Malawi: Deadly floods menace tens of thousands

Earthquake Devastates Nepal, Killing More Than 1,900

Tropical storm Erika unleashes destruction as four die in Dominica

Bodies recovered after mudslides and flooding
Other islands braced for more as storm moves across Caribbean
Challenge

• Education faces threats from natural disasters (storms, droughts, etc.)
• Cause physical damage (like destroying schools) and social costs (lost education)
Secretariat commissioned research on how disasters affect education systems
1. Losses are much bigger than social spending
Average Annual Losses exceed social spending
(education, health, and social safety nets)
2. Schools and children are affected
3. Enrolment, education are at risk
Children affected as a share of enrolled children

- Malawi, 2012
- Moldova, 2010
- Samoa, 2009
- Pakistan, 2010
- Tonga, 2014
- Bangladesh, 2007
- Guatemala, 2010
- Mozambique, 2010
- Pakistan, 2000
- Nepal, 2011
- Philippines, 2013
- El Salvador, 2015
- Nicaragua, 2001
- Vanuatu, 2015
4. Social costs are bigger than direct costs
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<tr>
<td>Economic benefit from 5% reduction in</td>
<td>$3-$5 mn</td>
<td>$22-$75 mn</td>
<td>$109-$535 mn</td>
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<td>children out of school</td>
<td></td>
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<td>Economic benefit from 5% reduction in</td>
<td>$24 mn</td>
<td>$145 mn</td>
<td>$63 mn</td>
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<td>length of interrupted education</td>
<td></td>
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<tr>
<td>Estimated benefits from faster recovery</td>
<td>$29-$31 mn</td>
<td>$173-$226 mn</td>
<td>$211-$637 mn</td>
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5. Appeals don’t work
2\%
There is an urgent problem to solve

1. Education systems “hold” a lot of risk
2. GPE has a limited toolkit to confront big, expensive, rare risks
3. We depend on emergency appeals
4. Appeals can leave education behind
Disaster insurance pays out quickly and predictably

Build insurance into education sector planning
Programs cover 63 GPE countries

ARC in Africa, PCRAFI in Pacific, CCRIF in Caribbean

• Governments and donors pay premiums
• Governments get payouts after storms, droughts, etc.
On June 10, 2016, the PCRAFI Facility was established by legal statute in the Cook Islands. The Council of Members then developed the facility's governance structure and submitted an application to the Financial Supervisory Commission for a captive insurance license, which was issued on September 22, 2016. The facility can now play an incremental role in providing insurance coverage for the fifth season (November 1, 2016–October 31, 2017) of the PCRAFI insurance program.

The PCRAFI Facility provides the Pacific Island Countries (PICs) with climate- and disaster-related insurance in an effort to increase their financial resilience against climate and disaster risks.

During the 2015 Forum Economic Ministers Meeting (FEMM) in the Cook Islands, the PICs agreed to establish the PCRAFI Facility, thus demonstrating their willingness to undertake management of the PCRAFI insurance program. The PCRAFI Facility provides parametric insurance solutions that increase PICs' financial response capacity and thus help them to meet post-disaster funding needs without compromising their fiscal balances and development. By giving PICs greater ownership of disaster and climate risk financing at the regional level, the facility gives them control and influence over the design of future disaster and climatic risk solutions.

Germany, Japan, the United Kingdom, and the United States have provided US$40 million in grant funding toward the establishment of the PCRAFI Facility. During COP21, held in December 2015 in Paris, several donor partners pledged to support the development of the PCRAFI Program as part of the InsuResilience initiative championed by the G7. These efforts have now come to fruition.

The PCRAFI Program is supported by the PCRAFI Multi-Donor Trust Fund (MDTF) with the World Bank as trustee. In direct response to a request by the PICs at the 2015 FEMM, the World Bank collaborated with donor partners to secure funds and to establish the PCRAFI MDTF. See figure 1.

**PCRAFI PROGRAM**

The PCRAFI Program has two core components:

- **PCRAFI Facility.** The facility has been established as an insurance captive and designed to provide the PICs with catastrophe risk insurance coverage on competitive terms.

- **PCRAFI Technical Assistance (TA) Program.** The TA Program provides the PICs, regional organizations, and the PCRAFI Facility with technical assistance and capacity building on disaster risk finance and insurance and on public financial management of natural disasters.

The PCRAFI Program is designed and operated according to six key principles:

1. **Country ownership.** The PCRAFI Facility provides the PICs with a regional body accountable to them, giving them control and influence over the design of future disaster and climate risk tools. PICs recognize that the long-term sustainability of the program requires regional ownership.

2. **Financial sustainability.** The PCRAFI Program, and especially the PCRAFI Facility, are designed to be financially sustainable in the long run based on sound actuarial principles that adequately account for the underlying risks and operating expenses. This design will ensure that the initial capital injection is not depleted and can even grow over time.

3. **Contingency planning.** Contingency planning can ensure timely and effective use of funds (including insurance proceeds) after a disaster. Such plans should be agreed to ex ante to avoid any delays in financing response in the aftermath of a disaster. Such plans should also give the PICs flexibility over the use of the insurance proceeds.

4. **Accountability and transparency.** To date the PCRAFI Program does not require accountability and transparency, but both Vanuatu and Tonga, which received insurance payouts, have been

**PCRAFI FACILITY: PHASE II**

Enhancing the financial resilience of specific island and countries against natural disasters and climate risk
Old model

Resilience

New model with risk finance

Planning

Funding

Resilience

Before disaster

Natural disaster

After disaster

Damage assessments

Fundraising

Recovery

Planned response

Fast payout

Recovery

- Less time out of school
- Better resilience
- Lock in returns to education
Tonga to Receive US $1.27 Million Payout for Cyclone Response

January 23, 2014

Nicaragua Received Big Insurance Payout for Hurricane Damage

January 23, 2017 | Print

The insurance payout after Hurricane Otto was for over US $1.1 million. The executive branch also received another half-million dollars for the June 2016 earthquake.

By Maynor Salazar (Confidential)

PRESS RELEASE — MALAWI TO RECEIVE USD 8M INSURANCE PAYOUT TO SUPPORT DROUGHT-AFFECTED FAMILIES

Click here to download the PDF version.

JOHANNESBURG, South Africa / LILONGWE, Malawi / HAMILTON, Bermuda, 14 November 2016
For example...

1. Haiti faces severe natural disaster risk
2. Already a member of CCRIF, the Caribbean risk pool
3. Goal: integrate education into existing insurance coverage
4. Combine resilience in sector planning with pre-agreed funding when disasters strike
Outreach

Technical support

Planning and alignment

SRES pilot goes live

Collaborate with key line ministries

Country mission(s) alongside GPE country lead

Technical work to evaluate prices and coverage

Begin work with CCRIF secretariat

Integrate disaster response into sector planning

Support premium payments to CCRIF

M&E to generate evidence and best practices

$230,00 per country

~$3 mn a year

Months 1 - 3

Months 3 - 4

Months 3 - 6

Month 7 —
Core messages

1. GPE invests in education systems
2. Education systems face risks
3. Fast, predictable funding after disasters protects learning and locks in gains
4. Education, like health, is too important to be left to luck
Proposed Decision

BOD/2017/06-XX—Shock-Responsive Education Systems: The Board of Directors:

1. Authorizes the Secretariat to develop a Shock-Responsive Education Systems pilot program as set out in BOD/2017/06-XX and to commence work to:

a. seek targeted financing in accordance with paragraph 3.3 of the Contributions and Safeguards Policy,

b. identify suitable and interested developing country partners to participate,

c. identify and work with existing risk insurance programs and mechanisms that can facilitate the transactions.
Proposed Decision

2. Delegates authority to the Finance and Risk Committee (FRC) to approve the operational details of the pilot including determining when sufficient progress has been made so that contributions may be accepted from donors, approving individual country allocations, and, where necessary, approving the allocation of funds to external partners to cover premiums.

3. Mandates the Secretariat to: [a) continue to explore opportunities related to risk financing, and delegates responsibility to the FRC to provide approval to the Secretariat to pursue such opportunities based on their relevance and potential to advance GPE’s core work; b) explore opportunities for alignment with technical work being conducted by GPE partners to improve resilience of education systems.]

4. Requests that the Secretariat update the FRC and Board on the status of this work on a regular basis.
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