



UNDP Insurance  
and Risk Finance  
Facility



# Climate and Disaster Risk Finance

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A Trainer's Manual

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## DAY 1

### BASICS OF CLIMATE AND DISASTER RISKS



#### **Objective**

The Day I of the training workshop is going to target building a strong foundation on Climate and Disaster Risk Finance amongst the workshop participants before they can take on further technical sessions. To achieve this, the day I will focus on establishing the context, setting the scene, and having a deep dive into the fundamentals of the Climate and Disaster Risk Finance.

## DAY 1

### CDRF BASICS



#### Objectives:

- Understand the context of CDRF and the implications Climate Change has on overall economy and society.
- To gain basic level familiarity with the concepts and fundamentals of climate and disaster risk finance



#### Sessions:

- Technical Session 1.1.: Setting the Scene and the Context
- Technical Session 1.2.: The Fundamentals of Climate and Disaster Risk Finance
- Group Activity 1: Group Role-play



#### Suggested Time:

- 04-05 Hours
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#### Resources:

- Multimedia Projection System with screen
- White board
- Multi-colour markers for flip charts
- Multi-colour markers for white board (Erasable)
- Flip charts
- Flip stand
- Spacious Room for Role-Play Activity

## A. Day 1 Technical Sessions

### 1.1 Setting the Scene and the Context

**Respective Power Point:** '1.1. Setting the Scene'

**Slides:** 3 – 21

**Key Discussion Points:**

- Increasing Frequency of Disasters Events
- Disaster Events Linked to Climate Change
- Increasing Costs of Disasters Linked with Climate
- The Need for a Policy Response
- Key Challenges and Opportunities surrounding the Climate and Disaster Risks
- The Risk Factor
- Approach for Resilience Development

**Facilitation Methodology:**

Trainers are encouraged to follow the steps outlined below while they facilitate the session:

1. Give the session's introduction to participants. You may develop a slide to introduce the objectives.
2. Inform the participants that the session will be highly interactive and will involve brainstorming in between the slides and remains open to questions/answers.
3. Ask the participants of their opinion and knowledge regarding the frequency of disasters.
4. Explain through the graphs how the frequency is increasing, and the associated costs of disasters are also increasing, and that a big percentage of disasters are linked with climate change.
5. Ask the participants what are the key issues that climate change can have. Enlist at least 5 on the whiteboard or flipchart.
6. Then proceed to show the slides showing key challenges and opportunities and try to relate to the responses sought from the participants.
7. Share the resilience development approach in the presentation and tell the audience how resilience could be built by targeting either of the three Ps, which are People (Social), Planet (Environment), Prosperity (Economy).

8. Always keep an eye on the responsiveness of the participants, feel free to take a short break, if the concentration level starts to diminish. For example, you can ask the participants to get up from their seats and try to touch their toes for 15 seconds. Ask them to repeat three times to let the blood circulate faster.

## 1.2 Fundamentals of Climate and Disaster Risk Finance

**Respective Power Point:** '1.2. CDRF Fundamentals'

**Slides:** 2 –16

### Key Discussion Points:

- Regional Scenario and Key Issues and Challenges
- Limited Public Spending
- Reliance on Ex-Post Financial Planning
- Higher Protection Gap
- Serious Coordination Challenges
- Road to Financial Resilience
- Obtaining Funds Fast
- Efficient Channelization
- Contingent Liabilities
- Who Needs Protection? The Protection Quartet
- Risk Layering

### Facilitation Methodology:

Trainers are encouraged to follow the steps outlined below while they facilitate the session:

1. Give the session's introduction to participants. You may develop a slide to introduce the objectives.
2. Inform the participants that the session will be highly interactive and will involve brainstorming in between the slides and remains open to questions/answers.
3. Ask the participants of their opinion and knowledge regarding the key issues in the region and the country regarding disasters.



4. Explain through the slides (3-7) the four key issues in the region and how it affects economy and society.
5. Ask the participants what is risk financing in their opinion and what could we face on the road to financial resilience?
6. Then proceed to show the slides showing ex-ante vs ex-post and risk layering.
7. Share the pictures of various landmarks and risk layer, emphasizing big base for sturdy structure.
8. Ask the participants and brainstorm whether risk finance complements or competes with the efforts towards disaster risk reduction and climate change adaptation? Enlist any interesting argument on the white board or flip chart.
9. Always keep an eye on the responsiveness of the participants, feel free to take a short break, if the concentration level starts to diminish. For example, you can ask the participants to get up from their seats and try to touch their toes for 15 seconds. Ask them to repeat three times to let the blood circulate faster.

## A. Day 1 Group Activities

### 1.3 Fundamentals of Climate and Disaster Risk Finance

**Respective Power Point:** '1.2. CDRF Fundamentals - Exercise'

**Slides:** 2 –10

**Activity Type:**        **Role-play**

#### **Set Up:**

*Explain to the participants that the role-play is to explain and learn the key features required for good risk finance practices. Then tell them how you are going to divide them participants into four different Households, where the first two groups would enact the role of hosts, and the latter two groups would be acting like guests.*

### Facilitation Methodology:

Assign the participants to Four Groups and name them as following:

- The Budget Brigade (Host)
- The Budget Breakers (Host)
- The Distinguished Diners (Guests)
- The Foodie Freeloaders (Guests)
- Explain the following four scenarios to the participants:
- 'The Distinguished Diners' visit 'The Budget Brigade'
- 'The Foodie Freeloaders' visit 'The Budget Breakers'.
- 'The Foodie Freeloaders' visit 'The Budget Brigade'.
- 'The Distinguished Diners' get invited by 'The Budget Breakers'.
- Work with each group to explain what they are supposed to do.

Sit with 'The Budget Brigade to explain that they are expecting guests or uninvited guests might show up. They must have everything according to the budget. Every single activity (financial and social transactions) is thoroughly planned. There is no room for wasting resources on unplanned activities. They must show strong financial discipline.

Work with the Budget Breakers to explain that they will act as if there is no planning. Everything is highly spontaneous, and the financial discipline is on the weakest level. To fulfil the increasing demands and in the absence of proper planning, the household might spend important savings kept aside for an important occasion, e.g., children's education, an annual holiday etc.

Explain to the Distinguished Diners how they are on top of everything, and they put a very high value on resources, including time as well. Therefore, every activity is well planned, and they do not engage in activities that have no purpose. Therefore, when they get invited by the Budget Breakers, they will turn this down because there's no match of priorities.

Work with the Foodie Freeloaders that they must act as the disrupting guests who would show up uninvited anywhere any time. Tell them to make the most unreasonable demands when they visit the Budget breakers, putting enormous strain on their resources.

Enact all the scenarios. After the role-play, brainstorm with the participants and request a volunteer to write down on the flipcharts at least 5 key points that can be included in the financial resilience. Feel free to reach 10, if the brainstorming has produced more points.



## DAY 2

# FINANCIAL MANAGEMENT OF CLIMATE AND DISASTER RISKS

### Objective

The Day II of the training workshop is shaped to achieve the objective of seeking basic level familiarity about the financial management of climate and disaster risks, in addition to seeking a common understanding what are the potential financial instruments that a sovereign can employ to seek better financial protection against climate and disaster risks.



## DAY 2

# FINANCIAL MANAGEMENT OF CLIMATE AND DISASTER RISKS



### Objectives:

- Understand why the financial management of disaster risks is significant.
- Seek basic level familiarity of the available financial instruments that a sovereign can employ for efficient financial management of climate and disaster risks.
- Understand the significance of establishing post-disaster funding requirements and prioritization of such expenditures.



### Sessions:

- Technical Session 2.1.: Financial Management of Climate and Disaster Risks
- Technical Session 2.2.: Introduction to Key Financial Instruments
- Technical Session 2.3: Mobilizing Climate and Disaster Risk Finance and Setting the Priorities
- Group Activity 1: Financial Management of Risks
- Group Activity 2: Setting the Priorities



### Suggested Time:

- 06 Hours

### Resources:

- Multimedia Projection System with screen
- White board
- Multi-colour markers for flip charts
- Multi-colour markers for white board (Erasable)
- Flip charts
- Flip stand
- Spacious Room for Group Activities

## **B. Day 2 Technical Sessions**

### **2.1. Financial Management of Climate and Disaster Risks**

**Respective Power Point:** '2.1. Fin Management of Risks'

**Slides:** 4 – 17

#### **Key Discussion Points:**

- Increasing Costs of Climate and Disaster Risks in Middle Income Countries
- Costs in Relation to GDP in High, Middle, and Low-Income Countries
- Protection Gap
- Development Costs Vs. Financial Costs
- Post-Disaster Funding Needs
- Characteristics of Financial Resilience
- Financial Management Operational Framework

#### **Facilitation Methodology:**

Trainers are encouraged to follow the steps outlined below while they facilitate the session:

- 1.** Give the session's introduction to participants. You may develop a slide to introduce the objectives.
- 2.** Inform the participants that the session will be highly interactive and will involve brainstorming in between the slides and remains open to questions/answers.
- 3.** Ask the participants of their opinion and knowledge about who suffers from the costliest of disasters.
- 4.** Explain through the graphs how the costs are much high in high-income countries but in relation to the GDP in middle-income countries, low volume of damages might be much more disrupting to the economy.
- 5.** Ask the participants if they have any idea about the protection gap and what the terminology might mean?
- 6.** Explain through the graph on slide 7, what is protection gap (the difference between total and insured losses) and show the very high protection gap around different continents and in the world economy.
- 7.** Explain to the participants financial cost, which is usually the figure sought after the preliminary assessment after a disaster. Follow up with explaining development cost, which includes ripple effects because of business downtime in other sectors, ultimately shrinking economic activity and causing a reduction in GDP.

8. Ask the participants whether we can ignore these costs and emphasize that it's important to be wary of the development costs.
9. Show via slide 10 that there are different types of expenditures that a government might incur after a disaster. Therefore, depending on the anticipated cost, the post-disaster funding requirement will vary between different governments at different levels.
10. Show through the slide, that not all the expenditure is to be incurred on Day 1 after the disaster and hence the timeliness is very critical for a risk finance instrument.
11. Show key feature of financial resilience on slide 11 and relate with the group role-play when key features were extracted on the flipchart after the activity.
12. Emphasize on the matching points and identify the missing points.
13. Explain the Financial Management Operational Framework and show the loop from slides 13-18.
14. Always keep an eye on the responsiveness of the participants, feel free to take a short break, if the concentration level starts to diminish. For example, you can ask the participants to get up from their seats and try to touch their toes for 15 seconds. Ask them to repeat three times to let the blood circulate faster.

## 2.2. Introduction to Key Financial Instruments

**Respective Power Point:** '2.2. Intro Key Fin Instruments'

**Slides:** 3 –22

### **Key Discussion Points:**

- Risk Layering – Targeting the Manageable Tiers of Risk
- Lines of Instruments
- Budgetary Instruments
- Contingent Financing
- Post-Disaster Credit
- Market-based Instruments

### **Facilitation Methodology:**

Trainers are encouraged to follow the steps outlined below while they facilitate the session:

1. Give the session's introduction to participants. You may develop a slide to introduce the objectives.

2. Inform the participants that the session will be highly interactive and will involve brainstorming in between the slides and remains open to questions/answers.
3. Ask the participants to recall the risk layering approach diagram and then show it to address how different instruments can be developed for each tier of the risk layer.
4. Show the lines of possible instruments that are available for the government in the capital market.
5. Emphasize the point that a single solution/ instrument is not the target, and no instrument can resolve all the issues. Hence, the target is to find the right balance between all the instruments, expediting the journey towards financial resilience.
6. Show each instrument and give at least one pro and one con for each instrument.
7. Highlight the point that these are costly instruments, and the government has to make smart decisions in order to make the optimal use of scarcely available resources.
8. Highlight parametric insurance particularly and show why it saves very critical time after a disaster.
9. Always keep an eye on the responsiveness of the participants, feel free to take a short break, if the concentration level starts to diminish. For example, you can ask the participants to get up from their seats and try to touch their toes for 15 seconds. Ask them to repeat three times to let the blood circulate faster.

### **2.3. Mobilizing CDRF and Setting Priorities**

**Respective Power Point:** '2.3. Mob CDRF and Priorities'

**Slides:** 2 –13

#### **Key Discussion Points:**

- Post-Disaster Funding Requirement
- Probable Costs to Government
- Emergency Response
- Infrastructure Repair
- Household Assistance
- Economic Recovery
- Public Health
- Debt Servicing
- Public Services Reinstatement
- Dos and Don'ts of Setting the Priorities

### **Facilitation Methodology:**

Trainers are encouraged to follow the steps outlined below while they facilitate the session:

1. Give the session's introduction to participants. You may develop a slide to introduce the objectives.
2. Inform the participants that the session will be highly interactive and will involve brainstorming in between the slides and remains open to questions/answers.
3. Ask the participants to recall the post-disaster funding requirement graph and timeliness.
4. Ask the participants to tell what key post-disaster expenditures the government could be incur and what would be the funding requirement.
5. Request a volunteer to jot down at least 5 key expenditures on the flip chart. Keep going beyond if there's flow of additional expenditure coming in because of brainstorming.
6. Show the probable expenditure via slides and relate with the list of the participants on the flip chart.
7. Make sure to address that economic recovery has to be an integral part of the post-disaster expenditure.
8. Ask the participants about the Do's and Don'ts of setting priorities for funding requirements.
9. Show the Do's and Don'ts and focus mainly on the Do's.

### **B. Day 2 Group Activities**

#### **2.4. Financial Management of Climate and Disaster Risks**

**Respective Power Point:** '2.1. Fin Management – Exercise'

**Slides:** 2 – 4

**Activity Type:** Group Work

#### **Set Up:**

Explain to the participants that the activity is to understand the key issues related to climate change and disaster risks that could hurt the economy and the society and therefore, it is important as a first step to underscore those issues and identify the challenging that the government might be facing.



**Facilitation Methodology:**

- Assign the participants to Two Groups
- Display the three questions and ask the groups to seek answers to all the questions.
- Identify potential climate and disaster risks and their origin that can hurt the financial resilience of Government?
- Build your case for the Government to undertake financial management of risks?
- What are the key issues that the Government might face or is already facing? (Technical, Legal, Financial, Governance, Managerial)
- Give one hour to the groups for the activity and ask them to present towards the end of the activity and follow up with key questions and answers.

**2.5. Climate and Disaster Risk Finance Priorities**

**Respective Power Point:** '2.4. CDRF Priorities – Exercise'

**Slides:** 2 – 4

**Activity Type:** Group Work

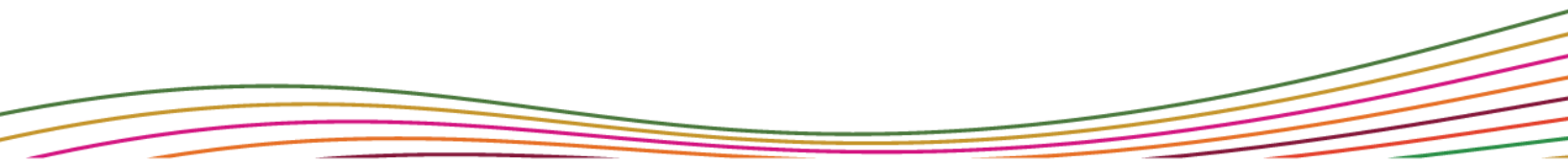
**Set Up:**

Explain to the participants that the activity is second part of the previous group work that was completed. Explain why it is important to set the priorities straight so the funding arrangements could be ensured by undertaking ex-ante financial planning.

**Facilitation Methodology:**

- Assign the participants to Two Groups, preferably the same groups as in the previous group activity, as it is the continuation of the same group activity.
- Display the question for which the groups must find the answer.
- Identify and enlist by priority the top five post-disaster funding requirements in the context of climate and disaster risks?
- Provide at least two-three sub-expenditures in each of the five categories.
- Ask the participants to assume the following roles when negotiating for the prioritization of expenditures and post-disaster funding requirements.

- Economic Affairs and Finance
- Planning and Development
- Humanitarian Affairs
- Emergency Response
- Critical Infrastructure
- Housing
- Public Health & Education
- Transportation & Communications
- Feel free to include more roles and profiles as highlighted during the activity.



## DAY 3 STRATEGY BUILDING FOR CLIMATE AND DISASTER RISKS



### **Objective**

The Day III of the training workshop aims at developing a sound understanding of how to make informed decisions around climate and disaster risks and what types of datasets might be required for the purpose, in addition to highlighting what key features should be included in developing strategy for improving the financial resilience of a country.

## DAY 3

# STRATEGY BUILDING FOR OF CLIMATE AND DISASTER RISKS



### Objectives:

- Understand what the basic flow is for making informed decisions.
- Seek basic level familiarity of the required datasets, data sources, tools, and instruments.
- Develop common understanding of the broader picture of CDRF and how to develop a strategy for Climate and Disaster Risk Finance objectives.



### Sessions:

- Technical Session 3.1.: Making Informed CDRF Decisions
- Technical Session 3.2.: Developing a CDRF Strategy
- Technical Session 3.3.: Understanding the Broader Picture of CDRF
- Technical Session 3.4.: (Concluding Session) Key Takeaways
- Group Activity 1: CDRF Strategy Exercise



### Suggested Time:

- 06 Hours

### Resources:

- Multimedia Projection System with screen
- White board
- Multi-colour markers for flip charts
- Multi-colour markers for white board (Erasable)
- Flip charts
- Flip stand
- Spacious Room for Group Activities

## C. Day 3 Technical Sessions

### 3.1. Making Informed CDRF Decisions – Data, Financial Tools, and Instruments

**Respective Power Point:** '3.1. Making Informed CDRF Decisions'

**Slides:** 2 – 12

#### **Key Discussion Points:**

- Four Core Principles of CDRF
- Funding Timeliness
- Risk Layering
- Funding Flow
- Data and Analytics
- Three Three Questions
- What type of data is needed?
- Where can the data be found?
- Is the data fit for the purpose?
- Decision Tree for Informed CDRF Decision Making

#### **Facilitation Methodology:**

Trainers are encouraged to follow the steps outlined below while they facilitate the session:

1. Give the session's introduction to participants. You may develop a slide to introduce the objectives.
2. Inform the participants that the session will be highly interactive and will involve brainstorming in between the slides and remains open to questions/answers.
3. Ask the participants of their opinion and knowledge about who suffers from the costliest of disasters.
4. Revisit through the slides the four key principles of climate and disaster risk finance.
5. Ask the participants to recall the significance of 'funding timeliness', 'Risk layering', and 'funding flow' and revise the concepts and implications for the memory of the participants.
6. Ask the participants to explain what type of data might be needed for making informed decisions and where to find them.
7. Go through the decision tree, which helps making informed decisions regarding CDRF.

8. Make sure the participants understand that there are three possible outcomes that could be achieved because of implementing the decision tree.
9. Maintaining Status Quo
10. Seeking Additional Support
11. Beginning Implementation

### 3.2. Developing a CDRF Strategy

**Respective Power Point:** '3.2. Developing a CDRF Strategy'

**Slides:** 2 –11

**Key Discussion Points:**

- The Need for Policy Response
- Financial Management Helping Governments
- Characteristics of Financial Resilience
- Stakeholder Management Grid
- Key Elements of CDRF Strategy and Action Plan
- Strategy Flow

**Facilitation Methodology:**

Trainers are encouraged to follow the steps outlined below while they facilitate the session:

1. Give the session's introduction to participants. You may develop a slide to introduce the objectives.
2. Inform the participants that the session will be highly interactive and will involve brainstorming in between the slides and remains open to questions/answers.
3. Ask the participants to recall the arguments about the need for a strong and robust policy response to climate shocks and disaster risks.
4. Also ask the participants again whether climate and disaster risk finance complement or competes with the efforts in disaster risk reduction and climate change adaptation.
5. Highlight in what ways the climate and disaster risk finance is going to help the governments.
6. Underscore once again the characteristics of financial resilience.
7. Once all these concepts are revisited, explain to the participants what the stakeholder management grid and where each stakeholder can be placed on the quadrant.



8. Also explain to the participants how we can work on a particular stakeholder to graduate it to the next quadrant of interest.
9. Ask the participants what the key features of a CDRF strategy could be and request a volunteer to write the points on a flip chart.
10. Explain to the participants the key elements of CDRF strategy and action plan and compare the key elements on Slide 10 with the points received from the participants.
11. Follow up by Strategy Flow and show the steps how a good strategy will be put in place.

### **3.3. Understanding the CDRF Broader Picture**

**Respective Power Point:** '3.3. CDRF Broader Picture'

**Slides:** 2 – 6

**Key Discussion Points:**

Global CDRF Architecture  
An Efficacious Architecture

**Facilitation Methodology:**

Trainers are encouraged to follow the steps outlined below while they facilitate the session:

1. Give the session's introduction to participants. You may develop a slide to introduce the objectives.
2. Inform the participants that the session will be highly interactive and will involve brainstorming in between the slides and remains open to questions/answers.
3. Explain to the participants the global CDRF architecture and how each stakeholder is located.
4. Draw the emphasis on the nexus of climate finance, loss and damage, and climate and disaster risk finance.
5. Highlight the issues that when addressed could help us achieve a highly efficacious architecture.

## C. Day 3 Group Activities

### 2.6. CDRF Strategy – Group Activity

**Respective Power Point:** '3.2. CDRF Strategy - Exercise'

**Slides:** 2 – 4

**Activity Type:** Group Work

#### Set Up:

Explain to the participants that the activity is to understand the key challenges in setting up a CDRF strategy and what major decisions need to be taken when developing a CDRF strategy.

Explain to the participants that the activity is second part of the previous group work that was completed. Explain why it is important to set the priorities straight so the funding arrangements could be ensured by undertaking ex-ante financial planning.

#### Facilitation Methodology:

- Assign the participants to Two Groups, preferably the same groups as in the previous group activities on Day II, as it is the continuation of the same group activities.
- Display the task for which the groups must carry on.
- Develop the Stakeholder Management Grid and bring all the stakeholders on the Grid.
- Also show which stakeholder you would like to see graduating on the grid and how would you propose to achieve it?
- Identify public sector financial arrangements that can be implemented in the strategy?
- Identify risk transfer instruments [Who owns the risk (pays for the instrument), timeliness and channel of the disbursements.
- Identify the Strategy Timeline.



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