Managing Disaster Risks and Financing

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Crisis and Disaster Risk Finance
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Coalition’s workshop
Addressing Climate Change from a Disaster Risk Management and Financing Perspective
September 20, 2023

Disaster Risk Financing & Insurance Program
SUPPORTED BY WORLD BANK GROUP
Disasters threaten development 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.

The number of people living in extreme poverty rose by 70 million in 2020 alone.

China: $130bn+
2008 Sichuan Earthquake

Japan: $300bn+
2011 Tohoku Earthquake and Tsunami

Chile: 20% GDP
2010 Earthquake

New Zealand: 20% GDP
2010 Earthquake

US: $113bn+
2021 Hurricane Ian

Morocco: $5-10bn
2023 Earthquake

Türkiye / Syria: $30bn+
2023 Earthquake

Pakistan: $30bn+
2022 Floods

Indonesia: $1bn+
2018 Earthquake & Tsunami

Australia: $70bn+
2019/20 Wildfires

Türkiye / Syria: $30bn+
2023 Earthquake

US$300B

US$520B

70M
Resilient development relies on physical, financial and social resilience

Reduce risk, prevent disasters, and be prepared
E.g., quality infrastructure, rehabilitation planning

Protect governments, SMEs, and households
E.g., pre-arranged predictable funding when disasters strike, linked to effective disbursement mechanisms

Help households and society cope with shocks
E.g., Shock-responsive safety nets
Risk Finance contributes to sustainable and resilient development

*Improve the effectiveness and reduce the cost* of disaster response and recovery by planning ahead where funds come from and how they will be implemented.
Significant progress on DRF over the recent years

1. Integration of financial resilience in macro-fiscal frameworks
2. Building financial resilience through integrated financial solutions
3. Expanding financial protection strategies to cover other crises and complex risks
4. Growing financial protection policies and instruments against interconnected risks
5. Shifting financial protection of critical infrastructure from assets to services
<table>
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<th>Strengthening fiscal and budget resilience</th>
<th>Strengthening financial sector resilience</th>
<th>Developing disbursement mechanisms</th>
<th>Supported by data, analytics and information</th>
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<td>Fiscal impact of climate shocks and disasters</td>
<td>Deepening domestic catastrophe insurance markets</td>
<td>Embedding risk finance into government asset management</td>
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<td>Disaster risk financing strategies</td>
<td>Promoting Public-private partnerships</td>
<td>Shock-responsive social protection</td>
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<td>Disaster reserve funds</td>
<td>Developing a conducive enabling environment for risk financing instruments</td>
<td>Developing risk finance solutions for energy, agriculture, water, transport and other sectors</td>
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<td>Sovereign risk transfer solutions</td>
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<td>Assessment of disaster-related contingent liabilities</td>
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<td>Proactive planning of budget reallocations</td>
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<td>Catastrophe modelling</td>
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<td>Financial protection gap assessment</td>
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<td>Cost-benefit analysis</td>
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Disaster risk-based budgeting

...is the consideration of disaster risk throughout the Government budget cycle.

“The potential loss of life, injury, or destroyed or damaged assets which could occur to a system, society or a community in a specific period of time”.

From budget preparation to accountability
Includes annual and medium-term aspects

Refers to an array of intervention areas across budget cycle

Looks at PFM side of disaster risk finance

Can be implemented at national, sectoral, or subnational level
Disaster risk can impact budget cycle

- **Emergency procurement** procedures and protocols
- **Risk-informed** budget reallocation processes
- **Designing** effective disbursement mechanisms for DRF instruments (budget, reserve fund, risk transfer)
- **Tracking** and reporting disaster expenditure
- **Evaluating** impact of disaster expenditure
- **Auditing** disaster risk and expenditure
- **Publishing** disaster expenditure for CSO engagement

- **Identifying & quantifying** the cost of disaster contingent liabilities
- **Integrating** risk into medium-term forecasts
- **Mainstreaming** risk into annual budgets
- **Budgeting** for DRF instruments
- **Risk-informed public asset management**
- **Risk-informed revenue budgeting**

- **Providing** Congress with sufficient information related to disaster risks
- **Building** capacity of relevant committees to scrutinise the mgmt. of disaster risks
- **Budgeting** for DRF instruments
- **Risk-informed public asset management**
- **Risk-informed revenue budgeting**
- **Tracking** and reporting disaster expenditure
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**Budget preparation**

**Budget execution**

**Budget accountability**

**Budget authorization**
Philippines Integrated Disaster Risk Finance Strategy

- **Public asset insurance**
  - (National Indemnity Insurance Program; under preparation)

- **Insurance** for households, farmers (Philippine Crop Insurance Corporation)
  - Parametric insurance program
  - 25 LGUs, DepEd (2017-2019)

- **Philippines Catastrophe Insurance Facility**
  - (reinsurance)

- **Contingent Financing**
  - Such as from the World Bank (Cat DDO) and other development partners

- **Unprogrammed and Contingency Funds; Budget Reallocations**

- **National / Local Disaster Risk Reduction and Management Funds**

- **Emergency Funding**

- **Quick Response Funds**

- **Rehabilitation and Reconstruction**

**Asset Data and Risk Data**
- National Asset Registry System (NARS); GeoRiskPh; Philippines Cat Risk Model

**Donor assistance**
World Bank’s Disaster Risk Finance Toolkit
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