

Global Risk Financing Facility: Technical Talks



Session Title:
The Challenge Fund:
Innovations in Risk Finance

Session Summary

Date: January 12, 2022 | Total Registrations: 177 | Number of countries represented: 47



Opening remarks: Nicola Ranger (Head of Climate and Environmental Risk Research, Oxford Sustainable Finance Group of the Smith School of Enterprise and the Environment, University of Oxford), in her opening remarks, discussed her involvement in helping to set up this Challenge Fund on behalf of the Foreign Commonwealth and Development Office. She explained that the fund was set up to bridge expertise between universities and non-governmental organizations with the World Bank. She further elaborated that the fund was set up with the expectation of a very high failure rate, giving participants at the cutting edge of innovation the chance to design new and innovative products to support disaster risk finance.

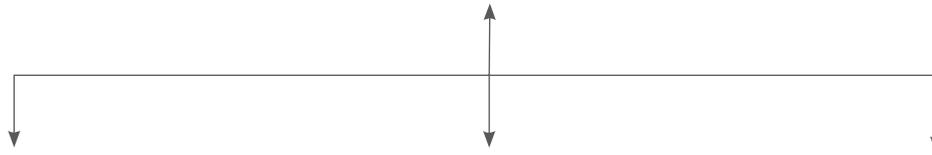


Global Risk Financing Facility

Supporting Early Action to Climate Shocks, Disasters, and Crises



Lightening Presentation: Rashmin Gunasekera (Senior Disaster Risk Management Specialist Global Facility for Disaster Reduction and Recovery [GFDRR], World Bank Group), gave an overview of the Challenge Fund and explained that out of 270 expressions of interest, 10 projects were short-listed of which three projects won. They were F4S, INASAFE, and SMART. He then introduced each of the three projects briefly and invited them to give a short presentation:



 F4S Project	 INASAFE Project	 SMART Project
<p>Gabriela Guimarães Nobre, Research Associate, Faculty of Science at the Free University of Amsterdam, and Anticipatory Action Specialist at the World Food Programme, gave an overview of Forecast-based Financing for Food Security, or F4S, project. Using forecast modeling in Uganda, Ethiopia, and Kenya that incorporated local knowledge, their models predicted indicators of food security months ahead, allowing for ex-ante cash transfers to beneficiaries.</p>	<p>Tim Sutton, Co-Founder at Kartoza, discussed the INASAFE project that was done in collaboration with the Red Cross Red Crescent in Indonesia. The project focused on impact-based forecasting using open-source data and proxies for vulnerability.</p>	<p>Mario Martina, Full Professor of Hydrology at the University School for Advanced Studies at IUSS Pavia in Italy, presented his project SMART, which consisted of a machine learning framework for parametric risk transfer. The project found that the model could accurately predict milk yield in the Dominican Republic up to 12 months in advance.</p>



Technical Interview: Benedikt Signer (Senior Financial Sector Specialist, Crisis and Disaster Risk Finance [CDRF], World Bank Group) interviewed the three presenters. Madhab Uprety (Technical Adviser & Asia Pacific Regional Lead, Red Cross Red Crescent Climate Centre, Nepal) also provided his perspective based on his participation in the INASAFE project.



Audience Interaction: Benedikt Signer facilitated the session which concluded with a facilitated Q&A session.

Key Takeaways

1. The importance of good data cannot be overstated.

Tim Sutton mentioned that obtaining institutional data, even with partnerships and buy-in, can be a time-consuming process in many communities. Therefore, it is critical to devote the necessary resources to data collection, as data is the foundation upon which these disaster risk finance interventions must be built.



A key component of the data is collecting and understanding the needs of the beneficiaries that are being targeted in the project. Gabriela Nobre discussed a simple game by which the project beneficiaries were able to collectively design ex-ante cash transfer programs. This enabled the project team to understand the perspective of the target population. Based on results from that game, cash transfer programs were designed based on the preferences of the beneficiaries.

2. For innovative projects to achieve maximum impact, they must be scalable.

Challenge Funds are a critical tool in unlocking innovation and encouraging the creation of new products. However, it is also important to connect innovative ideas with actual implementation so that these innovative projects, when proven at the pilot level, can be scaled, replicated, and used in different regions, countries, and reach larger populations.



Tim Sutton said that while the INSAFE project was designed for scalability, in certain contexts scalability was more difficult than others. For example, in Indonesia the models were harder to scale, while in other countries the models worked right out of the box.

3. The right actors and important stakeholders need to be involved to enable innovative projects in disaster risk finance to obtain scale.



Madhab Uprety observed that the innovative work being done by the project in Nepal, for example, connects policymakers with practitioners and humanitarian agencies, allowing each actor to take action using the data and technology that these pilots have produced.



National ministries, humanitarian agencies, and international financial institutions have the capacity to share innovative approaches to a broader audience.

Additional Resources

To access the final reports of the three winning projects in the Challenge Fund: Innovations in Risk Finance, [click here](#) and click on Round 3.

More Information:

To share your thoughts on the Technical Talks, please click [here](#). To learn more about the Global Risk Financing Facility, please visit <https://www.globalriskfinancing.org/> or contact Technical Team Leads [Benedikt Signer](#) and [Sumati Rajput](#) or Trust Fund Team Leads [Zoe Elena Trohanis](#) and [Ronette Gwendolyn Jordan](#).

