Technical & policy segment
Disaster Risk Finance

1. Disasters set back developmental gains

US$300bn	US$520bn	90%
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	In emerging economies, more than 90% of disaster losses are uninsured

2. How can Disaster Risk Finance (DRF) help?

DRF puts in place **pre-arranged** / ***ex-ante*, financial protection instruments** and **mechanisms** to **strengthen the financial resilience** of governments, businesses, households, farmers, against climate shocks and **protecting livelihood and development.**

DRF is driven by four key principles:

1 **TIMELINESS**
speed matters but not all resources are needed at once.

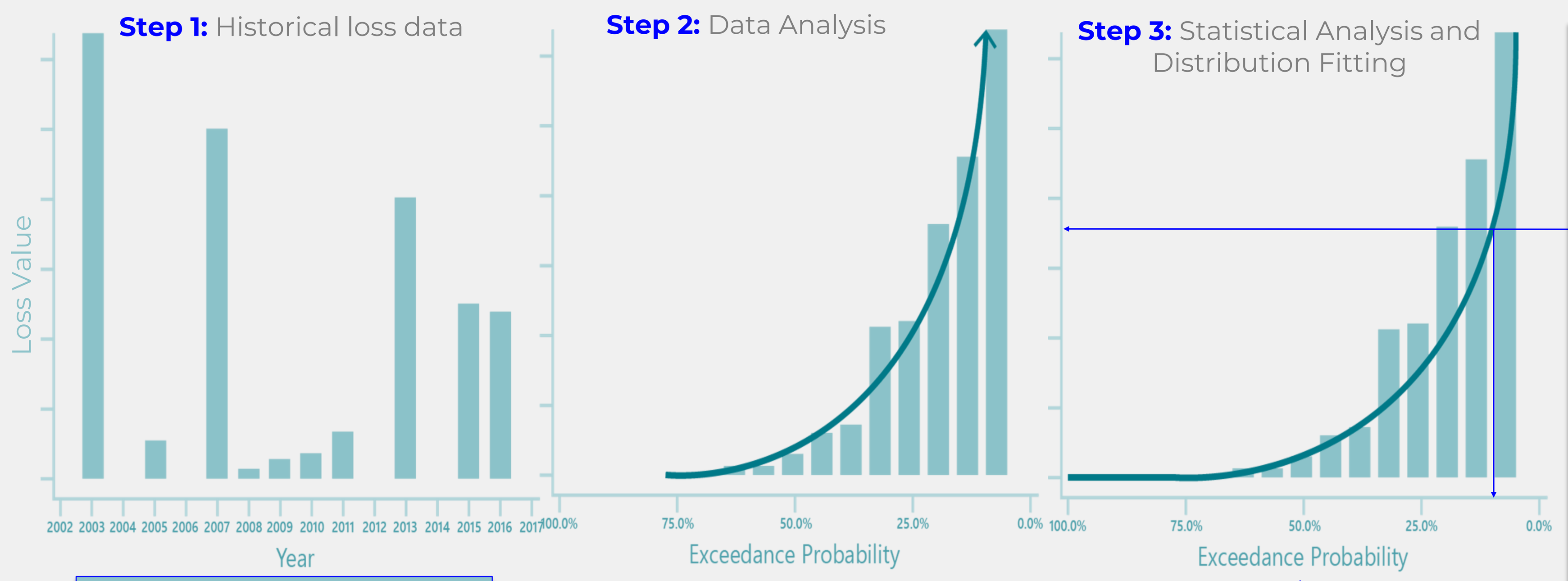
2 **RISK LAYERING**
No single instrument can address all risks.

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

4 **ANALYTICS**
To make sound financial decisions you need the right information.

3. From analytics to DRF strategy design

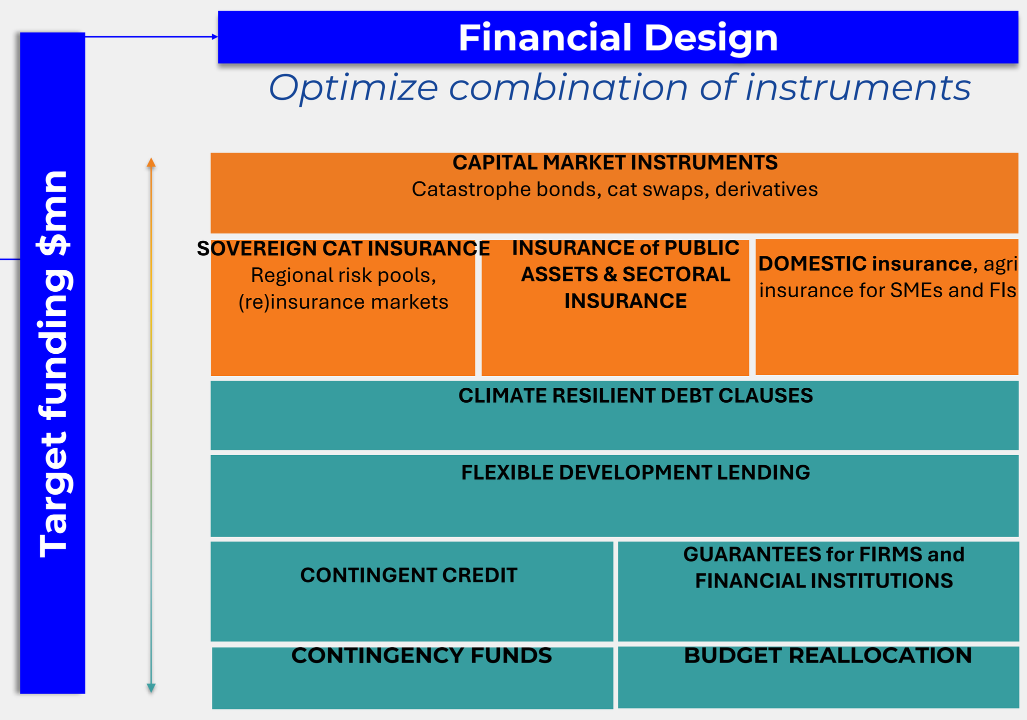
How likely are worst case scenarios?



Risk Metrics from fitted distribution (smoothed line)

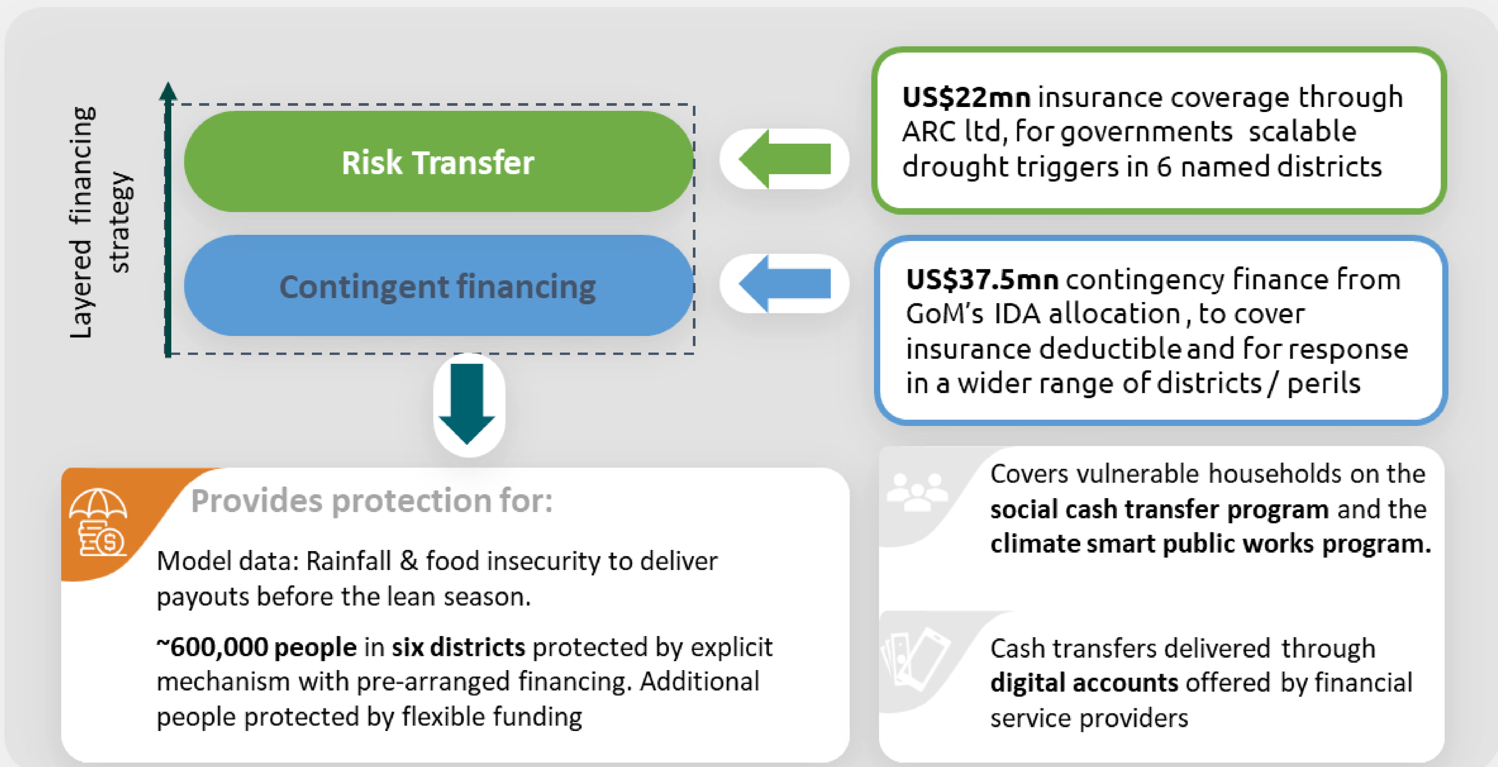
DRF Applications: Funding Gap can be identified by comparing the metrics with available funds

How best to respond financially?



4. Illustration: Malawi

Adaptative Social Protection Program backed by a sovereign (parametric) insurance program



5. Key lessons learned

No financial instrument is a silver bullet – a **risk layering** strategy is necessary to **maximize** risk absorption

Stakeholders need to come together to address financial resilience: National governments, insurance supervisors, domestic and global insurance markets, IFIs and development partners

Public-Private Insurance Partnerships have a role to play in closing the protection gap. However, solutions need to be tailored to the:

- policy objective
- level of market development
- financial & institutional capacity

Beulah Chelva – Economist WB/FCI

How does DRF strengthen financial resilience?

Disaster Risk Financing & Insurance Program
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