

Denmark's support to the Global Shield Solutions Platform

Key results:

- Systematic financial protection strategies for partners and global/regional thematic programs are developed and improved
- Comprehensive and integrated concepts and sustainable solutions for financial protection are offered to partner countries
- Affordable CDRFI country solutions packages with effective pay-out distribution mechanisms implemented in partner countries.

Justification for support:

- Increasing pre-arranged finance which disburses quickly and reliably before or just after disasters happen, and expanding instruments of financial protection for governments, communities, businesses, and households can lower the impact of disasters, make vulnerable countries' economies more resilient, safeguard sustainable development, and protect lives and livelihoods of poor and vulnerable people.
- The GSSP provides a single entry-point to different sources of funding ensuring transparent, coordinated, and coherent CDRFI support under internationally common standards
- Denmark's support to GSSP is highly effective in contributing to reach several core elements of *The World We Share* – including Contribute to preventing and reducing the risk of loss and damage due to the impacts of climate change, and support recovery if climate disaster strikes. Demarks support will also contribute to the objectives of the Santiago Network and the Glasgow Dialogue and may assist developing valuable knowledge to setting up the COP 27 agreed funding arrangements for responding to loss and damage.
- Denmark's contribution will constitute around 4% of the initial value of GSSP of approx. EUR108 million, hence a significant leverage factor.

Major risks and challenges:

- Failure to attract other actors in the field would significantly undermine the efficiency and reach of the program.
- Funding for proposed CDRFI support is diverted and not used according to contractual agreement
- The program could fail to deliver its outcomes, which will reflect negatively on Denmark or partners could engage in fraud, corruption or human rights violations under activities funded or facilitated by the program.

| | | | | | | | | | | | |
|---|--|---|---------------------------|--|--------------------------------------|---|-------------------------------|---|---------------------------------|--|---------------------------|
| File No. | 2022-40609 | | | | | | | | | | |
| Country | Global | | | | | | | | | | |
| Responsible Unit | GDK | | | | | | | | | | |
| Sector | Climate finance | | | | | | | | | | |
| Partner | Frankfurt School of Finance & Management | | | | | | | | | | |
| DKK million | 2022 | 2023 | 2024 | 2025 | 2026 | Total | | | | | |
| Commitment | 35 | | | | | 35 | | | | | |
| Projected disbursement | 20 | 10 | 5 | | | 35 | | | | | |
| Duration | 4 years | | | | | | | | | | |
| Previous grants | None | | | | | | | | | | |
| Finance Act code | 06.34.01.75 | | | | | | | | | | |
| Head of unit | Karin Poulsen | | | | | | | | | | |
| Desk officer | Emilie Wieben | | | | | | | | | | |
| Reviewed by CFO | Rasmus Tvorup Ewald | | | | | | | | | | |
| Relevant SDGs [Maximum 1 – highlight with grey] | | | | | | | | | | | |
|  | No Poverty |  | No Hunger |  | Good Health, Wellbeing |  | Quality Education |  | Gender Equality |  | Clean Water, Sanitation |
|  | Affordable Clean Energy |  | Decent Jobs, Econ. Growth |  | Industry, Innovation, Infrastructure |  | Reduced Inequalities |  | Sustainable Cities, Communities |  | Responsible Consumption & |
|  | Climate Action |  | Life below Water |  | Life on Land |  | Peace & Justice, strong Inst. |  | Partnerships for Goals | | |

Development Objective:

Increase protection for poor and vulnerable people by providing and facilitating substantially more and better climate and disaster risk finance and insurance against disasters.

Environment and climate targeting - Principal objective (100%); Significant objective (50%)

| | Climate adaptation | Climate mitigation | Biodiversity | Other green/environment |
|--------------------------|--------------------|--------------------|--------------|-------------------------|
| Indicate 0, 50% or 100% | 100% | | | |
| Total green budget (DKK) | 100% | | | |

Justification for choice of partner:

Climate risk insurance is a topic of strategic interest to Frankfurt School and seen as a complementary activity of the efforts to making climate finance one of the standard practices for financial institutions. Frankfurt School has implemented the InsuResilience Solutions Fund. Climate risk insurance is a strategically important field for Frankfurt School. The organization has successfully designed, managed, and implemented more than 900 development projects in 130 countries and is supported by German Development Cooperation BMZ and KfW.

Summary:

Pathfinder countries will prepare a request to GSSP for CDRFI support. A gap analysis will be prepared outlining the main hazards that effect the population and the main assets exposed. A request for support will be structured based on value for money and impact on the protection gap. On receipt of the request for support from the GSSP can include: i) project related research, support risk analysis and capacity development on climate risk analysis & CDRFI; ii) development of comprehensive country support packages based on best-fit elements of CDRFI solutions, and; iii) financial Support for implementation and market introduction of existing or new CDRFI solutions Grant financing.

Budget:

| | |
|--------------------------------|-----------------------|
| GSSP | DKK 33 million |
| Participation in joint reviews | DKK 2 million |
| Total | DKK 35 million |

Abbreviations

| | |
|---------------|---|
| ADB | Asia Development Bank |
| AMG | Danida Aid Management Guidelines |
| BMZ | German Federal Ministry for Economic Cooperation and Development |
| CDRFI | Climate and Disaster Risk Finance and Insurance |
| COP27 | Conference of Parties – the Sharm el-Sheik Climate Conference 2022 |
| CVF | Climate Vulnerable Forum |
| DAC | Development Assistance Committee (of OECD) |
| DKK | Danish kroner currency |
| ELQ | Department of Evaluation Learning and Quality Assurance |
| EU | European Union |
| EUR | European currency; exchange rate used is EUR1 = DKK7.436 |
| FCDO | Foreign Commonwealth and Development Office (UK) |
| FY | Fiscal Year |
| G7 | Group of Seven |
| G20 | Group of Twenty |
| GDK | Department for Green Diplomacy and Climate |
| GDP | Gross Domestic Product |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit |
| Global Shield | Global Shield against Climate Risks |
| GFDRR | Global Facility for Disaster Reduction and Recovery |
| GSCH | Global Shield Coordination Hub |
| GS-FF | Global Shield Financing Facility |
| GSSP | Global Shield Solutions Platform |
| HLCG | High-Level Consultative Group |
| IAS | International Advisory Services |
| IGP | InsuResilience Global Partnership |
| IPCC | Intergovernmental Panel on Climate Change |
| ISF | InsuResilience Solution Fund |
| KfW | Germany's International Development Bank |
| LDC | Least developed countries |
| MFA | Ministry of Foreign Affairs |
| NGO | Non-government organizations |
| ODA | Overseas Development Assistance |
| OECD | Organisation for Economic Co-operation and Development |
| SDG | Sustainable Development Goals |
| SMART | Sustainable; Value for Money; Accessibility; Resilience; Transparency |
| SME | Small and medium scale enterprises |
| SNLD | Santiago Network on Loss and Damage |
| TAG | Technical Advisory Group |
| TC | Technical Committee |
| TOC | Theory of Change |
| UN | United Nations |
| UNISDR | International Strategy for Disaster Reduction |
| USD | United States Dollars |
| V20 | The Vulnerable 20 Group |

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1 Introduction

The present project document outlines the background, rationale and justification, objectives and management arrangements for development cooperation concerning the support to the Global Shield against Climate Risks Partnership between 2023 and 2027 as agreed between the parties: The Frankfurt School of Finance & Management and GDK in Ministry of Foreign Affairs of Denmark. The project document is an annex to the legal bilateral agreement with the implementing partner and constitutes an integral part thereof together with the documentation specified below.

“The Documentation” refers to the partner documentation for the supported intervention, which is *Global Shield against Climate Risks: German G7 Presidency and V20 Concept for Consultation, September 2022* and *Global Shield - Solutions Platform Basis Paper*.¹

2 Context

Funding for climate disaster response and reconstruction is still mainly arranged ex post, increasing the cost of disasters and their impacts on lives and livelihoods.

Joint efforts under the InsuResilience Global Partnership (IGP) in 2021 benefitted 150 million poor and vulnerable people with climate and disaster risk finance and insurance (CDRFI). Significant challenges, however, remain: The bulk of disaster funding is still arranged ex post; the CDRFI landscape remains fragmented and mainly driven by the supply side; solutions are not always easily accessible or tailored to specific needs of vulnerable countries; affordability barriers amplified by fiscal pressures and intensifying external debt issues remain a persistent issue for vulnerable countries.

At the same time, climate risks continue to increase dramatically, and will do so for decades even if the Paris Agreement’s goals are met², implying additional constraints for vulnerable countries to access finance for investments in climate resilient pathways.

In partnership with the Vulnerable Twenty (V20)³, the Group of Seven (G7)⁴ committed to jointly work towards a Global Shield against Climate Risks (Global Shield) to strengthen CDRFI architecture by transforming the IGP into the Global Shield.

The aims are to increase pre-arranged finance significantly, building on country ownership, evidence-based, systematic gap analysis, solid in-country coordination and improved and inclusive coordination among

¹ In its version from 3. November 2022 as shared by BMZ to prospective donors

² <https://www.ipcc.ch/assessment-report/ar6/>

³ The Vulnerable 20 Group (V20) of Finance Ministers is a dedicated cooperation of economies systematically vulnerable to climate change. Currently chaired by the Republic of Ghana, V20 Group members are also states of the Climate Vulnerable Forum (CVF). The V20 membership stands at 58 economies representing some 1.5 billion people including Afghanistan, Bangladesh, Barbados, Benin, Bhutan, Burkina Faso, Cambodia, Chad, Colombia, Comoros, Costa Rica, Côte d’Ivoire, Democratic Republic of the Congo, Dominican Republic, Eswatini, Ethiopia, Fiji, The Gambia, Ghana, Grenada, Guatemala, Guinea, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lebanon, Liberia, Madagascar, Malawi, Maldives, Marshall Islands, Mongolia, Morocco, Nepal, Nicaragua, Niger, Palau, Palestine**, Papua New Guinea, Philippines, Rwanda, Saint Lucia, Samoa, Senegal, South Sudan, Sri Lanka, Sudan, Tanzania, Timor-Leste, Tunisia, Tuvalu, Uganda, Vanuatu, Viet Nam and Yemen.

**As a UN non-member observer state

⁴ The Group of Seven (G7) consists of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States of America. The European Union also participates in G7 meetings. Germany took on this year’s G7 presidency from the United Kingdom.

relevant stakeholders. The Global Shield will scale up action and support for poor and vulnerable people and countries facing increasing risks of losses and damages related to climate change.

2.1 Brief summary of the main issues

The latest IPCC report⁵ indicates that about 3.3–3.6 billion people may currently be vulnerable to the negative impacts of climate change.

Achieving the 2030 Agenda for Sustainable Development is threatened. Extreme weather events such as heatwaves, heavy precipitation, droughts, and tropical cyclones are increasing in frequency and intensity, and evidence of climate change as the cause of this trend is growing further. Communities are more frequently experiencing climate impacts and governments are increasingly struggling to assist people affected⁶. Moreover, lower income countries and small economies are facing the prospect of more frequent and devastating compound shocks and cascading risks. Multiple disruptive events—including natural disasters, economic and financial crises, and pandemics—can strike simultaneously or in rapid sequence. In 2020, Bangladesh, Fiji, Honduras, India, the Philippines, Mexico, Nicaragua, and 11 countries in the Sahel faced combinations of the COVID-19 pandemic and extreme weather events, including drought, floods, and/or hurricanes, that were exacerbated by climate change⁷.

In addition, an initial disaster can become the primary source of further crises, including internal displacement and migration, which, instead of decreasing over time, become larger and require more resources to bring them under control⁸.

The international community has a shared responsibility to effectively address the increasing human impact and cost of disasters. Global losses from natural disasters in 2020 came to USD210 billion, significantly higher than in 2019⁹. And while high income countries account for most of losses (67% for disasters between 2000 and 2019), lower income countries face the highest level of losses compared to GDP (0.61%), three times higher than in high income countries¹⁰.

In this context, availability and access to finance is critical for enabling households, businesses and governments to maintain liquidity and manage the risk of losses and damages. Evidence suggests that having plans in place, in combination with prearranged financing to carry out these plans, can enable faster and more effective assistance to affected communities, and lower the economic cost and fiscal impact of disasters¹¹.

Over the past decade, governments, development organizations, the humanitarian system, and the private sector have introduced important financial innovations to cope with climate-related risks and disasters, which have paved the way for an emerging global architecture for Climate and Disaster Risk Finance and Insurance ('CDRFI Architecture'). This architecture is still far from a system-wide shift from ex post disaster funding to ex ante prearranged finance, anchored in wider resilience and adaptation policy. The current institutional architecture continues to provide more incentives for governments to tap into finance after

⁵ <https://www.ipcc.ch/report/ar6/wg2/>

⁶ <https://www.ipcc.ch/assessment-report/ar6/>

⁷ <https://www.wri.org/insights/confronting-simultaneous-climate-public-health-and-economic-shocks-developing-countries>

⁸ <https://www.undrr.org/publication/cross-sectoral-and-multi-risk-approach-cascading-disasters>

⁹ <https://www.munichre.com/en/risks/natural-disasters-losses-are-trending-upwards.html>

¹⁰ <file:///Users/bruger1/Downloads/Human%20Cost%20of%20Disasters%202000-2019%20Report%20-%20UN%20Office%20for%20Disaster%20Risk%20Reduction.pdf>

¹¹ <https://www.disasterprotection.org/publications-centre/being-timely-creating-good-triggers-and-plans-in-disaster-risk-financing>

disasters occur than it does for setting up financial plans *ex ante*. Finance for disaster recovery and reconstruction is often available on more concessional terms than finance to prepare for disasters.¹²

Just published research by the Centre for Disaster Protection¹³, revealed that only 2.3% of all funding was prearranged. The rest had to be secured post disaster, with only 41% of total response funding committed after six months. Consequently, governments and responders had to ration funds and assistance, leading to increased human impact and overall economic costs. Furthermore, the potential for insurance and other risk transfer instruments to reimburse public and private losses and damages remains largely untapped. Between 2000 and 2019, less than 10% of reported economic losses were insured in low income and lower middle-income countries¹⁴ - revealing an insurance penetration in many vulnerable countries of even less than 1%¹⁵.

Affordability constraints, limited access, and lack of information remain persistent barriers, in spite of the various CDRFI programs put in place over the past years. Transparency and guidance on the forms of technical and financial support available to countries, how to access support, and which rules and criteria guide funding decisions under each program, are still absent. This leaves countries without coverage for some kinds of risks and insufficient prearranged funding for disaster response and reconstruction.¹⁶

Financing alone cannot mitigate future risks entirely. But more and better prearranged finance would mean that governments are empowered to build financial capacities of their own, cash is released quicker after disasters, plans to deliver assistance to those affected can be executed more reliably, more losses can be absorbed by insurance and capital markets, and the overall cost of disasters would decline. This cost is not only paid by the multilateral system, but even more so by the most vulnerable, with losses to assets, impaired livelihoods, and with lives.

Scaling up premium and capital support is therefore necessary to address affordability barriers in vulnerable countries and promote sustained protection with increasing climate risks.

At the Sharm El-Sheik Climate Conference (COP 27) November 2022, it was *decided to establish new funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change, in responding to loss and damage*¹⁷, recognizing that developing countries need new ways to finance disaster relief, recovery, and reconstruction.

Before such a fund is in place several steps are required. At COP 27 it was therefore also agreed to *establish a transitional committee on the operationalization of the new funding arrangements for responding to loss and damage*¹⁸. Establishing the Global Shield to strengthen financing structure to allocate premium financing across different implementing programs may contribute to approaches for operationalization of such a fund. The SMART Principles¹⁹ for Premium and Capital Support, developed in collaboration with leading experts under the IGP, give clear guidance on the sustainable, fair and effective allocation of such

¹² <https://www.wri.org/research/future-disaster-risk-pooling-developing-countries-where-do-we-go-here>

¹³ <https://www.disasterprotection.org/publications-centre/funding-disasters-tracking-global-humanitarian-funding-for-response-to-natural-hazards>

¹⁴ Organisation for Economic Co-operation and Development (OECD) (2021). Working Paper on Climate, Investment and Development - Losses and damages from climate change.

¹⁵ <https://www.axcoinfo.com/country/>

¹⁶ <https://www.wri.org/insights/confronting-simultaneous-climate-public-health-and-economic-shocks-developing-countries>

¹⁷ <https://unfccc.int/documents/624440>

¹⁸ <https://unfccc.int/documents/624440>

¹⁹ **S:** Sustainable Impact for the most vulnerable; **M:** Value for Money; **A:** Accessibility; **R:** Resilience building initiatives; **T:** Transparency and Consistency

support and would enhance consistency and transparency on the different support formats available, and ultimately help CDRFI solutions to reach necessary scale.

2.2 The Global Shield

On 14 November 2022 at the Climate Conference in Sharm El-Sheik V20 and G7 officially launched the Global Shield against Climate Risks²⁰, the initiative for pre-arranged financial support designed to be quickly deployed in times of climate disasters. Initial contributions include EUR170 million from Germany and commitments for more than EUR40 million, including the DKK35 million from Denmark (to the Global Shield Solution Platform). In addition, a broad coalition of countries²¹, multilateral institutions²², non-state and private sector partners has underlined their full institutional commitment to Global Shield.

The Global Shield has been developed building on recent years' substantial progress on enhancing financial protection against climate-related disaster risks for poor and vulnerable people and countries provided by IGP.

The Global Shield will ensure more systematic, coherent, and sustained financial protection by:

- 1) **Increase the share of prearranged risk finance and ensure sustained financial protection** -- prearranged risk finance enables faster and more effective disaster response to affected communities and can lower the overall economic cost of disasters. The InsuResilience SMART Principles for Premium and Capital Support are a guideline for this, and their application should be encouraged within all implementing efforts.
- 2) **Foster a more systematic and coherent CDRFI Architecture, including better coordination of solutions in countries** -- A financial structure is established which can systematically close protection gaps, prioritize support to the most vulnerable, and channel funds efficiently and according to countries' needs to implementing organizations (local level as well as international level) across the globe. Maximum power should be given to countries in the decision over which organization(s) will channel the technical and financial support, and which needs, and vulnerabilities should be prioritized.
- 3) **Be informed by and strengthen local capacities** -- mainstreaming an inclusive and participatory approach and gender equality principles in the design and deployment of CDRFI solutions, recognizing the differential impact of disasters on different vulnerable groups.
- 4) **Enable and promote risk-informed decision making** -- When risk analytics and rigorous evidence are applied, most disasters and crises are better anticipated. In addition, communication channels, especially appropriate messaging for at-risk populations, will be improved. The Global Shield will enable better access to and application of existing and newly generated evidence and risk information for decision makers at all levels through knowledge pooling, South-South exchange, and further formats.
- 5) **Create long-lasting resilience benefits by connecting CDRFI to risk reduction, anticipatory action, and national adaptation planning** -- CDRFI works most effectively when integrated within broader resilience-building, social protection, and anticipatory actions. Solutions that break silos and unlock synergies with risk prevention, risk reduction and risk retention efforts and instruments will be encouraged. The humanitarian sector should become an integral part of the global CDRFI Architecture, promoting the use of prearranged risk financing within humanitarian aid and anticipatory action.

²⁰ <https://www.bmz.de/en/issues/climate-change-and-development/global-shield-against-climate-risks>

²¹ The G7 and V20 countries

²² Including the World Bank and several UN organizations

The first recipients of Global Shield packages – so-called Pathfinder countries – have been identified and include **Bangladesh, Costa Rica, Fiji, Ghana, Pakistan, the Philippines and Senegal**.

Countries will lead on identifying key protection gaps. Starting with a systematic analysis of pathfinder countries' protection gaps, the Global Shield will facilitate instruments designed to provide rapid financial relief directly to households and businesses to respond to disaster-related losses, or instruments which pre-arrange finance for governments, humanitarian agencies, and non-governmental organizations for disaster preparedness and rapid response. This will also entail strengthening and building shock-responsive social protection systems and other delivery systems to ensure that pay-outs are spent on providing what affected individuals and communities need when they need it the most.

The Global Shield provides a set of adequate instruments and partners to close these gaps. Depending on a pathfinder country's readiness for these instruments, the Global Shield will facilitate different types of support from various sources to help countries access the needed instruments sustainably.

Technical assistance will be available to support policy reforms, CDRFI strategies, strengthened regulatory frameworks, and capacity development. Financial assistance will be available to develop in-country systems like adaptive social safety nets, capitalize risk carriers, and (co)finance insurance premiums. In addition, the private sector will be mobilized to deliver risk analytics, design products and triggers, and underwrite respective risk transfer solutions.

The Global Shield will assist in identifying country-specific CDRFI needs, gaps and options of interventions / instruments through inclusive in-country-dialogues under the leadership of host countries. Country dialogues will aim at crowding in and leveraging existing and additional CDRFI support from a wide range of partners and identify remaining support gaps in view of arriving at comprehensive country protection packages.

The identified gaps and implied support needed to eligible countries will be covered through Global Shield-focused financing provided through a central Global Shield Financing Structure with a single-entry point (in practice through the Global Shield Secretariat) encompassing three complementary vehicles:

- The **Global Shield Solutions Platform** (GSSP) (building on the expertise and approach of the InsuResilience Solutions Fund) hosted by Frankfurt School of Finance & Management,
- The **Global Shield Financing Facility** (GS-FF, the reformed Global Risk Financing Facility) hosted by the World Bank, and;
- The **CVF & V20 Joint Multi-Donor Fund**²³.

The three vehicles will supplement existing CDRFI programs and finance urgent protection gaps by channeling funding to governments, implementing organizations, private sector, non-governmental organizations, and humanitarian agencies led by Global Shield standards and decision making.

2.2.1 The Global Shield Solution Platform (GSSP)

Denmark intends to support the Global Shield Solution Platform (GSSP).

Mandated by the G7 and supported by the V20 the GSSP constitutes a central element of the Global Shield financing structure. GSSP will be managed by the Frankfurt School of Finance & Management (Frankfurt School) benefitting from their vast experience as a CDRFI implementing agency under the InsuResilience

²³ The CVF & V20 Joint Multi Donor Fund is a voluntary, multi-stakeholder strategic financial and implementation tool that aims to facilitate the coordination among the respective member states of the Climate Vulnerable Forum (CVF) and Vulnerable Twenty (V20) Group of the Ministers of Finance of the CVF, to deepen South-South cooperation among the CVF and V20 members.

Initiative, where Frankfurt School is leading the InsuResilience Solution Fund (ISF). The ISF promotes the development of innovative and sustainable climate risk insurance products that improve the resilience of poor and vulnerable households in low- and middle-income countries against the impacts of climate change and extreme weather events.

GSSP will benefit from ISFs wide network among other CDRFI implementation partners from the public as well as the private sector.

The GSSP will be established as multi-donor grant facility with the mandate to foster the development and use of CDRFI solutions for poor and vulnerable people in developing countries and will provide technical assistance and finance CDRFI support in pathfinder countries based on the Global Shield in-country dialogues as well as in response to specific requests in line with global or regional thematic windows.

GSSP has three main functions:

- 1) **Enhance assessment of the imminent protection gap and resulting needs for financial protection** against climate and disaster risks in developing countries by providing in-depth risk assessments and capacity development based on the analysis conducted within the in-country dialogue. The GSSP will support national authorities to translate the identified gaps into modular country support programs.
- 2) **Acting as a global platform for CDRFI support**, and based on country support packages developed, the GSSP will help participating countries to select, through an open competitive process, the best-fit support from different CDRFI institutions and programs. Through its coordination function, GSSP will ensure that the elements of support provided by different partners are coherent, complementary and follow common principles and standards, as defined by the Global Shield's governance body.
- 3) **Promote access to CDRFI solutions** e.g. by offering premium and capital support or capitalizing national disaster risk funds. Premium and capital support will be provided based on internationally agreed common principles and standards, i.e. the SMART premium and capital support principles²⁴.

As a service platform GSSP represents an impartial partner, supporting pathfinder countries to better understand their climate and natural hazard risks based on comprehensive risk analysis and advise them in identifying the relevant modules of support needed in a country support package.

Under the Global Shield coordination mechanism and through its Global Shield Secretariat the in-country dialogues will identify the country needs and develop the country support packages in an inclusive manner based on the ownership of the affected pathfinder country. Based on these articulated needs and demand the GSSP will structure and co-finance tailor-made country support programs taking into account other sources of CDRFI finance. The support may also include solutions at micro- and meso-level for specific target groups (e.g. farmers, households, SMEs) or regions and communities. In addition, the support will address gender disparities and discrimination to ensure that gender equality becomes part of the solution.

GSSP will offer grants for a wide range of interventions such as detailed risk analysis and capacity development, structuring and design of CDRFI solutions, and premium and capital support. This includes support for climate risk insurance and other CDRFI instruments, incl. anticipatory and forecast-based risk financing, shock resilient loans, grants to enhance national disaster risk funds, etc. GSSP supports CDRFI solutions at all levels, i.e. (sub-) sovereign entities, businesses, humanitarian organizations as well as households and farmers (macro-, meso-, micro level approaches).

²⁴ <https://www.insuresilience.org/publication/smart-premium-and-capital-support-enhancing-climate-and-disaster-risk-finance-effectiveness-through-greater-affordability-and-sustainability/>

The GSSP will work with private and public sector stakeholders as well as humanitarian actors, NGOs, risk pools and other CDRFI programs to contribute to a coherent package for pathfinder countries based on their request for CDRFI support.

A competitive approach will be used to identify, in consultation with the pathfinder country, the best implementing partners and consortia to deliver the support needed, leveraging the expertise and capital of the private sector (e.g. by co-funding CDRFI product development through insurance market actors and intermediaries such as insurers, reinsurers, brokers, risk modelers and service providers).

2.3 Strategic Framework

The Paris Agreement²⁵ is the overall strategic framework that guides the Global Shield. Other frameworks that will guide implementation of the Global Shield are the Sendai Framework for Disaster Risk Reduction²⁶, the Global Facility for Disaster Reduction and Recovery (GFDRR)²⁷, the Initiative on Climate Risk Early Warning Systems²⁸, the UN Climate Resilience Initiative A2R (Anticipate, Absorb, Reshape)²⁹, the International Strategy for Disaster Reduction (UNISDR)³⁰ and the UN Principles for Sustainable Insurance³¹.

Global Shield is also aligned with the goals of the Glasgow Dialogue³² and aims at collaborating with the Santiago Network on Loss and Damage (SNLD)³³ and contributes by example to the ***Funding arrangements for responding to loss and damage associated with the adverse effects of climate change, including a focus on addressing loss and damage*** agreed in Sharm el-Sheik November 2022.³⁴

The support to GSSP is well aligned with the Danish Development Policy “***The World We Share***”³⁵ and the Danish long-term strategy for global climate action “***A Green and Sustainable World***”³⁶

GSSP will, aligned with “*A Green and Sustainable World*”, drive adaptation and resilience initiatives in the *fight against climate change to preventing and reducing the risk of losses and damage as a result of climate change, and help with rebuilding efforts in the wake of climate disasters*.

Denmark’s support to GSSP will meet several of the core elements of the vision for Denmark’s development cooperation outlined in “*The World We Share*”³⁷, including:

- *Development cooperation must fight poverty and inequality and promote democracy, sustainable development, peace and stability*
- *Take the lead on implementing the Paris Agreement and contribute to creating sustainable development and growth for the world’s poorest*

²⁵ https://unfccc.int/sites/default/files/english_paris_agreement.pdf

²⁶ https://www.preventionweb.net/files/43291_sendaiframeworkfordrren.pdf

²⁷ <https://www.gfdrr.org/sites/default/files/publication/GFDRR->

²⁸ <https://www.gfdrr.org/sites/default/files/publication/GFDRR->
²⁹ <https://www.gfdrr.org/sites/default/files/publication/GFDRR->
³⁰ <https://www.gfdrr.org/sites/default/files/publication/GFDRR->

³¹ <https://www.unepfi.org/insurance/insurance/>

³² <https://unfccc.int/event/glasgow-dialogue>

³³ <https://unfccc.int/santiago-network>

³⁴ <https://unfccc.int/cop27/auv>

³⁵ <https://amg.um.dk/policies-and-strategies/stategy-for-danish-development-cooperation>

³⁶ https://www.regeringen.dk/media/10084/a_green_and_sustainable_world.pdf

³⁷ <https://um.dk/en/danida/strategies-and-priorities>

- *Meet our international climate commitments, including in relation to climate finance*

Denmark's support to GSSP directly addresses "The World We Share":

- Overall target (No.4): **The fight for climate, nature and environment,**
 - Objective 1: Strengthen action to support climate change adaptation, nature, the environment and resilience in the poorest and most vulnerable countries. Denmark will:
 - ***Contribute to preventing and reducing the risk of loss and damage due to the impacts of climate change, and support recovery if climate disaster strikes.***

GSSP contributes to Denmark's international leadership in climate change adaptation where Denmark *will help people when disaster strikes.*

Denmark's support to GSSP also fits directly with the priority of the Danish Government for 2022 – 2025 that development assistance "*must show the way and inspire action by the large carbon emitting countries... and must especially increase our climate efforts that can make a concrete difference for vulnerable people in poor and fragile countries*"³⁸.

2.4 IGP and ISF Experience

Since 2015, the German government has been working with the InsuResilience Global Partnership (IGP) and specifically the InsuResilience Solution Fund (ISF), managed by Frankfurt School, to provide vulnerable people with better protection against the negative impacts of climate change using the instruments of climate risk finance.

More than 150 million people benefited from CDRFI solutions under the InsuResilience Global Partnership. Of these, more than 60 million people were covered by micro- insurance. According to the InsuResilience methodology, beneficiaries are poor and vulnerable people who could benefit directly or indirectly from a risk-financing instrument – Beneficiaries may be direct policyholders themselves (e.g., individual smallholder farmers and their household members) or benefit indirectly, e.g. from food distribution financed by payouts from an insurance policy held by a national or sub-national entity (e.g., a household within a community which is insured against coastal flooding)³⁹. Beneficiaries considered are only those which have been fully implemented and would be able to disburse funds quickly and reliably if the covered peril(s) were to materialize.

In 2021, the 24 implementing programs under the InsuResilience umbrella were active with 324 projects in 108 countries, supporting, developing and scaling up CDRFI solutions. Out of these projects, 228 have already led to active solutions that are benefiting people. In comparison to 2020, this represents a 15% increase in beneficiaries and a 41% growth in the overall project pipeline. New or enhanced (sub-)sovereign macro-level risk-financing products are already operating in 50 countries.

While microinsurance is a strong driver of overall growth in beneficiaries (50% growth in microinsurance alone), the number of countries with meso- and micro-level solutions did not increase in 2021. Many projects in the pipeline have not yet reached the final phase of implementation. Considering the time it takes for in-country work to move from scoping to project and then to the full roll-out of a product (often extending over several years), the efforts under various programs launched over the past few years are likely to become tangible under these indicators in the coming years.

ISF implementation of premium support is guided by The InsuResilience SMART Principles for Premium and Capital Support and has completed a number of climate risk analysis providing decision-makers with

³⁸ <https://um.dk/en/danida/strategies-and-priorities/government-priorities-danish-development-assistance>

³⁹ <https://www.insuresilience.org/knowledge/glossary/>

comprehensive risk information. By 2021 a total of 6 risk analysis and 12 advisory and feasibility studies have been developed on new approaches to climate risk insurance. The ISF has made several calls for proposals for insurance product development and reviewed 240 concept notes which has led to financing of 15 climate risk insurance projects that will cover more than 15 million vulnerable people by 2025.

2.5 Links, Synergies and Danish Interests

It is of clear Danish interest to help people when climate disasters hit, especially poor and vulnerable people in developing countries. Supporting GSSP will target this interest by reducing risks and facilitating development of ex ante loss and damage insurance.

The support to GSSP has clear links to Denmark's support to climate change in general and specifically to Denmark's support to humanitarian assistance in areas hit by climate disasters. Several Danish International NGOs have worked with response to the global climate crisis and environmental degradation by increasing the adaptive capacities of people affected by climate disasters and help the affected people when disasters hits long before the InsuResilience Partnership was established. Danish International NGO's are already aware of GSSP's work and should enable improved and better coordinated delivery of Danish International NGOs support to the affected people, including guiding people to access additional support to cover for loss and damages.

With Bangladesh being one of the pathfinder countries for the GSSP, the link to Denmark's climate support to civil society organizations in Bangladesh, through the Danish Embassy in Bangladesh, may benefit from GSSP by linking to in-country partners and understanding the broader scope of GSSP and communicating this broadly to communities in project areas.

3 Rationale and justification

3.1 Rationale

Increasing pre-arranged finance which disburses quickly and reliably before or just after disasters happen, and expanding instruments of financial protection for governments, communities, businesses, and households can lower the impact of disasters, make vulnerable countries' economies more resilient, safeguard sustainable development, and protect lives and livelihoods of poor and vulnerable people. This effectively contributes to global efforts for averting, minimizing and addressing losses and damages exacerbated by climate change.⁴⁰

As a global multi-donor funding facility channeling funds from different sources (donors, private sector, philanthropy, etc.), the GSSP provides a single entry-point to different sources of funding ensuring transparent, coordinated, and coherent CDRFI support under internationally common standards and principles agreed upon by the Global Shield against Climate Risk Initiative and InsuResilience Global Partnership.

Denmark's support to GSSP is therefore highly effective in contributing to reach several core elements of *The World We Share* – including *Contribute to preventing and reducing the risk of loss and damage due to the impacts of climate change, and support recovery if climate disaster strikes*. Demarks support will also contribute to the objectives of the Santiago Network and the Glasgow Dialogue and may assist developing valuable knowledge to setting up the COP 27 agreed funding arrangements for responding to loss and damage associated with the adverse effects of climate change, that includes a focus on addressing loss and damage.

⁴⁰ <https://www.v-20.org/global-shield-against-climate-risks>

GSSP helps maximize value for money of Denmark's contribution by being a single entry-point offering pathfinder countries a wide spectrum of implementing partners, i.e. existing CDRFI and institutions, including the private sector, NGOs, humanitarian agencies, or civil society.

Denmark will support, through the Frankfurt School, one of the most experienced CDRFI implementation entities that has a proven financing structure to mobilize private sector expertise and capital with high impact by leveraging pooled funding, in particular by crowding in private and other official resources.

Denmark's contribution of DKK35 million will constitute around 4% of the initial value of GSSP of approx. EUR108 million. The leverage factor of Danish support will become significant with the GSSP support leveraging private and public funds at country level. As such a significant leverage factor with a small "price tag".

3.2 Justification of support according to DAC criteria

The objective of the Global Shield and GSSP will be achieved through implementation of a well-coordinated CDRFI implementation architecture that meets the six quality criteria of the OECD Development Assistance Committee (the OECD-DAC criteria), i.e. to ensure that: all interventions should be relevant to the context, achieve their objectives, deliver results in an efficient way, and have positive impacts that last.

The Global Shield is using The SMART Premium and Capital Support Principles⁴¹ that aims to provide evidence-based guidance on the conditions under which affordability and sustainability concerns for insurance solutions by vulnerable countries and people are best addressed through premium financing or capital support. These principles are well justified and in line with the OECD-DAC criteria.

Relevance: According to the latest IPCC report⁴² presently about 3.3–3.6billion people may be vulnerable to the negative impacts of climate change and the number will only grow with the increase in temperature. GSSPs objective is to increase financial protection for poor and vulnerable people by providing and facilitating more and better CDRFI solutions against disasters. Specific interventions will be demonstrated in the selected pathfinder countries where in-country demands will be identified and where GSSP can add most value. The inputs required will be a combination of GSSP capacity development and investments with funds leveraged from governments own sources, development partners, the private sector and philanthropists.

Coherence: The Raison d'etre for the Global Shield is to coordinate and maximize the impact of multiple initiatives and interventions in the selected pathfinder countries so that synergies (or trade-offs) between interventions can be identified. An overriding priority in the pathfinder countries is to sustain economic growth and spread the benefits to all sectors of society. GSSP pays specific attention to the need of reducing impact on poor and vulnerable groups in the countries when climate disasters hits and to maintaining impacting other priorities such as public health benefits and employment opportunities.

Denmark will through its engagement in the High-Level Consultative Group encourage cooperation between the three Global Shield interventions and Danish adaptation initiatives in Bangladesh and Ghana and encourage cooperation with other national and international institutions on adaptation and disaster risk reduction. Especially in relation to Danish international NGOs.

Efficiency As described above, will identify interventions that can add most value. Applying the SMART approach CDRFI products will add value and entail a clear assessment framework that makes improvements in resilience verifiable and comparable. To realize the resilience benefits CDRFI instruments promise, risk

⁴¹ https://climate-insurance.org/wp-content/uploads/2020/04/SMART-principles-for-premium-support- 26July-Pre-Publication_final.pdf

⁴² <https://www.ipcc.ch/report/ar6/wg2/>

transfer instruments should be made accessible at a price that is affordable to those who stand to benefit from them, including poor countries and individuals. Pathfinder countries will also act as a testing ground for innovative instruments that show other countries the path forward to increase resilience and reduce loss and damage. The GSSP approach is aligned directly with the stated aims in a realistic and achievable manner that responds to national demand, international climate imperatives and economic development.

The GSSP will integrate support of existing CDRFI programs and institutions in their implementation to leverage resources from both development partners, countries own funds, private sector and philanthropes and will ensure economies of scale.

Effectiveness: Global Shield products are likely to be more effective than other interventions in reducing the cost of insurance. However, premium or capital support are not perfect substitutes for each other. For example, while technical assistance provided to sovereign risk pools can be necessary and effective to start a risk pool, it is not a substitute for premium support. Thus, although Global Shield interventions should be used to ensure that they help achieve the target of affordability of CDRI products, this will be assessed on a case-by-case basis.

Impact: The current seven identified countries are all countries with a large number of people living under climate vulnerable conditions that will be severely affected if a climate disaster hits. GSSP can support capacity development to develop early warning systems and setting up ex-ante disaster risk reduction measures and establish funds for rapid response to loss and damage. The Global Shield global networks will be used to disseminate lessons learned and successful innovative tools to inform other interested countries and financing partners to benefit from GSSP experience and amplify the effectiveness of GSSP through global replication.

Sustainability: All outputs will be developed in country-led processes creating a situation whereby the partner can fully assume the long-term responsibility for replication of project outputs, within their political boundaries. GSSP will be used to fund risk transfer mechanisms coupled with effective, development-oriented delivery systems. This will generate impact for the most vulnerable to enable tangible, lasting change in the lives of those most vulnerable to disasters. This involves developing capacity (e.g., to understand, formulate, implement, maintain, and monitor resilience and loss and damage strategies and activities) for relevant stakeholders and institutions.

3.3 Alignment with Danish cross-cutting priorities

GSSP is well aligned with Danish cross-cutting priorities.

Countries on the DAC list of ODA recipients are eligible for support under the Global Shield. Priority will be given to address the needs of the poorest and most vulnerable to climate and disaster risk. A tailored approach will therefore be pursued in addressing the needs of Least Developed Countries (LDCs), Small Island Developing States (SIDS), and of Lower and Upper Middle-Income Countries (LMICs/UMICs).

The IGP developed Pro-poor Principles⁴³ are built on the momentum for improving the resilience impact for vulnerable groups and communities through a people centered approach. GSSP will apply these Principles including implementing adequate and high-quality climate and disaster risk finance and insurance solutions that address the needs of poor and vulnerable people. Ensure demand-driven approaches through environments that are conducive to stakeholder action, with a focus on the agency of end users. Climate and disaster risk finance and insurance solutions should provide inclusive and targeted support to promote equitable growth.

⁴³ <https://www.insuresilience-solutions-fund.org/content/6-downloads/annex-5-pro-poor-principles.pdf>

The principles highlight that no one should be left behind and that the poor and vulnerable should not carry the burden of increased climate risks. Given their already strained resources, their access to climate risk protection will be favored through GSSP.

Human rights principles are promoted through GSSP approaches to climate and disaster risk finance (both in terms of their attainment as well as the process requirements indicated by a such an approach), by working with solutions that contribute to ensuring poor and vulnerable people attain and maintain their Human Rights in the aftermath of disasters, or consequent to slow onset events caused by climate change and aim to actively support endeavors for more gender responsive disaster risk financing mechanisms. GSSP will promote empowering all stakeholders to understand, contribute to, and implement bottom-up approaches.

Gender frameworks will be integrated into all activities and gender will consistently be mainstreamed throughout climate and disaster risk management policy, project and product cycles. Climate and disaster risk finance and insurance solutions will be designed taking into consideration the specific vulnerabilities of women, and their access will be facilitated through targeting, support and delivery mechanisms.

4 Project Objective

The development objective of the Global Shield against Climate Risks is to “Increase protection for poor and vulnerable people by providing and facilitating substantially more and better climate and disaster risk finance and insurance against disasters.” Greater financial protection, and faster and more reliable disaster preparedness and response, will **help to cost-efficiently and effectively minimize and address losses and damages** exacerbated by climate change.

The GS will ensure more systematic, coherent, and sustained financial protection through the following elements:

1. Increased **financial protection cooperation across G7, V20, and other vulnerable economies** to drive urgent resources to help close the (financial) protection gap.
2. A **strengthened coordination mechanism** within the global CDRFI architecture to overcome fragmentation and leverage the full potential of CDRFI. The Global Shield will ensure coherence of different institutions’ and donors’ efforts at the global, regional and national level to foster synergies, including by consistently integrating CDRFI elements into their core development programming. This mechanism is **designed in partnership with – and with clear accountability to — affected countries themselves**.
3. A **global, flexible, and collaborative financing structure** to mobilize and/or pool respective donor and other funds and enable a more systematic global approach to closing protection gaps, taking into account prevailing country circumstances (e.g. cost of capital and debt sustainability) and ensuring coherence of cross-country approaches (such as the regional risk pools), ecosystem resilience, and other CDRFI programs.
4. **Sustained protection** in the face of increasing climate risks by scaling up existing successful CDRFI programs in the short-term and preparing country-specific, needs-based CDRFI support packages in the medium term, across the full spectrum of instruments, including the scaling up of **smart premium and capital support** to address affordability barriers, **focusing on protecting the poorest and most vulnerable people**.

5 Theory of change and key assumptions

Governments engage in dialogue with the Global Shield Coordination group and are supported to prepare a request for support to GSSP for CDRFI support. An in-country dialogues, through an in-country coordinator, will identify countries needs and develop the country support packages in an inclusive manner based on the ownership of the affected country. And a representative of the respective partner country will participate in the Technical Committee, endorsing the technical specifications of GSSP support and overseeing implementation within the specific partner country.

Each country request will summarize the country context, about poverty, natural hazards, disaster risk management framework already in place and experience with CDRFI. It will present a gap analysis outlining the main hazards that effect the population and the main assets exposed. It will then structure a request for support based on value for money and impact on the protection gap.

On receipt of the request for support the GSSP process begins. GSSP takes a modular approach consisting of three successive interlocking pillars of analysis and support as follows:

- 1) **Research and Education:** Based on the contextual information in the Request for support, project related research, support risk analysis and capacity development on climate risk analysis & CDRFI will be undertaken to develop local capacity and expertise and produce systematic financial protection strategies for the county as a whole and for key thematic risk areas.
- 2) **Concept & Solutions Development:** Using the outputs from Pillar 1, development of comprehensive country support packages based on best-fit elements of CDRFI solutions leveraging public & private finance
- 3) **Implementation Support:** Financial Support for implementation and market introduction of existing or new CDRFI solutions Grant financing for purchase of CDRFI products and set-up of relevant implementing entities and required payout mechanisms

The Theory of Change (TOC) can therefore be summarized as follows: Through the assessment of needs due to climate and disaster risks, the GSSP will support national authorities to develop modular country support programs and promote access to CDRFI solutions by offering financing for purchase of CDRFI products technical assistance on implementation. This will increase the resilience of poor and vulnerable people and consequently help to avert, minimize and address losses and damages of climate change.

The TOC depends on assumptions that there will be demand for the Global Shield facility, that the facility will be effectively financed and managed and that the solutions packages function as designed to address the climate and disaster risks. These assumptions are reasonable and the risks they entail are manageable as discussed in the Risk Management section below.

A diagram of the Toc is included at Annex 3 together with the Results Framework.

6 Summary of the results framework

For results-based management, learning and reporting purposes Denmark will base the actual support on progress attained in the implementation of the Global Shield against Climate Risks as described in the documentation. Progress will be measured through the GSSP's monitoring framework focusing on a limited number of key outcome(s) and corresponding outputs and their associated indicators. Below is an initial summary of a results framework, based on the information in the Project Concept Note describing the objective and outcome levels. The framework is necessarily indicative because the concept is still under development and new partners may be recruited, changing the scope and ambition of the project. A more detailed and definitive framework will be developed during the Inception Phase and presented in the Inception Report.

Results framework for Global Shield against Climate Risks

| | | | |
|---------------------------|---|--|--|
| Project/Program | Global Shield against Climate Risks | | |
| Project/Program Objective | Increase protection for poor and vulnerable people by providing and facilitating substantially more and better climate and disaster risk finance and insurance against disasters. | | |
| Impact Indicator | Total risk covered and number of people protected | | |
| Baseline | Number of people covered in target areas prior to commencement of activities | | |

| | | | |
|-------------------|--|------|--|
| Outcome | Systematic financial protection strategies for partners and global/regional thematic programs are developed and improved | | |
| Outcome indicator | Strategies developed | | |
| Baseline | Year | 2022 | 0 |
| Target | Year | 2030 | 0-7 (100% of countries where this is needed) |

| | | | |
|-------------------|---|------|--|
| Outcome | Comprehensive and integrated concepts and sustainable solutions for financial protection are offered to partner countries | | |
| Outcome indicator | Solution packages prepared | | |
| Baseline | Year | 2022 | 0 |
| Target | Year | 2030 | 3-7 (100% of countries where this is needed) |

| | | | |
|-------------------|---|------|--|
| Outcome | Affordable CDRFI country solutions packages with effective pay-out distribution mechanisms implemented in partner countries | | |
| Outcome indicator | Solution packages implemented | | |
| Baseline | Year | 2022 | 0 |
| Target | Year | 2030 | 5-7 (100% of countries where this is needed) |

A detailed results framework at output level and with detailed indicators elaborated for outcomes and outputs will be prepared as part of the 6 months inception phase of GSSP. This will be reviewed during the joint inception review and finally approved by the GSSP strategic committee immediately after the inception phase.

7 Inputs/budget

Funds for GSSP are made available through a dedicated GSSP trust account at the Frankfurt School.

The initial GSSP budget is anticipated to be in the magnitude of EUR108,6 million (DKK780 million) with contributions from Germany of EUR84 million, commitment from France of EUR20 million (DKK149 million), and Danish contribution to this account with a grant of DKK35 million (EUR4.6 million) in compliance with the Danish Finance Act.

All funds will be allocated to the GSSP before 2026 with implementation of GSSP continuing until 2030. The following budget is based on this assumption.

| Outcome | EUR ('000) | DKK ('000) ⁴⁴ |
|--|----------------|--------------------------|
| Systematic financial protection strategies ⁴⁵ | 12,000 | 89,232 |
| Comprehensive and integrated concepts and sustainable solutions for financial protection | 12,000 | 89,232 |
| Access and affordability of CDRFI solutions | 70,500 | 524,238 |
| TOTAL project support (outcome) costs | 94,500 | 702,702 |
| Staffing costs Frankfurt School | 9,950 | 73,988 |
| Travel costs | 1,400 | 10,410 |
| Other expenses | 2,600 | 19,344 |
| Danida budget for inception review, joint reviews and external support for MFAs participation in HLCG and GSSP strategic committee ⁴⁶ | 270 | 2,007 |
| Total administration and project management costs | 14,220 | 105,740 |
| GRAND TOTAL | 108,670 | 808,070 |

The annual administrative and project management costs will be in the magnitude of DKK21 million/year – and will not exceed 13% of the total budget.

It should be noted that funds can only be released based on requests by pathfinder countries via two distinct support mechanisms:

- 1) Comprehensive country requests channeled via the Global Shield Coordination Hub mechanism
- 2) Specific thematic requests in line with global or regional thematic windows, as defined by the GSSP Strategic Committee, e.g. a global program for resilient critical infrastructure

Detailed budget at output level for each outcome will be prepared during the inception phase for the first Financial Year (FY) and approved by the GSSP Strategic Committee. Thereafter output budgets will be prepared for approval by the GSSP Strategic Committee before every FY. For this reason, a budget has not been Annexed to this document (as would normally be required by the AMG). A budget will be available for review when the pathfinder countries present their detailed budgets for GSSP to be approved by the GSSP Strategic Committee.

The Danish grant will be spent on activities leading to the expected outputs and outcomes as agreed between the GSSP and the GSSP Strategic Committee. Frankfurt School is responsible for ensuring that the funds are spent in compliance with the agreement and with due consideration to economy, efficiency and effectiveness in achieving the results intended. The Danish grant must be spent solely on activities leading to the expected outputs and outcomes as agreed between the parties. The implementing partner is responsible for ensuring that the funds are spent in compliance with the agreement and with due consideration to economy, efficiency and effectiveness in achieving the results intended.

⁴⁴ The budget is developed in EUR – exchange rate used is EUR1 = DKK7.436

⁴⁵ Assuming support to 6 pathfinder countries and 10 thematic programs

⁴⁶ Will be retained in a separate project account with the Ministry of Foreign Affairs Denmark

8 Institutional and Management arrangement

8.1 Presentation of the organizational set-up

Frankfurt School is a non-for-profit organization and has since 2019 been the implementing agency of the InsuResilience Solutions Fund (ISF). The GSSP will be established, as a multi-donor grant facility with the same institution and managed and implemented by the team within the Frankfurt School that has implemented the ISF.

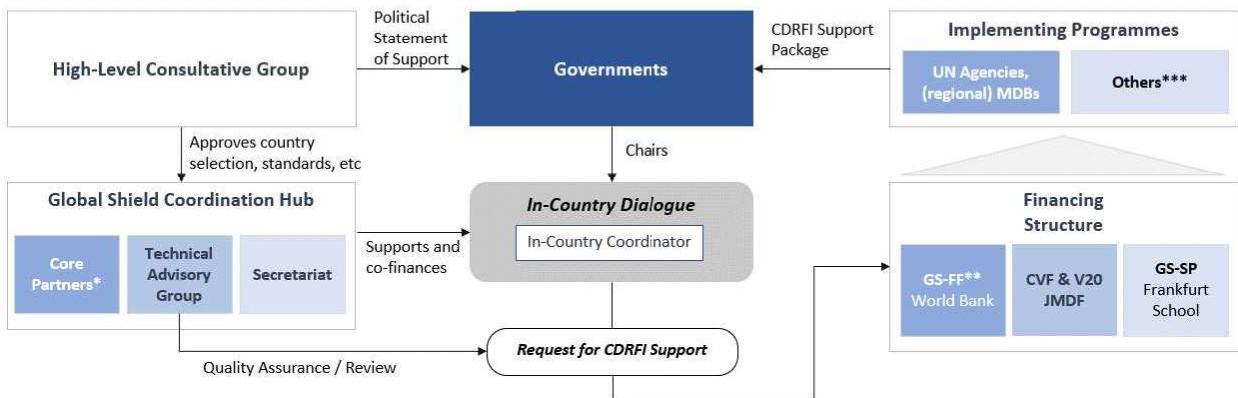
The overall management structure of the Global Shield is displayed in the figure on next page – building on the existing structure of the InsuResilience Global Partnership to avoid developing new institutions. The High-Level Consultative Group (HLCG) is the Global Shields highest level of decision making that provide political and strategic guidance and oversight. Denmark will become member of the HLCG.

HLCG sets the strategic direction of the Partnership and provides a global strategic vision for the evolution of the CDRFI agenda. It ensures effective coordination and sharing of information, promotes strategic alignment of the Partnership Forum and the Program Alliance as well as provides strategic guidance to the Partnership. The HLCG promotes exchange between V20 and G20+ in the CDRFI area

HLCG approve pathfinder country selection for developing CDRFI country support packages and common principles and standards for CDRFI country support packages. HLCG also provide political statements of support to countries for a funding and promotes further contributions to the GS Financing Structure from donors⁴⁷. Finally, the HLCG provide strategic guidance to the GS Coordination Hub, fostering effective coordination, collaboration, and knowledge sharing among key actors. Denmark's active engagement in HLCG will include selection of future pathfinder countries, with an emphasis on the most climate-vulnerable countries, including LDCs and SIDS.

The Global Shield Coordination Hub (GSCH) consists of core partners, the Global Shield Secretariat and the Technical Advisory Group (TAG) and is currently managed and coordinated by GIZ. The GSCH will i) provide a forum for inclusive consultation on Global Shield-related matters, ii) facilitate coordination at global level and support in-country coordination (established prior applications to GSSP); iii) Inform and enhance Global Shield programming by developing common principles, standards, and metrics for Global Shield work; iv) Create a pipeline of pathfinder country projects, incl. technical support, and; v) Undertake quality assurance for in-country dialogue and country requests.

⁴⁷ Governments, the philanthropic community and other innovative sources of finance as well as non-monetary engagement among state and non-state partners



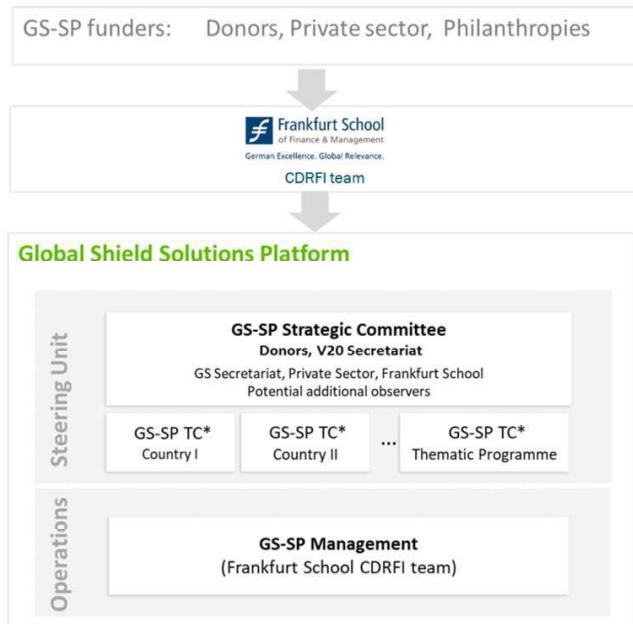
* V20 Sec, BMZ, FCDO, ADB, Centre for Disaster Protection, KfW, UNDP, World Bank, IDP Sec

** GS-FF can fund both World Bank-executed projects and external projects via transfer-outs

*** Private Sector, Risk Pools, IIF, NDF, GIZ, V20 SIF/UNEP FI PSI, V20 Loss and Damage Funding Program, Climate Prosperity Plans, bilateral G7 programs

Denmark's support is aimed at the GSSP. GSSP will have a Strategic Committee, where Denmark will be voting member jointly with all other contributing funders to the GSSP and one representative from V20. The Strategic Committee will decide on GSSP principles, policies and implementation standards, all strategic issues for the further development of the GSSP, on specific scope of each country support program to be funded by GSSP and on specific scope of each support under global and regional thematic programs to be funded by GSSP.

For each pathfinder country to be supported by GSSP a technical committee will be established, with supported countries as members, to oversee implementation of GSSP support and to approve technical specifications of GSSP support to be offered within the specific pathfinder country or respective global/regional thematic programs.



* GS-SP TCs : Global Shield- Solutions Platform Technical Committees (Representative of respective partner country/respective programme and representative of Frankfurt School)

GSSP will be implemented and managed by the Frankfurt Schools CDRFI team. They will hold the management and operational responsibility of implementing the GSSP (GSSP management team) including to:

- translate country support programs into concrete country support program based the Global Shield in-country dialogues or concrete support for projects under global /regional thematic programs;
- conduct Call for Proposals among CDRFI institutions in the selected countries or for global /regional thematic programs;
- assess and select submitted proposals and recommend adequate support packages to the GSSP Strategic and Technical Committee;
- oversee, monitor, and report on implementation of support provided by selected CDRFI institutions.

Taking on the management of GSSP the CDRFI team Frankfurt School will recruit additional experts while the senior management of the CDRFI team responsible for ISF will lead the set-up and implementation of the GSSP. The CDRFI team will also be responsible to implement and oversee implementation risk management and anti-corruption measures.

8.2 Monitoring and reporting

Inception of the GSSP will be carried out during the 1. half of 2023 resulting in an Inception Report. The inception report will detail targets for the indicators of the results framework. A joint inception review will be carried out, with terms of reference agreed between the GSSP contributing partners. Denmark will actively participate in the inception review to ensure conditions for Denmark's support and alignment to Danish priorities are duly addressed in program planning, this includes detailed results framework, indicators, annual budget procedures and detailed monitoring framework.

GSSP will be integrated within and apply the IGP monitoring and evaluation systems at both global and at the country level. Results generated from each pathfinder country program will be monitored and reported by the responsible implementing entity in the pathfinder country based on requirements established by GSSP.

A common set of principles, integrated results frameworks, and collaboration and coordination across GSSP activities will be detailed as part of the inception phase. This will include procedures for producing evidence, knowledge and learning opportunities for key stakeholders. The principles and approaches to be articulated in the GSSP implementation guidelines shall also serve as a critical tool for advancing effective climate loss and damage finance delivery in developing countries.

The GSSP results reporting procedure will follow Global Shield annual results reporting cycle and the GSSP Results Framework will be used to measure the GSSP program progress, including measuring development policy elements – including leaving no-one behind, and gender and poverty focus, SDGs, transformational change, and co-benefits where possible.

Pathfinder countries will submit project specific data annually to GSSP (reporting on the core indicators, optional indicators, and co-benefit indicators selected at project inception), online and by uploading any necessary narrative explanation and materials to explain rationale and facilitate validation. GSSP will then validate and analyze the data and use this for the annual reporting for each country and for thematic areas as relevant. The GSSP program's impact pathways will be summarized, and outcomes tracked through the results framework via corresponding core indicators. The performance on these indicators (and therefore the delivery of impact pathways), will be captured via the annual results collection, collation, analysis and reporting processes.

GSSP will also deliver periodic, real-time analyses and analytics (based on modelling approaches and field-based randomized control trials) to address evidence gaps and understand the impacts of varying project/policy modalities, thereby providing critical, data-driven findings to inform the Global Shield CDRFI support. The GSSP annual summary report will be presented to the High-Level Consultative Group. GSSP results will feed into the Global Shield annual reporting that will provide the overview of the CDRFI support.

A joint mid-term review should be scheduled and carried out with all contribution partners, based on specific terms of reference agreed between the reviewing parties in mid 2025.

GSSP evaluations/reviews can be carried out upon request from the High-Level Consultative Group or by individual contributing partners.

8.3 Knowledge Management and Learning

As an integrated part of the GSSP in-country dialogue GSSP will prepare robust knowledge, evaluation and learning reports to improve the impact of investments and ensure that emerging lessons are used to inform ongoing in-country dialogue and course corrections as well as the design of new in-country initiatives.

Knowledge and learning development should also include cross-cutting thematic or country specific independent evaluations, thematic-specific learning reviews, case studies, and facilitated learning events at regional and country level.

A Danish Embassy representative in the relevant GSSP countries may participate in GSSP country learning events and contribute with Danish experience as well as extracting lessons and knowledge that could benefit Danish bilateral programs.

8.4 Anti-corruption measures

No offer, payment, consideration, or benefit of any kind, which could be regarded as an illegal or corrupt practice, shall be made, promised, sought or accepted - neither directly nor indirectly - as an inducement or reward in relation to activities funded under this agreement, incl. tendering, award, or execution of contracts. Any such practice will be grounds for the immediate cancellation of this agreement or parts of it, and for such additional action, civil and/or criminal, as may be appropriate. At the discretion of the Government of Denmark, a further consequence of any such practice can be the definite exclusion from any engagements funded by the Government of Denmark.

To ensure full transparency and openness in GSSP governance and financing operations and to deter fraud and corruption, GSSP relies on their well-established transparency and accountability mechanisms. Suspected fraud and corruption in GSSP-financed operations, as well as allegations regarding misconduct of officials, employees or consultants involved in GSSP-financed operations, will be reported to the GSSP Strategic Committee.

8.5 Communication plan

Communication of GSSP at program, country and local level is essential to attract and mobilize funds from various sources (donors, government, private sector, philanthropy, etc.). A detailed GSSP communication strategy will be developed as part of the inception phase and will include how to best disseminate results, amplify GSSPs visibility and enabling the effective dissemination of the successes and lessons learned. The strategy will include further elaboration of the ISF communication strategy and the current application of web portal and how to apply media, art, and storytelling in all phases of operations.

From a Danish perspective, communication of GSSP results will include active dissemination of country specific results through relevant Embassy web-pages, participation in dissemination workshops and events

locally, and will be taking any opportunity to promote Denmark's cooperation in the pathfinder countries in relation to climate and disaster risk reduction. Denmark will also, when an opportunity arises, actively seek to co-host or participate in local Global Shield events.

8.6 Special conditions

The MFA of Denmark shall have the right to carry out any technical or financial supervision mission that is considered necessary to monitor the implementation of the program.

After the termination of Denmark's support to GSSP, the MFA of Denmark reserves the right to carry out evaluations in accordance with this article.

9 Financial Management, planning and reporting

A dedicated trust account for GS-SP has been established by Frankfurt School. Frankfurt School is the fiduciary owner of the trust account and will implement GSSP in conformity with sound financial and professional practices ensuring the proper use of funds in accordance with the applicable law provisions. GSSP shall be managed by Frankfurt School's CDRFI team operating within the International Advisory Services department. Frankfurt School has been mandated directly by the Ministry of Economic Development and Cooperation (BMZ) to manage GSSP (in line with Art. 14 of EU directive 2014/24 EU on public procurement on research and development services (i.e. Art. 116 of German Competition Act)).

Access to the trust accounts is limited and need dual authorization signatures (four eyes principle). A protocol to trigger payments to grantees needs to be followed, based on quarterly reports evidencing work progress, disbursement request submitted by authorized signatory, dedicated receiving account, statement of expenditure etc. These will be laid down in grant agreements and the internal Operations Manual of GSSP; the monitoring team follows and ensures their appliance.

All GSSP grantees will be required to open dedicated project accounts for receiving the grants, which will also facilitate the auditing of the project expenses at the end of each grant projects.

The Contribution Agreement regarding the Danish funding for GSSP will be entered into between the Ministry of Foreign Affairs and the Frankfurt School of Finance & Management gGmbH. Financial management, accounting and reporting will follow the procedures established for GSSP to be agreed between Denmark and the Frankfurt School. This agreement will follow the agreement and protocol already established with KfW and BMZ.

Denmark will require annual financial reports from the GSSP in line with the agreed outcome budget lines and activities carried out therewith in accordance with i) its own policies, guidelines, and procedures, and ii) the applicable protocol established between GSSP and Denmark, including the purpose for which the allocations of the funds have been approved. The Frankfurt School will be accountable to the GSSP funders for the performance of its functions.

Financial Reports: Annual reports on the financial status of the trust account, based on quarterly internal reporting, and as agreed between the Frankfurt School and Denmark.

Procurement: Procurement carried out directly by GSSP will adhere to EU procurement regulations. Procurement in-countries will follow procurement rules of the pathfinder country in question.

Auditing: Audited financial statements are provided by an accredited auditor through the Frankfurt School on an annual basis to the contributing partners.

10 Risk Management

The risk analysis and risk response for contextual, programmatic and institutional risk factors is summarized below. A detailed risk management matrix is attached in Annex 4.

Contextual Risks

A major assumption underlying the structure of the GSSP is that a global framework can be established that will serve as a platform for the many and varied CDRFI initiatives for dealing with climate losses and damage. Failure to attract other actors in the field would significantly undermine the efficiency and reach of the program. The risk is considered minor, however, since the need for such a framework is widely acknowledged and key international organizations have already expressed support. By continuing to raise its profile, share information and respond flexibly to interest from new donors and partners, the program can minimize this risk.

Other contextual risks are associated with global or national changes in the political or economic environment that may slow or restrict program implementation. Although it is likely that there will be disruptions due to unexpected events at some locations, or for some period of time, during program implementation, the GSSP has a flexible structure and the ability to adjust the focus and size of interventions in response to circumstances, so these risks are assessed as minor.

Programmatic Risks

The most significant programmatic risk is that funding for proposed CDRFI support is diverted and not used according to contractual agreement. There are three distinct dangers under this heading:

1. The partner country diverts funds to what it sees as more pressing priorities.
2. The distribution mechanism does not deal equitably with some groups (e.g. women, minorities or marginalized people).
3. At some point along the distribution chain funds are corruptly diverted away from the intended recipients
4. Affected people receive compensation but are unable to restore their livelihoods due to failure to replace the lost assets

The type and severity of risk is highly variable, depending on country context, but if there is diversion of funds on a large scale, the consequences for the program could be major, not just because of reduced effectiveness, but the potential discouragement of donors as well as reputational risk to donors and implementers alike.

GSSP has been designed to ensure funds reach the target groups and safeguards are built in to prevent misallocation and to respond effectively should it occur.

GSSP supervision includes validating accounts and onsite inspection of project progress and correct use of funds. A bespoke process will be developed in each partner country, tailored to the risks in that context, to detect improper use of funds.

Innovative ways of transferring money to poor people who may not have bank accounts have been developed and tested (including mobile phone transfers) which are more secure than traditional routes.

Institutional risks

The program could fail to deliver its outcomes, which will reflect negatively on Denmark or partners could engage in fraud, corruption or human rights violations under activities funded or facilitated by the program.

The program takes place across a diverse range of countries and is likely to be successful in at least some of these. The intentions are worthy and the transfer of money to victims of disaster has little potential for unintended negative effects. The program includes measures to mitigate these risks, however, there remains at least some potential for corruption or for exclusion of some marginalized groups.

11 Closure

It is anticipated that support to GSSP is required further into the future than the current Danish support to GSSP. In addition, climate disaster risk finance and insurance is anticipated to be themes for continued support from Denmark for the foreseeable future.

A decision for Denmark to continue support to GSSP could be conditioned on GSSP's performance and achieving the current set of result targets. GSSP's next steps to possibly include more countries in their portfolio, would also be an important consideration, where Denmark's focus would be on LDCs in Africa.

Annexes

Annex 1: Context analysis

See main text – Chapter 2. Certain elements, including a detailed political economy study, have not been possible to carry out as this is a global program and pathfinder countries differ in various aspects. And the information will be included in the application for GSSP funding. And these applications are not yet available.

Annex 2: Partner Assessment

The Partner Assessment is primarily based on Project Executing Agency Analyses (Trägeranalyse) carried out by BMZ in 2017

Brief presentation of partners

Frankfurt School of Finance & Management gGmbH (non-profit limited liability company) (Frankfurt School) is a private, stand-alone business school with approx. 3,000 enrolled students (2022)⁴⁸. The sole shareholder is the independent, non-profit Frankfurt School of Finance & Management Foundation (Stiftung). Frankfurt School was founded in 1957 in Wiesbaden, Germany. In 1990, Frankfurt School founded its own academic unit, the Hochschule für Bankwirtschaft. Frankfurt School faced increasing demand for its services from abroad, driven by development bank and agencies asking for financial expertise in Eastern Europe. Therefore, in 1992 the institution established its International Advisory Services (IAS). The IAS team of Frankfurt School has been committed to improving financial markets and increasing access to financial services worldwide. To achieve this, the IAS design and implement consulting and training programs and conduct applied research on finance and management topics. The IAS team consists of approx. 115 staff with at least bachelor level education. An anticipated 15-20 staff will be working on GSSP.

The pathfinder countries⁴⁹ have been selected, but specific institutions for IAS to work with in these countries will only be identified during the inception phase. Hence, pathway country institutions are not described/assessed in this document.

Summary of partner capacity assessment

Climate risk insurance is a topic of strategic interest to IAS. On a content level it is seen as a complementary activity of the efforts that IAS has invested in making climate finance one of the standard practices for many financial institutions. Furthermore, IAS has implemented several risk sharing facilities as part of its on-going business (SME, housing, microfinance etc.). With the need to enhance instruments and approaches in the area of climate adaptation, climate risk insurance is a strategically important field for Frankfurt School. The organization has successfully designed, managed, and implemented more than 900 development finance projects in 130 countries all over the globe. Partners have been the German Development Cooperation BMZ and the German Development Finance Institution KfW.

Frankfurt School has gained extensive experience in supporting CDRFI solutions as implementing agency of the InsuResilience Solutions Fund (ISF), which has successfully been implemented since 2019. This includes support through ISF to 27 projects supported in developing countries over the period 2019-2021. Key elements related to the knowledge transfer include:

- *Assessing more than 285 concept notes FS has an excellent overview of current market development, costs, market participants and their expertise as well as an overview of innovation potential in respective partner countries in climate risk insurance. Due to the innovative nature of climate risk insurance in many countries rigorous project management, definition of roles and responsibilities among interdisciplinary teams is a key success factor.*

⁴⁸ <https://www.frankfurt-school.de/home>

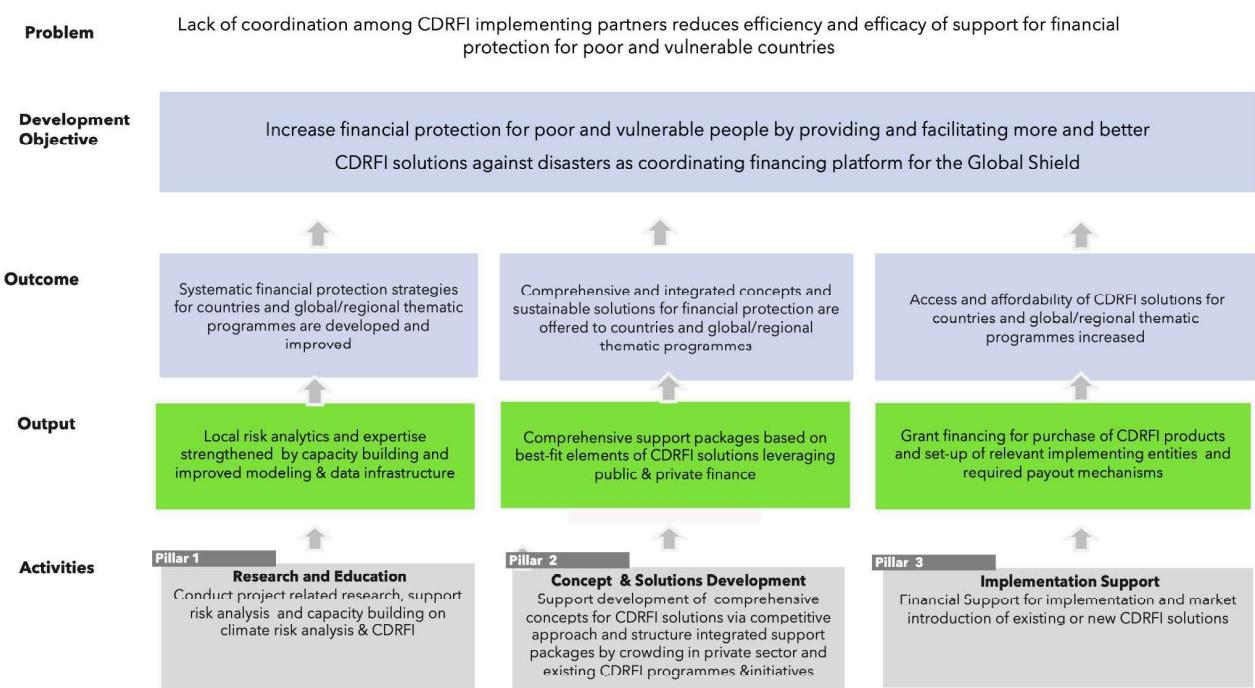
⁴⁹ Bangladesh, Costa Rica, Fiji, Ghana, Pakistan, the Philippines and Senegal

- *Strong and detailed assessment of project requests prior to approval. Such assessment is based not only on application documentation, but also on a final interview with the applying organisations. If needed, require the implementing organisations among others to strengthen the project management teams.*
- *Consider longer implementing periods (beyond 24 months) when dealing with public organisations and avoid projects that start at the end of an elections' cycle.*
- *Strong and regular monitoring of the projects.*

Summary of key partner features

| Name of Partner | Core business <i>What is the main business, interest and goal of the partner?</i> | Importance <i>How important is the project/program for the partner's activity-level (Low, medium, high)?</i> | Influence <i>How much influence does the partner have over the project/program (low, medium, high)?</i> | Contribution <i>What will be the partner's main contribution?</i> | Capacity <i>What are the main issues emerging from the assessment of the partner's capacity?</i> | Exit strategy <i>What is the strategy for exiting the partnership?</i> |
|--|---|---|---|---|--|--|
| Frankfurt School of Finance & Management – IAS | improving financial markets and increasing access to financial services worldwide – Climate risk insurance is a topic of strategic interest to IAS and seen as a complementary activity of the efforts of IAS | High. With an annual turnover for the Frankfurt School of EUR 84 million and for the IAS of EUR 23 million, a total contribution from GSSP of approx. EUR 100 million over 5 years is substantial. | Medium to high. All support from GSSP is assessed by IAS that also provide direct support to pathfinder countries. | IAS will provide coordination and management services on top of consultancy/advisory services, training and research. | <p>Strength: Long term experience with IGP/ISF and highly knowledgeable on financing related to loss and damages in relation to climate disasters</p> <p>Weaknesses: Based in Germany with limited presentation on the relevant continents and despite Frankfurt School has working experience in most pathfinder countries current GSSP staff experience may have limited local knowledge from the pathfinder countries, including cultural differences and traditions.</p> <p>Opportunities: Being part of a larger research community IAS will be able to provide cutting edge knowledge to the pathfinder countries through development and undertaking of training and seminars</p> <p>Threats: Uncertainty of Pathfinder countries interested in GSSP and the services provided by IAS</p> | No specific requirements at the end of agreement for the Danish contribution to GSSP |

Annex 3: Theory of Change



Annex 4: Risk Management

| Risk Factor | Likelihood | Impact | Risk response | Residual risk | Background to assessment |
|---|------------|-------------|---|---------------|---|
| Contextual Risks | | | | | |
| International agreement on mechanisms for dealing with climate losses and damage cannot be reached and a variety of instruments continues to be promulgated | Unlikely | Significant | Continuous outreach to new partners; an active communication strategy with timely publication of key results and findings; flexible approach to accommodating the needs and preferences of potential new donors; and a willingness to link to other sources of funding using different tools where appropriate. | Minor | There is a growing international consensus on the need for an umbrella CDRFI facility, and a widespread desire to avoid duplication or competition in the area. Demand for CDRFI funding far outstrips the capacity to meet it. |
| Political and regulatory framework conditions within a recipient country change during the implementation period or necessary regulatory changes are deprioritized requiring substantial changes to or suspension of the program. | Likely | Significant | Selection of CDRFI solutions will take political stability and regulatory risks into account. Alternative proposals will act as fall-back solutions. Necessary regulatory changes will be discussed during partner recruitment. | Minor | Implementation of CDRFI solutions on sovereign level often require legislative changes to give sovereign the mandate as well as budgetary resources. Before countries enter into the program they would be made aware that regulatory changes may be necessary. |
| Funding requirements for CDRFI interventions increase during implementation of the project due to unexpected additional support requirements, inflation or exchange rate fluctuations | Likely | Major | A critical review of submitted GSSP proposals and respective budgets reduces unrealistic cost assumptions. | Minor | If necessary, the level of ambition of the CDRFI proposals can be adjusted to match the available funding. |
| Global or widespread external economic dislocations or internal financial disruption (inflation, foreign debt, currency crisis etc.). | Likely | Major | A stepwise approach to developing solutions and a flexible management system plus the spread of operations across countries representing a | Minor | There may be disruptive external events, but the program is sufficiently diverse and flexible to respond appropriately. |

| | | | | | |
|--|----------|-------|--|-------------|---|
| | | | diverse geographical and development context. | | |
| Programmatic Risks | | | | | |
| <p>Funding for proposed CDRFI support is diverted and not used according to contractual agreement. There are four distinct dangers under this heading:</p> <ul style="list-style-type: none"> i) The partner country diverts funds to what it sees as more pressing priorities. ii) The distribution mechanism does not deal equitably with some groups (e.g. women, minorities or marginalized people). iii) At some point along the distribution chain funds are corruptly diverted away from the intended recipients iv) Affected people receive compensation but are unable to restore their livelihoods due to failure to replace the lost assets | Likely | Major | <p>Implementing partners are thoroughly vetted.</p> <p>GSSP supervision includes validating accounts and onsite inspection of project progress and correct use of funds. A bespoke process will be developed in each partner country, tailored to the risks in that context, to detect improper use of funds.</p> <p>Innovative ways of transferring money to poor people who may not have bank accounts have been developed and tested (including mobile phone transfers) which are more secure than traditional routes.</p> <p>GSSP contractual agreement requires partners to comply with World Bank Group Safeguards and allows improperly used funds to be reclaimed and termination of the contract.</p> <p>GSSP will be able to support instruments designed to households and businesses</p> | Significant | <p>The type and severity of risk is highly variable, depending on country context. Experience with previous programs (especially IGP) indicates that careful supervision is effective in ensuring funds are properly allocated and distributed.</p> |
| Pathfinder countries do not submit requests for CDRFI support or, as GSSP | Unlikely | Major | Continuing dialogue with countries, publication of research results and | Minor | Global Shield Secretariat has conducted in-country dialogues and |

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|---|----------|-------------|---|-------|--|
| cannot offer complementary debt financing, some countries may seek support from other financing institutions offering complementary financing. | | | increasing the profile of GSSP to maintain the confidence of pathfinder governments and strengthen the belief in the utility of the GSSP approach. Link to alternative financial vehicles where appropriate. | | a has local presence in pathfinder countries. It benefits from an existing network of CDRFI partners and project related relationships with governments. World Bank Global Shield Financing Facility can act as an alternative financial vehicle or link its offer to other concessional financing. |
| Long process of setting up In-Country dialogue and gap analysis implies major delays before pathfinder countries submit requests for CDRFI support | Likely | Major | Building on projects InsuResilience Solutions Fund in pathfinder countries (active already in three of seven pathfinder countries on sovereign level) GSSP will support in-country dialogue and gap analysis actively to accelerate progress | Minor | Partners are keen to progress and with GSSP support this should be achieved in enough countries to ensure any delays do not affect the implementation of the program as a whole. |
| Call for Proposals does not attract proposals that implementing partners consider feasible and appropriate to the local context. Since the supply side of CDRFI implementing partners is limited, lack of supply may become a barrier for fast and effective engagement of most experienced partners. | Unlikely | Major | Based on in-country experience of existing CDRFI projects in pathfinder countries as well as the market knowledge of the Frankfurt School, the Call for Proposals will be adapted to the respective market situation in individual pathfinder countries. | Minor | Since own contribution will not be required to be a binding pre-condition for CDRFI implementing partners, incentives for participation in Call for Proposals is high. |
| Country representative on GSSA Technical Committee does not accept Proposals for CDRFI solutions | Unlikely | Significant | GSSP to set up in-country project unit and use co-creation approach in developing country CDRFI program. Nomination of technical experts instead of high-level political representatives of pathfinder countries as representative on GSSA Technical Committee | Minor | GSSP Technical Committees in each pathfinder country give the final approval to the selected CDRFI support measures and solutions Pathfinder countries' ownership will be strengthened by involvement of country representatives in the committee. |

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|--|----------------|-------------|---|---------------|---|
| Proposals for CDRFI solutions exceed available funding | Very Unlikely | Minor | GSSP Call for Proposals include clear financial project volume | Insignificant | Only proposals exceeding the indicated financial project volume submit proposals or do not offer the scope of support requested for the project volume |
| Eligible partners request only limited support leading to need to shift funds within the GSSP budget | Almost certain | Minor | <p>Constant monitoring of budget positions and financial management will ensure respective financial planning reflects adjustments to country requests.</p> <p>GSSP submissions of proposed country programs to Strategic Committee includes financial planning and implications for GSSP budget including potential requests for budget reallocation.</p> | Minor | <p>Pathfinder countries have different maturity of CDRFI use and implementation, thus scope of support will remain different for each country.</p> <p>Pathfinder countries may decide to approach other financing vehicles under the Global Shield in parallel asking for support regarding other instruments and solutions</p> |
| Results of climate risk analysis indicate CDRFI solutions as not effective and efficient instrument to avert, minimize and address specific hazards which country wishes to be covered by CDRFI solution | Very Unlikely | Significant | <p>GSSP to review results of in-country dialogue and identify relevant risk layers where hard adaptation limits call for strengthening financial protection via CDRFI solutions.</p> <p>Discussion and regular validation of design of CDRFI country program with stakeholders of pathfinder country to support identifying relevant financial protection gaps.</p> | Insignificant | Previous experience, ongoing research and active review of CDRFI solutions packages attenuates the unlikely eventuality of ineffective interventions being proposed. |
| CDRFI solutions require a pay-out mechanism not presently implementable in the recipient country. Development and set-up of pay-out mechanism may require legislative changes implying delays in implementation of CDRFI | Likely | Significant | GSSP to complement support by capacity building and financial support to ensure pay-out mechanisms will be installed and respective implementing entities strengthened | Minor | GSSP mandate includes not only funding for premium and capital support but foresees also strengthening of pay-out mechanisms and institutions managing additional liquidity. GSSP support should be sufficient to |

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| solution and requested premium and capital support. | | | | | ensure any delays do not affect the implementation of the program as a whole. |
| Institutional risks | | | | | |
| The program could fail to deliver its outcomes, which will reflect negatively on Denmark. | Unlikely | Minor | Denmark will participate actively in program supervision especially risk management. | Insignificant | The program takes place across a diverse range of countries and is likely to be successful in at least some of these. The intentions are worthy and the transfer of money to victims of disaster has little potential for unintended negative effects. |
| Partners could engage in fraud, corruption or human rights violations under activities funded or facilitated by the program. | Likely | Significant | Denmark will participate actively in program supervision especially risk management. | Minor | The program includes measures to mitigate these risks, however there remains at least some potential for corruption or for exclusion of some marginalized groups. |

Annex 5: Budget Details

A detailed budget will only be developed as part of the Inception Phase of GSSP and scrutinized as part of the joint Inception Review.

Annex 6: List of Supplementary Materials

Global Shield against Climate Risks: German G7 Presidency and V20 Concept for Consultation -- Berlin and Accra, 21 September 2022

G7 WORKSHOP -- GLOBAL SHIELD SOLUTIONS PLATFORM (GS SP) -- Frankfurt, 20. September 2022 (power point presentation)

Germany's G7 ambition: Working towards a Global Shield against Climate Risks – G7 German Secretariat Berlin, 19 May 2022

Strengthening the Global CDRFI Architecture: Recommendations by the InsuResilience High-Level Consultative Group – March 2022

Background Note -- Enhancing protection: The Future of the Global CDRFI Architecture – InsuResilience Global Partnership --not dated

Global Shield Solutions Platform – Basis Paper – not dated

Pro-Poor Principles of the InsuResilience Global Partnership – June 2019 -- Published by InsuResilience Secretariat

Anlage 5: Project Executing Agency Analyses (Trägeranalyse) – not dated

InsuResilience Solutions Fund-Operations Manual (OM) Version 2.0 November 2022 – International Advisory Services Frankfurt School of Finance and Management

Shaping the InsuResilience Global Partnership -- CONCEPT NOTE -- FINAL CONSULTATION DOCUMENT -- May 2018

Smart Premium and Capital Support -- Enhancing Climate and Disaster Risk Finance Effectiveness Through Greater Affordability and Sustainability -- Janek Töpper & Daniel Stadtmüller Secretariat of the InsuResilience Global Partnership – January 2022

Annex 7: Plan for Communication of Results

| What? (the message) | When? (the timing) | How? (the mechanism) | Audience(s) | Responsible |
|---|---|---|---|--|
| Findings and lessons learned; sharing of best practices, cross fertilization of ideas | Whenever an opportunity arises through special, targeted initiatives and events at international level and as part of GSSP annual report | In publications, international events and posted GSSP web-pages as well as on GSSP in-country partner web pages | All vulnerable countries with a risk to climate loss and damage; to development partners; international and national investors and the general public, academia, private sector enterprises | GSSP and GSSP in-country partners |
| Success stories emerging from GSSP of interest for Denmark | Whenever an opportunity arises and through participation in international events and relevant events in GSSP countries with Danish representation | In publications and web-based communications. | To other development partners; international and national investors and the general public, academia, private sector enterprises | GDK/MFA and relevant Embassies |
| Development of key strategic messages to promote Denmark's support to GSSP | At the on-set of the commitment and at the disbursement of the first tranche of funds to Frankfurt School | Danish MFA communication web-pages and at the Danish embassy web-pages in Germany and Bangladesh | Danish tax payers; other development partners and cooperation partners and decision makers in target countries. | GDK/MFA and the Danish embassies in Germany and at the Danish Embassy in Bangladesh. |

Annex 8: Process Action Plan

Approval of support to Global Shield Solution Platform

Updated version of 30 November, 2022

| Action/product | Deadlines | Responsible/involved units | Comment/status |
|--|-------------------|--|----------------|
| Formulation, quality assurance and approval | | | |
| Drafting Project document w. relevant annexes | November 2022 | Formulation consultant | |
| Draft Project Document ready for comments by GDK | 1 December, 2022 | Formulation consultant | |
| Comments to Draft Project Document provided | 2 December, 2022 | GDK | |
| Project Document ready for Appraisal responding to comments from Task Force | 2 December, 2022 | Formulation consultant | |
| Quality assurance: Appraisal | Week 49 | GDK/External appraisal consultant | |
| Draft Appraisal Report, including summary of conclusions and recommendations | 13 December, 2022 | External appraisal consultant | |
| Comments to draft appraisal report provided | 14 December, 2022 | GDK with input from Formulation consultant | |
| Final appraisal report integrating comments from responsible unit and partner | 15 December, 2022 | External appraisal consultant | |
| Preparation of Final Project Document, responding to comments from Appraisal | 16 December, 2022 | Formulation consultant/GDK | |
| Final Project Document, annexes and appropriation cover note forwarded to Head of GDK | | GDK | |
| Approval of project support to GSSP | | GDK | |
| Initial actions following project support approval | | | |
| Grant published on Danida Transparency after the Minister's approval | | GDK/ELQ | |
| Signing of agreement with Frankfurt School of Finance & Management agreement and/or other legally binding agreements | | GDK | |

| | | | |
|--|---------------------------|-----|--|
| (commitments) with the partner | | | |
| Register commitment(s) in MFA's financial systems within the planned quarter | After agreement is signed | GDK | |

Annex 9: Response to appraisal recommendations

This Appraisal Report (AR) presents the results of the Appraisal of the envisaged DKK 35 million support from Denmark to the establishment of the Global Shield - Solutions Platform (GS-SP) managed by Frankfurt School. The Appraisal provided quality assurance of the project document (PD), including how it complies with the MFA's Aid Management Guidelines. The Appraisal concludes that the GS-SP contribution will address Danish priorities in climate change loss and damage, and recommends the project for approval, subject to addressing the recommendations in this report.

Among these are to include more details on how the experience of Frankfurt School in implementing CDRFI projects are applied in the design of GS-SP interventions, and on the national level process that leads to the formulation and implementation of the GS-SP support packages in the participating developing countries

The overall conclusion of the Appraisal is that the proposed Danish support to GS-SP is recommended for approval.

| | Recommendations | GDK Response |
|--|---|---------------------------------|
| | <p>The AT notes that priority will be given to address the needs of the poorest and most vulnerable to climate and disaster risk with a tailored approach for addressing the needs of Least Developed Countries (LDCs), Small Island Developing States (SIDS), and of Lower and Upper Middle-Income Countries (LMICs/UMICs).</p> <p><i>Recommendation 1: Denmark, should e.g. through its membership of the High- Level Consultative Group (HLCG), play an active role in the selection of future partner countries, with an emphasis on the most climate- vulnerable countries, including LDCs and SIDS</i></p> | Agree, incorporated into the PD |
| | <p>The AT found that there is a need, in particular at the initial stage of project implementation, to pay close attention to the missing elements in the Project Document. .</p> | Agree, incorporated into the PD |

| | | |
|----|--|---|
| | <p><i>Recommendation 2: The MFA should pay particular attention to the Inception Phase, including the joint Inception Review and the Inception meeting, to ensure alignment with Danish requirements and priorities</i></p> | |
| | <p>The AT found that the PD contains limited information on the that actual learning and experience from Frankfurt School, in particular at the developing country level, and how they are applied in the GS-SP design and implementation.</p> <p><i>Recommendation 3 The PD should include reflections/learning on current and past experience of Frankfurt School in implementing CDRFI projects and how they are applied in GS-SP</i></p> | Agree, incorporated into the Annex 2 of the PD |
| | <p>The AT suggests that the PD should include more details on how the dialogue between the GS-SP team and the government and other national level is intended to work, and in particular how national ownership and inclusiveness are ensured</p> <p><i>Recommendation 4: The PD should provide more details on the national level proces that ensures national ownership and inclusiveness in the formulation and implementation of the GS-SP support packages</i></p> | National procedures are undertaken before GSSP provides support. A national set-up is established to ensure ownership and inclusiveness at before submission of application to GSSP. This is now mentioned in the PD. |
| R5 | <p>The donors will be represented in the High-Level Consultative Group (HLCG) and the GS-SP Strategic Committee. The AT assumes that these groups will be the main fora for donor coordination, and be complemented by donor and partner coordination at the country level, initiated e.g. by the Technical Committees.</p> <p><i>Recommendation 5: During the further planning and inception process, Denmark should ensure that donor and partner coordination at the national level in pathfinder countries is part of GS-SP planning and implementation</i></p> | Denmark would only have the resources to facilitate development partner coordination in pathfinder countries where Denmark has a representation and is actively engaged in implementing climate adaptation programs. For GSSP this include Bangladesh only. |

| | | |
|----|---|--|
| R6 | <p>The AT found that there is a risk for pay-out mechanisms to be too bureaucratic and with a too long response time to address urgent and immediate needs of e.g. the poorer victims, and that the targeted beneficiaries possibly may use funds for un-intended purposes</p> <p><i>Recommendation 6: Add to the PD risk matrix that country level pay-out mechanism may be too slow to address immediate needs of e.g. the poorer victims, and that beneficiaries may use funds for un-intended purposes</i></p> | 11.1.1.1 The risk management framework in Chapter 10 and in Annex 4 is amended accordingly. |
| R7 | <p>The AT agrees that Denmark should actively contribute to the further development of GS-SP through its membership of its governance groups.</p> <p>At the developing country level, Denmark (i.e. Danish Embassies if present) could participate in GS-SP country level events.</p> <p><i>Recommendation 7: The Danish MFA should allocate staff time for the suggested Danish GS-SP engagement at international and national level. This includes participation in the joint Inception Review and attention to the key elements to be approved at the Inception Meeting</i></p> | The budget include allocation of DKK 2 million to participate actively in the inception review. This budget may also be used to other external support for the Danish MFA staff in preparation of annual HLCG meetings. This is now highlighted in the budget. |
| R8 | <p>Danish NGOs are mentioned several times in the PD, but their GS-SP relevant climate work is not indicated, including how synergies could be developed at the national level in pathfinder countries.</p> <p><i>Recommendation 8: The PD should mention the current and possible future dialogue with Danish NGOs on possible synergies with their GS-SP relevant activities</i></p> | This is now addressed in the PD. |

I hereby confirm that the above-mentioned issues have been addressed properly as part of the appraisal and that the appraisal team has provided the recommendations stated above.

Signed in Birkerød on 20 December 2022



Rene Karottki

Appraisal Team leader/TQS representative

I hereby confirm that the responsible unit has undertaken the follow-up activities stated above. In cases where recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in.....on the.....

Head of Unit/Mission

Response to appraisal recommendations GSSP

This Appraisal Report (AR) presents the results of the Appraisal of the envisaged DKK 35 million support from Denmark to the establishment of the Global Shield - Solutions Platform (GS-SP) managed by Frankfurt School. The Appraisal provided quality assurance of the project document (PD), including how it complies with the MFA's Aid Management Guidelines. The Appraisal concludes that the GS-SP contribution will address Danish priorities in climate change loss and damage, and recommends the project for approval, subject to addressing the recommendations in this report.

Among these are to include more details on how the experience of Frankfurt School in implementing CDRFI projects are applied in the design of GS-SP interventions, and on the national level process that leads to the formulation and implementation of the GS-SP support packages in the participating developing countries

The overall conclusion of the Appraisal is that the proposed Danish support to GS-SP is recommended for approval.

| | Recommendations | GDK Response |
|--|---|---------------------------------|
| | <p>The AT notes that priority will be given to address the needs of the poorest and most vulnerable to climate and disaster risk with a tailored approach for addressing the needs of Least Developed Countries (LDCs), Small Island Developing States (SIDS), and of Lower and Upper Middle-Income Countries (LMICs/UMICs).</p> <p><i>Recommendation 1: Denmark, should e.g. through its membership of the High- Level Consultative Group (HLCG), play an active role in the selection of future partner countries, with an emphasis on the most climate-vulnerable countries, including LDCs and SIDS</i></p> | Agree, incorporated into the PD |
| | <p>The AT found that there is a need, in particular at the initial stage of project implementation, to pay close attention to the missing elements in the Project Document. .</p> | Agree, incorporated into the PD |

| | | |
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| | <p><i>Recommendation 2: The MFA should pay particular attention to the Inception Phase, including the joint Inception Review and the Inception meeting, to ensure alignment with Danish requirements and priorities</i></p> | |
| | <p>The AT found that the PD contains limited information on the that actual learning and experience from Frankfurt School, in particular at the developing country level, and how they are applied in the GS-SP design and implementation.</p> <p><i>Recommendation 3 The PD should include reflections/learning on current and past experience of Frankfurt School in implementing CDRFI projects and how they are applied in GS-SP</i></p> | <p>Agree, incorporated into the Annex 2 of the PD</p> |
| | <p>The AT suggests that the PD should include more details on how the dialogue between the GS-SP team and the government and other national level is intended to work, and in particular how national ownership and inclusiveness are ensured</p> <p><i>Recommendation 4: The PD should provide more details on the national level proces that ensures national ownership and inclusiveness in the formulation and implementation of the GS-SP support packages</i></p> | <p>National procedures are undertaken before GSSP provides support. A national set-up is established to ensure ownership and inclusiveness at before submission of application to GSSP. This is now mentioned in the PD.</p> |
| R5 | <p>The donors will be represented in the High- Level Consultative Group (HLCG) and the GS-SP Strategic Committee. The AT assumes that these groups will be the main fora for donor coordination, and be complemented by donor and partner coordination at the country level, initiated e.g. by the Technical Committees.</p> <p><i>Recommendation 5: During the further planning and inception process, Denmark should ensure that donor and partner coordination at the national level in</i></p> | <p>Denmark would only have the resources to facilitate development partner coordination in partner countries where Denmark has a representation and is actively engaged in implementing climate adaptation programs. For GSSP this includes Bangladesh only.</p> |

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| | <p><i>pathfinder countries is part of GS-SP planning and implementation</i></p> | |
| R6 | <p>The AT found that there is a risk for pay-out mechanisms to be too bureaucratic and with a too long response time to address urgent and immediate needs of e.g. the poorer victims, and that the targeted beneficiaries possibly may use funds for un-intended purposes</p> <p><i>Recommendation 6: Add to the PD risk matrix that country level pay-out mechanism may be too slow to address immediate needs of e.g. the poorer victims, and that beneficiaries may use funds for un-intended purposes</i></p> | <p>The risk management framework in Chapter 10 and in Annex 4 is amended accordingly.</p> |
| R7 | <p>The AT agrees that Denmark should actively contribute to the further development of GS-SP through its membership of its governance groups.</p> <p>At the developing country level, Denmark (i.e. Danish Embassies if present) could participate in GS-SP country level events.</p> <p><i>Recommendation 7: The Danish MFA should allocate staff time for the suggested Danish GS-SP engagement at international and national level. This includes participation in the joint Inception Review and attention to the key elements to be approved at the Inception Meeting</i></p> | <p>The budget include allocation of DKK 2 million to participate actively in the inception review. This budget may also be used to other external support for the Danish MFA staff in preparation of annual HLCG meetings. This is now highlighted in the budget.</p> |
| R8 | <p>Danish NGOs are mentioned several times in the PD, but their GS-SP relevant climate work is not indicated, including how synergies could be developed at the national level in pathfinder countries.</p> <p><i>Recommendation 8: The PD should mention the current and possible future dialogue with Danish NGOs on possible synergies with their GS-SP relevant activities</i></p> | <p>This is now addressed in the PD.</p> |

I hereby confirm that the above-mentioned issues have been addressed properly as part of the appraisal and that the appraisal team has provided the recommendations stated above.

Signed in Birkerød on 20 December 2022



Rene Karottki

Appraisal Team leader/TQS representative

I hereby confirm that the responsible unit has undertaken the follow-up activities stated above. In cases where recommendations have not been accepted, reasons for this are given either in the table or in the notes enclosed.

Signed in Birkerød on the 20/12 - 2022

Head of Unit/Mission

KARIN POULSSEN