targeting of social protection programmes.

- **Adopt a more proactive approach to working with CSOs,** seeking out and incorporating a range of perspectives, including organisations focused on the rights of women and vulnerable groups. Best practice examples and guidelines should be developed which describe this positive engagement in risk financing.

- **Engage CSOs in DRF governance.** At the national level, greater coordination is required across all DRF stakeholders – including CSOs – to ensure complementarity and coherence. At the international level, IDA’s global DRF initiatives should support inclusive and multi-stakeholder governance and decision making, including representatives of civil society on relevant steering committees. Publication of a basic minimum of information on schemes and approaches, and proactively sharing information (including as schemes develop) would help to drive increased accountability and transparency and make it easier for CSOs to engage with and scrutinise the IDA’s DRF portfolio.

- **Invest in strengthening civil society capacity** in order to both broaden and deepen CSO engagement in DRF. This could be done by supporting innovative partnerships and global CSO coordination mechanisms, reaching out to CSOs working in DRR and on gender, and providing capacity-building programmes (particularly for CSOs in the global south).

CSOs themselves can and should do more to engage with the World Bank’s disaster risk portfolio, globally and at country level. More CSOs should invest time and resources to build capacity on DRF and incorporate it more into their thinking and programming. CSOs already working in DRF should actively reach out to World Bank staff and national governments and share evidence of successful models that deliver for people living in poverty, and which can go to scale.

● INTRODUCTION

The human, ecological and economic impact of disasters is growing, due to the escalating intensity and frequency of extreme climate events and increasing exposure of people and assets to a range of disasters. Between 1998 and 2017, climate-related and geophysical disasters killed 1.3 million people and left a further 4.4 billion injured, homeless, displaced or in need of emergency assistance (CREED and UNISDR, 2018). While most fatalities were due to geophysical events, mostly earthquakes and tsunamis, 91% of all disasters were caused by floods, storms, droughts, heatwaves and other extreme weather events (CREED and UNISDR, 2018). The most recent report by the Intergovernmental Panel for Climate Change warns that, without drastic and urgent change, the world will warm by approximately 1.5 degrees Celsius as soon as 2030, pushing an additional 100 million people into poverty (Hallegatte et al., 2016).

Unfortunately, the communities with the fewest resources often are the most affected by climate change and the subsequent loss and damage. According to the World Bank, 'financial losses from natural disasters continue to rise, with developing countries and their low-income populations feeling the greatest effects. Direct financial loss reached an average of US\$165 billion per year during the last 10 years. This compares to about US\$135 billion of official development assistance in 2013 (GFDRR and World Bank, 2015).

The current humanitarian system is overstretched and cannot meet increasing needs. Humanitarian appeals are perpetually underfunded; the 2018 UN appeal was only 60% funded (UNOCHA, 2018). Such appeals do not cover the full financial costs of disasters, including reconstruction, long-term recovery, and resilience-building for impacted communities. Tens of millions of people therefore suffer the effects of a debilitating gap in funding to protect themselves from crises and to restore their livelihoods in the aftermath of disasters.

As a result of these mounting losses for communities and governments, DRM has been an international priority for years—the Hyogo Framework for Action was introduced in 2005, replaced by the Sendai Framework in 2015, and risk reduction and resilience are threaded through the Sustainable Development Goals.² The initial emphasis on reducing physical risk is now broadening to include a greater focus on how to finance risk reduction and disaster response.

DRF uses finance to incentivise different actors to better understand the hazards they face, the contingent

liabilities that they hold, and to make appropriate contingency and response plans, pre-assigning finance to meet the expected costs of future disasters. The Financial Protection Forum, managed by the World Bank, defines the aim of DRF and insurance as 'to increase the resilience of vulnerable countries against the financial impact of disasters and to secure access to post-disaster financing before an event strikes, thus ensuring rapid, cost-effective resources to finance recovery and reconstruction efforts (DRFIP and World Bank, 2018).

DRF aims to increase the resilience of vulnerable countries against the financial impact of disasters, and to secure access to post-disaster financing before an event strikes, thus ensuring rapid, cost-effective resources to finance recovery and reconstruction efforts. This aims to enable a much faster, more coordinated response to disasters, the significant benefits of which are well documented.³

Recognising growing risk and the potential of new approaches to DRF, there is increased interest internationally in the field, including in IDA, especially during the last replenishment (IDA18). For example, the Crisis Response Window (CRW) envelope was increased from US\$2 billion in IDA16 to US\$3 billion in IDA18,⁴ and the Cat DDO was extended to IDA countries, providing to up to US\$3 billion in contingent credit (World Bank, 2017a). Around 30 developing country governments around the world have purchased sovereign disaster risk insurance through risk pools, and more than 15 use contingent credit instruments, such as the World Bank's Cat DDO (Ranger and Clarke, 2018; and World Bank, 2017b).

While still relatively small, DRF (and particularly insurance) is a growing sector, and areas of expertise are emerging. DRF and insurance are hardwired into several international frameworks, including the Sendai Framework on DRR, the Warsaw International Mechanism on Loss and Damage, and the Addis Ababa Action Agenda for Financing Development.⁵ Where concessional development finance, rather than purely commercial finance, is being used to finance disaster risk, schemes and mechanisms need to demonstrate developmental impact particularly for the poorest. As this sector develops, innovates and consolidates, it is crucial that it does so in a way that supports and empowers those most at risk from disasters to better understand, own and manage the risks they face.

This report reviews how the perspectives, skills and experience of civil society organisations (CSOs) have been used to inform the design and delivery of DRF in low income countries. It then uses these insights to inform recommendations that could be used to strengthen IDA's role in DRF. Additionally, the report includes recommendations as to how CSOs could better support DRF globally, at the national level and in relation to IDA specifically.

The research for this report was carried out between November 2018 and January 2019. It included: an extensive literature review, including analysis of World Bank evaluations, policies and projects; interviews with World Bank officials; and an online survey of over 40 development, humanitarian, and DRR professionals, to gather information about CSO experiences with DRF, the World Bank and national government consultations and planning. Additionally, extensive conversations were held with the Start Network and field-based colleagues regarding their respective successes and challenges in engaging in DRF.⁶

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SECTION 1: CIVIL SOCIETY AND THE WORLD BANK

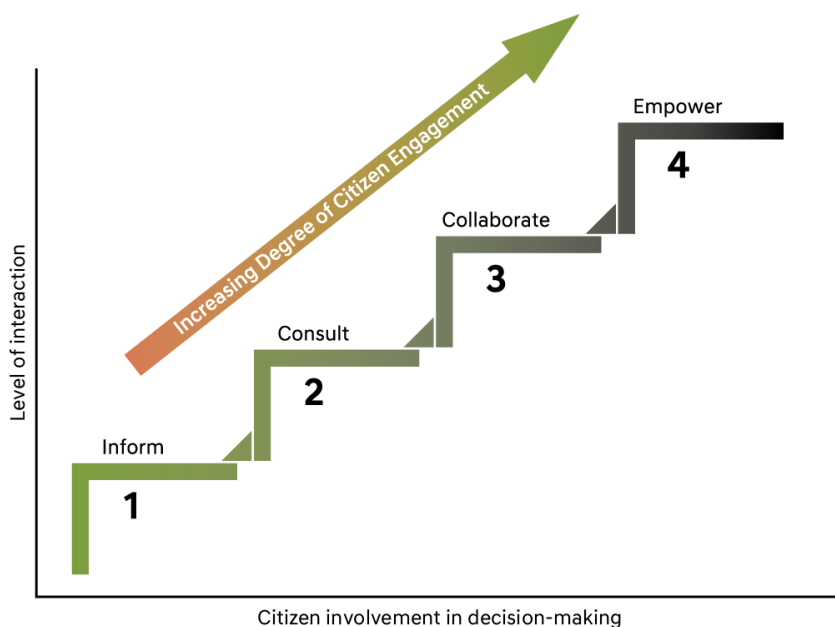
The case has been well made for the crucial role of civil society in achieving development goals,⁷ including by the World Bank in its ‘Strategic Framework for Mainstreaming Citizen Engagement’ (World Bank, 2014a). The framework presents conclusive evidence that citizen engagement can improve development outcomes through better targeting and implementation of interventions, and through improved monitoring of the performance of governments and service providers. A key consideration for IDA19 is how to harness the potential of CSOs and citizen engagement in DRF.

The World Bank considers citizens to be their ultimate client, and they can be represented by **CSOs** (World Bank, 2014a). Non-governmental organisations (NGOs), charitable organisations, faith-based organisations, trade unions, and social movements are included in this grouping for the purposes of this report. This clearly spans a wide range of organisations—from large international NGOs (INGOs) to local community-based organisations (CBOs). This report often refers to the

work of specific INGOs, which—so far—appear to have the most expertise in government-led DRF. However, it is important to note that INGOs partner closely with local organisations, both in development and humanitarian work. This report underscores the crucial role of local organisations and the importance of building their capacity and incorporating them into DRF, design, planning and implementation.

The World Bank defines **citizen engagement** as the ‘two-way interaction’ across World Bank interventions (policy dialogue, programmes, projects, advisory services, and analytics) that gives citizens a stake in decision making with the objective of improving the intermediate and final development outcomes of the intervention (World Bank, 2014a). The World Bank’s ‘dimensions of citizen engagement’ shows how public participation intensity increases from ‘inform’, to ‘consult’, ‘collaborate’ and finally culminates in ‘empower’ (See Figure 1) (World Bank, 2014a).

Figure 1: Dimensions of citizen engagement



- 1. Inform** — providing citizens with balanced and objective information to assist them in understanding the problems
- 2. Consult** — obtaining citizens feedback on analysis, alternatives, decisions
- 3. Collaborate** — partnering with citizens in parts or all odd decision-making
- 4. Empower** — final decision-making in the hands of citizens

Note: ‘Inform’ is a one-way flow of information, therefore information-sharing and awareness-raising activities alone would not qualify as community engagement, which is a two-way process. Source: World Bank (2014)

1.1 REALISING THE WORLD BANK'S COMMITMENT TO GREATER PARTICIPATION

The World Bank's engagement with civil society has evolved and increased over time. This includes the creation of the World Bank's environmental and social safeguard policies,⁸ which previously included consultation for high risk projects and which now include a standard on stakeholder engagement,⁹ the Access to Information Policy,¹⁰ and the development of the Strategic Framework, which aims to 'mainstream citizen engagement in World Bank-supported policies, programs, projects and advisory services and analytics to improve their development results' (World Bank, 2014a). For IDA, partnerships with CSOs ('including advocacy and operational CSOs, private foundations, faith-based organisations, and think tanks') are specifically recognised as 'absolutely critical' to results (World Bank, 2017a).¹¹

A recent report by the Independent Evaluation Group (IEG) found that the direction of travel for the World Bank is to move from a top-down, external, expert-driven approach to a more participatory one, and from an initial focus on reputational risk management to more proactive interaction with citizens (IEG and World Bank, 2018). However, the evaluation also found the quality of citizen engagement is often rather weak, capacity building for engagement is limited, and there is a critical gap in closing the feedback loop with citizens. Broadly speaking, this often matches the experience of many CSOs interviewed and surveyed for this report, and this could warrant the need for a greater role for the World Bank's Expert Advisory Council on Citizen Engagement and other mechanisms for stakeholder feedback on World Bank progress on this agenda.¹²

While recognising progress, there is a sense that citizen engagement is often a 'tick-box' exercise and has not yet been deeply embedded in all country operations, including with dedicated prioritisation, finance and time.¹³ In fact, in a survey of over 40 humanitarian, development and DRR practitioners for this paper, respondents urged greater consultation and participation with civil society, including calling on the World Bank to facilitate engagement with the government, and support civil society.¹⁴

There are a number of mechanisms, in particular the Global Partnership for Social Accountability (GPSA), which have been developed specifically to increase citizen engagement. These do good work but, beyond community-driven development programmes,¹⁵ they are

relatively small (and GPSA funding has decreased markedly over the years); greater results could be achieved by a meaningful mainstreaming of citizen engagement throughout the World Bank's work.

There are of course good examples of consultation. For example, during the design phase of the World Bank's recent National Agriculture Commercialisation Project in Mongolia, the World Bank Country Director called regular meetings with development partners and CSOs—representing much more than a tick-box exercise. Such examples should be emulated and formalised in World Bank practices and extended from design to implementation.

1.2 LEARNING FROM CSO IMPACT IN DRR AND MICRO-FINANCING

CSOs play a diverse range of roles in DRF: watchdog, advocate, incubator, service provider, expert, definer of standards, capacity builder, representative, citizenship champion and solidarity supporter (WEF, 2013).

However, as Chapter 3 of this report will outline, while CSOs have played all of these roles in government-led DRF, engagement has been decidedly uneven, and led primarily by INGOs. There remains scope for a much broader and deeper engagement.

DRF actors would do well to learn from the experience of DRR and microfinance. DRR, for example, is explicitly recognised as a multi-stakeholder activity requiring CSO engagement,¹⁶ and after many decades of investment and development, the DRR CSO community—globally, nationally, and at many local levels—is strong, skilled, well organised and valued.¹⁷ The World Bank is learning to engage CSOs in this space for better impact. For example: the Global Facility for Disaster Reduction and Recovery has a commitment to participatory programme design; the World Bank’s Community Driven Development programmes have partnered extensively with CSOs to implement DRR programming; and, in policy formation, the World Bank has supported the Guatemalan government’s consultative process with CSOs on its DRM framework.

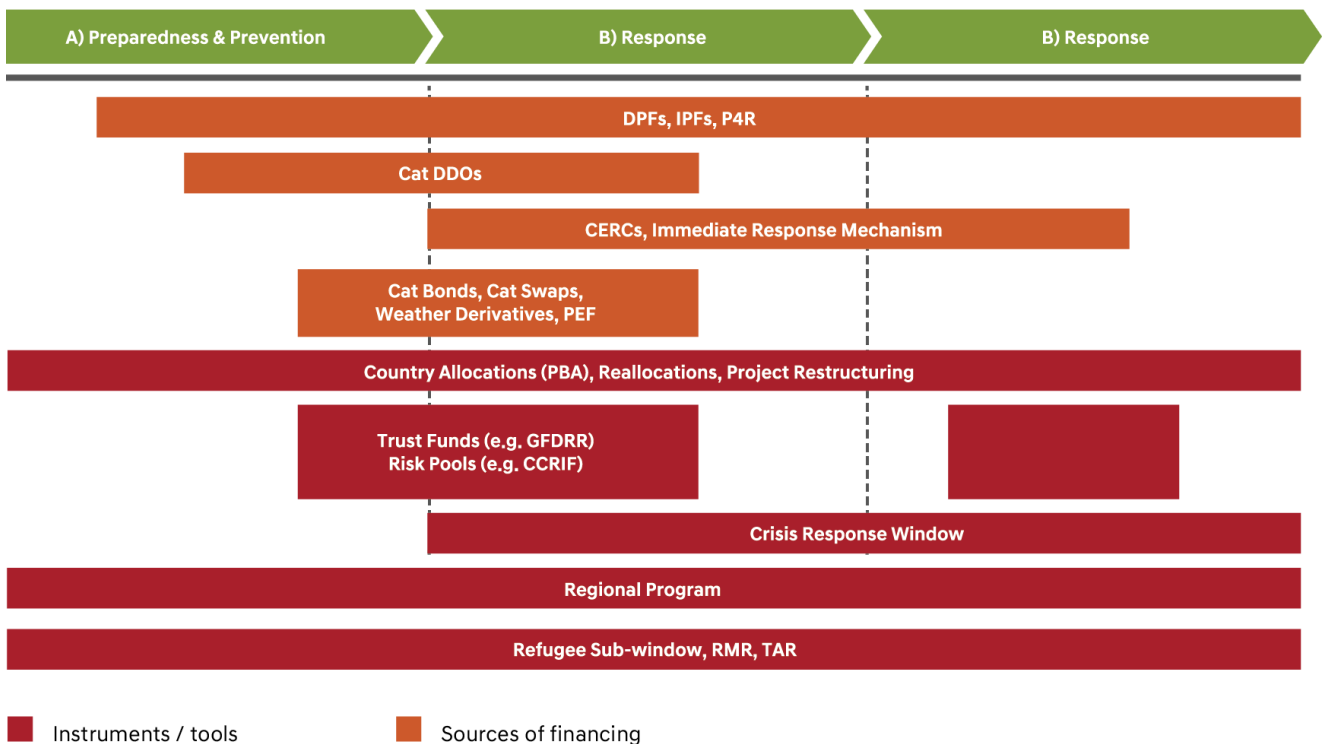
CSOs have also been pioneers in microfinance, and in particular have played a substantial role in developing financial services with a focus not just on financial sustainability, but also on alleviating poverty, to the great benefit of millions of low-income borrowers (O’Brien, 2008). CSOs have a huge body of experience on DRR and microfinance, and with strong links to the communities they serve, they are poised to lead on the next frontier—DRF.

2

SECTION 2: KEY WORLD BANK DRF SCHEMES AND MECHANISMS

As the value of ex-ante mechanisms gains recognition, the World Bank has developed a variety of instruments and new partnerships to increase the coherence and cost effectiveness of DRF. Major changes were made to IDA18 to provide greater funding for crisis-prone countries: Figure 1 shows what the World Bank describes as its ‘extensive crisis toolkit’ for IDA countries. This chapter will look at some of the key mechanisms and explore the level of and potential for CSO engagement.

Figure 1: World Bank ‘crisis toolkit’



Source: IDA (2018a)

2.1 CAT DDO

The Cat DDO is the World Bank's primary DRF mechanism that is agreed to before a disaster. It is a contingent credit tool, providing rapid liquidity post-disaster, which requires the implementation of certain policy measures ('prior actions') during the three-year term. Its objective is to 'strengthen preparedness and promote resilience against disasters' and it is available to countries that have an adequate macroeconomic framework and 'satisfactory' DRM programme. (World Bank, 2017a).

'Prior actions' should be a useful tool to incentivize countries to improve their policies and practice, but this has not always been successful, as outlined by the World Bank's own project performance assessment and IEG reviews. For example, in Colombia, the government 'opted for modest results indicators to be sure that it would not lose access to the contingent credit for missing programme targets' (IEG and World Bank, 2017). And, in El Salvador, prior actions 'were rather updates of the existing government's framework and did not add much value' (IEG and World Bank, 2015).

There are many CSOs skilled in DRR that understand national DRM programmes at both the policy and local level, have perspectives on priorities for DRM reform for the prior actions, and an ability to review progress against objectives. There is already significant evidence that CSO engagement in DRM planning improves the efficacy of plans.¹⁸ Even if CSO–World Bank engagement occurs during the development of a country's partnership framework, further engagement at the instrument level is crucial to ensure that the full potential of Cat DDOs to improve policies is achieved.

Requiring consultation with CSOs when developing prior actions and the indicator framework would provide a more accurate and representative understanding of what is possible and what can be scaled up. The World Bank could also propose prior actions that build the foundations for enhanced citizen engagement, leveraging its influence to create an enabling environment for citizen engagement, consultation and participatory approaches by government.¹⁹ Incentivizing CSO consultations would allow space for national governments and the World Bank to create new processes and institutions to effectively give stakeholders a role in strategy development (Hale, 2018).

Cat DDOs are financed through development policy financing (DPF), which is budget support provided by the World Bank, for which the World Bank commitment to citizen engagement as described in Section 2.3 does not apply. Instead, it is the government's responsibility to undertake stakeholder consultations (including groups such as communities directly affected by the operations) during the preparation phase (World Bank, 2019f). Nonetheless, World Bank management has recognised that the World Bank 'can facilitate, support and advise on the engagement' (IEG and World Bank, 2018). The next logical step is to clarify best or good practice in this area, and to be clearer on what such facilitation and support comprises.

Research for this report has been able to find little CSO stakeholder engagement,²⁰ apart from one positive example from Romania, where the World Bank team supported the formation of a network of CSOs and academics active in DRM, including civil protection outreach experts. The group meets every two months to network, and to share work, ideas, and concerns. The World Bank team consulted with the group during preparation of a recent Cat DDO, and they continue to meet every two months to update the World Bank on activities under the Cat DDO framework. This demonstrates a very positive approach by the World Bank and suggests a workable model for all Cat DDOs.

2.2 KEY WORLD BANK-DRIVEN DRF FACILITIES

In the last few years, a number of new DRF facilities have been set up with World Bank expertise, leadership and financial support. These include: the Pandemic Emergency Financing Facility (PEF); the Global Risk Financing Facility (GRiF); and the Famine Action Mechanism (FAM).

- Launched in 2016, after the 2014/5 Ebola epidemic in West Africa, the **PEF** is expected to pay out primarily to the government or UN agencies leading a major response. This can pose real challenges in conflict zones, as in the Beni response in Eastern Democratic Republic of Congo in 2018/9 where neither the government nor the World Health Organization has the operational capacity, independence or access that the fund designers might have expected. In contrast, there are many national and international NGOs that are well placed to respond; their greater engagement in strategy, rather than just implementation, could play a major role in strengthening the independence and neutrality of the response, and fostering the trust between authorities and communities which is a prerequisite for eradicating Ebola (Oxfam, 2018b).
- Launched in 2018, the **GRiF** will establish - or scale up - risk-financing instruments, including market-based instruments like insurance, in order to enable earlier and more effective response. It is not yet known precisely how the GRiF will operate, and therefore it is hard to be precise about the role CSOs could play. However, the GRiF's draft principles include 'inclusive participation',²¹ which suggests CSO engagement at project and country level, and the website states that CSOs are 'key in the design and implementation of GRiF activities' (World Bank, 2018b).

- Currently under development, **FAM** will support the prevention of extreme food insecurity, as well as develop new models to link early warning, financing and implementation to enable early response. National and international NGOs have a key role in delivering humanitarian aid to food insecure populations in conflict contexts—including in places that governments and UN agencies might not be able to access—and, as such, have a significant stake in FAM's design and development. CSO engagement was ad hoc in the first few months of the FAM's development, but CSOs have now been invited to country-based workshops and ongoing technical discussions.

As highlighted above, CSO engagement may not be a natural or automatic fit for the World Bank, but the examples of the GRiF and FAM demonstrate that the World Bank is listening and adaptable. Hopefully these nascent engagements will deepen into a systematic approach and true partnerships.

2.3 KEY WORLD BANK-DRIVEN REGIONAL RISK POOLS

The World Bank has been instrumental in the development of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), and is now supporting the development of the Southeast Asia Disaster Risk Insurance Facility (SEADRIF). These regional risk pools are one crucial tool to provide rapid liquidity to enable governments to manage disaster risk. Some countries use IDA funding to pay premiums to the pools.²²

Beyond a few basis risk incidents,²³ CCRIF and PCRAFI have been successful at providing swift payouts post disaster but there is little publicly available information on precisely what the coverage is, what premiums have been paid, and what the payouts have been spent on. A Munich Climate Insurance Initiative (MCII) paper highlights the deficiencies in transparency, participation and accountability of PCRAFI and CCRIF, and makes the case that increasing them would add significant value for

the risk pools themselves, for government and for beneficiaries—see Figure 2 (Forest, 2018).

In particular, from a government’s perspective, building consensus with CSOs on DRF strategies could facilitate acceptance and sustainability of the pool, as well as enhancing objectivity and unbiased decision making; it should help reduce political tension around allocating finance to pay premiums and around the use of payouts (see example of African Risk Capacity (ARC) Replica in Senegal, in Section 4.3). From a risk pool perspective, greater CSO engagement would build public trust, confidence and support, and transparency would enable mutual accountability between countries, facilitating solidarity and long-term sustainability. ARC Replica also provides an important example of how CSOs can contribute positively to the design and delivery of regional risk pools (see Box 3). By contrast, there has been very limited CSO engagement in World Bank-supported regional risk pools, something that could be usefully addressed in IDA19.

2.4 EX-POST WORLD BANK INSTRUMENTS

The World Bank has several ways of financing ex-post disaster response, (see Figure 2), providing an important financial safety net for disaster-prone countries.

- **The CRW** is one of the largest ex-post DRF instruments managed by IDA. CRW programmes are primarily Investment Project Finance²⁴ and as such would normally be subject to the World Bank’s requirements on citizen engagement. However, these requirements can be waived in situations of urgent need, such as disasters, meaning that rules that apply to citizen engagement during the project preparation stage can be deferred to implementation.²⁵
- IDA also finances ex-post disaster response by restructuring and reallocating funding from existing projects. The **Contingent Emergency Response Component** (CERC) is a built in-contingency line, which enables flexibility within an existing project. The **Immediate Response Mechanism** provides some extra funding through IDA. Another tool is the inclusion of ‘zero components’ in project allocations which allow for a quick redeployment of resources should circumstances change.²⁶

While there is a wide range of ex-post financing tools that the World Bank, the fact that decisions about how the funds will be used are happening after the crisis has occurred precludes much meaningful CSO consultation in most cases. A shift to a more anticipatory approach—developing triggers for response, contingency plans, funding protocols, implementation plans—would enable a better, faster response and provide the benefits from strong CSO engagement

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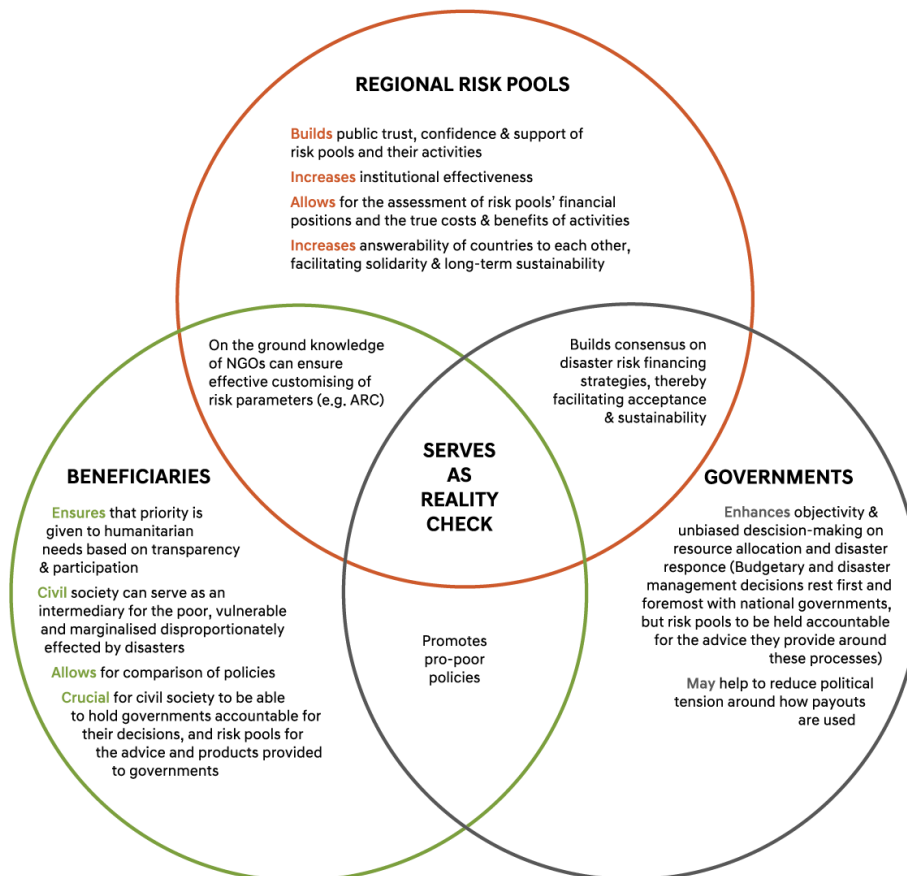
SECTION 3: HOW CSO ENGAGEMENT CAN STRENGTHEN DRF

In contrast with multilateral development banks (MDBs), government, and the private sector, CSOs are non-profits, and generally independent from party politics. While CSO mandates, missions and roles vary (watchdog, advocate, incubator, innovator, service provider, expert, definer of standards, capacity builder, representative, citizenship champion and solidarity supporter) (WEF, 2013), their key role is representing

the communities they work with, and it is in this role that they have the strongest contribution to make to DRF.

Drawing on examples from around the world and partnerships with IDA, other MDBs, and governments, this section outlines how CSO engagement in the design and delivery of DRF mechanisms can improve impact.

Figure 2: Benefits of systematic CSO engagement



Note: This diagram describes the benefits of systematic CSO engagement in regional risk pools, but the principles can be broadly extrapolated to all government-led DRF, providing benefits for the efficient running of the DRF mechanism itself, the government, and people affected by disasters. Source: MCCI (Forest, 2018).

CSOs need to have a fundamental understanding of community preferences and needs in order to effectively implement their missions. They are therefore well placed to help the World Bank and governments understand the nuance and complexities of local vulnerabilities and capacities. Ensuring that DRF meets the needs of disaster-affected communities requires the engagement of all relevant stakeholders. This includes those with expertise and understanding of impact, emergency response, and vulnerability, just as much as those with expertise on finance analytics and risk modelling. Where CSOs have relevant knowledge and expertise, this should be harnessed, not lost or overlooked because they are not traditional World Bank or finance ministry partners.

Box 1 The missing P: putting ‘people’ at the centre of DRF

Public-Private Partnerships (PPP) are the most common model being used for insurance schemes in developing countries. PPPs combine the different skills and resources of the partners, enabling governments to focus on policy, planning and regulation, while the insurance industry provides technical and management skills and capacity.²⁷ What is often missing, however, is a focus on disaster-affected communities—people. Current guidance on PPPs for insurance does not stress the importance of engaging with affected people in the design and development of such schemes (Solana, 2015).

There are positive examples of participation with communities at national level. For example, the reform of the French Catastrophes Naturelles insurance system was based on a wide consultation process with all stakeholders—disaster-affected communities, consumers, local authorities, companies, the insurance market, the construction market, and scientific organisations. This helped to forge a shared vision to guide the reforms (World Bank, 2012). However, this approach has not been widely adopted by the major sovereign insurance schemes such as the CCRIF²⁸ and ARC.²⁹

A systematic shift is needed from PPPs to PPPPs—public-private-people partnerships, — rebalancing the roles and interests of all parties to achieve effective outcomes, particularly those most affected by disasters.

3.1 STRENGTHENING DRF DESIGN

CSOs have a crucial role in ensuring that DRF strategies, policy priorities and schemes are designed to benefit disaster-affected people, particularly those at risk of being excluded, such as women, people with disabilities, and people from disadvantaged socio-economic or otherwise marginalised groups.

SETTING NATIONAL POLICY PRIORITIES

National DRF strategies are technically complex and are typically designed by World Bank experts in conjunction with ministries of finance, drawing on sophisticated financing models and models of risk. While most CSOs do not typically have this type of technical expertise, they are well placed to contribute to the wider political processes that drive decision-making, in other words to inform decisions about how much protection to provide, and to whom. It is crucial the process informing decisions about these policy objectives should be participatory and open to public scrutiny. Risk does not affect all parts of society equally and, with limited finance, trade-offs have to be made throughout budget and policy processes—for example, whether to prioritise infrastructure or expand social protection programmes. CSOs with service delivery expertise can help to inform analysis of vulnerability, and to ensure equitable and efficient distribution of resources. Advocacy-oriented CSOs can bring the voices of communities into government decision-making.

However, to date, IDA's approach to DRF analysis and strategy has not prioritised engagement with civil society. The World Bank's Operational Framework for DRF and Insurance outlines the DRF process and refers to the importance of leadership from ministries of finance and their partnership with government departments, the private sector and the international community—but makes no reference to the role of civil society.³⁰ Similarly, World Bank material identifies the experts and decision makers required to shape strategy as financial specialists, senior officials, scientists and implementing government departments, for example—but there is no reference to incorporating civil society.³¹

Yet experience around the world shows that CSOs can make a valuable contribution to national DRF planning. In Burkina Faso, for example, the government has worked closely with the Confédération Paysanne du Faso (CPF)—a national organisation of agricultural

producers—in the design of its agricultural insurance scheme. The CPF has used its detailed knowledge of farming vulnerabilities to engage consistently with the government, contributing to national technical committees to develop the scheme.

STARTING WITH IMPACT, NOT INSTRUMENTS

The success of DRF should not be judged by the effectiveness of the financial mechanism alone, but on the impact achieved by the use of that funding. CSOs that implement humanitarian responses can play a crucial role in ensuring 'line of sight' from instrument to impact. A whole-of-system approach is required, focusing on the operational and implementation aspects as much, or even more than, the financial mechanism. As noted by the Centre for Disaster Protection, '... the main benefits of risk financing come from the design of the system for financing, not just the financing itself' (Ranger and Clarke, 2018).

Data modellers, financial experts and implementers, including service-provider CSOs, need to work together on design. If the triggering system and the planned response are not well linked, the relationship between the modelled and actual coverage of risk is lost, resulting in the risk of gaps and overspend. For example, an insurance-driven approach might be willing to accept basis risk,³² but this is unacceptable from an operational perspective, because people at risk are not being protected. This dynamic played out clearly when ARC initially did not pay out for drought in Malawi in 2016—and very different perspectives were clearly held by ARC Insurance Ltd (the insurance company) and the rest of ARC who were interested in ensuring those affected receive a payout.

The choice of parameters and triggers for a risk-financing model is crucial, and CSOs can help to inform the design of these. For example, the monitored crop for ARC coverage in Senegal is groundnut, which is a key cash crop for the country, and sensitive to drought—however, the staple crop is millet. While acknowledging the livelihood support the groundnut crop provides, the success or failure of millet has a much closer and clearer link to food security outcomes and the population's need for humanitarian assistance. After CSO advocacy, there is now consideration of retrofitting the model, by adding millet as a second trigger crop in the 2019 customisation.³³

Often, INGOs and their national partners can contribute at a highly technical level, developing new tools or innovating operational methods, as shown in the following examples.

- The Flood Resilience Measurement for Communities Framework and Tool, developed by the Zurich Flood Resilience Alliance,³⁴ has been used in over 110 communities in nine countries, generating 1.25 million data points on flood resilience. Such detailed information can be extremely valuable for improving the design of interventions, including social safety nets, livelihood alternatives or national insurance schemes.
- Through ARC Replica, the Start Network has recommended a number of innovative operational methods for managing basis risk, which are being trialled. These include a) a comparative monitor—an additional set of indicators that can objectively assess if basis risk is taking place; b) establishing precise modalities for operational and financial decision making, with a panel of objective reviewers, around how to assess and correct for basis risk; and, c) methods for financing for basis risk—a financial pressure-valve facility or alternative fund to allow for financial adjustment, so needs do not go unmet.

Box 2 Who ‘owns risk’? Understanding contingent liabilities

A key part of strategy and design is identifying who owns what risks; in many instances, it is this lack of clarity on risk ownership that results in various risk-financing schemes being piloted simultaneously and separately at local, sub-national and national levels. A clearer division of who owns responsibility for what risk would be a helpful step towards having these different schemes functioning better, opening a door for clearer risk-management plans that operate across various levels and with specific responsibilities for government, CSOs, and other actors.

National coordination platforms are required to facilitate this clarity, and CSOs can support the sharing of risk. For example, the Start Network’s Drought Financing Facility (DFF) was prototyped in Zimbabwe by designing a layered risk management approach, in which the DFF would be used to surge and protect programme outcomes of a community resilience programme run by UNDP and other NGOs.

UNDERSTANDING VULNERABILITY— A KEY TO EFFECTIVE SCHEMES

To ensure DRF is appropriately targeting people living in poverty and is understood by them, more innovative approaches are needed. Many risk-financing systems and Forecast-based Financing (FbF) projects have tried to develop vulnerability assessments to forecast the likely impact of a hazardous event on a population. But trying to conceptualise how people are exposed—and how sensitive they are to different shocks—is extremely complex. Highly complex models can lead to increased basis risk and make it difficult for communities to understand and question decision-making based on the models. From a rights-based perspective, this is problematic in terms of transparency and accountable decision-making.

CSOs, particularly those working on humanitarian response, have decades of experience in conceptualising and quantifying acute needs at the household level in pre- or post-disaster situations. For example, Household Economy Analysis (HEA), which was developed by Save the Children and FEG Consulting, provides a detailed profile of household-level income and expenditure that can model the impact of shocks on different livelihood zones. It has been used in humanitarian response to drought for years and Start Network NGOs in Senegal are now applying this to DRF.

Unlike highly complex models, like the Africa RiskView used by ARC, HEA can be explained and interrogated by non-experts. In Madagascar, the government, CSOs and the UN are working together to develop a national HEA baseline that could potentially be used for national DRF approaches. This kind of partnership is a positive example of multi-stakeholder, need-driven risk financing design that should be further incentivised through World Bank support.

IMPROVING TARGETING FOR SOCIAL PROTECTION SCHEMES

Well-designed social protection can build up the resilience of communities, contribute to the reduction of inequalities—in particular gender inequalities—and support inclusive and sustainable development. When disaster strikes, such schemes can be scaled up to protect people who are vulnerable to shocks and stresses that can push families below the poverty line.

Service provider CSOs' in-depth knowledge of the communities in which they work means they are well-placed to identify those most in need and support appropriate targeting for schemes that pay out post-disaster. Ensuring they are effective, efficient and contributing to equality is a critical public policy need that CSOs can help support.

For example, Sri Lanka has an extensive social protection system that could play an important role in responding to shocks but it is complex, with a number of uncoordinated schemes, and post-disaster assistance can take months to reach people. The World Bank is currently working with the government to develop a Social Registry Information System, and the United Nations Children's Fund (UNICEF) and Oxfam are working together to ascertain if the system can be used in post-emergency contexts to provide scaled-up assistance. This work will identify and map the diverse elements of household vulnerability in order to inform the design of the response mechanism. Oxfam's links with communities across the country, its understanding of gender and inequalities, its technical expertise (humanitarian response, cash transfers, ICT, monitoring, evaluation and learning (MEL)) and its partnerships with others have contributed real added value.

DESIGNING INCLUSIVELY: GENDER, MARGINALISED GROUPS AND DRF

The World Bank is committed to gender equality, stating that no country, community or economy can achieve its potential without the full and equal participation of women and men, girls and boys (World Bank, 2006; and World Bank, 2015b). CSOs have an extensive history of elevating the particular needs of women and marginalised populations and providing solutions; they can support the World Bank in achieving their gender commitment.

Gender and inclusivity are particularly relevant to DRF conversations, as men, women and marginalised groups have different resilience to disasters, reflecting their different work and livelihood patterns, education and skill levels, asset ownership and access to resources, levels of voice and participation in public life, and different assumptions of household responsibilities.

These factors can have an even greater impact when disasters strike. Accessing post-disaster support is often more difficult for people marginalised due to their gender, socioeconomic status, sexual orientation, ethnic identity, and disabilities. Marginalised people may struggle to get the aid they are allocated, as the barriers they typically face to accessing resources are amplified in a humanitarian context.

Thus, DRF must be specifically designed to be sensitive to consider factors, such as gender, that might make some people particularly vulnerable. Public expenditure with no apparent focus on gender or social vulnerability is not neutral; any public expenditure will have differential impacts on such disparities. Without effective examination of the specific impact of the spending on men, women and marginalised groups, it is highly likely to reproduce and reinforce systematic inequalities.

The way in which DRF-funded programmes are designed is crucial. For example, in disasters, cash for work programmes may be used both to promote physical recovery and support incomes, yet often only one person per household can take part, and almost always this is a man. More vulnerable people could achieve real benefits from well-designed DRF schemes—but there is no evidence that sovereign insurance schemes have been designed or implemented with an explicit target for gender equality or inclusivity (IGP, 2018; Arias, 2014, cited in Oxfam 2018a; De Janvry, Ramirez Ritchie and Sadoulet, 2016). ARC in Senegal has already identified the need for gender sensitivity – the model crop is likely to be grown more by men, and pastoralist men migrate during the lean season. The ARC has recognised this issue, recruited a gender adviser, and will develop a gender strategy. The choice of the model crop is crucial: for example, in Senegal, the groundnut crop requires significant land and assets and is likely to be grown more by men; considering other crops or livelihoods might reveal a different picture of vulnerability.

There are more meso and micro schemes that consider gender, including several that only or primarily sell policies to women (such as CARD MBA in the Philippines and beyond, and the African and Asian Resilience in Disaster Insurance Scheme (ARDIS)), and others that focus on and evaluate the impact on women (such as the R4 Rural Resilience Initiative).³⁵ The learning from these programmes should be reviewed, to see how it can be applied to nationally-led DRF schemes. Yet there remain serious gaps on the impact of insurance on other marginalised groups—such as people with disabilities or excluded ethnic or socio-economic groups.

It is clearly not sufficient for DRF and insurance to increase household income and community resilience if this further shifts the balance of decision-making power and resources towards the male head of household or wealthier community members, thereby exacerbating existing inequalities. CSO expertise in inclusive approaches can have a critical role in designing and implementing schemes that support equity.

3.2 CSOS AS LEADERS IN DELIVERY AND IMPLEMENTATION

National CSOs and INGOs are key to strengthening DRR, contingency planning, preparedness, early action and delivering humanitarian response. Local service provider CSOs are the first to respond when disaster strikes, and often are the only actors able to access some areas within fragile and conflict-affected states. This experience is currently not being fully harnessed by the World Bank. Within the DRF space, INGOs and some local CSOs are already implementing a wide range of programmes. This includes a substantial number of programmes and initiatives where CSOs are partnering with the private sector to strengthen markets that work for people living in poverty and build resilience. For example, in Myanmar, Mercy Corps is partnering with Global World Insurance to build the first crop insurance product in that country. In the Philippines, Oxfam, the Center for Local and Regional Governance of the University of the Philippines, and AXA XL are working together to develop an insurance scheme for poor municipalities.

CONTINGENCY PLANNING

The DRR community has a long history of engaging in contingency planning with government structures at national, district and local levels. Many CSOs work at the community level to set up or strengthen community DRR committees. Participatory approaches are used to build a shared understanding of climate and disaster risks, and to develop local and sub-national action plans that are integrated with government efforts.

For example, in Pakistan, Oxfam and local partners Doaba Foundation and HELP Foundation mobilised and trained CBOs in 60 villages on the Indus River to develop disaster management plans and improved early warning information for the government. After massive flooding in 2010, an impact evaluation found that participating villages fared significantly better than others; increased trust in the early warning system and the trained disaster committees, with links to government, were critical to this success.

Box 3 ARC Replica

ARC Replica in Senegal is a strong example of a sovereign risk-financing process closely involving CSOs. ARC Replica allows humanitarian organisations to match ARC country insurance policies, thereby using international resources more cost-effectively through participation in ARC's government-led risk management system, doubling insurance coverage and bringing together diverse stakeholders with distinct skills to strengthen the overall preparedness and response. This broader partnership creates a two-way flow of communication between communities and the ARC government customisation process, ensuring that the specific needs and vulnerabilities of communities are well represented in the process.

While still a relatively nascent mechanism, there are already important lessons learned, especially as there are two models currently being implemented: the World Food Programme (WFP) leads in Mali and Mauritania, and is strong on technical aspects such as index design, and working closely to support the government processes; the Start Network leads in Senegal and brings in technical skills, knowledge of local context and communities, and is strong on MEL, accountability and innovation, including the ability to rapidly test new interventions and build evidence of what works.

In Senegal, the Start Network members, including Save the Children, Action Against Hunger, Catholic Relief Services, Oxfam, and World Vision, have been involved in the design process, and are eligible to receive a portion of the payout to implement an intervention. This financial incentive has helped spur their participation in the process, adding further innovation and ideas, and substantially strengthened both design and implementation.

By contrast, in Mali, CSOs' considerable expertise, including a deep knowledge of local needs, existing experimentation with different DRF instruments and partnership with the government and UN in prevention, preparedness and response has not been fully utilised, which is a missed opportunity.

A significant aspect of ARC Replica—that could be a powerful model for the World Bank and regional risk pools to replicate elsewhere—is the incentivisation of collaborative contingency planning that coordinates CSO responses directly with governments. For example, in Senegal, through the ARC Replica programme, NGOs came together to look at new tools for contingency planning in risk financing, mapping the various coping mechanisms and impacts of drought in different seasons, with the objective of identifying the opportune time to intervene with a response to have the greatest impact (see Box 3). The HEA was used to identify windows of opportunity for early action: identifying what is needed, when, and why, to help communities avoid impacts of drought. Importantly, this approach could identify the implications for delays in implementation, and a clear way to evaluate the success of the system. The resulting contingency plans were formulated and aligned with the government’s response plans, and were later trialled in a final implementation simulation session, which allowed for the two response plans to be coordinated

Box 4 Taking a systems and international approach to implementation: the Start Financing Facility

The humanitarian CSO sector is reforming to embrace better systems approaches to risk. For example, the Start Network is working with the World Bank to design the Start Financing Facility, with the objective of deploying donor money efficiently and effectively to frontline humanitarian NGOs around the world. The facility will be built on DRF principles: supporting humanitarian responders to understand risks of crises in the areas where they work, and to be operationally and financially prepared to respond. Once fully developed, the facility will support the creation of locally appropriate, innovative DRF instruments, and connect them to a wider structure that allows for efficiencies through financial strategies (such as risk pooling, risk layering and liquidity mechanisms). It will also provide a single entry point for donors wanting to fund risk financing initiatives of CSOs in multiple countries or regions, and enable learning, standardisation and interoperability across financing initiatives. The Facility might provide a useful future entry point for World Bank funding to reach vulnerable communities through CSOs working alongside government systems.

OPERATING IN FRAGILE CONTEXTS

Today, approximately two billion people live in countries where government services are weak or non-existent. By 2030, 80% of the world's people living in poverty will likely live in fragile contexts (OECD, 2018). These are increasingly the contexts the World Bank wants to support. CSOs are potential partners for the World Bank as they are already active—strengthening community cohesion, linking citizens to their governments, and bringing local context and voices to strategic policy decisions. CSOs work across the peacebuilding, humanitarian and development spectrum, and have links to communities that span all sides of a conflict. Working through CSOs may be the only viable mechanism for extending services, as they can manage the complexities of working in active conflict zones that are difficult for governments to access, reaching the 'last mile' in service provision in fragile contexts.

- In Yemen, IDA has provided US\$150 million for an urban reconstruction programme and is working with Search for Common Ground and Oxfam to develop a methodology for robust citizen engagement, to help ensure the proposed reconstruction priorities fit with local needs and are not subject to elite capture, including beneficiary feedback mechanisms and grievance redress, for example.

- In Myanmar, IDA has provided US\$480 million for the Myanmar National Community Development Driven Project (NCDDP), which provides support for community-based development across Myanmar, reaching nearly 7 million direct beneficiaries (World Bank, 2018d). A joint Mercy Corps, World Bank, and Myanmar's Department of Rural Development study identified strategic and implementation gaps on DRR in the NCDDP and, along with findings from the World Bank's seminal 10-year longitudinal study, proposed recommendations on how to better integrate community voices and needs through community-based DRM into the NCDDP, which should be 'a major step forward in strengthening community resilience and preparedness' (Kostner, 2018).

Nonetheless, an important trend to watch is how civil society space is increasingly closing (Hossain et al., 2018), and it is becoming more difficult for CSOs—particularly those engaged in advocacy, transparency and human rights—to operate in many countries.³⁶ The World Bank could help to protect CSOs' operational space to deliver DRF, especially in fragile contexts, and advocate with governments about the benefits of a vibrant civil society.

FOSTERING INNOVATION

With their proximity to communities, experience in MEL, and relatively agile organisational structures, CSOs can help to drive innovation, identifying opportunities and piloting new DRF interventions that can be scaled up by the World Bank or national governments.

There are many examples of **CSO innovation in insurance schemes**. Examples include the following:

- In Ethiopia, Oxfam America, the Relief Society of Tigray and local farmers drove the development of HARITA; this developed into the R4 Rural Resilience Initiative, a strategic partnership between Oxfam America and WFP in Ethiopia and Senegal. The key innovation is the insurance for assets element.³⁷ WFP is expanding the programme to Kenya, Malawi, Zambia, and Zimbabwe.
- In Kenya, Mercy Corps worked with Takaful Insurance of Africa and the International Livestock Research Institute on a ground-breaking Index-Based Livestock Insurance pilot in Wajir County. Critical to uptake of insurance by Islamic pastoralists was Mercy Corps' work with Takaful, to develop a unique sharia-compliant loan for livestock traders and herders that does not incur interest but relies on a model of sharing profit and loss between the farmer and financier.
- In Bangladesh, Oxfam is piloting an innovative meso-level flood index scheme for landless people living in floodplain areas bordering the Jamuna River. This provides business-interruption cover to households reliant on wage labour and vulnerable to prolonged monsoon flooding. This project is at pilot stage, with a view to the government taking over and scaling up.

CSOs have also shown how they can innovate to develop other risk financing mechanisms.

- In Bangladesh, BRAC has developed contingent emergency credit triggered by a parametric index. This is made available to pre-approved clients and the amount of credit is limited (to 50% of the borrower's regular loan from BRAC); with a 25% interest charge, it is cheaper than existing index insurance contracts.
- Mercy Corps is currently assessing the viability of innovative financial instruments, including various types of bond structures to increase flood resilience in Indonesia. To test the feasibility of these instruments at scale, a pilot of a resilience impact bond is being explored for the coastal city of Semarang.

- In the Philippines, Oxfam worked with Visa and PayMaya (a subsidiary of local telecommunication giant, SMART) to develop a financial platform that combines savings, credit, and a default opt-in microinsurance. Oxfam is also working with Plan International, Global Parametrics, and local insurance company, CLIMBS, on FbF financing that will trigger a financial payment to people at risk of being hit by storm and flooding.

CSOs are also developing new business models for DRF, working with multilateral development banks and the private sector. For example, after a successful pilot, VisionFund has established ARDIS to provide recovery lending (small loans on favourable terms) to small businesses and farmers to help them recover quickly after disasters, by providing insurance for microfinance institutions. In its first year, ARDIS protection is being provided to VisionFund's clients in Kenya, Malawi, Mali, Zambia, Cambodia and Myanmar—up to four million people, of whom around 80% are women (VisionFund, 2018).

CSOs have played a role in setting up insurance companies and structures. In post-earthquake Haiti, Mercy Corps established Microinsurance Catastrophe Risk Organisation (MiCRO), to develop and implement disaster microinsurance products for low-income populations in Haiti, and subsequently Latin America. Now a stand-alone entity, but with strong CSO support, MiCRO successfully engages with government, insurance private sector, regulators, development banks and local actors to reach low-income people with disaster microinsurance.

3.3 GOVERNANCE, MONITORING AND EVALUATION FOR IMPACT

IMPROVING PERFORMANCE AND REDUCING RISK THROUGH ACCOUNTABILITY AND TRANSPARENCY

Transparency and accountability are core elements of good governance. The crucial importance of transparency is recognised in the pro-poor principles of the InsuResilience Global Partnership (IGP)³⁸ and the World Bank's Policy on Access to Information.³⁹ However, economic and financial conversations typically occur in 'closed' or 'invitation only' spaces, where civil society is excluded (Oswald, Agpar, Thorpe and Gaventa, 2018). Understanding the extent of DRF coverage, under what conditions and for which risks, is crucial information for advocacy CSOs to be able to hold governments responsible for their decisions, and DRF providers accountable for the advice and products provided to governments.

In terms of accountability, there is often an emphasis by international partners on upward accountability toward donor institutions, rather than downward to civil society and people at risk. This tendency towards a top-down, centralised approach to risk management impedes the ability to respond, and even potentially 'in the absence of strong accountability to vulnerable populations, governments do not give priority to humanitarian needs' (Forest, 2018).

CSOs can be powerful partners in helping the World Bank reach its accountability and transparency goals. As one survey respondent stated, 'There is urgent need for inclusive participation and strengthening [of CSO] capacity at the grassroots to be able to hold government to account [for] DRF in their community.'⁴⁰

Advocacy and watchdog CSOs have a role in asking uncomfortable questions about efficacy of schemes and approaches, and in holding providers to account. The ActionAid report on ARC in Malawi increased pressure on ARC to review its systems for managing basis risk and ensure that lessons were learned (ActionAid, 2017). There remains a significant lack of transparency across all regional risk pools: an MCII report found that no risk pool regularly publishes information on premiums or risk transfer parameters, or any requirement for funds to be spent, including to contingency plans or risk reduction strategies (Forest, 2018). As a result, it is impossible for

citizens to judge whether value has been obtained for public money. With greater transparency CSOs would be able to better track funds, supporting World Bank and donor compliance with their own policies on budget transparency.

The ex-ante approach of Cat DDOs lends itself to efforts to deepen transparency. While they need to be flexible and to respond to the specific needs in the aftermath of particular events, CSO engagement in pre-disaster planning can help to drive transparency, as the World Bank's experience in Romania demonstrated (see Section 3.1). Replicating this approach across all Cat DDOs, would increase help to ensure the most appropriate and transparent use of funds.

Where service-provider CSOs are embedded in communities, they can monitor whether DRF solutions are delivered in a timely manner on the ground. One example of this is provided by Oxfam, who provided the evidence for an insurance company to pay out in Sri Lanka. Despite a serious drought, the insurance initially did not pay out, because there had been some sporadic rain. Oxfam—with its strong links to both communities and the insurance provider, Sanasa—conducted a swift assessment, which found that communities had lost 60% of their crops. Sanasa used this evidence and issued a payout (Oxfam, 2017).

STRENGTHENING MONITORING, EVALUATION, AND LEARNING

DRF is a relatively new approach, so it will be important to build the evidence base in order to refine the design of different schemes and to measure cost and impact (ARC, 2017). The evidence gap is particularly pronounced in relation to impact, and especially on how DRF affects different gender, socio-economic, age, ability and other groups. CSOs can help fill this gap, as they generally have strong expertise in MEL, as donors demand accountability for funds and CSOs also lead on measuring for 'outcomes versus outputs'. Oxfam, for example, has a requirement that a minimum of 5% of project expenditure should be on monitoring and evaluation, and this should be higher in innovative projects. CSOs are leading efforts to develop methodologies for measuring the impact of risk financing, driving the agenda and spearheading improvements in measurement. For example, the Start

Network commissioned ‘How to assess the impact of a drought risk financing facility: a guide’ (Levine and Grey, 2017). This provides practical tools to evaluate drought risk financing, a framework for evaluating DRF, and the accurate measurement of earlier humanitarian response. Thorough and thoughtful assessments can also provide alternatives to DRF that could have the potential to reach more communities and build resilience better.

WITH TRANSPARENCY COMES PARTNERSHIPS: CSOS AS ADVOCATES AND FUNDRAISERS

Politically speaking, it can be difficult to introduce and maintain DRF in government planning and budgeting. It requires the government to assign resources, finance and institutional capacity to deal with future potential risk, rather than deal with today’s challenges. If there is not transparency in this process, it is hard to build political support for DRF. For example, a government representative from Senegal underscored this point at a 2018 ARC meeting: if the population really understood the protection that ARC provides, it would be easier for the government to justify its expenditure on the premium.

Involving civil society in meaningful, ongoing partnerships can enable two-way dialogue between people and their government, ensuring that DRF meets the needs of vulnerable communities and that it secures the requisite political support required to ensure its sustainability. This type of dialogue takes time and building capacity will be a critical part of securing the long-term viability of DRF.

When CSOs are treated as equal partners, they can be helpful advocates and fundraisers. Considering the difficulty of fragile and extremely poor countries paying their own premiums, additional donor country support will continue to be necessary, and CSO partners can play an important role in securing adequate investment in DRF—including in lobbying multilateral and bilateral donors for additional resources.

Box 5 Global platforms and strategic partnerships: lessons for DRF

Over the last two decades, there has been an explosion of creative platforms to deal with the world’s most pressing problems, with CSOs increasingly incorporated not just as implementers, but also as strategic partners at the highest levels of decision making. CSOs (often ‘advocacy CSOs’) participate on the Board of Directors, or other high-level governance structures in large global initiatives like the Global Alliance for Vaccine Initiatives (GAVI), the Global Fund to Fight AIDS, TB, and Malaria, the Global Environmental Facility (GEF), and two World Bank-hosted Climate Investment Funds.

In the DRF space, it is warmly welcomed that IGP incorporates CSOs in the High-Level Consultative Group and can influence the strategic direction of the IGP. For further impact on the ground, this collaboration should also be reflected on the programmatic side of international and regional initiatives, including in the GRiF, the ASEAN DRFiP, Africa Disaster Risk Financing (ADRFi) and others. Governance in these programmes is currently likely to be limited to a small group of donors or high-level government officials—in either case, this is unlikely to offer the best opportunity for a nuanced approach that is accountable to disaster-affected populations. The emphasis on upward accountability, rather than downward to affected populations, may struggle to foster optimised impact for the most vulnerable.

4

SECTION 4: STRENGTHENING CSO CAPACITY

The previous chapter set out a range of ways for the World Bank to improve efficacy, impact, accountability and legitimacy through greater CSO engagement. This chapter considers how best to access and operationalise this. It identifies the existing capacity within the CSO community and also areas where additional capacity is required to support the effective scaling up of DRF.

There are currently comparatively few CSOs working specifically on the financing and modelling side of DRF but this is beginning to change. For example, Welthungerhilfe participated in Start Network's DFF work in Pakistan, and has taken this learning to Madagascar to design an FbF approach to drought. The ARC Replica (see Box 3) governance model, which includes a strategy group of diverse NGOs, provides a way for participating CSOs to gain practical experience of the financial and operational infrastructure required for DRF.

The survey conducted to inform this report, which canvassed responses from the humanitarian, development and DRR community, showed very high levels of interest in learning more about DRF in order to better shape donor and government practices. While recognising the complexities of DRF, 77% of respondents wanted the opportunity to provide technical advice or input to the World Bank or governments on how to be more pro-poor and transparent in their climate and DRF initiatives.

Building capacity across the broad array of CSOs should be seen as a long-term process—perhaps drawing on learning from the experience of DRR. For example, Oxfam supported the DRR and emergency response networks in Central America (Concertación Regional para la Gestión de Riesgos (CRGR)) for ten years. CRGR is now functioning well, and recently provided input to the design and implementation of a DRR plan for Central America by CEPREDNAC, the primary governmental regional body for DRR. Oxfam has now been able to step back from hands-on support.⁴¹

The World Bank has recognised the importance of building capacity to engage in order to enhance quality, and that capacity building can be supported across the full range of World Bank instruments (IEG and World Bank, 2018). Training is obviously important. Alongside others, the World Bank is supporting training for finance ministries and other government officials on DRF. The participation of CSOs in this training would not only build CSO capacity but also foster positive relationships between stakeholders. The World Bank has been generous in making its DRF training package available to the Start Network, which is adapting this for use with CSOs, and funding is required for roll out in 2019–20.

But building a robust DRF community and capacity building is more than just training. Consideration should be given to continuing professional development, expanding existing online courses and accreditation, and building research capacity in universities for example.⁴²

The World Bank could support innovative partnerships to strengthen national-level CSO capacity, particularly in the global south. One interesting example of this is a multi-actor partnership on climate risk insurance in Africa, where Transparency International and Germanwatch, are strengthening civil society capacity and developing partnerships to promote a human rights-based approach to insurance, with a specific focus on ARC, first in Kenya and then across Africa.

Ultimately, a strong global civil society constituency is required that can engage dynamically with DRF partnerships and programmes. CSO coordination is required through the creation of a global CSO platform, which could facilitate:

- sharing timely information from major DRF initiatives and programmes;
- coordinating consultation with, and feedback from, civil society to major DRF initiatives and programmes, thus providing an accountability function;
- building up a strong global CSO community with substantial representation from both northern and southern CSOs.

5

SECTION 5: CONCLUSIONS AND RECOMMENDATIONS

CSOs have a significant role to play in government-led DRF. Meaningful participation, partnership, and collaboration can ensure a wider reach, strengthen strategic approaches and design, improve implementation, build political support, strengthen accountability, monitoring, evaluation and learning, and foster innovation.

There are a range of DRF mechanisms and tools that the World Bank can use post-disaster, but in most cases, the emergency nature of the financing precludes much meaningful CSO consultation. A shift to a more anticipatory approach—developing triggers for response, contingency plans, funding protocols, implementation plans—would enable a better, faster response *and* provide the benefits from strong CSO engagement.

The World Bank has recognised the value of a multi-stakeholder approach in its work, including the importance of, and opportunities for, civil society engagement. There has been improvement in realising the corporate commitment to citizen engagement. However, this does not seem to be applied to current DRF mechanisms; in most cases, CSOs have not been given space to engage in government-led DRF processes and instruments. This represents a missed opportunity.

RECOMMENDATIONS FOR THE WORLD BANK

Work with skilled CSOs as implementing partners, not only as interested stakeholders.

- Systematically include experienced CSOs in the formulation of national DRF strategies and as implementing agencies. Some CSOs have developed considerable insight, expertise, and innovative approaches to DRF (e.g. ARC Replica’s innovative insurance schemes)—such knowledge could be better harnessed for impact.

Involve CSOs as key partners in the development of DRF strategies, mechanisms and instruments.

- Redraft the World Bank Operational Framework for

developing DRF strategies and guidance around key partners to include CSOs, including organisations focused on the rights of women and vulnerable groups.⁴³

- Develop standards to ensure that DRF schemes are designed with analysis of gender imbalances and other inequalities, with consideration of how all people can access and benefit from it, and using disaggregated data for monitoring the differentiated impact.
- Take a more proactive approach to consultation by developing best practice examples, guidelines and/or minimum standards which describe a positive engagement of CSOs in risk financing DPFs in general and Cat DDOs in particular.
- Strengthen the requirement for CSO engagement in IDA’s portfolio of anticipatory mechanisms. For Cat DDOs, ensure that IDA19 policy documents require CSOs with DRR expertise to be key partners in multi-stakeholder engagement (potentially through multi-stakeholder advisory boards) when assessing the national DRM programme. Consultations with CSOs should be included as ‘prior actions’ to improve effectiveness, accountability and monitoring.
- Use CSO expertise and community linkages to strengthen targeting policy and practice for social protection.
- Support CSOs to develop innovative schemes, including the development of successful schemes from pilot to scale.
- Incorporate CSO perspectives into global and regional platforms for collaboration, knowledge sharing, and innovation on DRF—such as Understanding Risk conferences, for example.

Engage CSOs in DRF governance at national and international level.

- At the national level, support the establishment of national DRF platforms or coordinating mechanisms to bring together all DRF stakeholders—including relevant CSOs—to ensure complementarity, cohesion, and learning between existing schemes, which are currently disconnected and sometimes overlapping.
- At the international level, develop more transparent, inclusive and multi-stakeholder governance and decision making for international DRF initiatives (such as the GRiF, ASEAN DRFI, and ADRifi) to build confidence and accountability for both national and donor taxpayers. At a minimum, programme-steering committees should include a representative of civil society, perhaps with observer status.

Increase transparency across DRF operations to enable CSO participation and accountability.

- For all DRF schemes, publish a basic minimum of information, to include full details of schemes/policies adopted, costs/premiums paid, risk transfer parameters, payout/financing received, and information on the use of the financing.
- Actively share information with CSOs and make it available as schemes develop, and in draft form, rather than at the end when documents are finalised and debate has closed, including for the GRiF, FAM and SEADRIF.
- Further consider how to ensure rights in risk decision making. Many risk models are highly complex, providing little opportunity for participants or their representatives to interrogate the decision around whether a payout was or was not made, thus preventing an effective grievance mechanism.

Invest in strengthening civil society capacity in order to both broaden and deepen CSO engagement.

- Provide training for CSOs—particularly in the global south—alongside or integrated with training and capacity building for government officials. Training governments and civil society together would have the additional benefit of creating a dynamic, creative and solution-oriented DRF partnership at national level. Make specific efforts to ensure the engagement of organisations with a focus on gender and particularly vulnerable groups.
- Engage with GNDR to identify opportunities to expand the capacity of DRR CSOs into DRF and to strengthen the operational linkages between DRR and DRF, including through global and regional DRR platforms.

- Thinking longer term, consider how to support continuing professional development, online courses and professional accreditation in DRF for all stakeholders, including CSOs.
- Support the development and delivery of more innovative partnerships and capacity building programmes.
- Support CSO strengthening and coherence through support to a global CSO platform which would act as a CSO focal point, facilitate two-way information flow, enable consultation, build up a vibrant global CSO network, and support strong national CSO engagement.

RECOMMENDATIONS FOR CSOS

CSOs should do more to engage with the World Bank's disaster risk portfolio – globally and at the country level. Including,

- Invest time and resources to build capacity in DRF, including participating in training and collaboration with governments and multilaterals, conducting policy analysis and research, and advocating for local voices being included in the process—all building towards a more evidence-based DRF approach that delivers for people living in poverty.
- CSOs that are already active in DRF should engage with others, building networks and reach, and create a global CSO platform. Initial steps might be through developing a sub-working group within GNDR.
- Develop and share evidence-based impact of interventions with World Bank staff and national governments to encourage successful models that deliver for people living in poverty and that can go to scale.

● ENDNOTES

- ¹ The IDA19 replenishment process was launched in November 2018. Meetings will take place in April, June, October 2019 and culminate in the pledging session in December (World Bank, 2019a).
- ² Most notably SDG 1.5: 'by 2030 build the resilience of the poor and those in vulnerable situations, and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.' See SDG Platform: <https://sustainabledevelopment.un.org/sdgs>
- ³ A variety of research has shown this financial benefit, including: IIASA and Zurich Insurance Company (2015), Kellett and Caravani (2013), Zurich Flood Resilience Alliance (2014).
- ⁴ Demand for CRW resources in IDA18 has been modest so far, and there is likely to be an underspend. See Figure 5, IDA18 mid-term review (IDA, 2018a).
- ⁵ See, for example, 'Addis Ababa Action Agenda of the Third International Conference on Financing for Development.' (United Nations, 2015).
- ⁶ The [Start Network](#) is made up of 42 aid agencies across five continents, ranging from large international organisations to national NGOs. The aim of the Network is 'to deliver more effective emergency aid, harnessing the power and knowledge of the network to help people affected by crises' (Start Network, 2019).
- ⁷ For example, inclusive partnerships—specifically including civil society—are recognised as a key principle of Aid Effectiveness in both the Paris Declaration and Accra Agenda for Action (OECD, n.d.).
- ⁸ The environmental and social framework applies to all new World Bank investment project financing went into effect 1 October 2018 (World Bank, 2019b).
- ⁹ Environmental and Social Standard 10 on stakeholder engagement (World Bank, 2019c).
- ¹⁰ Access to Information Policy (World Bank, 2019d).
- ¹¹ The full quote is: 'IDA's partnerships and coordination with a multitude of the UN agencies, the IMF and other MDBs, a myriad of dedicated vertical funds, and hundreds of Civil Society Organisations (CSOs)-including advocacy and operational CSOs, private foundations, faith-based organisations, and think tanks-are absolutely critical to maximise impact for IDA's clients and mobilise domestic, private and development partner resources' (World Bank, 2017a).
- ¹² The Council was created by the World Bank. It is composed of experts from different sectors to critically reflect on progress of the citizen engagement framework implementation, and advise the World Bank on how to improve, moving away from a tick box exercise. Nevertheless, it has not been officially consulted about this evaluation.
- ¹³ See, for example, World Bank's 'Development policy financing retrospective', which identifies gaps on participatory processes, accountability and transparency and highlights the need for more information to be made more available to citizens, and more resources to build the capacity of civil society (World Bank, 2015a). See also the Center for Global Development/International Rescue Committee (IRC) review of support for refugee populations, which finds a lack of inclusive and transparent consultation process with CSOs on the ground, with ad hoc, unclear and unstandardised engagement. The report recommends that the World Bank develops protocols for deeper engagement with CSOs (Charles, Huang, Post and Gough, 2018).
- ¹⁴ An online survey of over 40 DRR, development and humanitarian practitioners (58% of whom are from national organisations) was conducted in November 2018. The survey included a question that asked respondents to share their experiences of consultations with the World Bank on contingency planning, social safety nets, disaster risk financing and disaster risk reduction. One respondent highlighted gaps in outreach to local organisations: 'World Bank is mainly working with government officials. In most cases they leave out grassroots CSOs on reasons best known to them, yet we are supposed to be involved to be in the reporting system as well so as to get a fair picture on the ground.'
- ¹⁵ Community-driven development accounts for a spend of around \$3 billion a year; decision-making on small

- investment projects is given to communities and can fund DRR projects (World Bank, 2019e).
- ¹⁶ See the Sendai framework for disaster risk reduction (UNISDR, 2015). 'Disaster risk reduction requires an all-of-society engagement and partnership.' The framework includes a specific section on the role of stakeholders, which outlines that 'while States have the overall responsibility for reducing disaster risk, it is a shared responsibility between Governments and relevant stakeholders.' The framework encourages 'civil society, volunteers, organised voluntary work organisations and community-based organisations' to participate, with specific reference to the role of women, children and youth, persons with disabilities, older persons, indigenous peoples, and migrants' (Para 36a). It calls inter alia for capacity building of 'government officials at all levels, civil society, communities and volunteers, as well as the private sector' (Para 24g); for clear roles and tasks to be assigned to community representatives within DRM institutions, processes and decision-making (Para 27f); and ensure the participation of all relevant stakeholders in disaster preparedness and contingency policies, plans and programmes (Para 33a).
- ¹⁷ For example, the Global Network of Civil Society Organisations for Disaster Reduction (GNDR) is the largest international network of organisations committed to working together to improve the lives of people affected by disasters world-wide. It comprises over 850 organisations from 140 countries. The DRR community advocates for more effective DRR policies, with lessons that can also apply to DRF. See this 2017 NGO Group [Statement \[n.k.\]](http://www.jwndrr.org/jp/wp-content/uploads/2017/07/2-3NGOstatement.pdf) for an example: www.jwndrr.org/jp/wp-content/uploads/2017/07/2-3NGOstatement.pdf
- ¹⁸ See for example, 'Highlights of ADB's cooperation with civil society organizations 2017', (ADB, 2018). Or, 'What have been the impacts of World Bank community-driven development programs? CDD impact evaluation review and operational & research implications' (Wong, 2012).
- ¹⁹ 'For example, a development policy lending operation can facilitate the adoption of national legislation on participatory budgeting or procurement monitoring, whereas an investment project financing operation...' (World Bank, 2014a). See also 'Opening the black box: the contextual drivers of social accountability', (Grandvoinet, Aslam, Raha, 2015).
- ²⁰ The Kenyan Cat DDO project document refers to one consultation with the Kenyan DRR platform at a key meeting in 2016 (see p30, (World Bank, 2018a) but DRF does not seem to have been formally on the agenda of the fourth national symposium for disaster risk reduction (UNISDR, 2018).
- ²¹ The GRiF principles are currently in draft; they should be finalised in 2019.
- ²² See pp14-15, 'Agenda for action on climate resilience: \$2 billion for insurance coverage by 2020', (ARC, 2016).
- ²³ See for example, 'The politics of the basis of risk', (RMS, 2019).
- ²⁴ For the CRW in IDA 17, 90% of its resources were Investment Policy Financing, 8.5% was DPF, and Programs for Results was 1.5% (IDA, 2018b). In IDA18 the figures were 89%, 10% and 1% respectively (IDA 2018a).
- ²⁵ See paragraph 12, 'Bank policy-investment project financing (World Bank, 2018c).
- ²⁶ See, for example, 'Designing community-driven development operations in fragile and conflict-affected situations', page 36 (De Regt, Majumdar, and Singh, 2013).
- ²⁷ 'An insurance public-private partnership (PPP) is a contractual agreement between the public sector, represented by a ministry or local authority through a government programme, and the private sector, represented by the insurance industry and its service providers and distribution partners, that combines business objectives with public policy goals in a cost-efficient and effective way.' (Solana, 2015).
- ²⁸ The evaluation of CCRIF sought feedback on the facility's impact from the standpoint of governments and various institutions—but not from the population affected by catastrophic events (IEG and World Bank, 2013).
- ²⁹ An evaluation of ARC found 'strong evidence to suggest that civil society and NGOs have often not meaningfully been involved' (Oxford Policy Management, 2017).
- ³⁰ See for example, 'Financial protection against natural disasters: an operational framework for disaster risk financing and insurance', (World Bank, 2014b).
- ³¹ DRFI training delivered by World Bank and DFID to NGOs, London, 3 November 2017.

- ³² Basis risk can be defined as the risk with index insurance of a difference between the payout, determined by the index/model, and actual losses.
- ³³ In some cases, even where insurance schemes identify that there will be impacts for people living in poverty, and where CSOs working in this space are noted, there is still no CSO engagement—this was the case for the Asian Development Bank’s (ADB) development of the Philippines City Insurance Pool.
- ³⁴ The Zurich Flood Resilience Alliance is a multi-sector partnership focusing on finding practical ways to help communities strengthen their resilience to floods. It is led by Zurich Insurance Group and made up of INGOs, including Concern Worldwide, the International Federation of the Red Cross, Plan International, Practical Action and Mercy Corps, and research partners ISET-International, the Institute for Applied Systems and Analysis (IIASA) and the London School of Economics.
- ³⁵ An R4 impact evaluation found that it helps smallholder households, especially female-headed ones, to reduce the impact of drought on food security while maintaining their productive assets (Madajewicz, 2017).
- ³⁶ See, for example, panel discussion at the World Bank’s Civil Society Platform ’ ‘Closing civil society space—threat to World Bank’s mission and SDGs. Combatting corruption in closing spaces: implications for governance panel discussions’, (Lifeline, 2016).
- ³⁷ This enables resource-poor farmers to pay for their premiums through their labour on public works programmes that also reduce risk, through linking with national social protection systems.
- ³⁸ IGP grew out of the G7 in 2015 and the G20 in 2017. It plans to support the expansion of insurance coverage to 400 million people in developing countries by 2020. Its vision, is to ‘strengthen the resilience of developing countries and to protect the lives and livelihoods of poor and vulnerable people from the impacts of disasters by enabling faster, more reliable and cost-effective responses to disasters’ (InsuResilience, 2019).
- ³⁹ There are many helpful precedents of World Bank work in ensuring accountability and transparency, including the Global Initiative for Fiscal Transparency (where the World Bank is a ‘founding lead steward’) and the Global Partnership for Social Accountability (GPSA) (GIFT, 2019; GPSA, 2019). The Bank’s Framework for Disclosure in Public, Private Partnerships and Extractive Industries Transparency Initiative (EITI) also are helpful models to consider replicating within the DRF space.
- ⁴⁰ And the need for holding governments accountable is significant. For example, ARC’s 2017 ‘Lessons learned’ report found that ‘Accurate and timely reporting on payouts can be difficult to obtain... Often, as ARC government coordinators are based in the capitals and operations are in the field, they must rely on simple reports from sentinels/ field stations of figures with no accompanying analysis, performance/impact indicators or reasons for discrepancies in planned versus actual service delivery’ (ARC, 2017).’
- ⁴¹ Bill and Melinda Gates Foundation (2018) Evaluacion Final del Proyecto ‘Fase II: Fortaleciendo redes locales, nacionales, y regionales de Gestion de Riesgos en cuatro Paises de Centroamerica’.
- ⁴² For example, see the World Bank’s online course on DRF: <https://olc.worldbank.org/content/fundamentals-disaster-risk-finance-0>.
- ⁴³ The current operational plan only includes a section on engaging with the private sector. See: ‘Financial protection against natural disasters: an operational framework for disaster risk financing and insurance’ (World Bank, 2014b).

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Cover image: Devastation in the Philippines in the wake of Typhoon Haiyan, November 2013.
Image: DFID/Henry Donati.

