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

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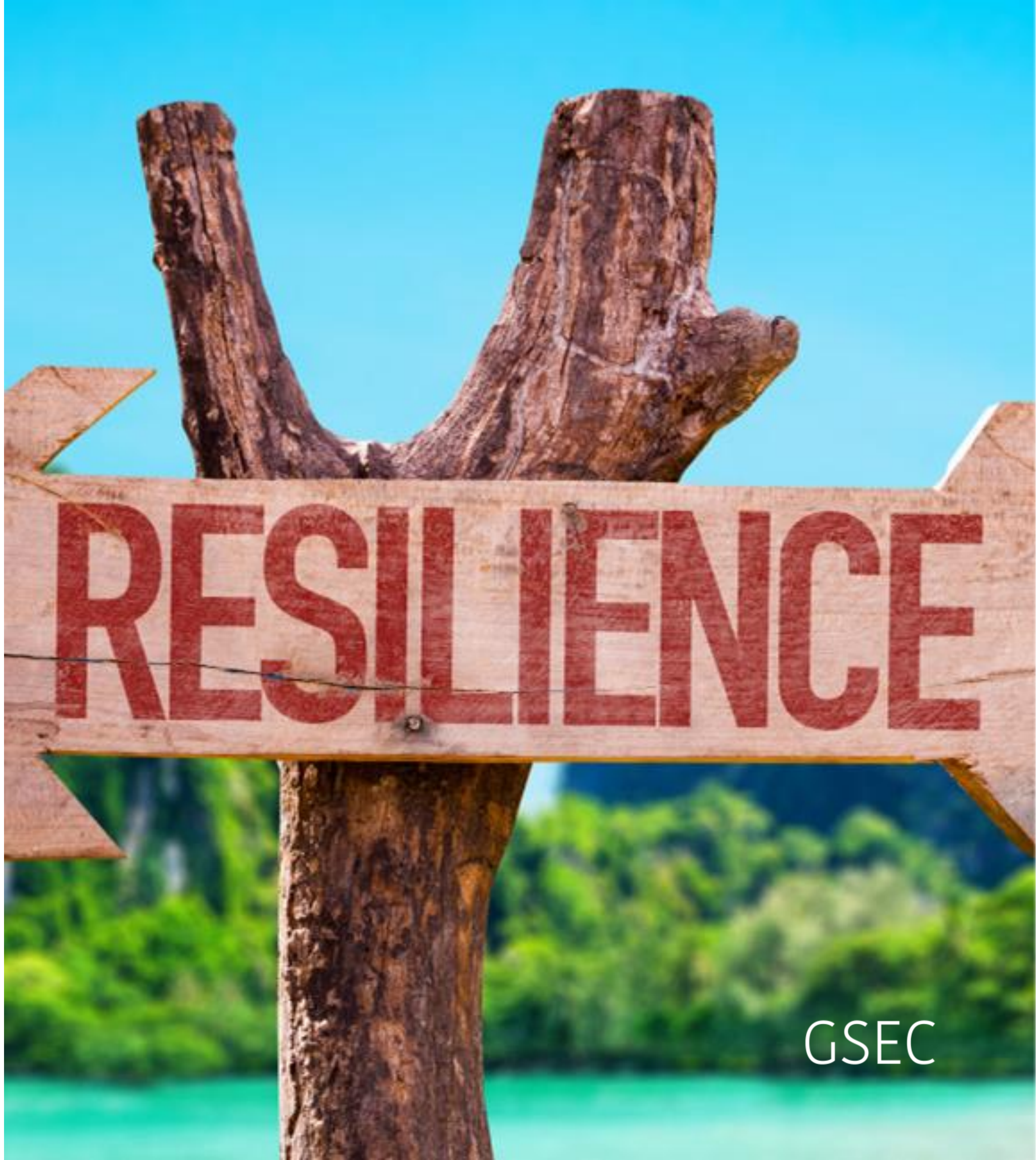
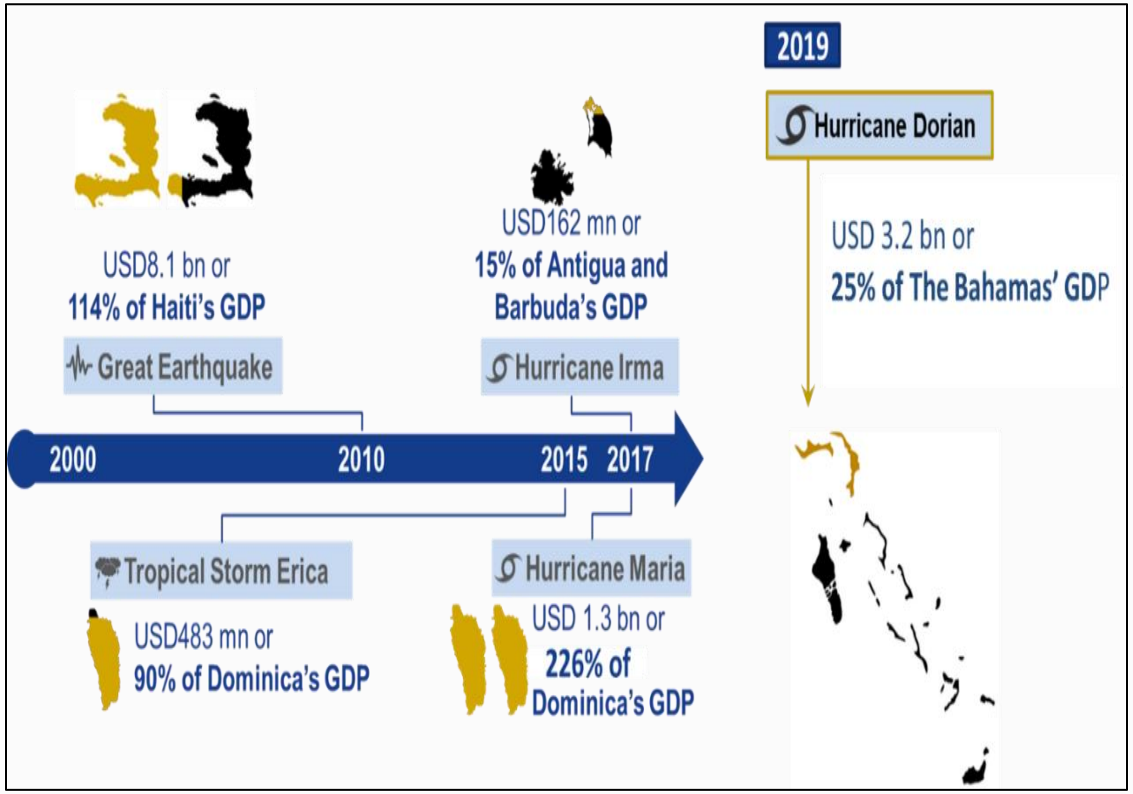
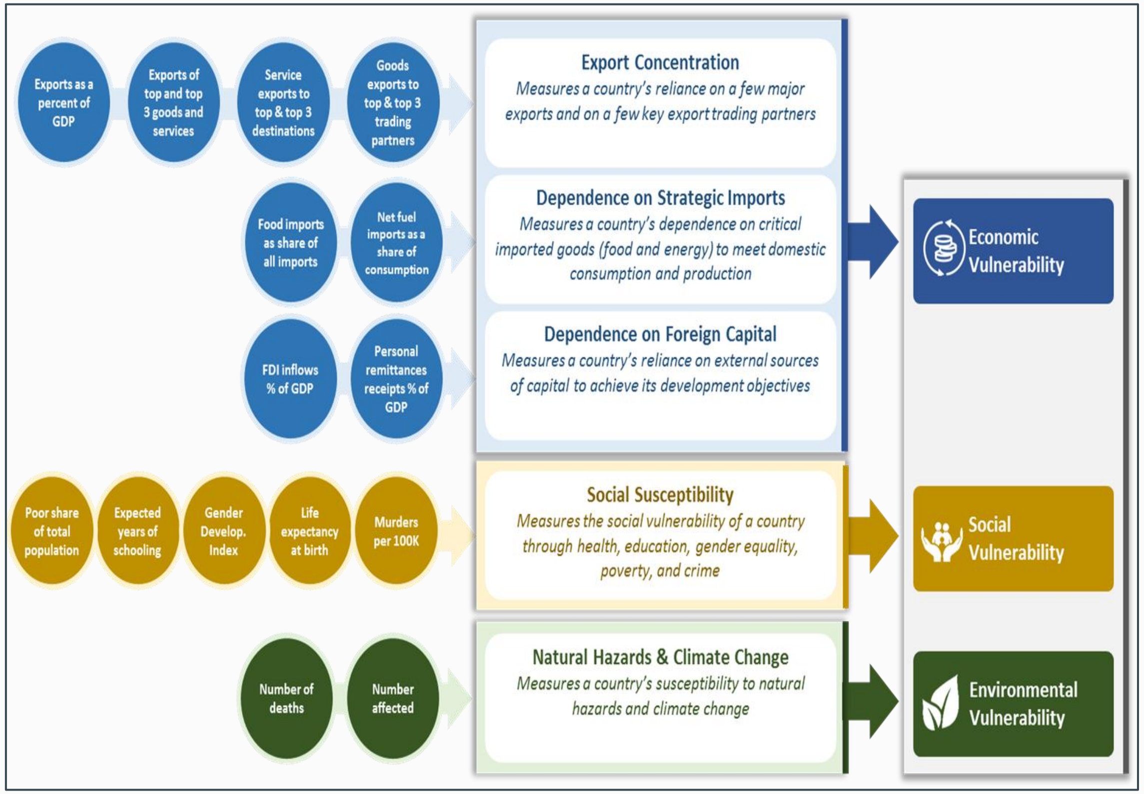
Agenda

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

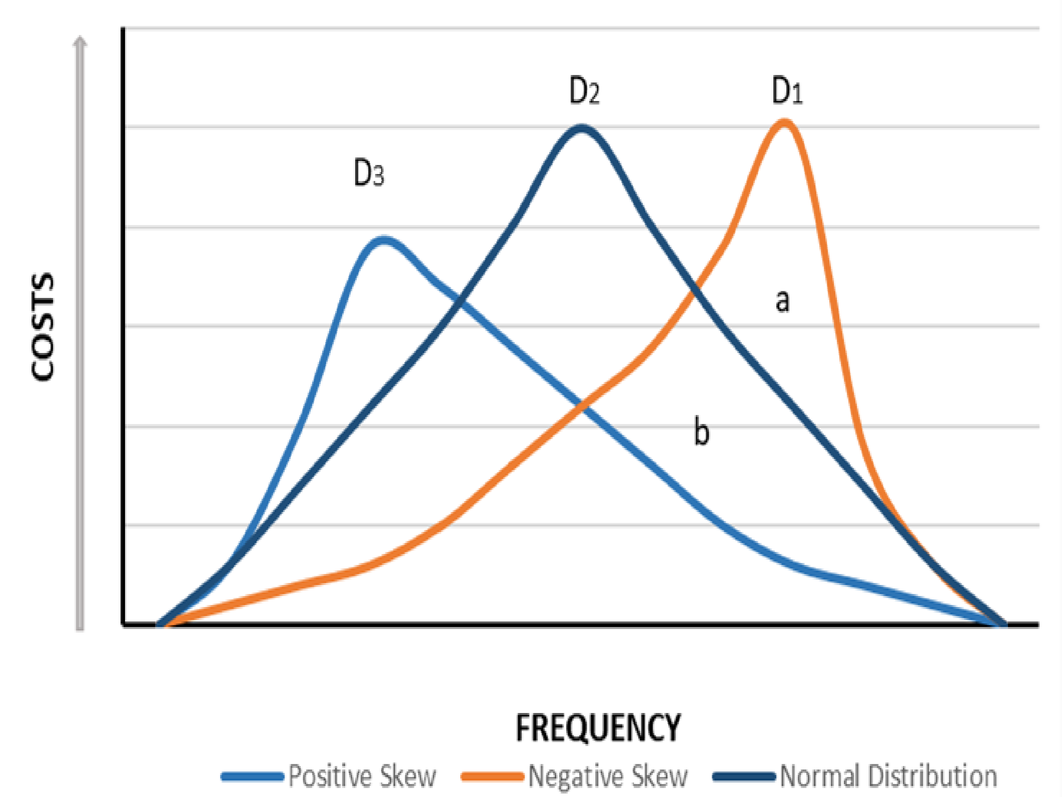


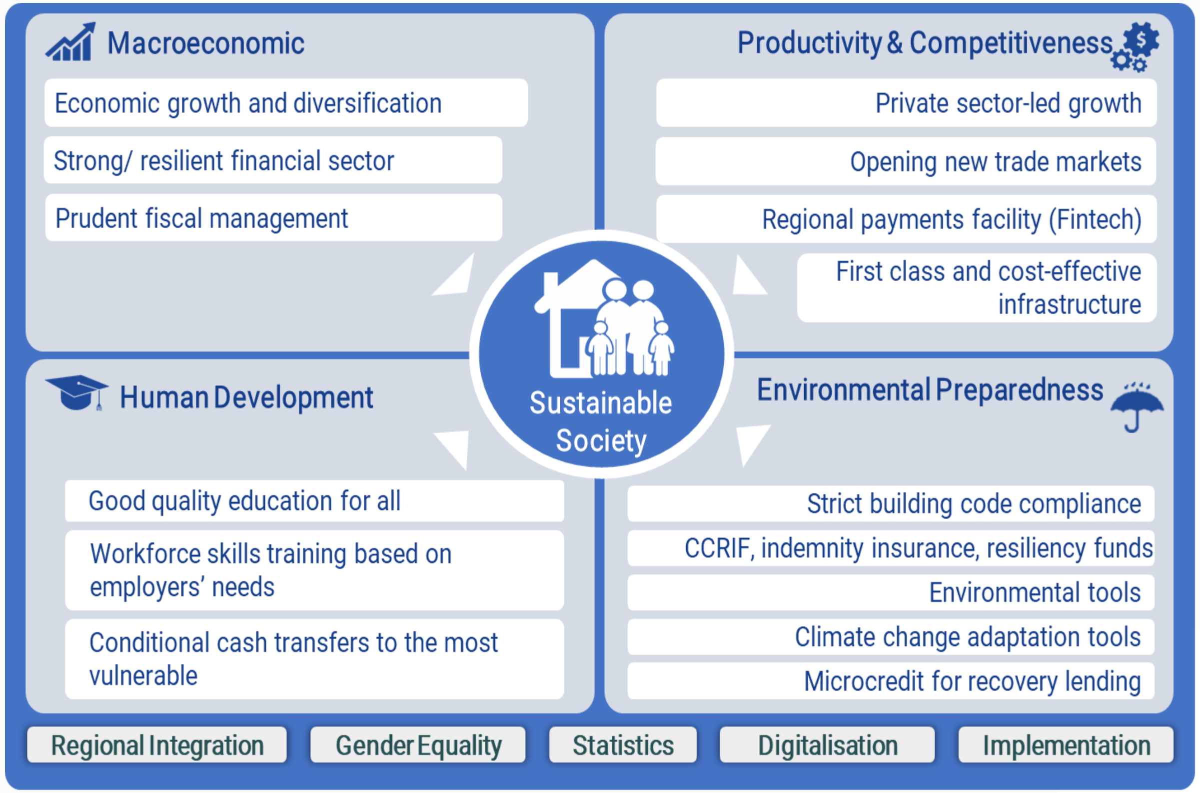
Multi-dimensional vulnerability in the Caribbean





Bell Curve” is negative - skewed to the right - So we need to step back in order to jump better





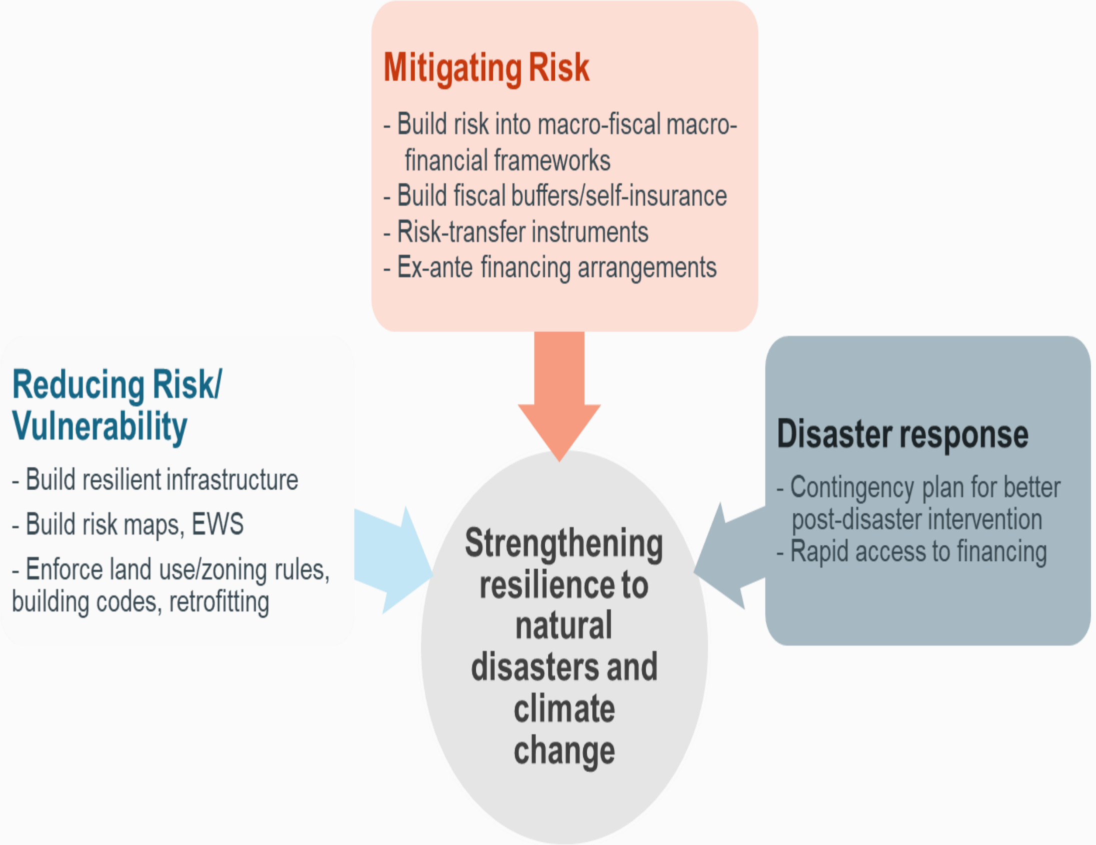
Building Resilience:

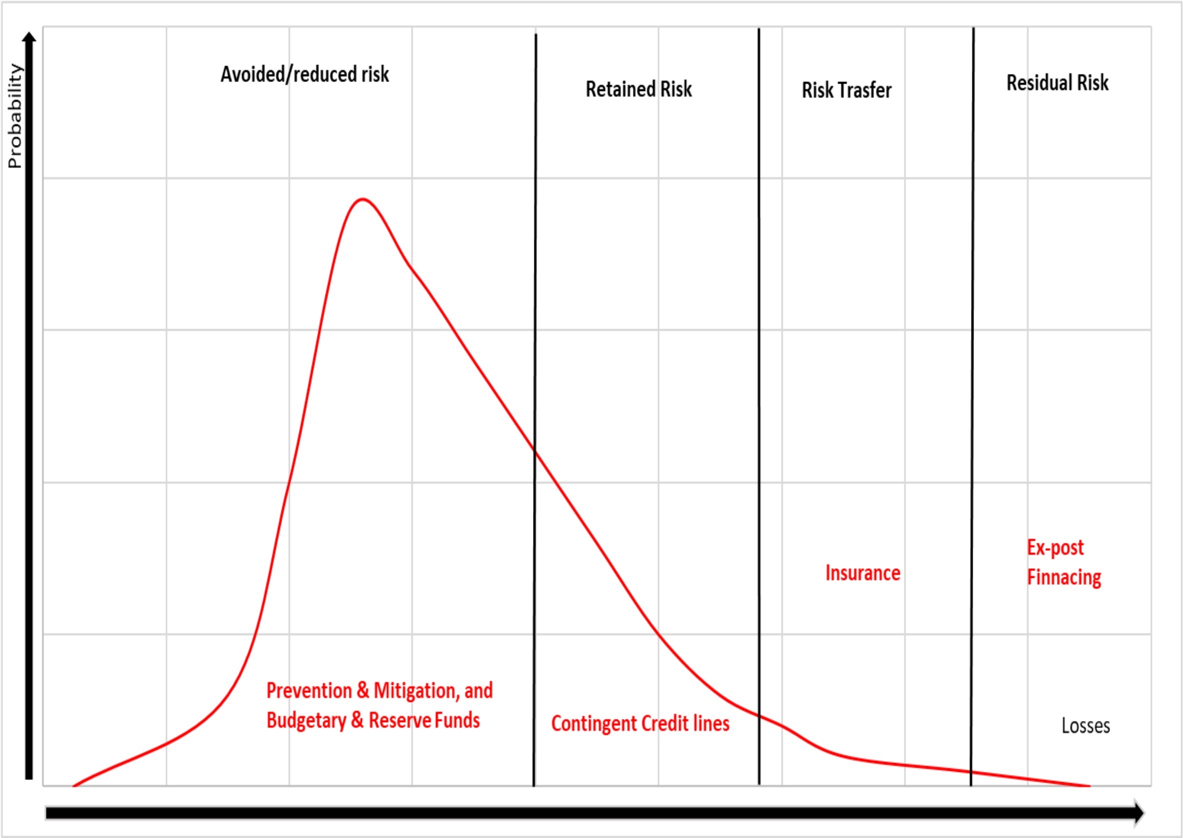
Key Components

Sustainable Society

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





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

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

Disaster Risk Management Financing Approaches

- Building Fiscal Buffers
- Insurance Approaches
- Mainstreaming Climate Risk into Infrastructure Lending
- Innovative Financing Mechanisms
- Blended Finance Approaches

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

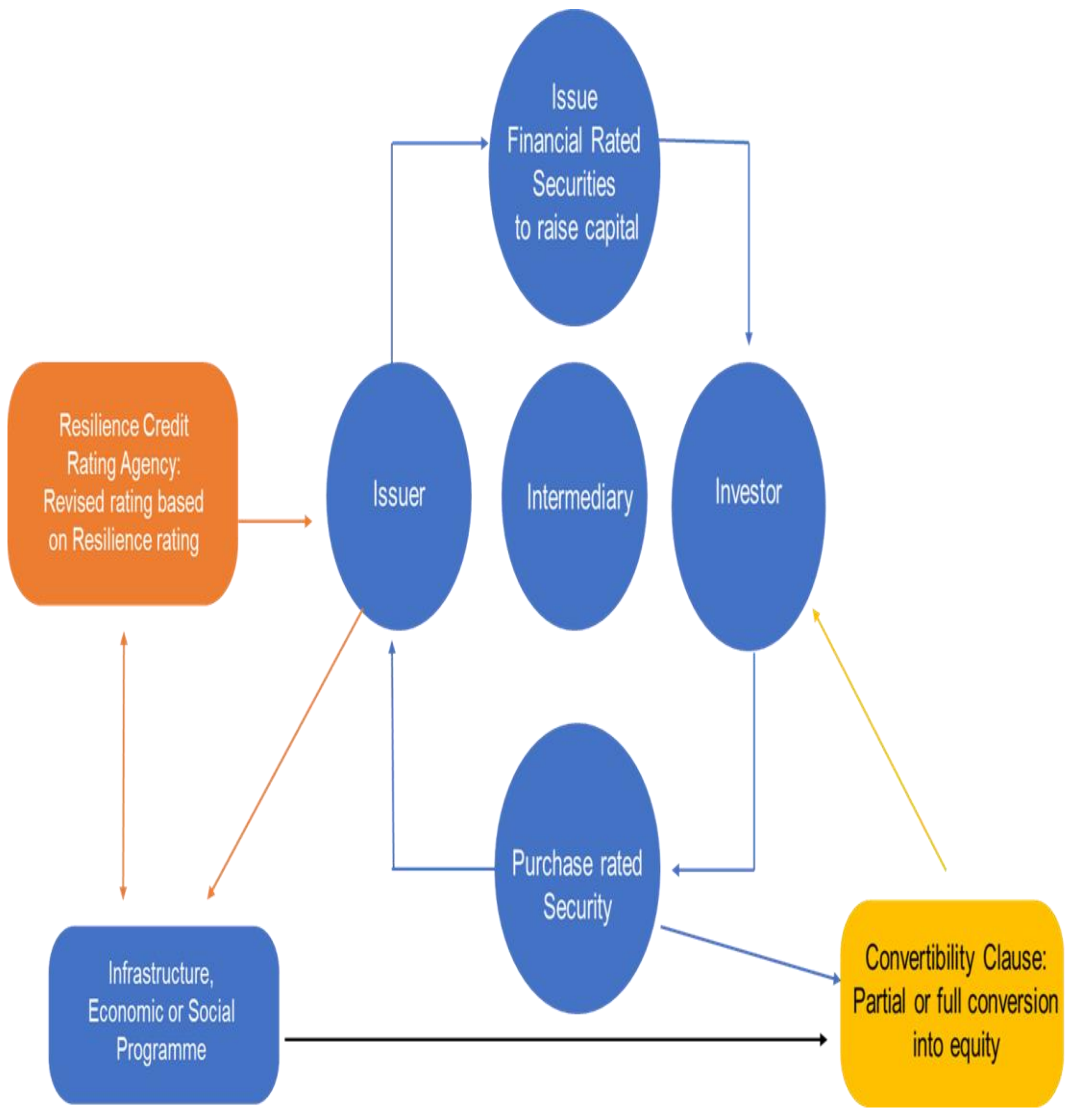
Parametric Insurance e.g. CCRIF SPC

Both are required to ensure there is adequate coverage to mitigate risks of damage to critical public assets as determined by disaster risk assessments.

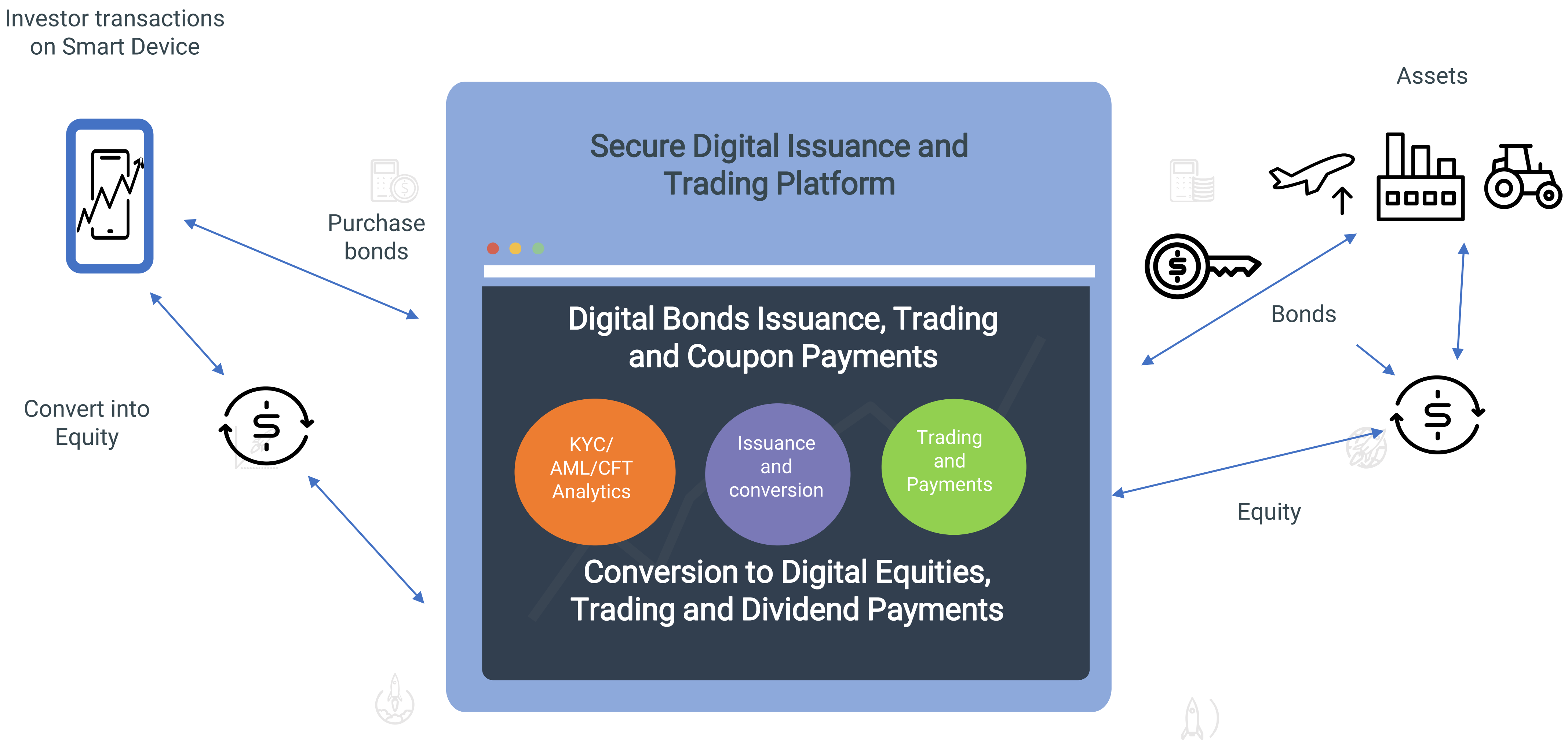
Resilience needs innovative finance

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



How to avoid Culture eating Disaster Management and Finance Planning for breakfast

8 steps to delivery

Source: PEMANDU

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


COCKTAILS