

Boosting Financial Resilience to Disaster Shocks

Good Practices and New Frontiers

World Bank Technical Contribution to the
2019 G20 Finance Ministers' and Central
Bank Governors' Process

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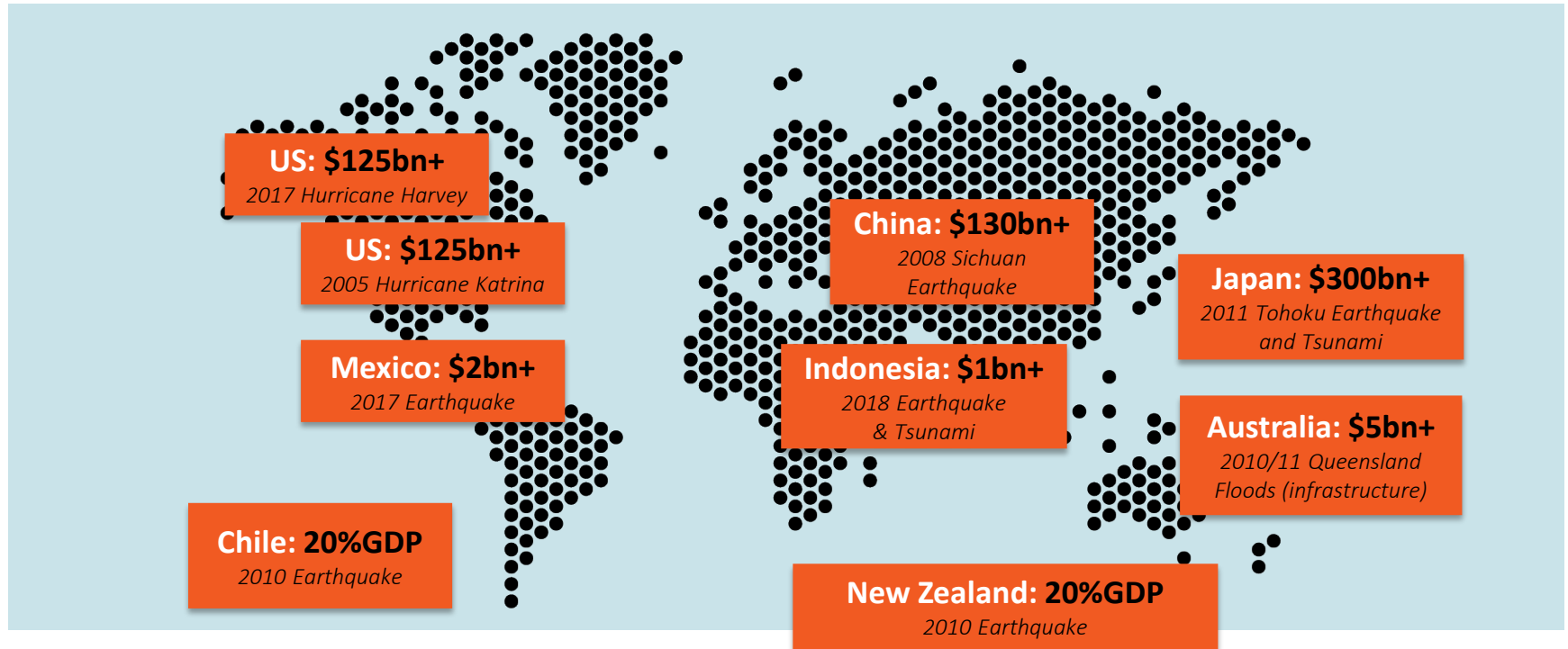
Practice Manager

Climate and Risk Management

World Bank



Disasters threaten public finances and poverty reduction



Global economic losses from disasters are on average more than **US\$300 billion** a year

This increases by 60% to **US\$520 billion** when estimating **global consumption loss**.

Disasters force **26 million people** into poverty every year

Building a comprehensive approach to resilience

Reduce risk and prevent disasters
e.g. quality infrastructure



Help households and society cope with shocks
e.g. shock responsive social safety nets



Financial Resilience

A teal 3D rectangular box with the text 'Financial Resilience' in white, bold font.

Core Mandate of Finance Ministers

Pre-arranged predictable funding when disasters strike to protect the fiscal balance, subnational governments, households, and businesses

DRF Core Principles – Lessons from international experiences

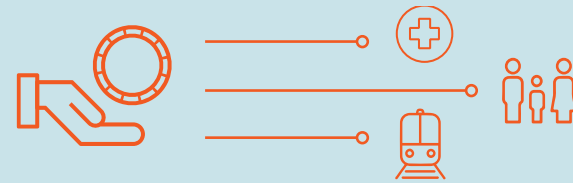
Timeliness of Funding

Speed matters but not all resources are needed at once.



Disbursement of Funds

How money reaches beneficiaries is as important as where it comes from.



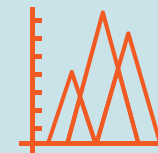
Disaster Risk Layering

No single financial instrument can address all risk.

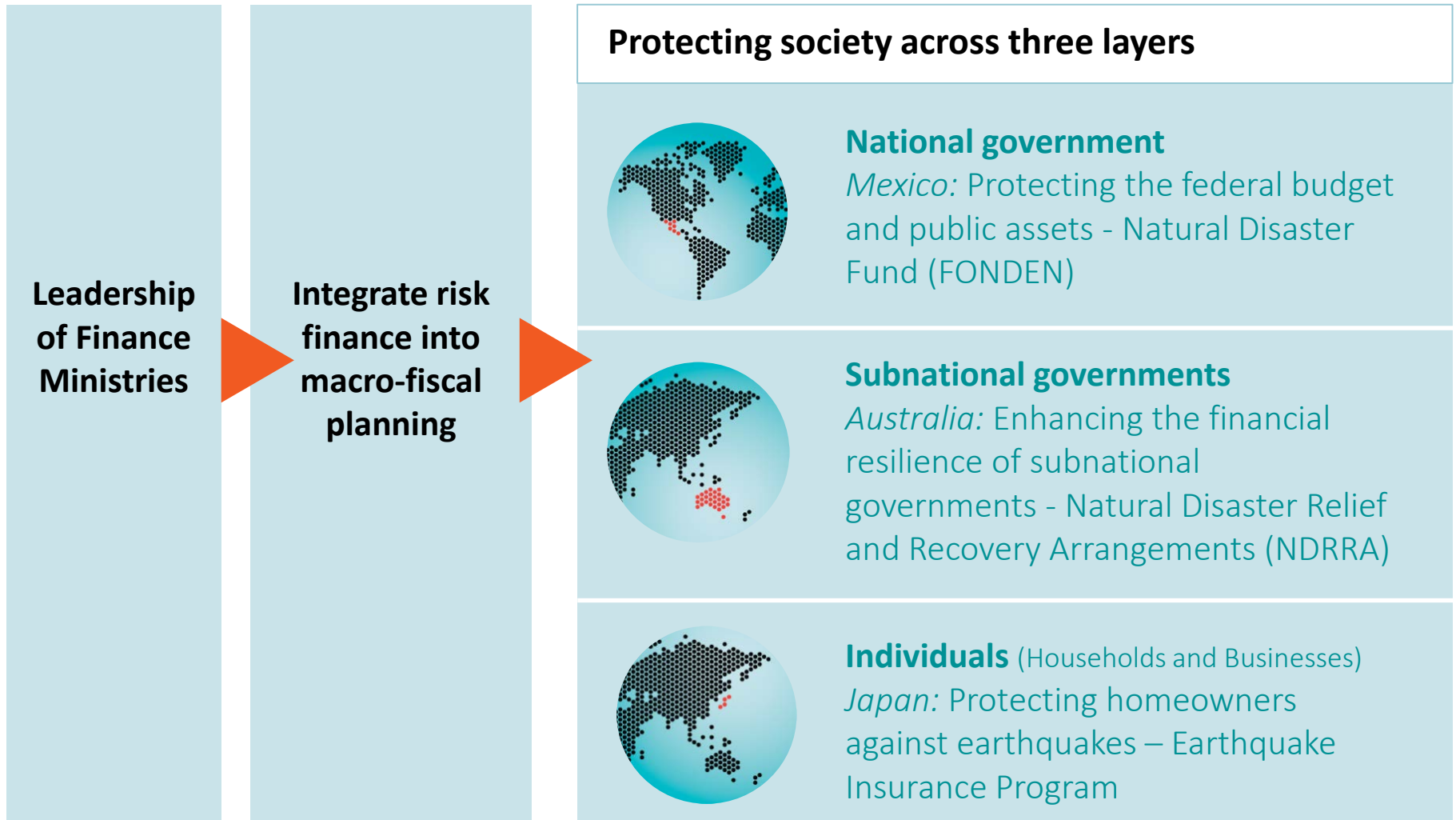


Data & Analytics

Sound financial decisions require the right financial information and data.



Good Practice in national DRF strategies – Three-tiered approach



Good practice in regional collaboration - Sovereign cat risk pools

3 existing regional catastrophe risk pools
1 being established



Good practice in regional collaboration - Sovereign cat risk pools

3 key lessons for Success



Political Commitment

by participating countries



Operational Design

to minimize operating costs and create public goods



Financial Sustainability

to provide access to cost-effective financial solutions

Source: Authors and World Bank. 2017. "Sovereign Catastrophe Risk Pools." Technical Contribution to the G20.

What's next?

Disaster Risk Finance 2.0

Three key innovations

1.

Cat risk pools - sharing more than risk

Full service regional risk financing
Platforms addressing specific DRF needs for more countries

2.

Better targeted financial solutions

for specific drivers of contingent liabilities

3.

Increasing use of technology

such as Innovation in Earth Observation Data, Financial Technology, Big Data and Artificial Intelligence

1.

Cat Risk pools—sharing more than risk



PCRAFI—Private Sector Window

helping domestic insurers access international reinsurance markets



ARC—Replica Coverage

cat risk insurance policies offered to UN agencies and other humanitarian actors to match ARC country insurance policies.



CCRIF—New Insurance Products

excess rainfall insurance, fisheries insurance

1.

Cat Risk pools—sharing more than risk



A DRF Platform for ASEAN Countries. Tailored to diverse perils, size, income level



PROGRAMS >

SEADRIF
Insurance
Company

Flood Risk
Model

Insurance
Market
Development

Capacity
Building /
Knowledge
Exchange

Future
Programs

PRODUCTS >

Cat Risk Pool

Public Asset
Insurance Program

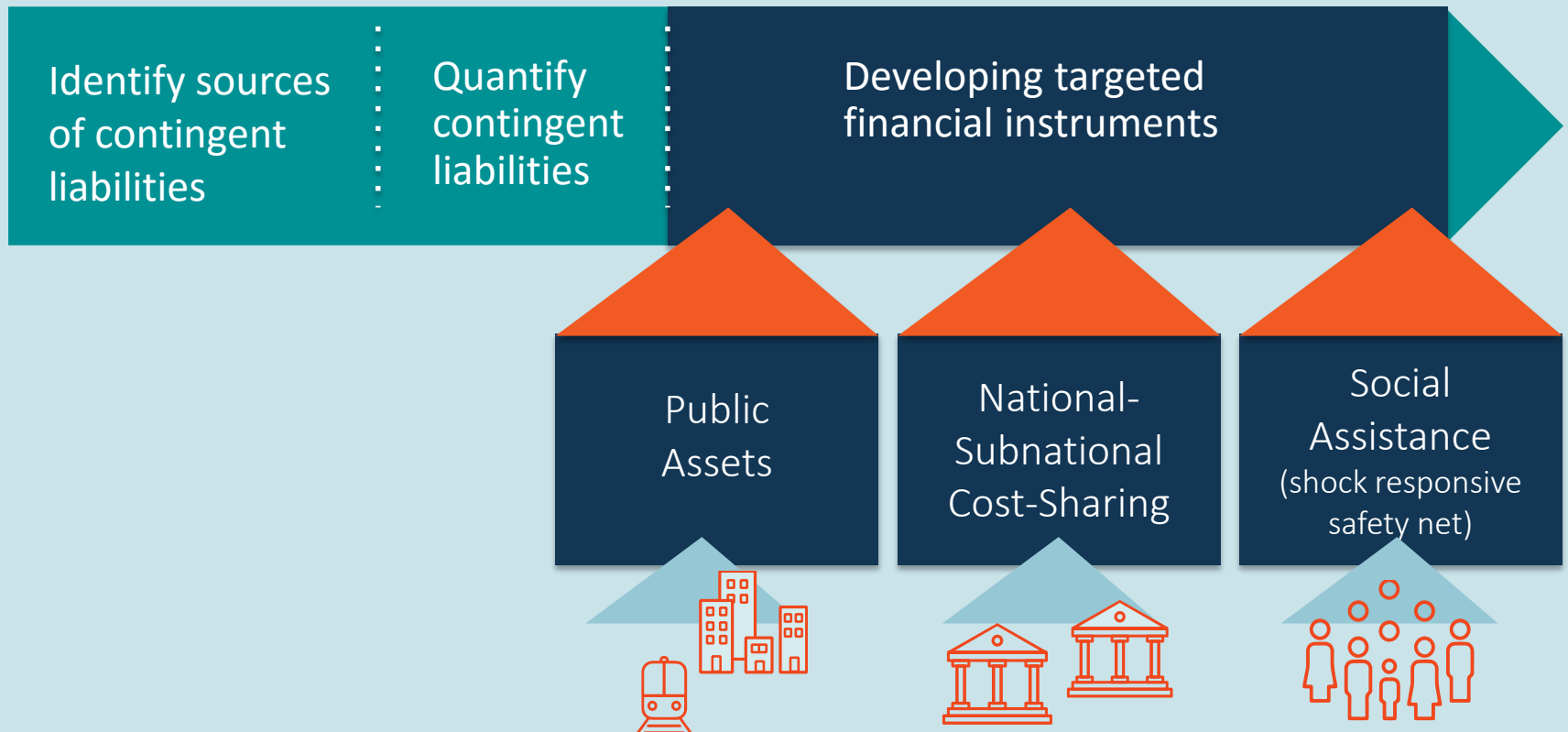
Future Products

Projects Under
Other Programs

www.seadrif.org

2.

Targeted risk financing solutions to better match government liabilities for efficient portfolio risk management



3.

Technology and innovation for disaster risk financing



Earth Observation Data

Mapping assets, assessing risks, and near-real-time impact monitoring.

Southeast Disaster Risk Insurance Facility (SEADRIF):
Flood Risk Assessment Tool

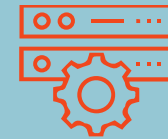
Japan Earthquake Insurance Program:
Claims settlement after earthquake



Financial Technology

Digital payment systems to improve accessibility and effectiveness in providing financial assistance.

Kenya Livestock Insurance Program:
Insurance payment to farmers through mobile money services



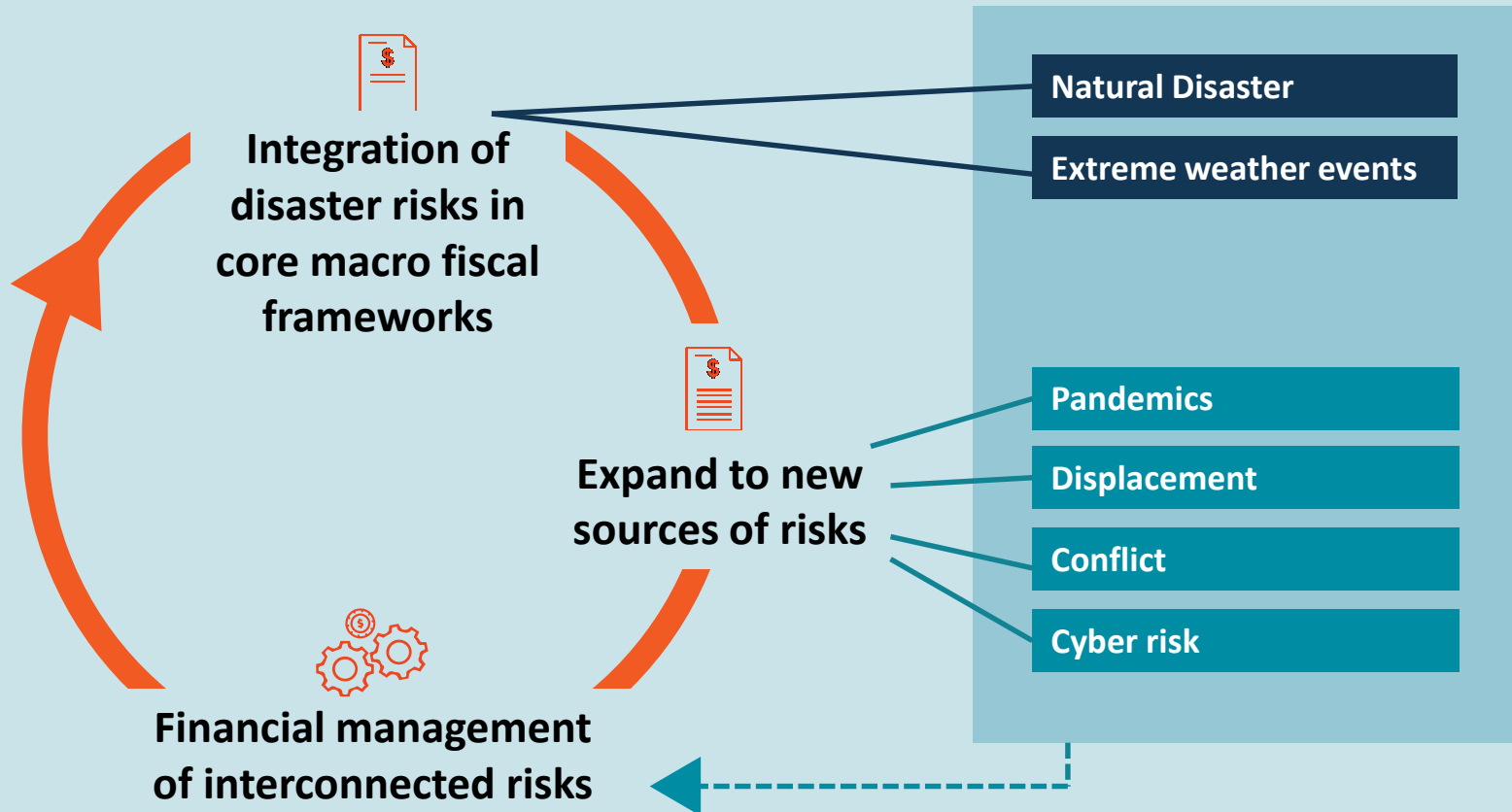
Big Data and AI

Nascent, but potential to transform disaster risk financing e.g., claims assessment and triggers.

Southeast Disaster Risk Insurance Facility (SEADRIF): Testing of social media inputs for risk assessment

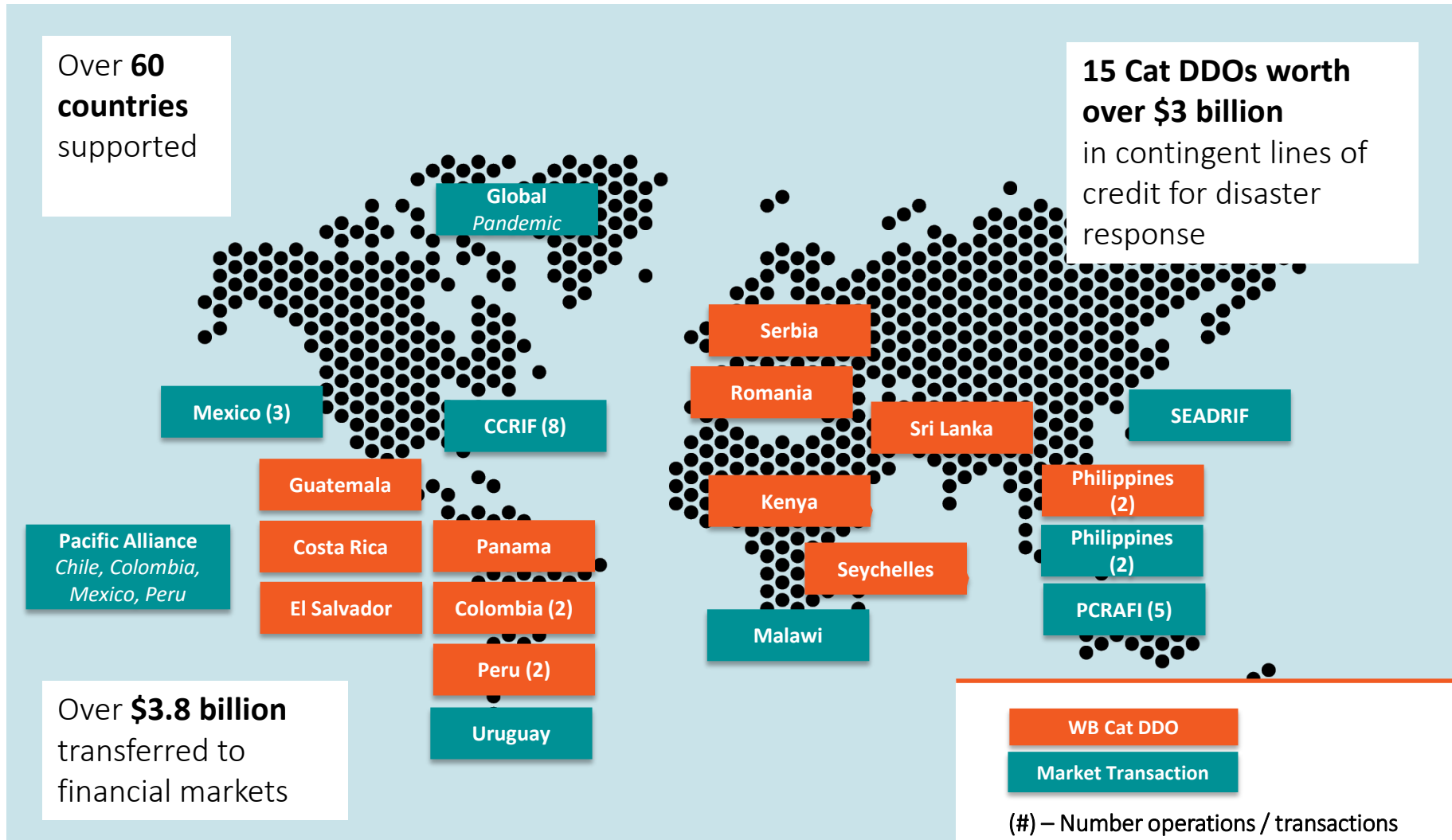
UK Digital National Asset Register:
Upgrading the management of the government estate.

New Frontiers in DRF



World Bank - Growing Support on DRF

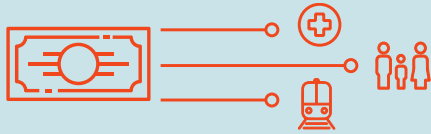
to help MOF integrate risk finance in their macro-fiscal policy





Global Risk Financing Facility

Supporting Early Action to Climate Shocks, Disasters, and Crises



Enabling **early action** after climate shocks, disasters, and crises by **setting up financing ahead of time** and connecting this to pre-agreed interventions.

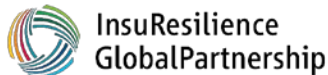


Launched at the 2018 World Bank-IMF Annual Meetings. Expected **donor contributions of over US\$145M** to invest in establishing and scaling up pre-arranged crisis risk financing instruments, including market-based instruments, and the systems that enable better response.



Over time the GRiF **will test and scale up new financial solutions** to cover a wider range of crises, including in support of the World Bank's Global Crisis Risk Platform.

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of



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for Economic Cooperation
and Development



Implemented and Managed by



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