Building Disaster Resilience in Sub-Saharan Africa Program:

Result Area 5
Africa Disaster Risk Financing Initiative

2014-16 Activity Report
This activity report summarizes activities of Result Area 5, also known as the Africa Disaster Risk Financing (ADRF) Initiative—referred to as the “ADRF Initiative”, the “Initiative” or “R5”—from its commencement in August 2014 to June 30, 2016. The report gives an overview of the achievements to date and identifies upcoming priorities and challenges.

The ADRF Initiative aims to support African countries develop national risk financing tools and strategies that have the potential to significantly reduce disaster losses, speed recovery and build resilience to natural hazards. In its early phases, the initiative has already yielded results in supporting governments with efforts to strengthen capacity to design and implement risk financing strategies at regional, national and local levels.
## Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ACMAD</td>
<td>African Centre of Meteorological Applications for Development</td>
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<td>ACP</td>
<td>Africa, Caribbean and Pacific</td>
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<td>ADRF</td>
<td>Africa Disaster Risk Financing</td>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<td>ARC</td>
<td>African Risk Capacity</td>
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<td>AUC</td>
<td>African Union Commission</td>
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<td>CERC</td>
<td>Contingent Emergency Response Component</td>
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<td>CREWS</td>
<td>Climate Risk Early Warning Systems</td>
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<td>DFID</td>
<td>Department for International Development</td>
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<td>DRFIP</td>
<td>Disaster Risk Financing and Insurance Program</td>
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<td>DRM</td>
<td>Disaster Risk Management</td>
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<td>DRR</td>
<td>Disaster Risk Reduction</td>
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<td>EC</td>
<td>European Commission</td>
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<tr>
<td>ECCAS</td>
<td>Economic Community for Central African States</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EDF</td>
<td>European Development Fund</td>
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<td>EU</td>
<td>European Union</td>
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<td>EUMETSAT</td>
<td>European Organization for the Exploitation of Meteorological Satellites</td>
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<td>EWS</td>
<td>Early Warning Systems</td>
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<td>GFDRR</td>
<td>Global Facility for Disaster Reduction and Recovery</td>
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<td>HSNP</td>
<td>Hunger Safety Net Program</td>
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<td>IDA</td>
<td>International Development Agency</td>
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<td>IGAD</td>
<td>Intergovernmental Authority on Development</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IRM</td>
<td>Immediate Response Mechanism</td>
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<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MASDAP</td>
<td>Malawi Spatial Data Platform</td>
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<td>OpenDRI</td>
<td>Open Data for Resilience Initiative</td>
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<td>PoA</td>
<td>Program of Action</td>
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<td>PSC</td>
<td>Program Steering Committee</td>
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<td>PSNP</td>
<td>Productive Safety Net Program</td>
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<td>RCCs</td>
<td>Regional Climate Centers</td>
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<td>RECs</td>
<td>Regional Economic Communities</td>
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<td>RIASCO</td>
<td>Regional Inter-Agency Standing Committee</td>
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<td>RPLRP</td>
<td>Regional Pastoral Livelihoods Resilience Project</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<td>Acronym</td>
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<tr>
<td>SDTF</td>
<td>Single Donor Trust Fund</td>
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<td>SFDRR</td>
<td>Sendai Framework for Disaster Risk Reduction</td>
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<td>SWIO RAFI</td>
<td>Southwest Indian Ocean Islands Risk Assessment and Financing Initiative</td>
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<td>TORs</td>
<td>Terms of Reference</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNISDR</td>
<td>United Nations International Strategy for Disaster Reduction</td>
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<td>UNSG</td>
<td>Secretary-General of the United Nations</td>
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<td>URF</td>
<td>Understanding Risk and Finance Conference</td>
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<td>WB</td>
<td>World Bank</td>
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<td>WHS</td>
<td>World Humanitarian Summit</td>
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Opening ceremony of the Understanding Risk and Finance conference on November 17, 2015 in Addis Ababa, where The ADRF Initiative was officially launched. Photo credit: World Bank
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After slowing to 3 percent in 2015, economic growth in Sub-Saharan Africa is projected to fall to 1.6 percent in 2016, the lowest level in over two decades. Low commodity prices and tight financial conditions, exacerbated by domestic headwinds from policy uncertainty, droughts, and political and security concerns, continued to weigh on activity across the region. The overall slowdown in Sub-Saharan Africa’s growth reflects economic deterioration in the region’s largest economies. Economic performance was notably weak across oil exporters. At the same time, in about a quarter of the countries, economic growth is showing signs of resilience.

African countries continue to face persistent, long-term developmental challenges. Among them are frequently recurring disaster events that undermine Africa’s development gains. Disasters, particularly cyclones, storms, floods, droughts, landslides and extreme temperature events, cause major negative impacts on social and economic development in many countries. Although recent years have seen engagement in building disaster resilience at regional, sub-regional and national levels, addressing prevention, mitigation and preparedness to natural hazards has proven complex. It is still an emerging issue in the policy agenda of many African governments.

To mitigate the socio-economic, fiscal and financial impacts of disasters, many African countries are increasingly seeking support in understanding the underlying hazards, vulnerability and risks and to develop strategies for risk financing and insurance. Governments are starting to consider financial protection as an important lever in a comprehensive approach to disaster risk management.

Evidence shows that when financial commitments are made before a disaster strikes, governments are able to show how a better system for managing risks is possible. For example, FONDEN, a financial vehicle set up after the 1984 earthquake in Mexico, enabled the Government of Mexico to have adequate financial capacity following natural disasters. By 1999, the fund played a pivotal role in aiding the timely reconstruction of federal and subnational infrastructure. More recently, an impact evaluation of FONDEN found that it increased post-disaster gross domestic product by two to four percent, a significant result.
However, for countries in Sub-Saharan Africa to unleash the potential of such initiatives, a sustained focus is needed to address a number of existing bottlenecks. A 2012 report by the World Bank\(^4\) highlighted a number of challenges to the development of financial resilience in Sub-Saharan Africa. These included poor institutional capacity, the lack of an integrated approach to resource mobilization and budget execution, the absence of national strategies on disaster risk financing and insurance, and insufficient data necessary for identifying and quantifying risk.

To address these challenges, the Africa Disaster Risk Financing (ADRF) Initiative was launched in 2015 as part of the Africa Caribbean and Pacific (ACP) – European Union (EU) Program Building Disaster Resilience in Sub-Saharan Africa, an initiative of the ACP Group of States, financed by the EU.

\(^4\) Disaster Risk Financing and Insurance in Sub-Saharan Africa, Bennani and White.
2. About the Africa Disaster Risk Financing Initiative

The EU and ACP Group of States established the Intra-ACP cooperation Program Building Disaster Resilience in Sub-Saharan Africa, financed under the 10th European Development Fund (EDF), which has the overall objective of strengthening the resilience of sub-Saharan African regions, countries and communities to the impacts of natural disasters. These include the potential impacts of climate change to reduce poverty and promote sustainable development.

To achieve this objective, five Result Areas were identified, to be implemented by several partners, including the African Development Bank (AfDB), African Union Commission (AUC), the United Nations International Strategy for Disaster Reduction (UNISDR) and the World Bank-managed Global Facility for Disaster Reduction and Recovery (GFDRR). These are as follows:

R1: Extended Program of Action for the implementation of the Africa regional strategy for disaster risk reduction. Implemented by the AUC and the UNISDR;

R2: African Regional Economic Communities (RECs) have DRR coordination, planning and policy advisory capacities operational to support their respective member states and regional and sub-regional programs. Implemented by GFDRR;

R3: Core capacities of the specialized national and regional climate centers are improved to meet the needs of disaster risk management agencies and socio-economic sectors for effective use of weather and climate services and community-focused and real-time early warning systems. Implemented by the AfDB;

R4: African countries have improved knowledge of risks through, the compilation of historical disaster related data to inform the assessment and modelling of future risks. Implemented by the UNISDR;

R5: Multi-risk financing strategies are developed at regional, national and local levels to help African countries make informed decisions and to mitigate the socio-economic, fiscal and financial impacts of disasters. Implemented by GFDRR.

GFDRR is responsible for the implementation of R2 and R5. This report specifically focuses on R5 achievements.

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3 More information on the Building Disaster Resilience in Sub-Saharan Africa Program can be found at: http://www.preventionweb.net/resilient-africa/.

6 Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Intergovernmental Authority for Development (IGAD) and Southern African Development Community (SADC).
**Result Area 5**

The overall objectives of the ADRF Initiative are to support the development of multi-risk financing strategies at regional, national and local levels to help African countries make informed decisions; improve financial response capacity post disaster; and mitigate the socio-economic, fiscal and financial impacts of disasters in African countries.

The initiative expects to catalyze the uptake of innovative risk identification, assessment and financing tools within the development policy frameworks and agenda of several middle and low-income African countries.

To achieve these objectives the ADRF Initiative has three operational components:

A) Creating the enabling data environment for risk financing;

B) Supporting countries in developing risk financing strategies;

C) Facilitating regional risk financing and knowledge sharing initiatives.

The expected results of the ADRF Initiative are:

A) Strengthening capacities to generate, access and use information on disaster risk to conduct risk assessments that support development of Disaster Risk Management (DRM) strategies, such as financial protection and risk reduction investment programs;

B) Strengthening capacities to incorporate disaster and climate risk information in decision making;

C) Developing strategies to increase financial resilience against natural hazards; and

D) Facilitating knowledge sharing and best practices on risk financing solutions relevant for African countries.

Activities under the ADRF Initiative support and align with the strategic approach articulated by AUC's Program of Action (PoA), and the Sendai Framework for Disaster Risk Reduction (SFDRR) 2015-2030. 

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8 And its predecessor at the time of launch, the Hyogo Framework of Action (HFA) 2005-2015.
3. Highlights

- The ADRF Initiative facilitated the development of simplified multiple-hazard country risk profiles for Ethiopia, Kenya, Niger, Senegal and Uganda. These profiles clearly demonstrate the risk posed by a variety of natural hazards, as well as illustrating how these risks could impact socio-economic growth and be influenced by climate change. With this information, respective governments are able to use hazard data sets to inform on the financial losses arising from disasters.

- Two analytical studies on the impact of disasters on poverty were produced in 2016: Welfare, Income Growth and Shocks in Uganda and Vulnerability to Poverty in Rural Malawi.

- A series of important preparatory missions were carried out by the ADRF Initiative operational team to lay the ground work for strategy development by opening risk financing dialogue in 11 countries, identifying key local partners, as well as exploring the potential for synergies among other relevant programs led by development and humanitarian organizations.

- Initial disaster risk financing diagnostic reports were produced for Kenya, Senegal, Madagascar, and South Africa. These focused on a range of issues that differed according to the context of each country and the specific requests of respective governments.

- The ADRF Initiative supported knowledge-sharing and best practices on risk assessment and risk financing solutions. The flagship event was the Understanding Risk and Finance Conference, held in Addis Ababa, Ethiopia on 17-20 November 2015, in partnership with the AUC, the EU and the Government of Ethiopia. The conference gathered 450 participants and a wide range of African partners including the African Development Bank (AfDB), the Addis Ababa University, African Risk Capacity, along with private sector firms and insurance companies.

- The Open Data for Resilience Initiative (OpenDRI) was implemented in Malawi and Niger and the various Indian Ocean Island States under the Southwest Indian Ocean Islands Risk Assessment and Financing Initiative (SWIO RAFI).
4.1 Governance

**ADRF Initiative team:** A dedicated GFDRR team in Brussels coordinates the ADRF Initiative, ensuring day-to-day coordination with the European Commission, the ACP Secretariat, the other implementing partners of the ACP-EU Program *Building Disaster Resilience in Sub-Saharan Africa* and other relevant stakeholders. The GFDRR Brussels team also ensures effective visibility and coordination of the ADRF Initiative work plan and activities, which are jointly-implemented by three teams within the World Bank:

- The World Bank Africa Disaster Risk Management team, which is part of the World Bank Social, Urban, Rural and Resilience Global Practice\(^9\) leads the dialogue on Disaster Risk Management with African countries;
- The GFDRR Innovation Lab\(^10\) leads the work on creating the enabling environment for risk financing and on facilitating regional risk sharing and knowledge sharing initiatives;
- The Disaster Risk Financing and Insurance Program (DRFIP),\(^11\) a joint partnership of the World Bank Group’s Finance and Markets Global Practice and GFDRR, leads the dialogue on disaster risk finance with governments and stakeholders.

**Coordination:** To ensure efficiency and avoid overlaps, ADRF Initiative activities are closely coordinated with ongoing programs developed by the EU (through the EU delegations), UN agencies, WB/GFDRR and other development partners. Particular attention is given to the coordination between the different result areas of this Program and AUC’s PoA for the implementation of the Africa Regional Strategy for Disaster Risk Reduction (2006-15) and the revised PoA (to be presented at the Africa Regional Platform on Disaster Risk Reduction in November 2016 in Mauritius) through bi-annual Program Steering Committee meetings, quarterly Program Technical Committee meetings and proactive coordination of the GFDRR with the implementation partners of R1 (AUC and UNISDR), R2 (World Bank-GFDRR), R3 (AfDB), and R4 (UNISDR). Specific attention has been given to coordination with R4 to ensure complementarity of activities on improving access to risk information. Under the leadership of the AUC and UNISDR, GFDRR/WB is also contributing to monitoring, reporting


\(^10\) The GFDRR Innovation Lab supports the use of science, technology and open data in promoting new ideas and the development of original tools to empower decision makers in vulnerable countries to strengthen their resilience. See [https://www.gfdrr.org/innovation-lab](https://www.gfdrr.org/innovation-lab).

and communicating on progress for the overall Building Disaster Resilience in Sub-Saharan Africa Program, under the leadership of UNISDR/AUC.

**Steering Committee:** The ADRF Initiative, as part of the Program Building Disaster Resilience Sub-Saharan Africa, reports to the Program’s Steering Committee (PSC)\(^{12}\). PSC members meet twice a year to oversee general implementation of activities, and to oversee and validate the overall strategic direction and policy guidance of the Program.

### 4.2 Monitoring framework

A dedicated Monitoring and Evaluation (M&E) framework was developed to track the progress of the ADRF Initiative implementation. It evaluates the contribution of each activity to the Initiative’s objectives and presents the status of implementation. The ADRF Initiative M&E framework is aligned with the M&E framework of the Building Disaster Resilience in Sub-Saharan Africa Program under AUC and UNISDR’s responsibility (R1).

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\(^{12}\) The following organizations are part of the PSC: the AUC, the RECs (ECOWAS, IGAD, ECCAS and SADC), AfDB, UNISDR, GFDRR & WB, the ACP Secretariat, and with observer status, the EU, the Host Government, ACMAD, EUMETSAT and representatives of the Regional Climate Centre of the region where the meeting is being hosted.
From August 2014 to January 2015, the team focused on setting up the ADRF Initiative’s structure, drafting the work plan for Year 1 and visibility guidelines, and coordinating with the Program’s partners, including the EU, mainly through the EU Delegation to the African Union in Addis Ababa. A preparation workshop was held in Brussels on September 23-26, 2014, with representatives from the EU, the ACP Secretariat, UNISDR, AUC, EUMETSAT and African RECs. Though the workshop had a strong focus on R2, a specific working session was devoted to coordination among the Result Areas of the EU-ACP cooperation Program Building Disaster Resilience in Sub-Saharan Africa.

The ADRF Initiative was officially launched on November 17, 2015 in Addis Ababa during the Understanding Risk and Finance conference (refer to section 5.3).

5.1. Creating the enabling data environment for risk financing

One of the key objectives of the ADRF Initiative is to create an enabling data environment for risk financing. To achieve this, specific activities were initiated to strengthen capacities of selected African countries to generate, access and use disaster risk information. These focused on building understanding and awareness of disaster and climate risks in Sub-Saharan Africa as a fundamental input to disaster risk financing strategy development and on approaches and tools for financing risks.

Such activities include:

- Development of **simplified national-level multiple-hazard country risk profiles** in five countries – Ethiopia, Kenya, Niger, Senegal and Uganda (refer to Box 1 below). These risk profiles were created using globally-available and readily-accessible local datasets in combination with scientifically proven methodologies. The risk profiles were designed to support the formulation of disaster risk management strategies in these five countries, particularly risk reduction investment programs and financial protection. In early 2016, work began on four additional risk profiles (Cabo Verde, Malawi, Mali and Mozambique) in response to governments’ interest in undertaking disaster risk financing activities.

- The development of two **analytical studies on the impact of disasters on poverty: Welfare, Income Growth and Shocks in Uganda and Vulnerability to Poverty in Rural...**
Malawi. These studies will help guide the countries in defining priorities engagements and investments in DRM engagement to address the impact of disaster shocks on household welfare, a critical input to disaster risk financing strategies and particularly for planning social protection programs. Based on these studies, the ADRF Initiative team has produced a series of infographic posters and booklets to highlight the results for non-specialists. In addition, these online versions will be shared with the Africa Community of Practice. Where appropriate, the infographics will be showcased at learning events throughout the region. For more information, please refer to Annex 1.

Finally, during the first year of implementation, initial discussions were undertaken with governments and development partners to develop and implement demand-driven risk assessment initiatives. These initiatives aim to provide governments a deeper understanding of their disaster risk, that is, using subnational datasets to develop assessments for particular sectors in a country (as opposed to simplified national level risk profiles). These initiatives will help decision-makers reduce and mitigate risks, improve preparedness, and provide a high-level overview of financial exposure. A preliminary work plan for developing a customized, simplified Post Disaster Needs Assessment (PDNA) baseline tool for Uganda has been prepared and discussed with the Government and the United Nations Development Programme (UNDP). In Niger and Senegal, risk information geoportals have been initiated. Initial discussions with the government of Malawi have taken place to provide support to DRM projects, including the development of a detailed flood risk modeling in the north of the country and support to geospatial data platforms.

13 Understanding the impact of disaster shocks on household welfare is also in line with the World Bank's twin goals of shared prosperity and poverty reduction as well as with the EU's development policy and with the countries development strategies.

14 A risk assessment and risk financing community of practice has been established for Sub-Saharan Africa, building on the efforts of the 2012 Cape Town Understanding Risk Conference and of the anticipated Africa Understanding Risk and Finance conference. The community of practice is embedded in the Global Understanding Risk community (www.understandrisk.org).
High-level national-level multiple-hazard country risk profiles have been developed by World Bank operational teams in Senegal, Ethiopia, Uganda, Niger and Kenya. These profiles cover drought, flood, landslide, earthquake and volcanic eruption (depending on the hazards in each country), and show how these risks could impact socio-economic growth and climate change. All data collected and created through the development of these profiles will be made publically available through the GFDRR geospatial platform and national geospatial platforms in early 2017. Printed and online communications materials are being developed for different national stakeholders. Risk information and datasets can be used to prioritize more detailed risk analysis. Hazard datasets are valuable for preparedness activities and informing dialogue on the financial cost of disasters. Discussions with governments will be used to highlight next steps, such as improving exposure data and re-running the models, sharing datasets, and identifying where more in-depth analysis is needed.
5.2 Supporting countries in developing risk financing strategies

Another key objective of the ADRF Initiative is to assist countries in developing financial decision-making tools and integrated national risk financing strategies to enhance their post-disaster response capacity, from resource mobilization ex-ante to resource execution post-disaster. The ADRF Initiative is using a three-phased approach for customized technical assistance:

- **Phase 1:** Identifying country needs and priorities;
- **Phase 2:** Formulating these priorities into strategies for action by building up elements of disaster risk financing strategies. This could include review of existing budget instruments and expenditure frameworks, assessing current response tools and funding sources, exploring the potential to establish contingency funds and use contingent loans/grants, assessing use of sovereign-level insurance contracts, and strengthening delivery mechanisms, such as through national social protection systems, for cash transfers funded by contingency funds or insurance solutions.
- **Phase 3:** Designing and implementing disaster risk financing policies, instruments and strategies

During the first two years of the ADRF Initiative, the work focused on Phase 1—identifying needs and priorities. ADRF Initiative operational teams working on risk financing undertook consultations in 11 countries (Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Senegal, and South Africa) to:

- Initiate dialogue with governments on risk financing;
- Identify existing instruments for disaster risk management and disaster risk financing;
- Assess demand and level of engagement from Ministries of Finance counterparts;
- Identify entry points for activities which could achieve synergies by complementing related operations/programs supported by development and humanitarian organizations; and
- Identify local counterparts and partners.

The main outputs included initial disaster risk financing diagnostic reports for Kenya, Senegal, Madagascar, and South Africa. These focused on a range of issues that differed according to the context of each country and the specific requests of respective governments. For Senegal and Kenya, for example, the diagnostic involved an overview of existing mechanisms for financing disaster response; for Madagascar, an overview of efforts to assess fiscal impact of tropical cyclone Chezda (January, 2015); and for South Africa, a diagnostic on estimated fiscal costs of specific interventions design to support the agricultural insurance market.
A summary of the level of demand and country needs and priorities following these missions follows in Table 1 below.

### Table 1. Summary of ADRF Initiative priority areas of support requested by countries

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<tr>
<th>Priority areas of support requested on developing disaster risk financing strategies and instruments</th>
<th>Countries</th>
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<tr>
<td>Development of contingency funds</td>
<td>Ethiopia</td>
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<tr>
<td>Implementation of sovereign level insurance solutions</td>
<td>X</td>
</tr>
<tr>
<td>Financial risk management approaches to help build shock-responsive social protection systems</td>
<td>Ethiopia</td>
</tr>
<tr>
<td>Development of financial risk management approaches to help build agriculture insurance markets</td>
<td>X</td>
</tr>
<tr>
<td>Assistance mapping existing response mechanisms and costs (across government, humanitarian, and development actors)</td>
<td>Ethiopia</td>
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Activities are summarized below.

- **Contingency funds**: Kenya, Mozambique, and Madagascar have requested World Bank support through the ADRF Initiative to develop contingency funds, which are a valuable tool for providing resources efficiently in response to drought. Contingency funds are an important building block in disaster risk financing and are, for the most part, lacking in the region. Reasons for this include the financial opportunity costs associated with setting aside resources that may not be used, legal or institutional constraints, and political economy issues associated with protecting resources set aside for emergencies. Global experience has shown that setting up effective disaster contingency funds is a long-term process.

In Mozambique, the following activities were supported (i) organization of an introductory workshop to disaster risk financing; (ii) development of terms of reference...
(TORs) and recruitment of a consultant to provide advisory services to the Government for the assessment of conditions for the establishment and transparent operation of a National Disaster Management Fund; (iii) development of TORs and recruitment of a consultant for a complementary study to better understand the economic and fiscal impact of disasters; and (iv) identification of government officials who would technically support the development of a disaster risk financing strategy. In addition, the Initiative supported the governments of Mozambique and Madagascar in the development of an Immediate Response Mechanism (IRM), which included the preparation and validation of IRM operations manuals. Following an eligible emergency or crisis, the IRM allows an International Development Association (IDA) country to rapidly reallocate funds from investment projects integrating a Contingent Emergency Response Component (CERC) to support recovery measures and reconstruction. IRM CERCs have been included in several investment operations in Mozambique, Madagascar and Niger, the IRM is now operational in the three countries. This represents a positive step forward in providing these countries with a contingent instrument that can be part of the overall risk financing strategy.

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Sovereign level insurance solutions: Sovereign level insurance for drought (now also including floods and cyclones), are offered to countries in the region by African Risk Capacity (ARC). The ADRF Initiative is working closely with ARC to identify synergies related to the technical assistance needs of participating countries. In April–May 2016 the ADRF Initiative team began dialogue with the Government of Ethiopia following an invitation by the United Kingdom’s Department for International Development (DFID) and the WB teams supporting the Productive Safety Net Program (PSNP) to explore risk financing solutions for scaling up the PSNP. This led to a request from the Government to the Initiative for assistance in evaluating insurance options which are being offered to the Government by both by African Risk Capacity (ARC) and Swiss Re.

Activities began in July 2016.

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Risk financing for shock-responsive social safety nets. Countries in the region have indicated a strong interest in strengthening existing national safety net programs, or designing new ones, that can channel assistance in the event of a disaster. This is driven by i) high levels of exposure to drought in the region, which typically hit poor and vulnerable households in rural/remote areas; ii) high-level focus on the poor and vulnerable with significant investment in national and partner-supported programs to improve identification, targeting, and ability to reach them; and iii) the lack of other formal channels, programs or entities within government structures that can implement

15 The ARC sovereign risk pool was established by the AUC. In 2014/5, four African governments, Kenya, Mauritania, Niger and Senegal, purchased $129 million in drought insurance cover from ARC Ltd at a total of $17 million in premium costs paid by those governments. Following a poor agricultural season in the Sahel, by February 2015 three Member States received payouts from ARC Ltd totaling over $26 million, which allowed these governments to deliver timely assistance to 1.3 million people and over half a million livestock. This intervention demonstrated the ARC proof of concept, which is to support early intervention in countries. In May 2015, ARC added three countries to the pool: The Gambia, Mali, and Malawi. Each of these countries, in addition to the original four members, secured drought coverage for the 2015/16 policy year totaling $178 million with corresponding premium of $24.7 million. For the agricultural season 2015/16, there have been no payouts.

large-scale, country-wide response programs. The disaster risk financing component of this work involves analyzing data needs, creating coverage scenarios, and quantifying the costs of those coverage scenarios to help decision-making related to scaling up. With these elements in place, a risk financing strategy to support scaling up safety nets can then be designed.

In terms of specific country engagements, the ADRF Initiative received requests for assistance in this area from Ethiopia, Kenya, Lesotho, Mali, Mauritania, Niger, and Uganda. Scoping missions took place in all of these countries to better understand needs and priorities related to the development of shock-responsive social safety nets. This information is being used to design technical assistance that will be initiated in the second half of 2016. In Kenya, the ADRF Initiative also helped develop an approach to guide decision-making about the financial costs of scaling up the Hunger Safety Net Program (HSNP) in response to drought. This involved analysis of the historical costs of drought and creating a tool that could be used to develop different coverage scenarios (who, how much, where, and for how long) and to estimate the costs of those scenarios. Going forward, such information can be used to design a more comprehensive disaster risk financing strategy and facilitate pre-negotiated agreements between government and partners about how to share the costs of rapid response.

Risk financing through development of agriculture insurance markets. Efforts to strengthen agriculture insurance markets are supported by a number of partners with whom the ADRF Initiative is closely coordinating. This includes the Global Index Insurance Facility,\(^\text{17}\) the Agriculture Insurance Development Program, the International Livestock Research Institute,\(^\text{18}\) and others. Lessons from global experience indicate that some degree of support from the public sector is necessary to take these programs to scale, and as a result, the ADRF Initiative is looking for opportunities to connect macro-level policy dialogue on risk financing to micro-level insurance programs. In terms of specific requests to the Initiative in this area:

- In Kenya, the development of a new crop and livestock insurance program by the government\(^\text{19}\) has been supported by the Agriculture Insurance Development Program Trust Fund.\(^\text{20}\) A livestock insurance policy protecting 5,000 vulnerable pastoralists against drought is active since October 2015 with planned outreach to 70,000 pastoralists across 14 counties by 2017. A crop insurance program for emerging maize and wheat farmers was launched in March 2016. Financial support to these programs, which is provided by the government in the form of co-financing of premium subsidies, is one component of several risk financing interventions supported by the Ministry of Finance, which has asked for assistance to help improve

\(^{17}\) http://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/industries/financial+markets/retail+finance/insurance/global+index+insurance+facility.

\(^{18}\) https://www.ilri.org/.

\(^{19}\) A livestock insurance policy protecting 5,000 vulnerable pastoralists against drought has been active since October 2015 with planned outreach to 70,000 pastoralists across 14 counties by 2017. A crop insurance program for emerging maize and wheat farmers was launched in March 2016.

\(^{20}\) Financed by USAID and the Netherlands’ Ministry of Foreign Affairs.
the overall strategic organization and coordination of this program alongside other initiatives. This request forms the basis of the design of ADRF Initiative technical assistance for Kenya’s Ministry of Finance on developing a disaster risk financing strategy.

- In South Africa, the high costs of responding to drought in 2016 led the government to request ADRF Initiative assistance to explore ways for supporting agriculture insurance program development. This led to the production of a formal diagnostic, which examined the fiscal costs of three different mechanisms for potential public support to strengthen and expand commercial agricultural insurance programs. The South African government is evaluating the report as an input into decision-making to determine whether to proceed with a national program, and if so, how.

* Assistance in mapping existing response mechanisms and costs. In many African countries contingent liabilities associated with natural disasters are financed in large part by a wide array of humanitarian and development partners in addition to government. For most countries, it is important to understand existing response mechanisms and tools, which are often fragmented and poorly coordinated, before developing a coherent disaster risk financing strategy. Kenya, Mali, Mauritania, Niger, and Senegal consider this a priority and made specific requests to the ADRF Initiative. The ADRF Initiative completed an initial diagnostic for Kenya and Senegal and an interim piece of work for Madagascar.

* Design of Ministry of Finance-led Disaster Risk Financing Strategy. An important pre-requisite for the ADRF Initiative to provide technical assistance to develop disaster risk financing strategies is strong demand and ownership from the relevant Ministry of Finance. Since disaster risk financing is a new concept and a new policy area, the Initiative has focused first on introducing concepts and approaches. The Ministries of Finance of Kenya and Mozambique, expressed interest in receiving support to develop a risk financing strategy. In both countries efforts were challenged by political events affecting key government counterparts. The ADRF Initiative will, however, continue to prioritize these countries with the objective of initiating more sustained support in the coming year.
Kenya offers a good example of the scope of activities being implemented under Component B of the ADRF Initiative. In terms of specific activities for Kenya, the team developed:

- **Country risk profiles** for flood/drought, exposure, earthquake, landslide and volcanic eruption work.

- **A diagnostic summarizing the range of existing financing instruments in place or planned**, including sovereign drought insurance through the African Risk Capacity, the contingent line of credit with the International Monetary Fund (IMF), an envisaged National Drought Contingency Fund, the EU-funded Drought Contingency Fund, the Contingency Emergency Response Component of the Regional Pastoral Livelihoods Resilience Project (RPLRP), the scalable component of the Hunger Safety Net Program (HSNP), and various agricultural insurance programs.

These instruments are being used to finance disaster response activities, particularly after major drought events that typically strike the country every three to four years. The Ministry of Finance would like to develop a more formal, strategic, and comprehensive approach that better supports government decisions to formalize and finance disaster response activities. The diagnostic report takes stock of these instruments as a preliminary input into development of a risk financing strategy.

- **An analytical tool** (co-funded with other GFDRR financial sources) to help develop different scenarios for scaling up the Hunger Safety Net Program, and analyze the costs. This was used by the Hunger Safety Net Program to inform strategies for scaling up in response to drought events in April and May 2016.
5.3 Facilitating regional risk financing and knowledge sharing initiatives

The ADRF Initiative facilitated knowledge-sharing and best practices on risk assessment and risk financing solutions. These involved activities to enhance regional knowledge-sharing initiatives on assessing and managing physical and financial risk, and was undertaken in collaboration with partners working on other results areas.

Under this component, the **Understanding Risk and Finance Conference (URF)**, which took place on November 17-20, 2015 in Addis Ababa, hosted by the African Union, was a major output of the ADRF Initiative. The URF, which gathered 450 participants from Africa and beyond, introduced best practices in disaster risk assessment and risk financing to African policy makers and DRM experts. It also provided a platform for other result areas of the ACP-EU Program *Building Disaster Resilience in Sub-Saharan Africa* to engage stakeholders, highlight best practices and exchange knowledge. For more details, please refer to Box 3 and in Annex 1.

The **Open Data for Resilience Initiative (OpenDRI)** was implemented in Malawi and Niger and the various Indian Ocean Island States under the **Southwest Indian Ocean Islands Risk Assessment and Financing Initiative (SWIO RAFI)** (see below). OpenDRI aims to enhance the decision-making capabilities of DRM practitioners by improving data accessibility. In Malawi, the Initiative supports the maintenance of the Malawi Spatial Data Platform (MASDAP), as well as training activities in the GeoNode platform and InaSAFE. In Niger, technical advice and support was provided to the government on the establishment, maintenance and use of the PADRE spatial data storage, visualization and real time analysis platform, and to coordinate emergency response.

The ADRF Initiative also supported the implementation of SWIO RAFI activities. 102 people across the five islands states were provided hands-on training on geospatial data platforms and participatory mapping techniques under the OpenDRI. In Seychelles, training was provided on the GeoNode spatial data platform, QGIS and InaSAFE to 20 people.

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21 https://opendri.org/.
22 With financial support from the EU within the framework of the ACP-EU Natural Disaster Risk Reduction Program managed by GFDRR, the World Bank launched the Southwest Indian Ocean Risk Assessment and Financing Initiative (SWIO RAFI) in 2014. The objective of SWIO RAFI is to improve the understanding of disaster risks and risk financing solutions of Indian Ocean Islands (IOIs) to provide a solid basis for the future implementation of disaster risk financing strategies. Since January 2016, remaining activities under SWIO RAFI (particularly those at national levels) have been financed by the ADRF Initiative.
23 http://www.masdap.mw/.
24 GeoNode is a web-based application and platform for developing geospatial information system and for deploying spatial data infrastructure. See http://www.geonode.org.
25 InaSAFE is free software that produces realistic natural hazard impact scenarios for better planning, preparedness and response activities. See http://www.inasafe.org.
26 Platform for Assessment of Disaster Risk and Environment (PADRE). One example is http://afo.pigeo.fr; national portals are currently being developed in The Gambia, Niger, Mali, Senegal and Burundi.
27 A free and open source geographic information system. See http://www.qgis.org/en/site/.
officials in June 2016; in the Comoros, training will be provided on the GeoNode and data sharing to approximately 30 people, and community mapping activities are planned to collect critical data in the country; in Madagascar, multiple training events (five trainings and four webinars) were provided in the GeoNode, QGIS and InaSAFE from September 2015 to June 2016 to 42 officials; there are also plans for community mapping activities to support critical data collection. Additionally, Government representatives were invited to attend the URF conference in Addis Ababa – including eight from Madagascar, two from Seychelles, four from Comoros, and three from Mauritius.

At the onset of the ADRF Initiative, a large potential was identified in the Sahel Region for the development of synergies between hazard-specific information systems to inform risk assessments, early warning systems (CREWS), adaptive social protection programs and disaster risk financing. This allows existing information to be used for multiple purposes. To operationalize this, a diagnosis of information systems existing at the sub-regional and at the national levels for the monitoring of food security, severe weather, climate and hydrological phenomena and their impacts, was conducted in the six Sahel countries and relevant sub-regional institutions. The diagnosis is now being used as an input to consider development of early warning systems in Sahel countries, which are critical elements for optimal use of emergency response capacities, IRMs and adaptive (shock-responsive) safety net programs.

The ADRF Initiative supported the development of a training course: The Fundamentals of Disaster Risk Financing, implemented for the first time in Addis Ababa at the URF conference. The training course was adapted and used in Ethiopia and delivered internally via webinar in a pilot with World Bank staff. Roll-outs of the training helped refine and improve the materials, which can be used for both in-person and distance-based learning for the Initiative.

The ADRF Initiative also provided a number of technical contributions on the topic of disaster risk financing in preparation of the World Humanitarian Summit (WHS), which took place in Istanbul, in May 2016. Knowledge sharing resulted in technical contributions to the High-Level Panel on Humanitarian Financing of the Secretary-General of the United Nations (UNSG), co-chaired by EU Vice-President, Kristalina Georgieva and Sultan Shah of Malaysia, and provided inputs to the High-Level Roundtables at the Summit on Managing Disaster Differently and Humanitarian Financing. Major outputs of this effort can be seen in the content of The High-Level Panel on Humanitarian Financing and the UNSG’s report for the WHS, One Humanity: Shared Responsibility which reflects, for the first time, a stated view about the need to shift humanitarian investment toward more risk management, risk financing, resilience-building, and to make better use of a wider range of financial tools and approaches, including collaboration with the private sector and new types of partners. This represents successful influence on a global agenda that is highly relevant to regional entities and countries in Africa. It also represents a major milestone in efforts to

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28 Burkina-Faso, Chad, Mali, Mauritania, Niger and Senegal.
mainstream DRM in global policy-making, which is expected to scale up investment and partnerships to support it.

Moreover, the ADRF Initiative initiated engagement with the Regional Inter-Agency Standing Committee (RIASCO) to support the development of the El Niño Action Plan for SADC countries. The Initiative contributed technical expertise to support immediate humanitarian needs, outline steps necessary to build the resilience of affected populations, and discuss macro-economic measures, which will be required to help countries improve their financial resilience to respond to disasters. According to estimates as of June 2016, the SADC countries where populations have been most severely impacted by the current drought are Lesotho, Malawi, Namibia, Swaziland, and Zimbabwe.

In response to country-specific requests, the ADRF Initiative team provided inputs to the Post-Disaster Needs Assessment undertaken in Malawi (which included a section on risk financing) and the structuring of a Crisis Response Window operation for IDA financing in Lesotho. This included a component on developing mechanisms to support scaling-up the social protection system in the event of a shock, and involved initiating dialogue with the government on initiating a risk financing strategy. The impact of the drought in the region has heightened interest from not only governments but humanitarian and development partners, about the need to develop a wider set of instruments (contingency funds, contingent grants/loans, and market risk transfer tools such as insurance and price hedging tools) that can be used to finance the early action that is needed to mitigate the impacts and costs of responding to drought.
The Understanding Risk and Finance Conference (URF) took place in Addis Ababa on November 17-20, 2015 and served as a platform for African policy makers and DRM experts to meet and discuss effective strategies and approaches for quantifying and managing financial risk at a regional, national and local levels, including those associated with natural hazards and climate change.

The conference, co-organized by GFDRR/World Bank, the AUC, the EU and the Government of Ethiopia, attracted 450 participants and a wide range of African partners including African Development Bank, Addis Ababa University, African Risk Capacity, along with 20 additional organizations, including private sector firms and insurance companies. Of the 95 speakers, 65 percent were from the region and 33 percent were women. The following on social media was strong, with over 950 tweets that generated 34,000 impressions.

Participants were introduced to risk identification and risk financing methodologies, tools and best practices to build capacity in Sub-Saharan Africa. The event also showcased innovative tools to generate, access and use disaster risk information for DRM strategies, including risk reduction and financial protection. The event enabled participants to share knowledge and experience on incorporating disaster risk and climate risk information in decision making and increasing financial resilience to natural hazards. International and regional DRM experts, practitioners, climate and meteorology experts and policy makers convened to build a strong community and promote non-traditional partnerships. The conference also included training events, case studies, online activities and a post-conference proceedings publication that captured the substance of the event.

A training workshop on emerging best practices in risk assessment was also held at the event. This session provided an overview of risk assessments conducted in Africa. The case studies that were presented demonstrated key features of risk assessments, highlighting the benefits of improved risk information to planners, policy makers, and the public. A half-day workshop was also organized where leading economists offered perspectives on critical issues such as the impact of climate change on the poor and the need for better coordination and planning to improve disaster response. A panel discussion focused on solutions to help countries protect themselves against macroeconomic shocks and on Africa’s current efforts to pre-plan, pre-coordinate, and pre-finance responses to disasters.

Furthermore, a risk assessment and risk financing community of practice has been established for Sub-Saharan Africa, building on the efforts of the 2012 Cape Town Understanding Risk Conference and of the anticipated Africa Understanding Risk and Finance event. For more information, please visit https://understandrisk.org/event/understanding-risk-finance-conference/.
Annex 1. Communication and Visibility

Publications & Reports

**Proceedings of the Understanding Risk and Finance Conference (URf).** The URF was organized in Addis Ababa on November 17-20, 2015. It served as a platform for African policy makers and DRM experts to meet and discuss effective strategies and approaches for quantifying and managing financial risk at a regional, national and local levels, including those associated with natural hazards and climate change. The conference, co-organized by GFDRR/World Bank, the AUC, the EU and the Government of Ethiopia, attracted 450 participants and a wide range of African partners including African Development Bank, Addis Ababa University, African Risk Capacity, along with 20 additional organizations, including private sector firms and insurance companies. See below for links to conference materials. [https://www.gfdrr.org/sites/default/files/publication/URf%20Proceedings.pdf](https://www.gfdrr.org/sites/default/files/publication/URf%20Proceedings.pdf)

**The Africa Disaster Risk Financing Initiative brochure** offers an overview on how the ADRF Initiative contributes to strengthening the resilience of sub-Saharan African regions, countries and communities to the impacts of natural disasters. Specifically, it shows how the ADRF Initiative aims to support the development of multi-risk financing strategies at regional, national, and local levels to help African countries make informed decisions, improve financial response capacity after disasters happen, and mitigate the socioeconomic, fiscal, and financial impact of disasters.

**Risk profiles.** High-level, national-level, multiple-peril country risk profiles have been developed by World Bank operational teams in Senegal, Ethiopia, Uganda, Niger and Kenya. These profiles cover drought, flood, landslide, earthquake and volcanic eruption, depending on the presence of these hazards in each country, and include how the risks will change in the future with socio-economic growth and climate change. All data collected and created through the development of these profiles will be made publicly available through the GFDRR geospatial platform and through national geospatial platforms. The risk datasets and information can be used to prioritize more detailed risk analysis, the hazard datasets for use in preparedness activities, and to inform dialogue on the financial cost of disasters.
Poverty studies & Infographics

Based on the two poverty studies that have been written on the impact of disasters on poverty namely Welfare, Income Growth and Shocks in Uganda and Vulnerability to Poverty in Rural Malawi. The ADRF Initiative team has produced a series of infographic posters and booklets to highlight the results for non-specialists. The final products for Uganda will be delivered in October 2016 and the product for Malawi in November 2016. In addition, online versions will be shared with the Africa Community of Practice.


Articles & Blogs

https://goo.gl/tOBluF  
https://goo.gl/42eOk9  
https://goo.gl/rwujrS

https://goo.gl/tjpGwF  
https://goo.gl/o68bBS  

Webpages & Videos

The URF conference webpage (which includes the event summary): https://goo.gl/GeDTW6

URF conference videos available here: https://goo.gl/g8sxRQ
Sunset, Mali. Photo credit: © Curt Carnemark / World Bank
About the Global Facility for Disaster Reduction and Recovery

The Global Facility for Disaster Reduction and Recovery (GFDRR) is a global partnership that helps developing countries better understand and reduce their vulnerabilities to natural hazards and adapt to climate change. Working with over 400 local, national, regional, and international partners, GFDRR provides grant financing, technical assistance, training and knowledge sharing activities to mainstream disaster and climate risk management in policies and strategies. Managed by the World Bank (www.worldbank.org), GFDRR is supported by 34 countries and ten international organizations.

The GFDRR Innovation Lab supports the use of science, technology and open data in promoting new ideas and the development of original tools to empower decision makers in vulnerable countries to strengthen their resilience. See https://www.gfdrr.org/innovation-lab.

The World Bank’s Africa Disaster Risk Management Program

The World Bank Africa Disaster Risk Management Program (AFR DRM) Program is committed to support countries and communities in Sub-Saharan Africa build climate and disaster resilience for sustainable development. It is currently served by 58 focal points spread over 48 countries, and has a portfolio of $5.4 billion, which is about 10% of the World Bank’s overall Africa portfolio. This includes a core DRM investment portfolio of over $1 billion and $50 million in technical assistance grants to over 28 countries. Through its investment and technical assistance operations, the AFR DRM team strives to develop effective synergies with other initiatives such as the different Result Areas of the ACP-EU Building Disaster Resilience in Sub-Saharan Africa Program and other ACP-EU initiatives.

The Disaster Risk Financing and Insurance Program

The Disaster Risk Financing and Insurance Program (DRFIP) is a joint partnership of the World Bank Group’s Finance and Markets Global Practice and GFDRR. It was established in 2010 to improve the financial resilience of governments, businesses, and households against natural disasters. See http://www.worldbank.org/en/programs/disaster-risk-financing-and-insurance-program#1.