THE WORLD BANK
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CASE STUDY

Africa's Disaster Shield: World Bank's Innovative Three-Tiered Financial Solution

Highlights:

- ***Disaster Risk Financing for Africa***: *Eastern and Southern African nations secured a total of $680 million in World Bank Group financing to create a swift, flexible, and sustainable mechanism for disaster response.*
- ***3-Tiered Financial Solution for 3-Tiers of Risk:*** *The mechanism has a multilayered approach to disaster risk financing based on the severity and frequency of shocks.*
- ***At its core: a menu of pre-arranged financial instruments*** *that stand at the ready to cover the funding needs of governments when a national disaster hits.*

Distribution of emergency goods in Anjouan. Photo: General Directorate of Civil Security of Comoros

Background

Eastern and Southern African (ESA) nations face increasing vulnerability to climate-related disasters, with devastating impacts on their populations and economies. A series of Tropical Cyclones severely impacted the region in recent years: Idai in 2019 caused $3 B in damages, Eloise in 2021 affected 467,000 people, Freddy in 2023 caused $507 M in damages, and Chido in 2024 affected more than 700 M people. Furthermore, a severe drought also hit Angola, Malawi, Zambia, and Zimbabwe in 2024. These increasingly severe climatic shocks will impact livelihoods and food security, which will decrease economic opportunities and increase migration and conflict across the region.

The region's existing disaster response mechanisms rely heavily on ex-post financing and budget reallocations, leading to delayed responses and inadequate recovery funding. Sources of financing for disasters have traditionally been humanitarian assistance, budgetary reallocations, and donor resources. Countries do not have access to a complete suite of pre-arranged financial instruments to respond rapidly to moderate, severe, and catastrophic climate shocks.

To address these challenges, the World Bank developed the [Regional Emergency Preparedness and Inclusive Recovery (REPAIR) Program] to strengthen the region's financial preparedness. The first beneficiaries were Comoros, Madagascar, and Mozambique in 2024 (Phase 1), and the Program expanded to Angola, Burundi, Malawi, Seychelles, and Zambia in 2025 (Phase 2).

Financial Objective

Establish a regional pre-arranged financing platform using a flexible range of tools to respond rapidly to climate disasters of varying severity.

Financial Solution

The World Bank structured a cost-effective, three-layered approach combining multiple financial products to cover a range of shocks from moderate to catastrophic.

REPAIR Program Risk Characteristics/Financing Mechanism

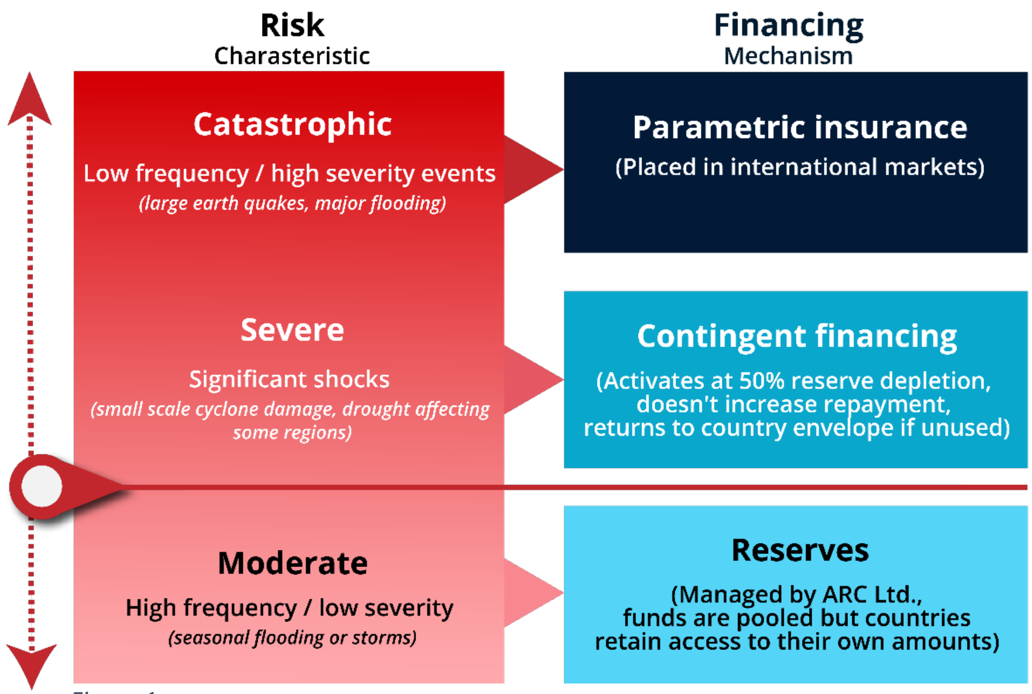

Figure 1

Financial Innovations

The REPAIR facility brings together several instruments from WB crisis toolkit to meet the increasing challenge of financing the emergency response to natural disasters. REPAIR brings three core innovations.

1. **Pre-arranged financing** within seven days of an eligible shock that can be flexibly drawn from three products, depending on the needs:
   - Reserves for moderate and frequent shocks with relatively limited damages (funded by IDA/IBRD),
   - Contingent financing (IPF DDO[1]) for more severe shocks that generate more damage, which kicks in when reserves are 50% depleted,
   - Parametric insurance for low-frequency, high-damage catastrophic events, placed in the international market.
2. **Using new World Bank products** to fund disasters, including the new contingent financing product (IPF DDO), the payment of insurance premiums from loan proceeds, and the use of the Framework for Financial Incentives (grants, larger borrowing volumes) for middle-income countries participating in the REPAIR program.[2]
3. **Regionalizing disaster risk financing** by establishing the REPAIR facility under the sovereign regional risk pool, Africa Risk Capacity Limited (ARC Ltd.). This regional approach achieves many efficiencies, including better insurance market access and pricing through risk pooling, financial product standardization, deepened technical capacity at a regional level, and streamlined implementation of disaster response funding when a trigger event occurs.

World Bank Roles

For this project, units within the World Bank, including Country Management Units, Treasury, Legal, and Finance and Accounting, collaborated

1 The IPF DDO is not a loan obligation until it is drawn down. The funding returns to the country's World Bank lending envelope if unused, and in the case of IDA, the IPF DDO loan is only counted 50% against the country Performance Based Allocation IDA envelope with no fees associated with the product, if it is used for crisis preparedness.

2 Given REPAIR's transboundary benefits, IBRD eligible countries Angola and Seychelles obtained volume incentives of respectively US$75 m and US$5m and Seychelles obtained a pricing incentive of US$700,000, supported by the Framework for Financial Incentives.

under the leadership of the Finance, Competitiveness & Innovation (FCI) regional and global Crisis and Disaster Risk Finance teams. The World Bank also coordinated with multiple partners in the region, including the African Development Bank's Africa Disaster Risk Financing (ADRiFi) Program, the Global Shield Financing Facility, and ARC Ltd. to create a comprehensive solution. Specifically on the financial aspects and structuring of REPAIR, the World Bank:

- **Performed analytical groundwork and diagnostics** to assist the government in developing policy strategies that led to their joining REPAIR.
- **Conceptualized and designed** the financial structure of the REPAIR Program, including the financial terms of each layer.
- **Brought in ARC Ltd. as the regional implementor** Africa Risk Capacity (ARC Ltd.). The entire program is run by ARC Ltd., which is funded through a $30 million IDA grant and a US$26 million Global Shield Financing Facility Grant. Those grants provide capacity building to countries to strengthen operational readiness to respond to disasters. ARC Ltd. is responsible for carrying out the three-tiered financial solution and building capacity for all stakeholders. This regional implementation results in product standardization as well as efficient pricing and operationalization.
- **Conducted market research and stakeholder consultations** with clients and ARC Ltd. regarding the use of the financial instruments in each layer.
- **Collaborated with IDA** to implement the financial structure and the related terms (e.g., securing the 50% set-aside against the IDA PBA allocation), fees aligned with other IDA financing (e.g., 0% at projects signing) and insurance premium payment through IDA/IBRD as part of World Bank operations.
- **Advised ARC Ltd. on REPAIR's investment policy** and approach (with the World Bank RAMP Program).

By involving the World Bank Treasury early in the conceptualization stage, the project team benefited from support in fit-for-purpose financial design and structuring of the project.

Outcomes

Phase 1 of the REPAIR Program, approved in July 2024, covering Comoros, Madagascar, and Mozambique, amounts to US$280 million of IDA financing and aims to mobilize $205 million in private capital for parametric insurance. The Program was successfully tested when Cyclone Chido hit Comoros in December 2024. Under REPAIR, $124,000 was disbursed to supply food, water, medical support, and reconstruction kits to displaced people in Comoros. In early April 2025, the Ministry of Finance of Mozambique activated REPAIR for $16.9 million to finance the response to the Jude tropical cyclone, which affected about 300,000 people in the province of Nampula, in order to deliver emergency food, water, medical kits, and shelters. Funds were successfully channeled to the Ministries of Finance within 7 days after the reception of the request.[3] Phase 2 of REPAIR is approved in July 2025, covering Angola, Burundi, Malawi, Seychelles, and Zambia. Phase 2 is leveraging $400 million of World Bank Group financing ($160 million in IBRD loans and $240 million in IDA Grants). By 2031, REPAIR plans to expand to include four additional countries with Phase 3 and aims to attract $795 million in private capital to help strengthen the resilience of 28 million people across the region.

Team

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3 From the latest implementation supervision report on REPAIR.