Resilience Building
Comprehensive Disaster Risk Financing – It is all Ex-ante

Justin Ram
justin@justinram.com
www.justinram.com
Agenda

1. Our challenges and vulnerabilities
2. What is required for building resilience
3. How do we finance resilience building
4. Implementing Disaster Risk Management and Finance
Multi-dimensional vulnerability in the Caribbean
Bell Curve” is negative - skewed to the right - So we need to step back in order to jump better.
Building Resilience:
Key Components

1. Macroeconomic management and creating fiscal buffers
2. Climate-proofing critical economic infrastructure
3. Reliable inter-island transportation network
4. Shift from imported fossil fuels to RE/EE energy sources
5. Diversified Disaster Risk Financing
6. Co-ordinated Regional Approaches
7. Stronger Institutions and Communications Infrastructure
8. Protecting the environment
9. Global/regional disaster and loss database
10. Fostering stronger communities, preserving the socio-cultural heritage and supporting vulnerable groups
Integration of Disaster Risk management and Financing

**Reducing Risk/Vulnerability**
- Build resilient infrastructure
- Build risk maps, EWS
- Enforce land use/zoning rules, building codes, retrofitting

**Mitigating Risk**
- Build risk into macro-fiscal macro-financial frameworks
- Build fiscal buffers/self-insurance
- Risk-transfer instruments
- Ex-ante financing arrangements

**Disaster response**
- Contingency plan for better post-disaster intervention
- Rapid access to financing

Source: Adapted from IADB
**DISASTER RISK MANAGEMENT STRATEGIES**

Disaster risk management strategies include risk reduction by increasing investment in mitigation and prevention— but also include a series of alternative instruments for loss financing – commonly referred to as risk financing instruments.

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**EX-ANTE**

- Ex-ante risk financing instruments require proactive advance planning and really involves investing in national catastrophe risk management prior to a natural disaster occurring.

**EX-POST**

- Ex-post instruments are sources that can include budget reallocation, domestic credit, external credit, tax increase, and donor assistance.

- Ex-post strategies provide emergency response, rescue and emergency relief services in the aftermath of natural disasters and really is an example of a pure public good.

Sources: CCRIF SPC
Public spending/investment on risk reduction should be consistent with fiscal space, debt sustainability and macroeconomic absorptive capacity.
Resilience involves budgeting for disaster before it occurs.

EX-ANTE BUDGETING

the practice of recognizing the cost of public policy for disaster relief and recovery before a loss event

- OECD

If Governments:
- Adopted effective ex-ante policies
- Focused on disaster risk reduction and management
- Recognized the fiscal risks and the attendant implicit contingent liabilities
- Facilitated increased national savings

They could increase long-term well-being in the face of disasters:
- Increased savings
- Effective mitigation
- Disciplined pre-commitment to provide post disaster relief and recovery
Governments can transfer some of their natural disaster risk through the use of:

- Traditional Insurance
- Parametric Insurance e.g. CCRIF SPC

Both are required to ensure there is adequate coverage to mitigate risks of damage to critical public assets as determined by disaster risk assessments.
Resilience needs innovative finance
But the traditional financing architecture must change – we must democratize finance

- Finance currently penalizes vulnerability via high interest rates
- We discount the future heavily, so this goes against the type of finance that we need
- We need finance that recognizes that resilience building is costly at first but bring tremendous long-term rewards and avoided costs
- We therefore need finance that is inexpensive upfront but has an opportunity to share in the long-term rewards of resilience building
- That encourages citizens to invest and provides an opportunity for them to have an equity stake. Financing resilience does not require debt, but rather equity investment.
Democratizing Resilience Finance: Through micro-bonds/equity, and doing this digitally is an imperative.

- Investor transactions on Smart Device
- Purchase bonds
- Convert into Equity
- Secure Digital Issuance and Trading Platform
  - Digital Bonds Issuance, Trading and Coupon Payments
  - KYC/AML/CFT Analytics
  - Issuance and conversion
  - Trading and Payments
- Conversion to Digital Equities, Trading and Dividend Payments
- Assets
- Bonds
- Equity
How to avoid Culture eating Disaster Management and Finance Planning for breakfast
8 steps to delivery

We can leverage the Delivery Unit model to design and strengthen our institutions and regulations to encourage competitiveness and guarantee equal opportunity for all.