CENTRE FOR DISASTER PROTECTION

Managing Risk and Resilience

Thursday 18 November, 2021

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Image: Russell Watkins/ Department for International Development

Sophie Evans

Head of Country Programmes

INTRODUCTIONS

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Image: redcharlie/Unsplash.com

WHAT IS DISASTER RISK FINANCE (DRF)?

Disaster risk financing is about how to pay, and how to plan to pay, for disasters with money, not with lives.

Financing that promotes and targets prevention, preparedness, and response to crises.

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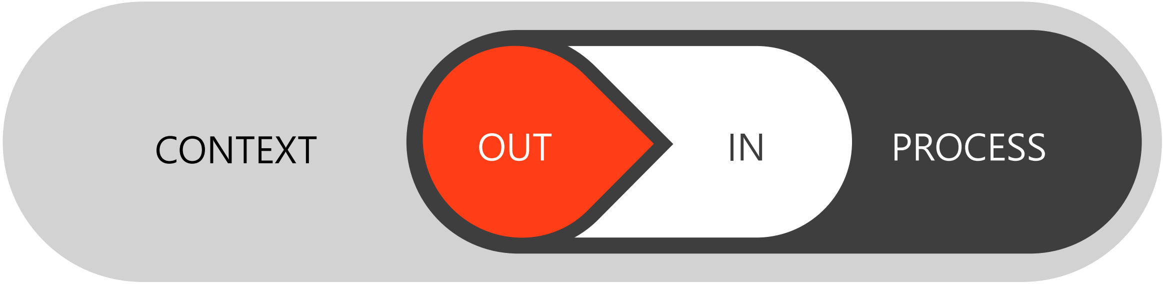
HOW WE UNDERSTAND DRF

1 **Context** – the underlying risk, need, and wider factors to consider when developing Disaster Risk financing (DRF)-based approaches.

3 **Money-in instruments** – the DRF instruments in place to supply the right amount of money at the right time.



2 **Money-out systems** – the systems and plans in place that use money to reduce the impact of disasters on people.

4 **Project management processes** – practical considerations, including project implementation processes, costs, contingencies, and monitoring and evaluation.

WHY DO WE NEED DRF SOLUTIONS? SOME REASONS...

So humanitarian agencies have the pre-allocated funds to focus on responding early and saving lives

So emergency response is better coordinated & duplication is reduced through contingency planning

So people's livelihoods are protected and negative coping strategies are avoided

So disasters don't disrupt long-term development goals & people are supported to lift themselves out of poverty

So increased understanding of risk and exposure to climate shocks incentivises investment in risk reduction

So negative incentives are removed from humanitarian systems

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EFFECTIVE DRF

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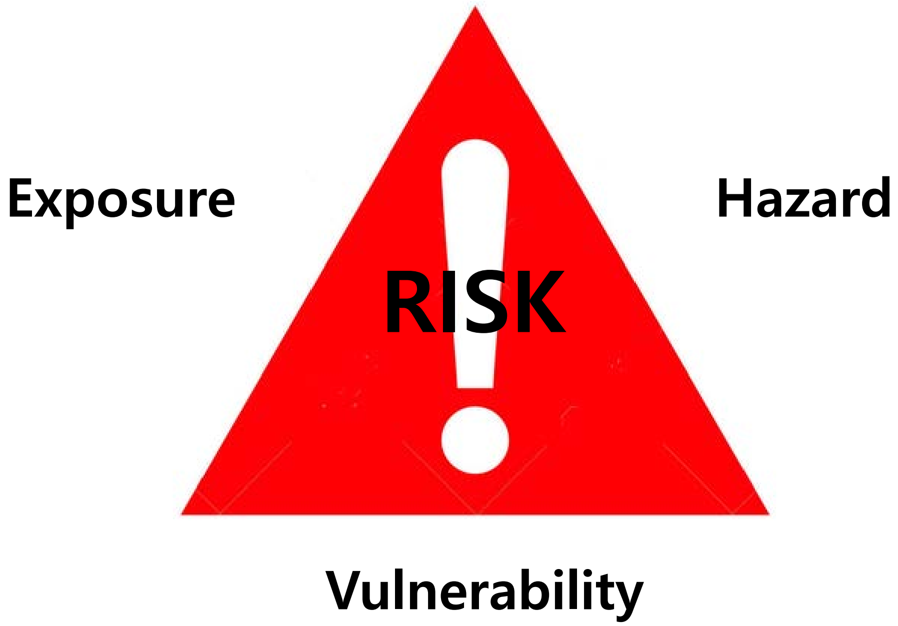
UNDERSTANDING RISK: EXPOSURE AND HAZARD



Reducing any side of the triangle reduces the risk

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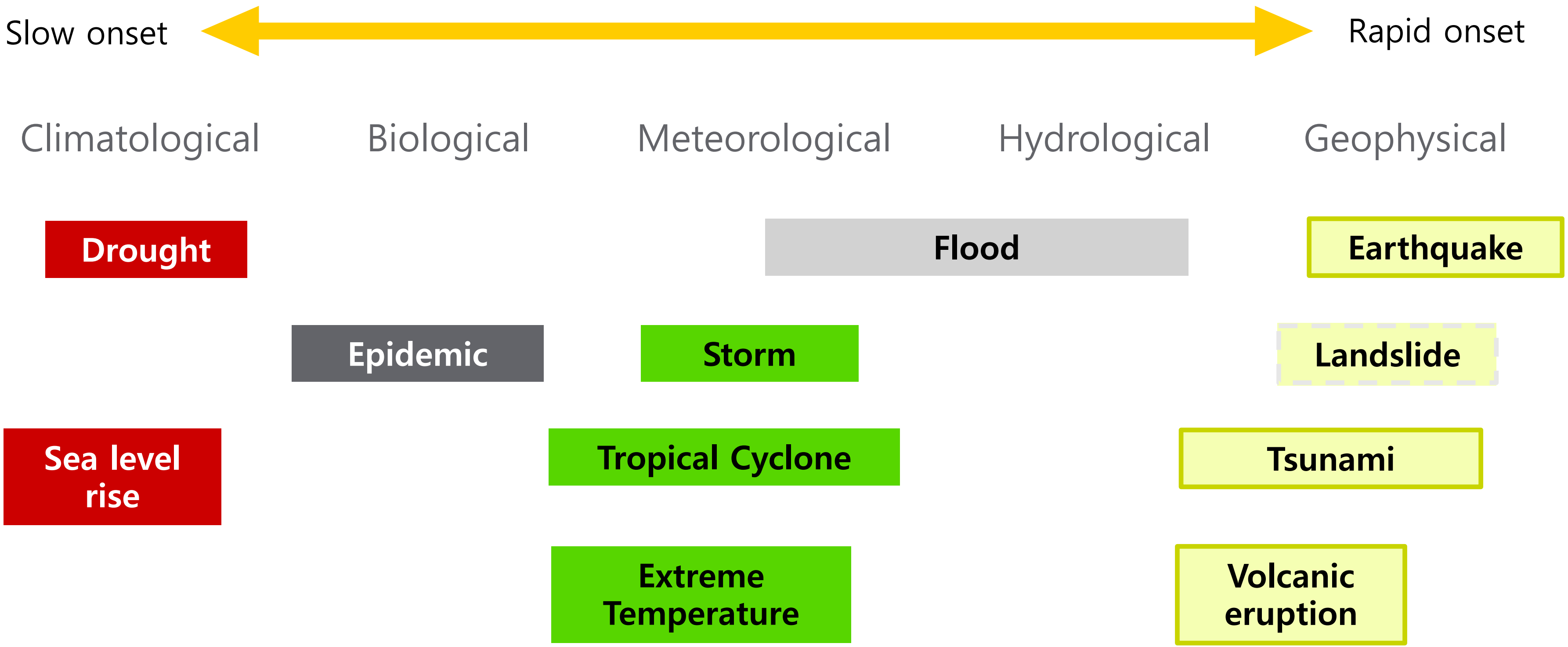
UNDERSTANDING RISK: EXPOSURE AND HAZARD

	Drought	Earthquake
Hazard	Lack of rainfall, soil water deficit (Disease, invasive insects)	Ground shaking (Soil liquefaction, landslide, fire following, tsunami)
Exposure	Crops, livestock Population (food security) Impact on services (e.g. education)	Residential / commercial properties; infrastructure Population (injury, fatality) Impact on services (e.g. power, transport, water)
Vulnerability	Crop: type, rainfall timing, irrigation Population: income, age, health	Construction type, building use, year built, no. of stories, duration out of service Population: income, age, health
Risk	**What is the frequency and severity of impact in financial terms?**	

NATURAL HAZARDS AND EVENT DEFINITION



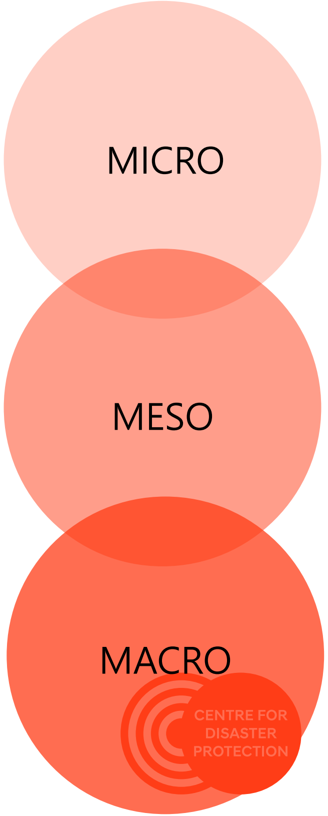
WHO ARE THE RISK HOLDERS?

Individual
Household, farmers, herders, business owners

Community
Groups of households, individuals or businesses

Municipality
Cities, sub-national governments

Sovereign
States, international bodies



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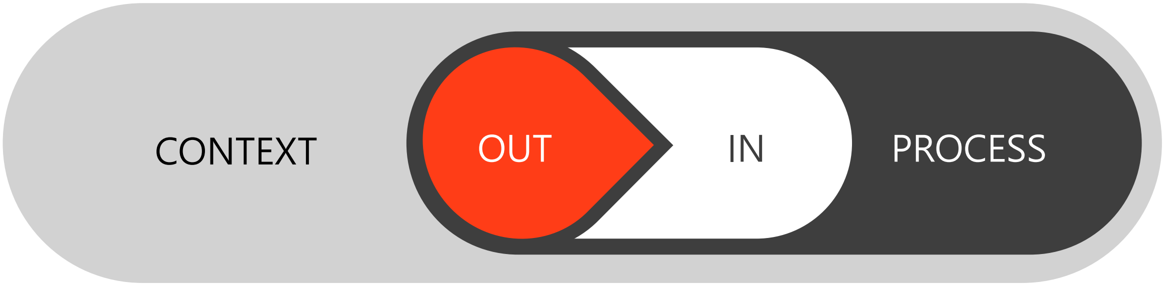

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COMMON BUDGETING AND FINANCIAL INSTRUMENTS FOR DRF (MONEY-IN)

	Ex-ante instrument (arranged before disaster)		*Ex-post* instrument (arranged after disaster)
Risk transfer	Capital markets e.g. catastrophe bonds		Discretionary post-disaster relief (e.g. Humanitarian aid, Crisis response grants/loans from development banks
	Parametric insurance	Risk pools	
	Traditional re/insurance		
Risk retention	Contingent credit		Tax increases
	Reserve fund		Post-disaster credit
	Budget allocation		Budget reallocation

TRANSPARENT & INCLUSIVE DISCUSSION ABOUT RISK OWNERSHIP

Who owns risk?

Who will pay to protect against it?

It should be someone's job to manage risk

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QUESTIONS

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THANK YOU

This presentation is not intended to be a substitute for commercial judgement or professional or legal advice, and you should not act in reliance upon any of the information contained, without first obtaining professional advice relevant to your circumstances.

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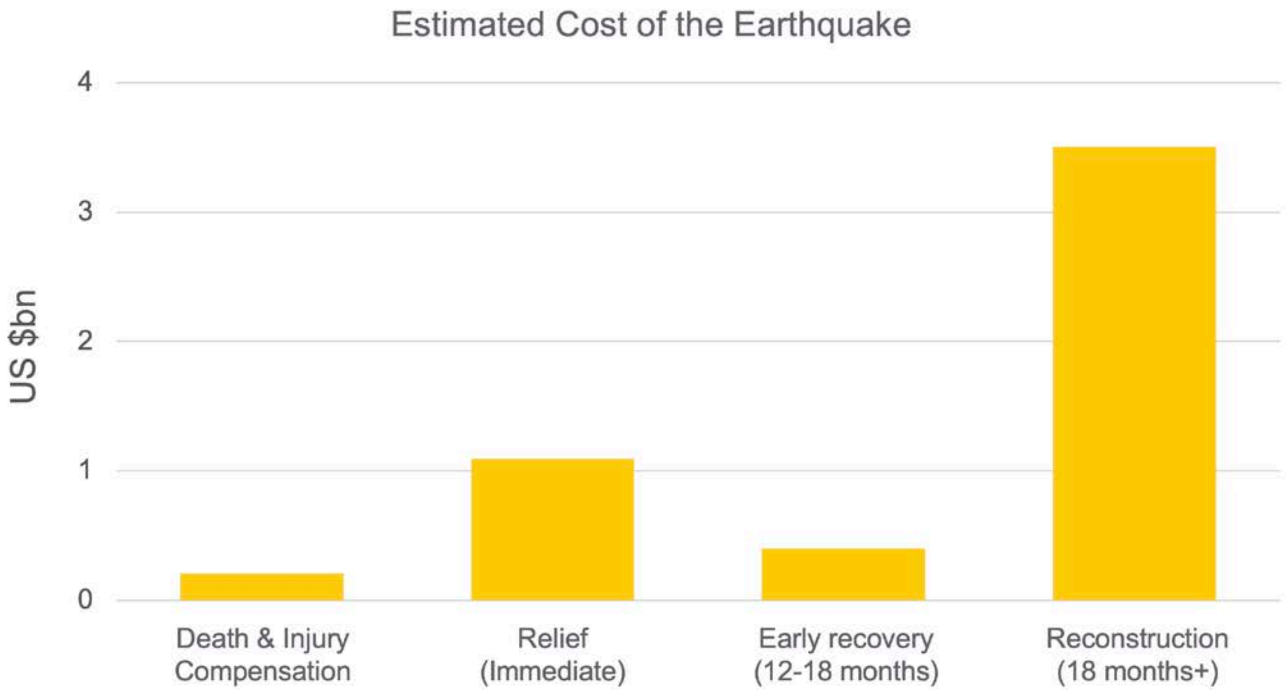
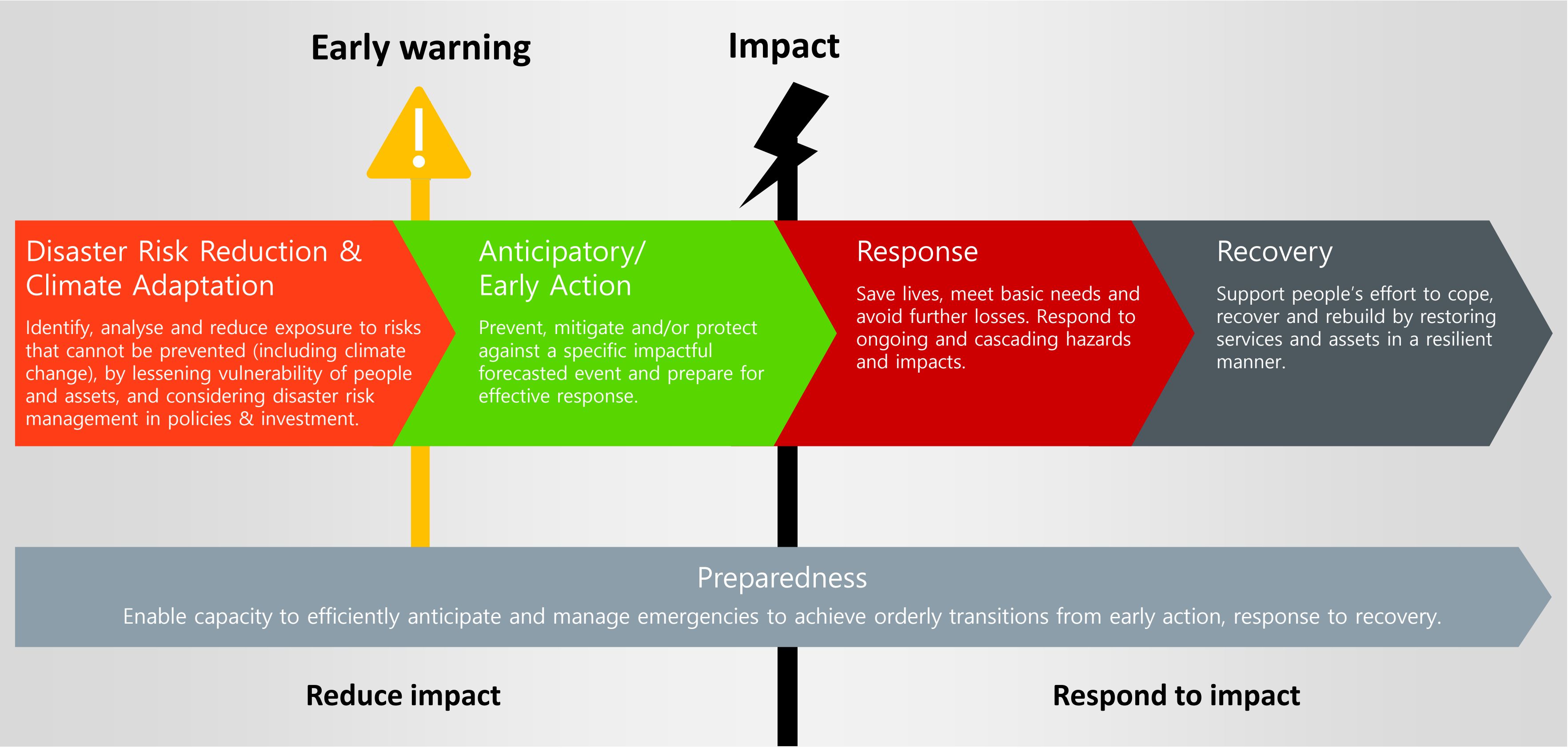
TIMELINESS OF FUNDING



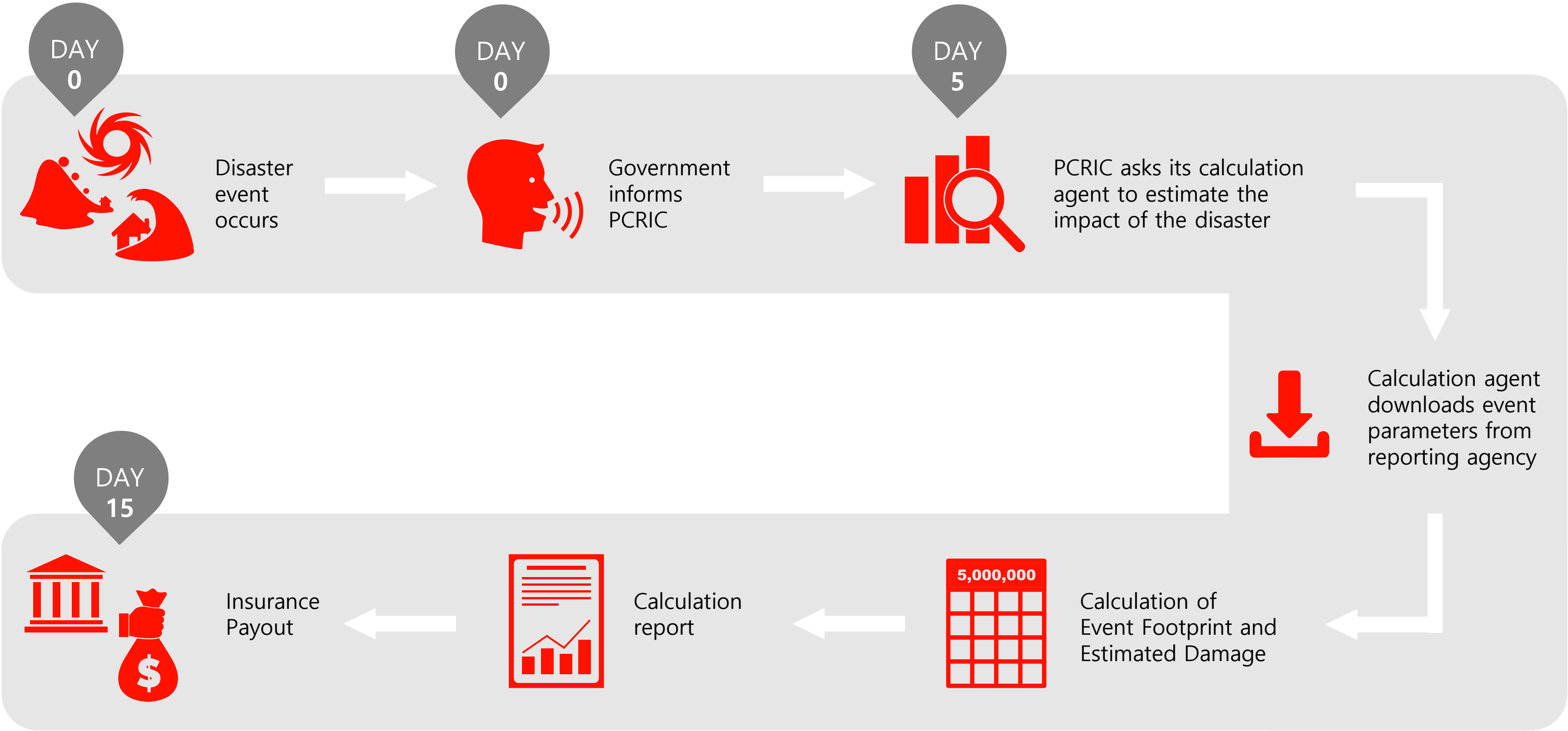
Speed matters, but not all resources are needed at once.

SPECTRUM OF DRF



Adapted from the International Federation of Red Cross and Red Crescent Societies

PCRIC – WHAT HAPPENS WHEN A DISASTER STRIKES



Source: www.financialprotectionforum.org/publication/pacific-catastrophe-risk-insurance-company-pcric-what-happens-when-a-disaster-strikes