Framework for Prioritization of Country Support:
Process and Methodology

1 Introduction

Background

Launched at COP27 by the Vulnerable Twenty (V20) Group and the Group of Seven (G7), the Global Shield (GS) against Climate Risks aims to **increase protection for vulnerable[1] people by providing and facilitating substantially more and better pre-arranged finance** against disasters. Greater financial protection should lead to better and more reliable disaster preparedness and response, which is an important element of addressing losses and damages exacerbated by climate change. The GS promotes a demand-driven process, which is owned by the vulnerable countries' governments. General information on the GS's objectives, main elements and interventions can be found in the GS Concept.

Objective of this document

This document defines the **process and suggests criteria and methodological options for how to prioritize countries receiving support by the GS**. The GS Concept states that countries on the DAC list of ODA recipients are eligible for support under the GS[2], and that a tailored approach will be pursued in addressing the needs of Least Developed Countries (LDCs), Small Island Developing States (SIDS), and of Lower and Upper Middle-Income Countries (LMICs/UMICs). In all cases, there will be a clear, gender-sensitive focus on vulnerable people. This document aims to provide a transparent and consistent country prioritisation process, which centers the needs of the most vulnerable people to climate and disaster-related losses[3]. It builds on existing frameworks, such as the SMART Principles for Premium and Capital Support and the InsuResilience Principles, and defines clear roles in the process for GS bodies – the Global Shield Board (GSB), the Coordination Hub (CH), the Technical Advisory Group (TAG), and the GS Secretariat.

The **objective of this framework is to guide the prioritization of countries** which will carry out the GS In-Country Process (ICP) and submit a request for CDRFI[4] Support to the GS Financing Structure. However, it does not define how much funding will be allocated to each country by the Financing Structure following the submitted request. The GS generally aims to provide needs-based support to countries in alignment with other resilience-building and CDRFI initiatives in the respective country, while acknowledging individual governance and funding allocation frameworks of each financing vehicle. It is however clear

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[1] Based on the InsuResilience definition, vulnerable people comprise i) people vulnerable to climate risk with the risk of slipping (back) into poverty, defined as particularly exposed to extreme weather events and earning below $15 PPP/day and above $3.10. PPP/day; and ii) people living in poverty defined as people with an income below $3.10. PPP/day.

[2] Countries not on the OECD DAC List of ODA recipients can still receive funding through the CVF and V20 Joint Multi Donor Fund as one of the financing vehicles under the GS Financing Structure. While such countries are not excluded from GS support, priority will still be given to the poorest and most vulnerable to the effects of climate change.

[3] The GS can also support regional initiatives (e.g. a joint application by various countries, incl. through regional risk pools). Such particular cases will be taken up separately from this framework based on recommendations and demands raised within the GS Coordination Hub.

[4] Climate and Disaster Risk Finance and Insurance

that annual cohorts of GS partner countries are limited in size due to constraints of overall funding and available support resources in the GS.

This document was jointly developed by the (interim) GS Secretariat and the Centre for Disaster Protection, in close consultation with members of the CH. It presents a design for the process of country prioritization as well as criteria for country prioritization and for the development of balanced annual cohorts. **This framework was reviewed and endorsed by the InsuResilience High-Level Consultative Group (HLCG) on May 25, 2023. A technical annex will be added to the framework containing the detailed methodology**, including the technical design of the prioritization method and data analysis strategies for each criterion. Based on the final methodology, a country list will be tabled for endorsement at the first meeting of the GSB in November 2023.

2 Country Prioritization Principles

The country prioritization framework builds on the following principles:

- **Cohorts of additional GS partner countries** shall be added to the overall GS pipeline annually. Once a new cohort of partner countries is announced, the respective countries can start the GS ICP with the goal to develop and submit a request for CDRFI support. A country is considered a GS partner country for the time span from the preparation of the ICP to the conclusion of implementation of requested CDRFI solutions.

- Every cohort shall include those **countries prioritized in line with the proposed methodology** (cf. Section 4.3) that have demonstrated interest and commitment to conduct the ICP to subsequently receive support by the GS for implementation of tailored financial protection.

- Every cohort size and composition shall make **most efficient use of available funds and support capacity under the GS[5]**. As countries will complete the ICP at different pace, the number of GS partner countries will likely accumulate over the first few years, which will impact the availability of GS support and hence the potential cohort size.

- **Every cohort shall best possibly balance countries** from different regions (cf. Section 4).

- Maximum **transparency throughout the process** should be ensured. This includes full disclosure of the methodology, the initial prioritization based on the application of criteria, and the final ranking as approved by the GS Board (cf. Section 3 below). The GS Secretariat will openly share information accordingly via the GS Website.

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[5] Cohort Sizes will be determined based on the total available funding in the GS Financing Structure (i.e. committed funding minus allocated funding), the number of countries already undertaking In-Country Processes, and an estimate of expected funding requirements per country, building on past experience from CDRFI implementing programmes and funding facilities, and corresponding analytics conducted by the GS Secretariat. The approach to estimate expected funding per country will be included in the technical annex.

3. Country Prioritization Process
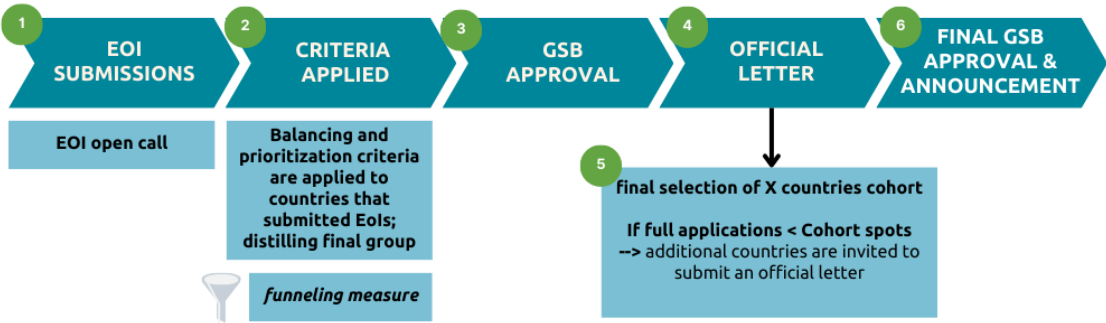
1. A global **call for EoI** will be published, allowing countries to signal interest in becoming a part of the GS partner country pipeline. A preliminary cohort size based on anticipated funding shall be communicated by the GS Secretariat. All countries that submit an EoI should participate in exploratory conversations between the respective government representatives and the GS Secretariat, outlining benefits, clarifying inquiries, and setting expectations[6].
2. **Countries that have submitted an EoI will be ranked** according to the methodology presented in chapter 4, which is based on objective, measurable and needs-based criteria[7].
3. The **GSB is asked to endorse** the cohort of countries proposed by the GS Secretariat by way of non-objection[8]. In accordance with the designated cohort size, the respective number of prioritized countries will be invited to submit an official letter of commitment.
4. Supported by further consultations with the GS Secretariat, the countries submit an **official letter of commitment**. In this letter, the country must specify and demonstrate the following:
   a. **Ministerial commitment** by government entity that is crucial for GS processes (led by the ministry selected by the country and including leadership and support by other relevant ministries, e.g. Finance, Environment/Climate Change, Agriculture, Social Protection, Disaster Risk Management, Met Office, etc.) towards the in-country process through its entirety[9].
   b. An **In-Country Coordinator,** i.e. a **governmental focal point** and a potential support structure.[10]
   c. The country's commitment to **conduct the process in an inclusive and participatory manner** that involves all relevant stakeholders, including representation of the needs of women and marginalized communities.

5. The GS Secretariat checks the official letters of commitment against the points a-c listed under 4, if required, in consultation with the TAG. In case the designated cohort size is not reached with applications, the GS Secretariat can actively reach out to additional countries which had initially submitted an EoI and invite them to submit an official letter.

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[6] For countries with limited capacity to submit EoI, support can be provided by the GS Secretariat (in collaboration with the V20 Secretariat, if needed)
[7] Country selection will also take into account relevant sanctions lists. Final decision on exclusion of countries should be taken by GSB.
[8] Endorsement by GS Financing Vehicles may also be necessary depending on their individual governance arrangements / requirements
[9] A substantial decrease in commitment after a country has been selected may lead to termination of GS support. Such cases would be brought to the GSB for final decision.
[10] A guidance note for the ICP will be shared alongside the final prioritization framework which outlines the role and tasks of the In-Country Coordination. The GS Secretariat supports the preparation of the In-Country Coordination.

6. Upon final GSB approval (by non-objection), the **list of the new country cohort will be publicly announced**, e.g., at the subsequent WB/IMF Annual meetings, UNFCCC COP, or other high-level political forums subsequent to the GSB meeting.

4 Methodology and Criteria

This section defines key considerations for how countries could be prioritized for GS support based on objective, measurable and needs-based criteria. It suggests criteria for country prioritization as well as a balancing criterion for the cohorts. Along the criteria, multiple examples for potential indicators and data sources are mentioned. The tool and descriptions of the metrics shall be fully elaborated as a technical annex to this document, building on the HLCG's decision.

4.1 Methodological Approach

GS support is generally open for countries on the DAC list of ODA recipients. As such, LDCs, SIDS, LIMCs & UMICs are all eligible for receiving support by the GS[11]. As more countries may seek to access the GS than can be accommodated in each cohort, countries will need to be prioritized for access. Given the significant differences in levels of vulnerability to climate shocks and other factors, prioritization should hence not be based solely on countries' income category. Instead, it should be able to facilitate financial protection to vulnerable people in countries with diverse profiles. Acknowledging the GS's ambition to provide more and better financial protection at a global level, country selection should also aim at regional diversity.

Therefore, the **framework combines a *balancing criterion* to ensure regional diversity with *prioritization criteria* to identify countries within those regional buckets that should access the GS first** within each cohort. Background data for all criteria shall be updated annually upon availability.

Countries in fragile and conflict-affected situations (FCS) are often particularly vulnerable when it comes to climate shocks, as in most cases, their situation further reduces coping capacities. The underlying data for the prioritization criteria might not capture most recent developments of FCS countries. Also, due to their particular situations, it might not always be feasible to conduct the ICP and implement CDRFI solutions. For these reasons, a case-by-case assessment will be applied regarding their ability to join the GS as a partner country (cf. Section 3). Further options could be developed, for example, cross-country support programmes provided through the central Financing Structure.

4.2 Balancing Criterion

Acknowledging the GS's ambition to provide more and better financial protection at a global level, country selection should aim at **regional diversity**. Regional balancing will take into account the size of regions and their relative vulnerability, avoiding disadvantage for countries from large regions with high relative vulnerability compared to smaller regions and or regions with low relative vulnerability.

For an indicative illustration of the **balancing mechanism** see Annex 1.

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[11] The framework will also take into account that eligible countries differ slightly per financing vehicle; GS-SP can respond to requests to countries on the DAC List of ODA recipients, GS-FF can support World Bank member countries, while V20 members could receive support by the V20 JMDF regardless of ODA status. However, the DAC List of ODA recipients generally provides a good reference framework for needs-based country selection under the GS.

4.3 Prioritization Criteria

In line with existing frameworks for needs and performance-based allocation in development-finance, a transparent and consistent method for prioritizing countries should be based on their needs for support.

To determine the level of need, this framework proposes the inclusion of **three dimensions in line with the goals of the GS:** i) **relative poverty** levels ii) **climate and disaster risk**, and iii) **readiness**. How these dimensions will be measured under the prioritization framework will be determined upon the approval of these dimensions as criteria. Details on data and methodologies will be provided in the technical annex upon endorsement of the framework by the HLCG. Please see the table below for general considerations, indicators, and potential data sources for each dimension.

Dimension	Rationale	Advantages	Limitations and Challenges	Example Measures
Poverty	The households affected most by poverty are usually the least resilient to the impacts of disasters, leading to negative coping strategies including recourse to savings, asset sales and borrowing[12]. This framework therefore proposes the prioritization of countries with high relative poverty levels, aligned with the primary objective of the GS, to "increase protection for vulnerable people".	Poorer populations are disproportionately affected by disasters and are often clustered in areas of greater hazard exposure[13]. Therefore, incorporating poverty as a dimension for country prioritization ensures a focus towards the targeting of vulnerable people living in poverty[8]. Datasets capturing country-level poverty measures globally are relatively readily available and well-maintained.	Risk inequality is not just driven by the unequal distribution of income and therefore a more comprehensive measure could perform better[14]. However, complex indices come with considerable challenges related to data quality. Using a single-source measure for prioritization could lead to bias by country type, for example under-estimating in-country inequality or severity of SIDS climate risk. This risk can be mitigated by applying the prioritization criteria to each country grouping (LDCs, SIDs, etc.) and taking the highest priority from each.	Poverty Headcount Ratio GNI Per Capita (in PPP) Multi-Dimensional Poverty Measure
Climate & Disaster Risk	Climate and disaster risk is typically understood as a function of hazard, exposure, and vulnerability (i.e. socio-economic predispositions, institutional coping capacities, and susceptibility of assets / infrastructure). Understanding a country's predisposition to natural hazards and the magnitude of populations at risk is fundamentally important when prioritizing funding allocations, to ensure that financial support is targeted towards those most at risk. Countries financial capacity to adequately and proactively respond to future shocks may serve as an additional dimension of vulnerability. This could be addressed through measuring countries' reliance on humanitarian response to recover from a shock (e.g. amount received from	Providing that the data available is accurate and reliable, risk indices can be an effective tool for quantifying complex ideas through the aggregation of multiple variables. Therefore, such an index could provide a more accurate and nuanced approach to the country prioritization process.	Poverty and multi-dimensional risk indices can correlate very strongly when the latter includes a poverty measure. Running model tests will be necessary when combining these two indicators to mitigate the risk of including poverty twice. It can be challenging to collect accurate data required for complex risk indices, often introducing error. Merging multiple indices can result in the final metric being a strong function of the included variables and how they have been combined mathematically. These can often be harder to rationalize compared to simpler indices.	Average annual losses[15] to climate-related hazards and numbers of people affected[16] INFORM Risk Model V20 Climate Vulnerability Monitor World Risk Index ND-GAIN Index

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	disaster/humanitarian response sources for past disasters).			
Readiness	Readiness for financial protection can be defined as a multi-factor assessment of countries' ability to effectively further CDRFI actions. For example, the InsuRisk Index clusters overall readiness of a country into three modules: (1) individual readiness, (2) the enabling political environment, and (3) the current development status of country's risk markets. Since the GS intends to fund a wide range of CDRFI actions, it is important that the variables included in the estimation of readiness are carefully considered and constructed on a solid database.	Using readiness could help in allocating GS resources to projects with higher potential impact, and greater likelihood to support vulnerable people at scale. Particular emphasis could be given to availability and quality of delivery (money-out) mechanisms, existence of data and analytics needed to develop and implement high-quality CDRFI, sufficient public financial management capacity to implement CDRFI, political willingness to invest in financial preparedness, and good practices on inclusive and participatory processes for stakeholder engagement at the policy level. In fragile and conflict-affected states (FCS), alignment with existing programmes of development banks could serve as an entry point for GS processes.	Including readiness for prioritization could leave behind high need countries with the lowest institutional capacities. The exact composition of data used for multi-factor readiness will be decisive to mitigate adverse selection, and running tests of the model to assess its practicability and overall effects on the ranking will be necessary.	Readiness component in the InsuRisk Assessment Tool Readiness component in the ND-GAIN Index Complementary data from InsuResilience M&E and V20 CPP

[12] Hill, R. (2020) 'Focusing on poverty: reducing vulnerability with disaster risk financing', guidance note, Centre for Disaster Protection, London.

[13] Hallegatte, S., Vogt-Schilb, A., Rozenberg, J., Bangalore, M. & Beaudet, C. (2020) From poverty to disaster and back: A review of the literature. Economics of Disasters and Climate Change.

[14] UNDRR (2019), Global Assessment Report on Disaster Risk Reduction, Geneva, Switzerland, United Nations Office for Disaster Risk Reduction (UNDRR).

[15] Losses can refer to loss of life, injury, as well as damage and loss to property, infrastructure, livelihoods, service provision, ecosystems, and environmental resources. IPCC (2018)

[16] Given the rawer nature of this data, no specific source is mentioned. It can be derived from various databases including the datasets behind the mentioned indices. AAL data would have to be provided by risk modelling agencies.

Annex 1: Sorting Procedure Example

The application of the balancing criteria could take the following steps in practice:

- The designated cohort size in this example is 8. In this example, the cohort includes two countries per region (LAC, Africa, Asia and the Pacific).

- Countries are clustered by region and prioritized within regions based on the criteria in section 4.2. Two countries per region are selected. These six are complemented by two additional countries that rank highest in the overall ranking and are not yet selected.

- Transparency of the procedure should be ensured at every step.