

# Disaster Risk Financing Options for Enhancing Resilience

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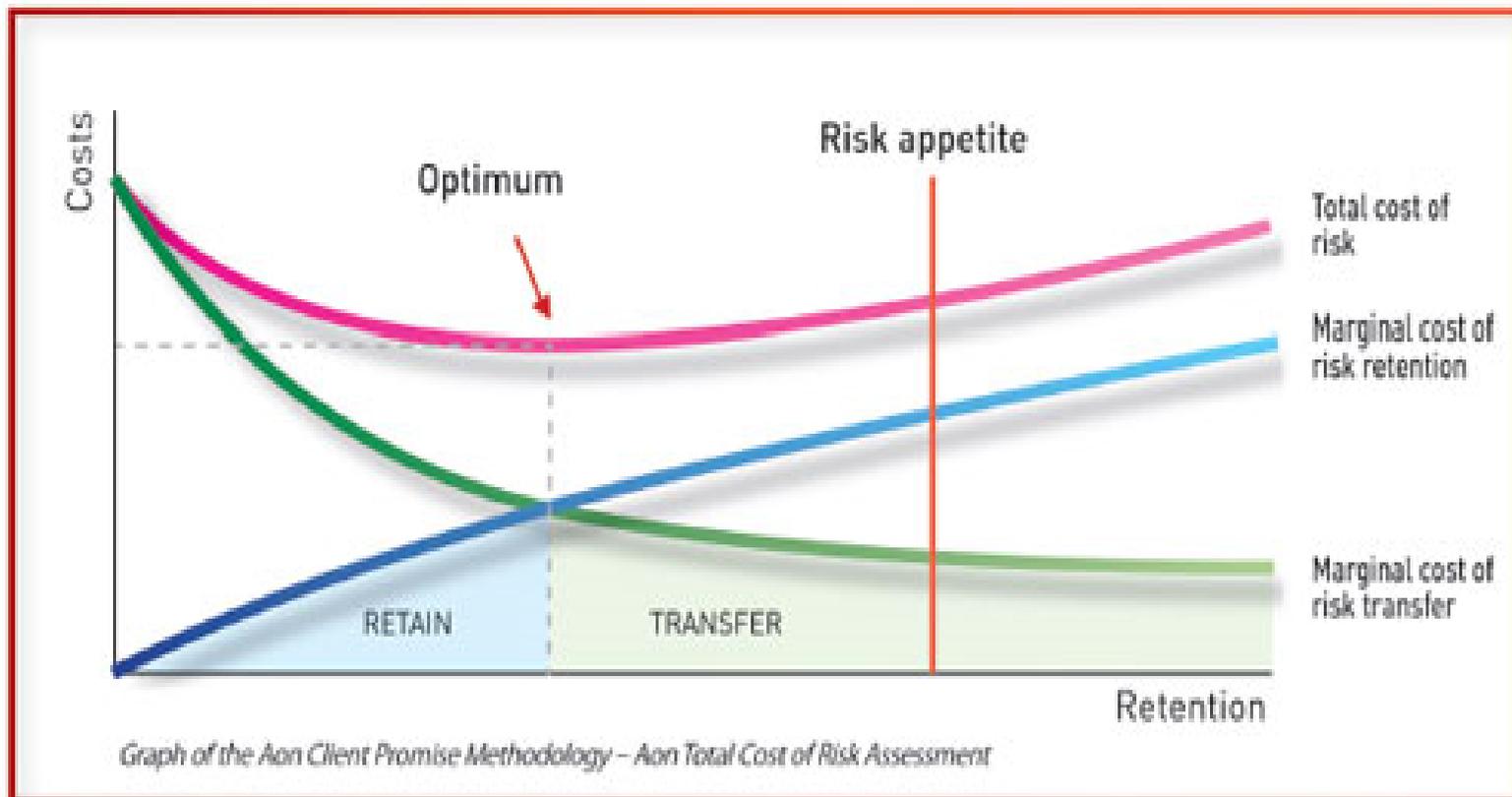
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# Outline of the PRESENTATION

1. **What?**
  - Financial protection that complements risk reduction
2. **Why?**
  - Cost of disasters is increasing
3. **Who?**
  - Governments, regulators, insurers, intermediaries, financial institutions, development partners, donors
4. **How?**
  - Build synergies with real sector activities to develop a risk financing strategy

# What is Disaster Risk Financing?



Risk financing complements, but does not replace, risk reduction and resilience measures



# Why is it a priority for Asia-Pacific?

Peril	Potential Severity	Relative Frequency
Tropical cyclone	High	High
Flood	High	High
Earthquake	High	Low
Severe storm	Moderate	High
Extreme temperature	Low	Moderate
Drought	High	Moderate
Fire	Local	Moderate
Building collapse	Local	Low
Landslide	Local	Low

- Vulnerable to climate change and natural hazards

# Why is it a priority?

- **Increasing exposure** (caused by poorly managed growth) will continue to drive disaster risk
- **Urbanization** is a particular concern
- **Climate change** is likely to exacerbate this trend

<b>Governments</b>	<ul style="list-style-type: none"><li>- Cost of explicit and implicit contingent liabilities</li><li>- Loss of revenue</li><li>- Opportunity cost of diverting funds</li></ul>
<b>SMES. MSMEs (including agro-based)</b>	<ul style="list-style-type: none"><li>- Loss and damage to home and assets</li><li>- Loss of business income</li></ul>
<b>Supply chain actors (including farmers)</b>	<ul style="list-style-type: none"><li>- Loss of production, livestock, assets, and livelihoods</li><li>- Loss of market access</li></ul>
<b>Vulnerable population and communities</b>	<ul style="list-style-type: none"><li>- Loss and damage to homes and assets</li><li>- Loss of market access</li><li>- Loss of livelihoods</li></ul>

Risk financing complements risk-sensitive development and planning



# How is it done?

Insurance provides leverage to other policy areas



## Sovereign Disaster Risk Financing

Increasing financial response capacity of government and access to funding

## Agriculture Risk Insurance

Protecting agriculture producers from losses

## Property Catastrophe Risk Insurance

Protecting SMEs, MSMEs, and home owners

## Disaster Linked Social Protection

Targeted protection for poor (microinsurance)

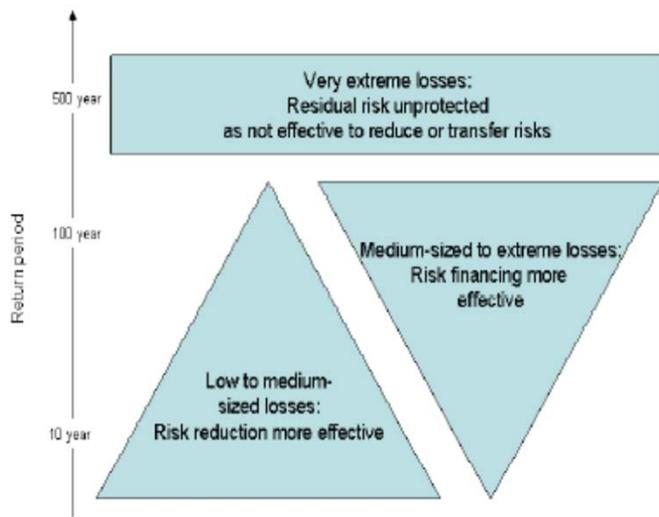
**Risk Protection Strategy**  
(Risk assessment, scenario analysis, cost-benefit analysis)



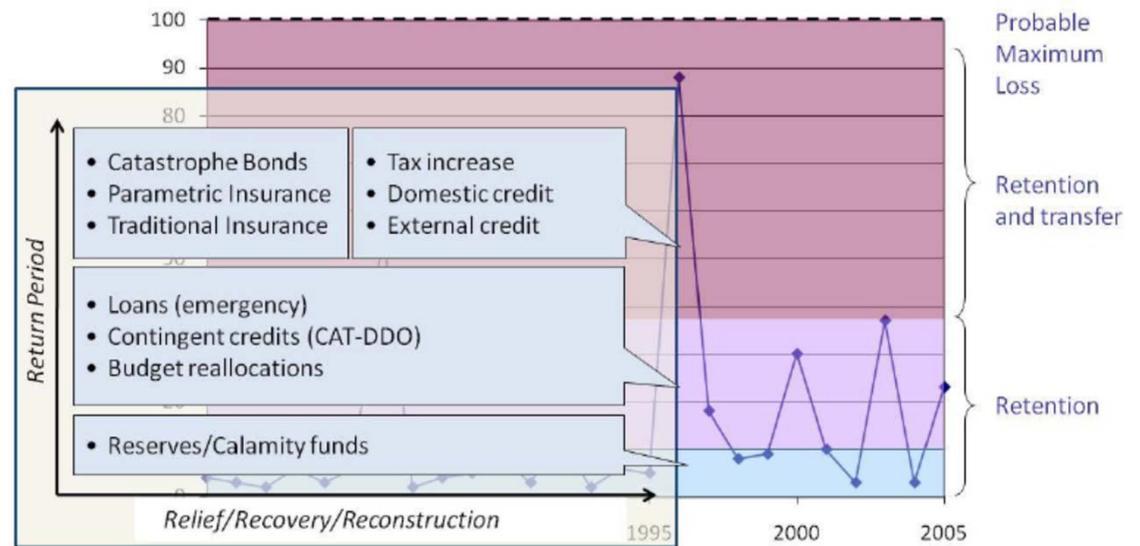
# How is it done

## financing different risk layers?

Risk-layering - to match financing mechanisms to the severity and probability of events - budget reserves, contingent credit, and risk transfer



Source: IISA



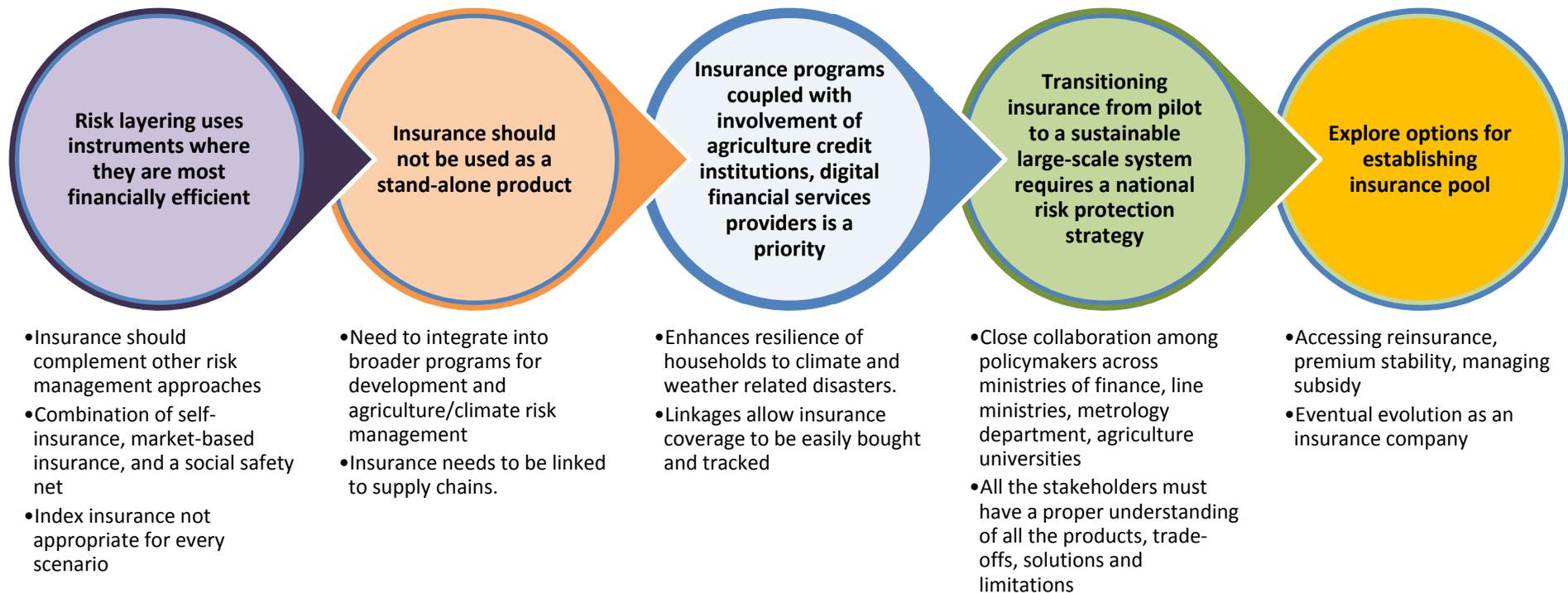
Source: World Bank

# How is it done

## steps towards strategy?

What do I want to protect?	National Budget
	Farmers, SMEs/ mSMEs
	Vulnerable population
How frequent/ large is the financial Impact	Frequent events/ moderate impact
	Rare events/ catastrophe impact
What is the source of funds?	Savings/Reserves
	Contingent credit loans
	Risk transfer instruments
How will funds reach beneficiaries?	Budget execution
	Coordination mechanisms
	Targeting
How can I implement this?	Institutional Framework
	Operational policies and procedures
	Monitoring & Evaluation

# Lessons learnt and the way forward





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