



HIGH-LEVEL PANEL ON  
CLOSING THE CRISIS  
PROTECTION GAP

# Crisis Protection 2.0: Future-Proofing Our World

*A Roadmap to Close the Crisis Protection Gap  
Through Pre-arranged Finance*

**January 2025**

## The High-Level Panel

The High-Level Panel on Closing the Crisis Protection Gap formed in January 2024, comprising 20 expert members from across sectors and geographies, united by the conviction that national and international crisis, climate and development financing architectures are at a critical juncture.

Over the course of a year, the Panel met in person and in hybrid format. The Panellists and Secretariat engaged with stakeholders across public, private and civil society sectors through structured interviews and focus groups, gathering insights reflecting diverse perspectives and the contextual realities of sovereign-level pre-arranged crisis finance.

Deliberations were supported by expert consultations, case study analysis, and a review of existing literature on pre-arranged finance, resilience-building and disaster risk management. As well as incorporating scenario analysis and comparative evaluations of policy frameworks and financial instruments, the Panel has developed a set of recommendations that aim to be theoretically sound and pragmatically aligned with the operational needs and capacities of stakeholders, ensuring relevance and impact in diverse contexts.

## Secretariat

The Secretariat for the High-Level Panel on Closing the Crisis Protection Gap is supported by the Centre for Disaster Protection. The Centre for Disaster Protection works to prevent disasters devastating lives, by helping people, countries and organisations change how they plan and pay for disasters.

DAI provides the operational and administrative platform for the Centre's delivery and is a key implementing partner. DAI Global UK is registered in England: 01858644. 3rd Floor Block C, Westside, London Road, Apsley, Hemel Hempstead, HP3 9TD United Kingdom.

## Disclaimer

This work has been prepared in support of, and in close collaboration with, the members of the High-Level Panel on Closing the Crisis Protection Gap. Members of the High-Level Panel have served in their individual capacities and provided input that has informed the final report. The report does not necessarily represent the views of all members of the High-Level Panel; nor does it represent a policy commitment or endorsement from any individual or their institution.

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## *A Roadmap to Close the Crisis Protection Gap Through Pre-arranged Finance*

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# Foreword

**Arunma Otey and Mark Lowcock**

Co-Chairs, High-Level Panel on Closing the Crisis Protection Gap

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*This report delivers the High-Level Panel on Closing the Crisis Protection Gap's call to action – the sum of its year of deliberations, reflecting our collective view that the time is now to comprehensively rethink how the world financially prepares itself for and responds to crises.*

Specifically, decisive action is needed to close the crisis protection gap for the least developed countries and small island developing states, and in fragile, conflict-affected and vulnerable settings where the gap is widest and growing fast.

Our vision is of a crisis financing architecture fit for purpose to meet today's challenges and technical capabilities.

In a world where risks can be modelled with ever greater precision, we should not wait to react until a crisis occurs.

Nor can millions of people in vulnerable communities be left dependent on underfunded, ad hoc financial appeals and slow, fragmented post-crisis lending and financing approaches, where more effective financing instruments exist that enable dignified crisis protection at scale.



Simon Jarratt

At the heart of the **Crisis Protection 2.0** agenda is the High-Level Panel's proposal to reset the crisis financing architecture, to move from reaction to readiness.

This report provides a roadmap for this transformation. Its 10 strategic recommendations are ambitious but achievable, rooted in a simple truth: that financing can be deployed faster to where crises happen before they strike.

The recommendations set out a path to shift pre-arranged finance from the margins to the mainstream, and are attainable even within the structural and financial limitations of the world today.

*In a world where risks can be modelled with ever greater precision, we should not wait until a crisis occurs before reacting.*

- **The future of crisis protection hinges on scaling the proportion of crisis finance which is pre-arranged tenfold by 2035.** Today, globally only 2% of international crisis finance is pre-arranged. This must quadruple within three years and reach 20% by 2035. Roughly 35% of crises are modellable. The Panel believes pre-arranged financing should become the norm for addressing them.
- **But scaling funding alone is not enough. Countries must own their risks and lead their responses.** Every country must quantify its protection gap and develop a national strategy to close it, with finance ministries – not just humanitarian and climate adaptation stakeholders – at the helm. Risk-informed leadership will enable countries to better prepare for shocks by deciding which costs to retain and which to transfer long before crises even happen.
- **Informed choice is central to Crisis Protection 2.0. Pre-arranged financing must become more affordable, more transparent and more adaptable, enabling countries and communities at all levels of development to select the tools suited to their unique risks.** Impartial risk management partners are key to supporting countries in this journey towards improved crisis protection.
- **Also central to Crisis Protection 2.0 is equity. Too many crisis-vulnerable countries and communities living outside or beyond government reach are excluded from pre-arranged finance.** The High-Level Panel has paid particular attention to people living in FCV settings. Investments in localisation will be critical to ensuring Crisis Protection 2.0 reaches more people.
- **The High-Level Panel is unequivocal that all forms of insurance are central to this transformation.** With crisis costs projected even conservatively to be in the \$trillions annually by 2050, capital markets hold relatively untapped potential for securing essential public assets such as roads, hospitals and power grids, and for transferring enormous financial risks away from public balance sheets.

- **The High-Level Panel considers and prescribes important roles to international financial institutions (IFIs), which must continue evolving their crisis financing offers** to regional systems and institutions; to regional risk pools, which have great potential but also require focused changes; and to the UN Members States, which must push the UN system for more coherence and urgency.
- Finally, **the High-Level Panel has determined that improving transparency around publicly provided pre-arranged crisis finance is essential** – it is the missing bedrock of the improved accountability and measurement required to drive further adoption and to scale at pace.

Business as usual cannot continue when reactive funding remains too slow, too costly and leaves the world needlessly exposed. Pre-arranged financing must become the default for all predictable and modellable crises, not the exception. We see its power and potential to better protect communities, preserve livelihoods and help shift leadership mindsets from reaction to readiness, resulting in more proactive approaches to managing risk.

Yet current approaches to delivering crisis protection through pre-arranged crisis financing remain underdeveloped and fragmented, and the incentives to uptake are vastly outweighed by legacy approaches.

This report offers a pathway to promoting a viable alternative, while recognising the work remaining to better understand demand-side factors that limit uptake and delivery by governments.

As co-chairs, we thank each of the Panellists for their diligent, thoughtful and generous support in this work, and thank the Centre for Disaster Protection for its support in this important initiative.

**Sir Mark Lowcock KCB**  
Co-Chair,  
High-Level Panel on  
Closing the Crisis Protection Gap.

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# Introduction

## Scope and Rationale for Pre-arranged Finance

*Crises can stem from natural hazards, such as tropical storms, floods and droughts; biological threats, including pandemics; or human-made disasters, such as conflict and economic shocks. But without adequate financial preparation and planning, the impacts can reverberate across societies, exacerbating vulnerabilities and stalling growth and progress for years, if not decades.*

A crisis is defined not just by the event itself. It is the mismatch between the scale of the crisis and the resources available to manage its consequences. A localised flood may not rise to the level of a crisis in a country that is well prepared. But the same event could devastate an under-resourced and ill-prepared community, impacting lives, livelihoods, economies and ecosystems.

These basic principles are the starting point of the work of the High-Level Panel on Closing the Crisis Protection Gap.

### **What is the crisis protection gap?**

The crisis protection gap is a systemic shortfall in proactive planning, risk management and financing for predictable crises, leaving communities, governments and economies exposed to escalating damage and compounding costs.

In purely financial terms, it is the gap between the costs expected to be incurred from crises and the finance arranged in advance to meet those costs when they occur.

International crisis finance – the money raised from international donors and spent in overseas development assistance-eligible countries to help prepare for, respond to and recover from crises – has grown on average by 12% annually since 2017.

Nonetheless, the crisis protection gap is growing in the face of increasingly frequent and severe global shocks and will grow further in future, with climate change intensifying disaster risks worldwide.



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Underinvestment results in inadequate and delayed resources to respond to crises and recover effectively. This leaves countries and communities dependent on reactive financial measures, including budgets being reallocated away from essential public services, forcing national, regional and municipal governments to take on unsustainable debt, or depend on slow, ad hoc appeals; and leaving households reliant on dwindling personal savings, remittances and informal transfers.

### Why pre-arranged financing?

Pre-arranged financing refers to financial mechanisms secured in advance of a crisis; instruments such as contingent loans, contingent grants and insurance, which activate automatically when specified triggers are met, ensuring rapid and predictable financial support.

Data from the Centre for Disaster Protection shows that of the \$76bn spent on crisis finance in 2022, less than 2% was pre-arranged. Of this already tiny proportion, only 1.4% of that reached low-income countries. Another way to understand this is that less than \$1 of every \$5,000 of crisis finance goes to low-income countries in the form of pre-arranged finance.

Pre-arranged financing for crisis response is no panacea. Notably, it has limited application in the conflict-affected crisis settings in which most humanitarian finance is spent.

It is nonetheless the view of the High-Level Panel that pre-arranged finance that is sufficient, accessible, efficient and equitable is the missing component to underpinning a more proactive risk management approach that all countries should adopt, for the following three reasons.

## Faster, more predictable, more equitable response

Pre-arranged financing can reduce crisis impacts and costs by enabling swifter and more effective responses. This can reduce reliance on slow emergency appeals and better ensures resources can be mobilised without delay.

With guaranteed funding in place, governments, communities and humanitarian organisations can plan more effectively and act immediately when disasters strike.

University of Cambridge researchers have shown that every percentage point increase in insurance penetration (non-life premiums as a share of gross domestic product) is associated with a cut in recovery times by nearly 12 months. Countries with high insurance penetration recover in less than a year, compared with recovery periods exceeding four years in countries with low penetration.

Faster disbursements can not only safeguard lives but also reduce response costs, and play a critical role in minimising economic and health inequalities.

By maintaining essential social services and enabling the rapid restoration of infrastructure such as roads, power grids, and water and sanitation systems, pre-arranged financing helps both people and economies recover more quickly.

## Economic stability

Frequent crises erode economic growth. Research by International Monetary Fund (IMF) staff shows that countries facing such events grow 1–2 percentage points slower annually than more stable economies.

Pre-arranged financing mitigates these outcomes by reducing the financial strain on governments. It helps governments to smooth budgets by offsetting the costs of crises over time instead of all in one go.

Pre-arranged financing instruments help governments avoid diverting funds from critical services such as health, education and infrastructure, and reduce the need for emergency debt accumulation. This preserves fiscal space for sustainable development, supporting long-term stability.



## Enhanced resilience and risk reduction

Pre-arranged financing not only ensures faster response but can also incentivise investments in resilience and risk reduction.

Governments and insurers are more likely to invest in measures that lower risk exposure, such as improvements to infrastructure and investment in climate adaptation measures, knowing these may reduce the cost of insurance and other pre-arranged financing instruments. This can create a virtuous circle: investments in risk reduction lower liabilities, making insurance more affordable, which in turn enhances resilience, adaptation and risk reduction.

This approach aligns with global frameworks such as the Sendai Framework for Disaster Risk Reduction and the Paris Agreement, which emphasise risk governance, and the interlinkages between disaster risk reduction and climate adaptation.

By bridging the gap between financial preparedness and resilience-building, pre-arranged financing can contribute to a more sustainable and proactive approach to managing global crises.

## The costs of inaction

The consequences will be dire if the response-centric financing approach, with its ballooning costs, is still borne primarily by governments and multilateral donors.

Annual global economic losses from unmitigated climate change are projected to range between \$7 trillion and \$38 trillion by 2050. To address this, all available capital capable of holding these risks must be deployed efficiently and effectively.



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# Taking Stock Barriers to Scaling Pre-arranged Finance

*The High-Level Panel has identified a range of barriers significant in preventing pre-arranged finance's uptake in countries at all income levels.*

## National barriers to scaling

### Low government capacities for risk management

Research on 200+ countries conducted exclusively for the High-Level Panel showed fewer than 30 countries have developed standalone disaster risk financing strategies, and several of those were done to meet MDB lending conditions.

Choosing the right financing instruments for the right type of risk is essential for an effective, value-for-money approach. Governments must develop transparent and carefully risk-layered strategies that match different types of risks with appropriate financial tools. A risk-layered approach allows governments to set clear terms for how risks – ranging from frequent, low-impact events to rarer, high-cost disasters – are managed, responses financed and funds disbursed. This requires a clear accounting of the costs and trade-offs of different instruments, ensuring that resources are allocated efficiently and sustainably.

Even where strategies exist, their effectiveness depends on functioning governance frameworks, decision-making protocols and disbursement systems to get money out to ministries

and households. These capacities are often lacking in countries at all levels of socioeconomic development.

### Constrained budgets and scarce resources

Budget limitations, competing public funding priorities, and more immediate short-term political pressures and incentives make it challenging for governments to prioritise investment in crisis protection. It is typically only after crises happen that political momentum for action builds.

These issues are further compounded by the rising costs of reinsurance and insurance premiums, particularly in locations with limited disaster risk reduction measures in place and where there is a high frequency of disaster events.

Highly indebted poor countries face additional hurdles, lacking eligibility to access some of the most affordable crisis protection financial instruments offered through IFIs.

These constraints discourage prudent long-term investment in crisis protection, perpetuating a reactive rather than a proactive approach to managing disaster risk.

### Challenges in adopting insurance instruments

Worldwide, contingency lending dominates internationally supported pre-arranged finance, while insurance accounts for only around one third of crisis protection.

Governments often choose not to intervene in disaster insurance markets or purchase insurance themselves due to a complex mix of financial, institutional and perceptual barriers.

Many lack the technical expertise required to assess risk accurately, structure effective insurance public-private partnerships, or negotiate favourable terms. Without this expertise many shy away from developing much-needed public-private partnerships.

The rising cost of insurance can pose a substantial challenge, particularly for countries with limited fiscal space, and/or where investments in risk reduction have been lacking and climate risks are increasing.

Safeguarding public assets by putting scarce public funds in the hands of private insurers can be a complex political and financial calculation.

The High-Level Panel notes that functioning insurance markets are essential, and managing these pressures must be central to policy discussions. Strong public-private cooperation is key and requires the engagement of government, regulators, insurance supervisors and the insurance industry, as well as including property and asset owners and managers.

### Acute issues in FCV settings

FCV settings face even more acute issues, leading to critical gaps in protection for some of the most at-risk and often marginalised people. Weak or absent government capacity further undermines the potential for meaningful nationally led strategies.

This is exacerbated by a funding landscape that remains deeply under-resourced and fragmented. Multiple donors and humanitarian agencies are left independently channelling inadequate funding levels to meet often dire need, through myriad separate programmes.

Donors are often strictly limited in the kinds of life-saving projects they can finance from humanitarian budgets, ruling out many forms of pre-arranged financing.

## International barriers to scaling

### Misaligned financial incentives

The misalignment of financial incentives within the international financing architecture serves to perpetuate the crisis protection gap.

International crisis financing provided to developing countries remains heavily skewed towards post-shock funding. In the absence of more favourable terms for pre-arranged finance versus post-shock grant and concessional finance, countries' leaders say they have little incentive to invest in pre-arranged financing instruments or even sometimes in proactive risk management, particularly when faced with growing debt burdens and other fiscal and political pressures.

Debt sustainability analyses and sovereign credit ratings do not adequately account for investments in crisis preparedness, adaptation and risk reduction. This frustrates finance ministries and leaders who say they should be incentivised to invest in resilience and crisis protection with lower capital costs, to better protect economies and infrastructure.

Specific instruments are sometimes purchased on the basis of cost and subsidisation levels, rather than analyses of best fits to meet country needs. Some products (such as contingent loans) typically receive more favourable terms and higher levels of subsidies than others (insurance products and Disaster Clauses, for example). This complicates decision-making and limits the ability of governments to tailor financial solutions to their unique risk profiles.



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### Fragmented multilateral funding

The multilateral landscape is characterised by overlapping mandates and sometimes uncoordinated funding streams. Recipient countries say the absence of a cohesive strategy among international actors can serve to undermine their efforts to create effective, national or community-led resilience frameworks.

Small island developing states (SIDS) and least developed countries (LDCs) with relatively low government capacity but high crisis risks say they face disproportionate challenges to negotiating complex contracts with multilateral development banks (MDBs), UN agencies and insurers, as well as challenges in maintaining strategic oversight of the different programmes and instruments being implemented in their countries.

### The UN system's approach

Strategies for pre-arranged financing are gaining traction within the UN but are divided across multiple agencies and programmes. Each agency/programme focuses on specific aspects, rather than providing a comprehensive and cohesive crisis finance offer to countries.

The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) stands out as a pioneer in anticipatory action within the UN, particularly in fragile settings, and through the use of its Central Emergency Response Fund (CERF) as a pre-arranged financing vehicle. OCHA's work is focused on humanitarian responses and specific short-term interventions, rather than broader protection of assets and communities, and it focuses on the time periods immediately before or after crises, without addressing larger financial resilience and recovery strategies.

The United Nations Development Programme has a substantial capacity for disaster risk financing. This includes a focus on risk reduction and building systems that can withstand shocks, such as disaster risk reduction and climate adaptation efforts.

The World Food Programme, Food and Agriculture Organization and United Nations Children's Fund all actively engage in social protection programmes and anticipatory action initiatives, which provide rapid support to communities vulnerable to predictable shocks, delivering sector-specific initiatives over broader financial resilience strategies.

The establishment of the UN Development Coordination Office and the UN Sustainable Development Cooperation Framework was intended to improve UN system-wide coherence, efficiency and impact across the UN system.

Similarly, the UN Secretary-General-led Early Warnings for All initiative, with its focus on providing universal climate risk warning systems, is designed to strengthen countries' abilities to anticipate and respond to crises.

However, both these approaches have yet to rise to their potential when viewed through the lens of the urgent need for coherent and effective risk management and pre-arranged financing frameworks.

Meeting this need for more enhanced coordination between immediate UN disaster response financing, operations, and longer-term adaptation financing and resilience planning would result in stronger financial and political support for the UN.

However, today, despite the innovation shown by many parts of the UN system, the overall lack of strategy leaves many countries and



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communities locked into an under-resourced and reactive cycle of ad hoc post-disaster appeals, delaying and limiting recovery.

### Locally-led action: the missing link in crisis finance

Directing funds to national governments is an insufficient guarantee that resources will reach the most at-risk populations.

A persistent barrier highlighted by the High-Level Panel is the inability to channel funds directly to those local actors best positioned to respond to disasters in real time, and anticipate and meet the needs of the most at-risk people within their communities. Women, marginalised communities and those in hard-to-reach areas often remain excluded from both decision-making and benefits.

Local actors better understand the contextual realities of crisis protection gaps and are directly invested in building resilience to future shocks. Yet less than 5% of international humanitarian assistance is currently allocated directly to local and national actors. This undermines the effectiveness of crisis finance by increasing the distance both literally and figuratively between funding and those it is meant to support.

Direct support to local organisations would enable faster, more cost-effective and tailored interventions. Empowering local leadership and decision-making is essential to ensure resources address vulnerabilities equitably and effectively.



# The Window of Opportunity

## The Political and Public Moment is Right to Reset Crisis Protection

*The High-Level Panel examined the momentum for both systemic and regional reforms of institutions and instruments central to pre-arranged finance.*

It judged that in the current landscape, despite many structural and financial barriers, a combination of political, geographical and operational developments have opened a unique window of opportunity to improve crisis protection with pre-arranged finance. We must act now if this opportunity is to be realised.

### Growing public demand for proactive risk management

Extreme weather events have heightened public awareness of the shortfalls in current crisis protection systems in countries worldwide.

Public pressure is mounting. A survey by the World Economic Forum found that nearly 70% of respondents considered disasters among the most severe risks facing the world over the next decade, reflecting heightened societal awareness and expectations for proactive risk management strategies.

### Building political momentum for reform

Political momentum for improved crisis protection is rising, with growing emphasis placed on aligning climate, development and crisis finance to address the crisis protection gap.

Two political initiatives stand out in particular:

- **The Vulnerable Twenty Group of Finance Ministers** represents 70 climate-vulnerable countries. In the October 2024 V20 Ministerial Dialogue Communique, Vulnerable Twenty (V20) countries said pre-arranged financing models would be crucial to addressing financial and social protection gaps amid worsening climate shocks.
- **The Bridgetown Initiative 3.0** has catalysed international support for reforming global finance systems to meet the needs of climate-vulnerable nations. It calls for increased concessional finance, wider use of disaster debt clauses, expanded insurance markets and strengthened regional risk pools.

### Milestones reached at climate negotiations

Shifts in climate finance have left the financial landscape more open to change than before.

In 2022, at the 27th UN Climate Change Conference (COP27), the Global Shield against Climate Risks was launched, a joint initiative of the Group of Seven (G7) and the V20 Group, aimed at addressing the escalating challenges of climate-related disasters.

The Global Shield is designed to help strengthen the financial protection and resilience of vulnerable countries to respond more effectively to climate shocks, using a toolbox of pre-arranged finance. The initiative builds on years of advocacy for a more proactive approach to crisis finance.

COP28 in 2023 sought to increase complementarity, coordination and coherence across all new and existing funding arrangements for addressing loss and damage caused by climate change. It launched the Fund for responding to Loss and Damage to help developing countries pay for the damage caused by climate change.

The agreement of the Baku to Belém Roadmap at COP29 in 2024 marked another step forward, with specific provisions established to support climate-resilient development pathways, and improve finance quality and access for vulnerable countries.

### IFIs are evolving

MDBs have been working to build strategies and instruments that provide pre-arranged finance for rapid drawdown in the event of crises.

The World Bank has a Crisis Response Toolkit, with a suite of instruments that trigger in the event of shocks, and is increasingly providing technical advice and support to governments to establish disaster risk financing strategies, engage with private insurers, and seek to build and support domestic insurance industries.

Regional development banks, especially the Asian Development Bank, African Development Bank and Inter-American Development Bank, are also building similar strategies and toolkits.

Through these new instruments, the MDBs are absorbing climate risks into their own balance sheets and pooled funds, and building their own models and approaches for managing the related portfolio risks. This in turn is forcing a deeper understanding of climate risk modelling.

All these institutions are increasingly working together, through an emerging all-of-system strategy, leveraging the strengths of global and regional banks while ensuring that funding mechanisms are interconnected.

There are limits to the scale that MDB balance sheets can offer. The key strategic issues for the MDBs identified by the High-Level Panel are threefold: first, how to secure the right balance between using their balance sheets for pre-arranged crisis response versus development finance; second, how MDB support can help countries to scale risk transfer beyond that offered by the MDBs themselves, including sovereign risk pools and private providers; and third, how best to deliver rapid response financing for greatest impact, especially in fragile and conflict-affected states, which are both particularly vulnerable and underserved.

Separately, the IMF has also started to take steps towards recognising improvements in risk modelling, and acknowledging the fiscal and macro benefits for countries to build better strategies for pre-arranged financing.

For example, through sometimes requiring disaster risk financing strategies as part of the policy frameworks attached to the IMF's Resilience and Sustainability Trust, which helps low-income and vulnerable middle-income countries build resilience to external shocks, as well as through using climate risk modelling in debt sustainability analysis. However, these approaches are still nascent and not yet fully embedded in how the IMF advises governments on managing contingent fiscal planning.

### Openings for UN change

The 4th International Conference on Financing for Development, which takes place in Spain in June/July 2025, provides a key opportunity to advance intergovernmental commitments to reform the international financial architecture, including contingent financing specifically.

The UN's Pact for the Future, defined in 2024, provides a further opportunity for UN Member States to address shortcomings, and to push for the UN system as a whole to prioritise proactive financial strategies and pre-arranged financing.

### Disaster risk reduction gaining momentum at the G20 and a continued focus of the G7

There has been a broad push from both the Group of Twenty (G20) and the G7 to mainstream risk reduction in global financial policy.

In November 2024, the G20 issued its first Ministerial Declaration on Disaster Risk Reduction, advocating for national financial strategies that feature pre-arranged financing and adaptive social protection. This aligns with nations' climate commitments and comprehensive risk management strategies, and emphasises the need for coherence in climate, development and crisis strategies.

The G7 continues to highlight the importance of fostering public-private partnerships to unlock private sector investment in resilience projects, designed to complement government-led adaptation efforts by leveraging private capital and expertise.

Complementing these broader reforms, the G7 has specifically developed a High-Level Framework for Public-Private Insurance Programmes against Natural Hazards, which assesses the protection gap and explores possible actions.

### Regional developments are gathering pace

Regional intergovernmental strategies are embracing pre-arranged finance. From the Pacific Islands Forum and the Association of Southeast Asian Nations and the Southern African Development Community agendas are emerging that promote risk-informed development, affordable finance access and disaster resilience.

For instance, the Pacific Islands Forum's Disaster Risk Financing Roadmap provides a framework for strengthening regional financial protection.

### Growing opportunities for proactive approaches to risk in FCV settings

The relevance of pre-arranged finance in low-income and fragile, conflict-affected and vulnerable (FCV) settings is increasing.

More large donors of crisis finance are supporting longer-term, predictable and continued support to close the crisis protection gap for the poorest and most crisis-vulnerable people.

Advances in data science and modelling have significantly improved the precision of early warning systems, making possible preparation for and implementation of much earlier responses, and by a more diverse group of actors than in the past, when data and information were less accessible.

This evolution has been matched by donors' increased confidence in new mechanisms, and their willingness to move away from short-term, quick-fix financial support.

# Recent Innovations in Financial Instruments and Institutions

The High-Level Panel considers options for pre-arranged financing to be becoming more feasible and applicable due to advances in financial technology, risk transfer instruments and risk modelling, but their use is not yet growing commensurately.

## World Bank Crisis Preparedness and Response Toolkit

Research from the Centre for Disaster Protection shows the World Bank providing more of its crisis financing in the form of pre-arranged financing than other development banks.

The established Catastrophe Deferred Drawdown Option (Cat DDO), which enables eligible countries to access funds quickly in the event of a disaster without having to go through lengthy bureaucratic processes, is already delivering at scale.

The World Bank's Crisis Preparedness and Response Toolkit, released in 2024, is another positive development.

With the toolkit, the World Bank will deliver more funding more effectively after a crisis, and provide a more structured and flexible approach to crisis financing, with a focus on preparedness and response.

The toolkit brings together various financial instruments, including concessional loans, grants and technical assistance, into an integrated framework that can be tailored to meet the specific needs of countries.

Four of the five instruments proposed by the toolkit – Cat DDOs, Investment Policy Finance with Deferred Drawdown Options, Disaster Risk Transfers and Disaster Clauses – are pre-arranged finance instruments.

## Evolving insurance industry products

The private insurance industry continues to evolve, demonstrating its ability to support countries across diverse development stages, income levels and risk profiles.

Key drivers of this progress include advances in product design, closer collaboration with governments, national insurers and humanitarian organisations and breakthroughs in technology and data analytics that enhance risk modelling and pricing accuracy.

Insurance solutions now offer tailored products to provide customised financial stability to countries, households, agricultural industries and markets.

These solutions are often developed as partnerships between governments, industries and communities, combining financial coverage with technical insights, risk modelling and data analytics to help governments make risk-informed decisions and investments.

Property catastrophe insurance for homeowners and businesses, and agricultural insurance for farmers, typically require government intervention to function efficiently and at scale,

particularly for the most vulnerable people. They require long-term partnerships to build government and market capacity, demand and trust.

Both global and regional reinsurers have made strides in improving the affordability and accessibility of important products, such as contingent financing and catastrophe bonds.

These instruments provide governments with immediate liquidity in the wake of a disaster, enabling rapid response without destabilising national economies.

Much of this innovation is driven by parametric insurance, where payouts are triggered by specific data points (e.g. wind speed or rainfall levels), eliminating the delays of traditional claims processes.

Traditional indemnity insurance is also evolving, as seen in 2024 when the International Federation of Red Cross and Red Crescent Societies (IFRC)'s Disaster Response Emergency Fund secured the first-ever payout from a commercial indemnity policy, marking a major milestone for the humanitarian sector.

Enhanced risk assessment capabilities now allow insurers to align products with national development goals, climate adaptation strategies and infrastructure resilience efforts.

This growing sophistication is helping to support long-term community resilience, reduce economic and social disruptions caused by disasters, and build stronger frameworks for managing crises effectively.

## Regional risk pool offerings

Alongside the fully commercial markets, there is a role in the architecture for the sovereign regional risk pools: African Risk Capacity, the Caribbean Catastrophe Risk Insurance Facility, the Pacific Catastrophe Risk Insurance Company and the the Southeast Asia Disaster Risk Insurance Facility.

Supported by donor and sovereign capital – bridging the public and private sectors – they offer pre-arranged financing instruments, primarily to governments and humanitarian organisations.

These risk pools add value both through their mixed use of capital because they are structured to be able to scale and use the reinsurance markets, and because they are set up through partnerships.

These partnerships mean the risk pools as institutions can also tackle a wide range of issues and could potentially also promote regional expertise in risk management approaches.

In comparison to governments directly interacting with international insurance and reinsurance markets, the regional risk pools offer different strengths, including enabling regionally tailored, multi-year approaches to the design and validation of insurance products.

Out of existing highly subsidised instruments, the risk pools are the least expensive option for infrequent shocks. Recent research by the Centre for Disaster Protection finds that a 100% subsidised contingent grant from the International Development Association has a higher full economic cost to countries for 1-in-5-year shocks than a 60% subsidised sovereign insurance policy from African Risk Capacity.



# Strategic Recommendations for Crisis Protection 2.0 Future-Proofing Our World

The High-Level Panel on Closing the Crisis Protection Gap focused its deliberations on how to build a better, more coherent crisis finance system; a system fit for purpose to deliver greater value for money in the countries where the crisis protection gap is widest and growing fastest; a system where scarce resources work much harder and smarter to operationalise the full suite of risk-informed financing approaches, leaving humanitarian finance ring-fenced for those people and situations in which it is truly the only remaining lifeline.

The High-Level Panel intentionally focused on creating a series of independent, not interdependent, measures. It sought to avoid zeroing in on any one specific institution or instrument, instead focusing on the bigger picture of incentives and interests that shape the system and its outcomes.

This roadmap is focused on one headline challenge: how to increase tenfold the proportion of crisis finance that is pre-arranged by 2035.



# 1

## All countries need to make improved arrangements to increase the proportion of crisis finance deployed as pre-arranged financing by 2035.

### The High-Level Panel calls for the proportion of international crisis finance which is pre-arranged to increase by tenfold in 10 years.

- This means that by 2035 pre-arranged financing should account for ~20% of international public expenditures on crisis finance, making pre-arranged financing the default for all modellable climate, natural hazard-related and other non-malicious shocks and residual risks which can be planned for, across all countries and contexts.
- To demonstrate meaningful progress against this target, the Panel calls for an intermediary fourfold increase of the proportion of international crisis finance which is pre-arranged to ~8% by 2028.
- Available pre-arranged financing will increase if more money is allocated to pre-arranged finance by bilateral and multilateral donors. It would be beneficial for all crisis finance donor countries to establish clear domestic targets in this area. However, recipient countries also have a responsibility to create the necessary arrangements to ensure these investments are deployed effectively.

# 2

## Position national leadership and ownership at the heart of crisis finance.

### The High-Level Panel calls for all recipients of concessional crisis finance to have a strategy in place for financing crisis risks by 2035.

- **Ministries of Finance must set proactive national strategies for managing crisis risks**, including provision for financing risk reduction, as well as for the management of residual risks. Crisis risk financing strategies should be led by Ministries of Finance, but could be integrated with national adaptation plans and/or national disaster risk reduction and management strategies, which may be led by other ministries.
- **Governments and international humanitarian agencies should define and quantify their crisis-related financing needs (contingent liabilities), mapped against available resources.** This will help to identify shortfalls, target investments, and inform priorities for pre-arranged financing. It can also serve to clarify response capacities and responsibilities across line ministries, and with the private sector and humanitarian partners.
- **This requires new types of partnerships across and between government agencies, technical experts and civil society, as well as seeking to benefit from lessons learnt in other contexts.** In addition to establishing cross-ministry and multi-stakeholder mechanisms to enhance strategic collaboration across disaster risk reduction, planning, preparedness, management and response, there is meaningful potential for knowledge sharing and translation between countries which have been through similar processes, and/or from international organisations or expert teams, to build or round out missing areas of expertise or experience within government. Technical specialists within international development organisations and/or global insurance markets also have critical roles to play in mapping financial protection gaps.
- **Countries will need to draw on sources of impartial advice.** This service should be provided by impartial organisations that are not invested in promoting specific products or instruments.

*“Ministries of Finance must recognise and position pre-arranged finance as an essential component of crisis finance and set proactive strategies for its deployment”.*

# 3

## Recast the role of the IMF to support this critical shift.

**Given its fiscal stability mandate, the IMF should become a powerful voice in requiring governments to have thought through which macro-critical crises could affect their public finances and the role of risk management.**

The High-Level Panel considered options for this enlarged role including:

- IMF guidelines for incorporating climate change considerations in debt sustainability analyses (DSAs) should be changed to include requirements for all countries to have tailored stress tests to assess how climate shocks and other natural-hazard-linked shocks may impact them.
- Such stress tests should also be revised to reflect the full scope of non-malicious risks faced by each country – currently it uses a generic shock.
- DSAs should in future consistently incorporate the projected impacts of crisis risks, including both rapid-onset shocks and slow-onset stresses, in underlying baseline macroeconomic and fiscal projections, as well as incorporating pre-arranged finance into these assessments.
- The IMF should invest further in helping inform and equip donors and crisis finance recipient governments to better understand, negotiate and implement value-for-money pre-arranged financing instruments that increase financial resilience to macro-critical risks, and to support countries to integrate pre-arranged finance into macroeconomic planning.
- The ongoing review of the Debt Sustainability Framework for Low-Income Countries represents a live opportunity to better account for the benefits of crisis protection investments.

# 4

## Donors and the Fund for responding to Loss and Damage must increase the quantity of affordable, quality crisis finance for all crisis-vulnerable countries.

**The High-Level Panel calls on all donors to provide predictable, multi-year concessional finance for pre-arranged finance.**

- To meet the criteria for quality, this financing should be deployed via instruments that correspond to countries' risk profiles, taking into account national circumstances and existing national systems, and be based upon a realistic assessment of national fiscal capacity to self-finance those instruments.
- Clear, transparent and fair frameworks and criteria should guide resource allocation where concessional pre-arranged finance is provided, ensuring funding reaches those most at risk, particularly in SIDS and LDCs.
- Where national or locally-led crisis financing strategies or programmes have been developed, donors and intermediaries should align with those strategies in keeping with the 2005 Paris Declaration on Aid Effectiveness and the principles of locally led action.
- The Board of the Fund for responding to Loss and Damage should set clear, measurable targets for deploying pre-arranged finance through the Fund during its first phase of operationalisation. The Fund should work to ensure coherence and coordination with existing funding arrangements (including the Global Shield against Climate Risks, initiatives launched within MDBs, regional risk pools and insurance companies), and institute ways to mobilise new funding for pre-arranged finance.

*“To incentivise and enable change, international donors and multilateral institutions should put in place the right conditions so that every crisis-vulnerable country can access the support it needs”.*

# 5

## MDBs and the Global Shield against Climate Risk should widen access to the full suite of crisis protection instruments.

**To close the crisis protection gap, all countries must be able to access the entire suite of crisis protection instruments, and to then make a choice according to their individual diagnostics, risk analyses and strategies.**

Evolving the crisis financing system in this way will require some further gradual changes from important institutions, but the good news is most MDBs are already significantly adapting their offers to crisis-affected countries and these changes are moving in the right direction.

- As all MDBs continue to deepen partnerships with one another, and seek to simplify and reduce funding fragmentation, they should focus as well on tackling the fragmentation of instrument design and cost of pre-arranged financing instruments.
- Deeper relationships should be formed with the Global Shield and regional risk pools, to broaden the suite of pre-arranged financing instruments eligible for MDB incentives.
- The World Bank should evolve its support to countries to promote access to the most appropriate risk products for their contexts, not only those offered by the World Bank.
- Regional development banks are uniquely placed to influence regional agendas, and how the pre-arranged finance agenda is adapted and advanced in countries, in partnership with the World Bank. These relationships should also be brought to bear to connect countries with the support needed to undertake crisis gap analysis and strategy work.
- The Global Shield against Climate Risk is designed to be demand driven and agnostic between insurance instruments. Over time, it should endeavour to offer the same level of concessional support to other forms of pre-arranged financing.

# 6

## All countries must commit to public-private action and advance the partnerships needed to evolve insurance offerings, especially public asset insurance.

- **The high potential value of public asset insurance schemes makes this a significantly under-developed area for many governments and insurance markets.** There is strong evidence that investments in pre-arranged financing and rules-based disbursements for public infrastructure can significantly improve both welfare and economic outcomes following disasters. The establishment of government-backed public asset insurance schemes can help to build skills and expertise useful for development of property catastrophe insurance markets.
- **Providers in the international (re)insurance and capital markets should collectively and constructively promote greater uptake and understanding of the sustainability impact of public asset insurance schemes.** Industry platforms can help to identify and support development of asset registries and models in situations where private sector data and expertise can support early development of public asset insurance schemes.
- **On domestic insurance market development, there is no one-size-fits-all approach. However, all governments must acknowledge their own key role in ensuring the enabling legal, regulatory and institutional environment for private insurance, and the role of governments and their insurance supervisors in catalysing market development.** For example, many governments invest in data that can be used for specific types of disaster insurance products, in support of product design and development, in public sector reinsurance; or in coinsurance pools. Many governments also directly invest in awareness building or linking insurance to existing government programmes such as social safety nets, agricultural inputs or credit. Many take measures to make insurance more affordable, either by providing public subsidy, or by mandating cross-subsidies to smooth out the premiums between high- and low-risk areas. These are all constructive and replicable measures.
- **The commercial insurance sector, MDBs and the regional risk pools, should continue to provide and seek to scale up joined-up technical expertise and international experience to countries to inform their investments in the preconditions for public asset insurance,** including, but not limited to, developing asset and loss registries, modelling, developing rules-based responses for public agencies, and making improvements to public financial management structures necessary to implement insurance payouts.

*“For crisis protection transformation to happen at scale, supply- and demand-side obstacles to uptake of insurance must be addressed”.*



**Donors must invest to scale sustainable, transparent and effective regional risk pools – and the risk pools’ client countries must significantly increase their uptake and cost sharing.**

**The four regional risk pools have great potential to build trust in high-quality insurance instruments, support wider and deeper transparency of decision-making about disaster financing, and improve risk understanding. However, they are yet to deliver at scale against their full potential.**

- On the supply side, the regional risk pools should be financially and institutionally supported with increased premium financing in line with an ambitious scaling of overall pre-arranged financing.
- On the demand side, countries must take greater ownership of their participation in regional risk pools. This includes prioritising risk diagnostics, developing actionable disaster risk financing strategies and fully utilising the financial instruments available. Governments should also move towards increasing domestic contributions to premium payments over time, demonstrating commitment and helping ensure the sustainability of these mechanisms. Strengthened institutional

capacity and improved transparency will further encourage meaningful participation and enable countries to realise the benefits of risk pooling.

- More stable multi-year premium financing for the regional risk pools should come from MDB balance sheets. Additional funding should also be channelled through climate adaptation and resilience financing or directly from donor balance sheets.
- Regional risk pools should seek to increase their support for the sharing of best practices across countries facing similar risks, and help contribute to national disaster risk financing diagnostics and strategy development.
- Constraints to speed and effectiveness must be addressed by the regional risk pools working closely with countries to ensure the instruments offered perform to their potential.



**Invest in scaling action in FCV settings.**

**In fragile contexts, government capacity to coordinate and execute crisis financing strategies is limited or absent. This means specific approaches are necessary when scaling pre-arranged finance for much larger numbers of people. It is the Panel’s view that pre-arranged finance is not currently suited to some human-made crises (such as conflicts). But pre-arranged finance has a clear role to play in preparing for and addressing wider risks that vulnerable communities are particularly exposed to in FCV settings.**

- To address gaps in governance and overcome barriers to effective implementation, all activities in FCV contexts should prioritise flexible, community-centred solutions and streamlined coordination mechanisms.
- The Panel calls for a significant investment of money, but also a commitment to coherence in the systems and knowledge that support governments and humanitarian organisations in FCV settings, resulting in early action. This especially includes investments in early warning systems that can inform swift decisions, public financial management, and in ensuring responses earlier and in anticipation of crises.

- In the absence of strong government institutions, more pre-arranged financing should be directed to and through local organisations, community leaders, civil society organisations, and NGOs with established presence and credibility. These “direct-to-community” funding mechanisms empower trusted local actors to distribute funds, enhancing speed and accountability, and delivering faster support that is culturally and contextually relevant. This approach has been proven by organisations such as the Start Network to be feasible, fast and effective.

- Donors should encourage humanitarian organisations to make greater use of pre-arranged financing mechanisms, learning from examples such as the UN’s CERF and country-based pooled funds, the IFRC Disaster Response Emergency Fund and the Start Network Start Ready fund. They should also facilitate more of those resources being made available to capable local organisations.

*“Scaling pre-arranged finance for the millions of people who live in FCV settings – often beyond the reach of governments or multilateral organisations – is key to turning the tide on the crisis protection gap”.*

# 9

## Integrate pre-arranged finance coherently into UN operations and strategies.

**A number of UN agencies, funds and programmes make significant and important pre-arranged financing contributions. But crisis finance and pre-arranged finance need to be approached more systematically and strategically across UN operational policy and strategy.**

- The High-Level Panel hopes to see a significant increase in the operational relevance of Early Warnings for All. This is a key multi-stakeholder platform led by the UN Secretary-General, absorbing leadership attention across the system, but which is not currently connecting early warnings and triggers, early action and pre-arranged finance, or the UN's operational footprint, to reduce the crisis protection gap.
- It may be helpful in clarifying some country-level arrangements if pre-arranged finance was made a cross-cutting priority for UN Sustainable Development Cooperation Frameworks.
- Over time and as intensifying disaster risks increase, the overlap between the Paris Agreement and Sendai Framework for Disaster Risk Reduction objectives, UN agencies, funds and programmes should individually and collectively clarify their mandate-driven roles, and comparative advantages on crisis finance generally and pre-arranged finance specifically.

*“More coherent UN mandates and messaging on crisis finance would help recipient countries and broaden public understanding”.*

# 10

## Deliver a step change in trust and effectiveness by increasing transparency.

**Transparent information sharing and public accountability are crucial for informed decision-making. They enable meaningful debate between governments, businesses and communities about risk management responsibilities and hard decisions about how best to allocate scarce resources.**

- As a starting point, all public providers, intermediaries and recipients of pre-arranged crisis financing, including the risk pools, should commit to ensuring reporting of 100% of transactions through the International Aid Transparency Initiative by 2028.
- The Panel supports the Bretton Woods Committee's call for the Independent Evaluation Offices of the IMF, World Bank and regional development banks to periodically conduct integrated assessments of climate financing progress. The Panel suggests that the assessments could include reviews of contributions to progress on crisis preparedness and pre-arranged crisis financing, allowing for monitoring of the impact of World Bank Crisis Preparedness and Response Toolkit at a level beyond initial uptake of products, looking at whether the new tools perform for countries as expected.

*“Transparency is the foundation for building trust, accountability and public confidence in the effectiveness of the changes underway”.*



## Next Steps

To implement the 10 strategic recommendations in this report, the norms and standards of crisis finance will need to continue adapting and evolving.

Ensuring the crisis finance system can protect vulnerable communities, stabilise economies and mitigate future risks will count on three overarching next steps.

### Build global political momentum

The road to a tenfold increase in pre-arranged finance by 2035 (and quadrupling by 2028) depends on continued high-level leadership and bold commitments at the world's most influential forums.

The G20, G7, COP meetings and the 4th International Conference on Financing for Development must move beyond incrementalism, treating pre-arranged crisis finance as central to economic stability, climate resilience and global equity.

### Demonstrate what works

Momentum also requires real world action that proves the transformative potential of pre-arranged finance at scale.

Priority initiatives must be established across all the sectors invested in Crisis Protection 2.0, and be used to deliver and capture impact, generating the evidence needed to scale solutions globally.

These include public asset insurance schemes to protect critical infrastructure, expanded regional risk pools delivering timely and effective funding, and resource flows channelled directly to at-risk communities.

By showcasing experiences transparently, these efforts will build credibility, shift perceptions and attract broader financing. They will demonstrate how and under what conditions pre-arranged finance delivers faster, more effective responses, reduces long-term costs, and safeguards lives, economies and essential services.

### Anchor the agenda

Crisis Protection 2.0 requires a coherent global and/or regional platform on the crisis protection gap to drive cross-sectoral action, something that does not yet exist.

Evidence points are scattered across dozens of institutions and discussions mixed across different forums, from climate summits to development bank meetings, diluting impact, stalling progress and setting a high bar to entry to unpack and interact with the different components.

The convening of governments, development banks, insurers and local organisations made possible through the High-Level Panel was unique.

While the High-Level Panel is disbanding, global, regional and national spaces are still very much needed to continue to further align efforts, reduce duplication, and establish a shared sense of purpose and direction on closing the crisis protection gap in the years to come.



## Conclusion

Delivering the transformative vision of Crisis Protection 2.0 demands action that cuts across institutions, sectors, country typologies, geographies and international treaty conventions.

Change will depend on every actor from governments to insurers, and development banks to local organisations embracing their role in realising this ambitious shared agenda.

With human and economic costs already mounting, the world cannot afford to continue treating crises as unexpected surprises.

A crisis protection system fit for the demands of the 21st century can be built. The future depends on it.

This cannot be business as usual.



## Endnotes

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