



Federal Ministry  
for Economic Cooperation  
and Development



Ministry of Foreign Affairs



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# DISASTER RISK FINANCING & INSURANCE PROGRAM

Supporting countries to manage the cost of disaster and climate shocks



\$50 billion to \$200 billion increase in average annual weather-related losses & damages alone since the 1980s.



By 2050, the average annual economic losses from Asian flood disasters could surge to **US\$500 billion**



**100 million people** could be pushed into poverty by climate change over the next 15 years



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**GFDRR**  
Global Facility for Disaster Reduction and Recovery

**Financial losses from natural disasters continue to rise with developing countries and their low-income populations feeling the greatest effects.**

**61%**

of GDP in damage and loss suffered by Vanuatu from Cyclone Pam in 2015.

Nepal's increase in poverty rate after the 2015 earthquake.

**2.5 - 3.5%**

**14%**

reduction in lifetime earning as a result of malnutrition of children under two.

When hurricane Mitch hit Honduras in 1998, poor people lost on average

**3 times more**

**15%**

increase in poverty rate due to the 2013 Typhon Yolanda in the worst affected areas of Philippines.

Amount Mexico spent on an average every year between 1999 and 2011 for the reconstruction of public assets, such as roads and bridges.

**\$1.46 billion**

**But disasters do not need to have such a devastating cost.**

Financial protection policies and instruments support governments to become effective risk managers, rather than emergency borrowers, protecting livelihoods, investments, and development progress.



Research has found that Mexico's natural disaster fund FONDEN has increased post-disaster local GDP by 2-4 percent.



Recent analysis has shown that the **greater the amount of losses that are insured, the lower any subsequent declines in growth and GDP losses** will be.



**The Disaster Risk Financing & Insurance Program**

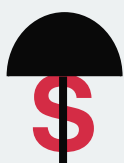
leads the dialogue on financial resilience as a component of the WBG's support to countries on better managing disasters and climate shocks.

# HOW WE SUPPORT GOVERNMENTS



**DRF for Rapid Response.** Support sovereign, and sub-sovereign governments to better plan for and implement mechanisms to provide rapid access to money following disaster shocks.

- Since 2008, 9 countries were provided with contingent credit worth US\$2.3 billion.
- Lao PDR set up a new State Reserve Fund and integrated it in an overall DRF strategy.
- Vanuatu received \$1.9 million from PCRAFI two weeks after Tropical Cyclone Pam struck in 2015.



**DRF for Budget Protection.** Support countries to become proactive financial risk managers to meet the cost of disasters and climate shocks.

- Colombia, Kenya, Indonesia, Peru, the Philippines, Serbia, and Vietnam have developed or are working towards national financial protection strategies.
- Colombia insured \$38 billion of new road infrastructure built through public-private partnerships.
- Uruguay received US\$200 million in contingent investment in its energy price stabilization fund.



**DRF for Resilient Livelihoods.** Support governments to integrate social protection schemes in its DRF strategy to offer rapid and timely assistance to vulnerable households affected by shocks.

- In 2015 the Government of Kenya scaled up one of its safety net programs at the early signs of a drought providing cash transfers directly into the bank accounts of over 200,000 additional households than already received regular cash assistance.



**DRF for Agriculture.** Support countries to implement sustainable, cost-effective public private partnerships in agricultural insurance as part of broader agricultural risk management.

- 34 million Indian farmers and 15,000 Mongolian herder households are benefiting from more effective insurance cover.
- Kenya launched the Kenya National Agricultural Insurance Program, a Public Private Partnership to protect vulnerable farmers and pastoralists against production shocks from droughts and floods.



**DRF for Homeowners and Small Businesses.** Support governments to strengthen supervision and promote the development of private property catastrophe risk insurance markets.

- Morocco is revising its cat risk insurance law under a national risk management reform.
- Peru and the Philippines are exploring the establishment of insurance pools to support the private catastrophe risk insurance market.



**DRF Analytics.** Provide public officials with the information and tools to make informed financial decisions on managing disaster and climate risks.

- Developed a framework for cost-benefit analysis of national DRF strategies, to be published as a research paper and a set of five published country case studies.
- Analysis for Central American countries to join the Caribbean Catastrophe Risk Insurance Facility.



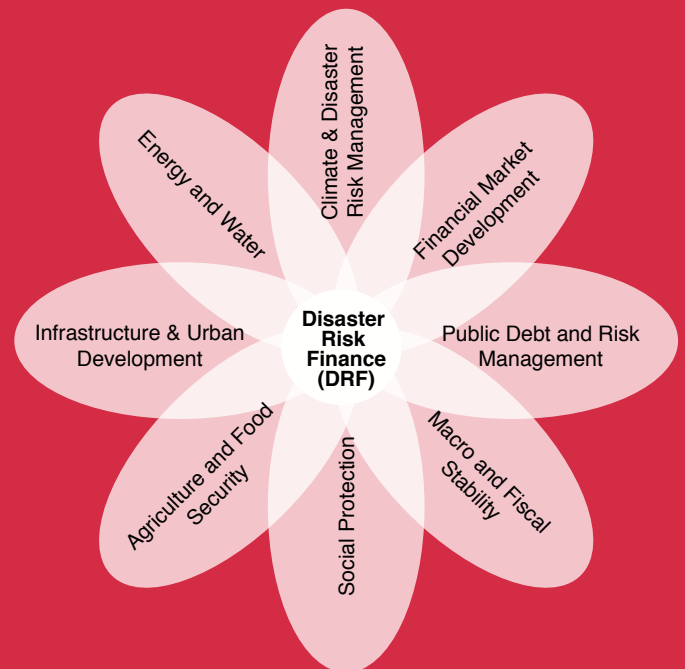
**DRF Global Policy, Knowledge, and Training.** Leverage the WBGs convening power to invest in policy advice and knowledge that supports policy reforms and financial instruments.

- Developed a DRF training program, with a pilot reaching over 200 participants in 11 countries;
- Provided ongoing policy advice to APEC; the development of the G7 InsuResilience initiative; the UN High Level Panel on Humanitarian Financing; the V20; and the Sendai World Conference on DRR.
- The “Understanding Risk & Finance Conference” in Addis Ababa in November 2015, was attended by 450 policy-makers and experts from 38 countries across Africa.

The Disaster Risk Financing and Insurance Program has helped governments, businesses, and households bring together the financial, analytical & advisory, and convening services of the World Bank Group in more than 60 countries.



We connect financial expertise with risk management across many sectors to bring countries comprehensive solutions to become more effective risk managers.



DRFIP is a partnership between the World Bank's Finance and Markets Global Practice and the Global Facility for Disaster Reduction and Recovery (GFDRR). We work in close coordination with the Social, Urban, Rural and Resilience Global Practice; and the World Bank Treasury; as well as many other partners across the WBG for our different areas of support.

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