

Integrated Strategy for Financing Disaster Risk

**Permanent Council and Inter-American
Council for Integral Development of the
Organization of American States**



Kari Keipi

Sr. Natural Resource Specialist
Sustainable Development Department
Inter-American Development Bank

Introduction

What is needed is not a group of funding instruments, but an integrated strategy for financial protection against contingent liability.

Such a strategy should have two components:

- Reduce risk through prevention
- Plan for loss funding

The need to reduce disaster risk

How to finance prevention investments?

- Make the case for need to include prevention components in sector development programs.
- Grants and loans are increasingly available from international institutions. Examples: IDB Disaster Prevention Sector Facility and Disaster Prevention Grant Fund.

Planning for loss financing

Not all disaster risk can be eliminated.

- In addition to reduce risk it is necessary to make arrangements for loss and recovery financing before a disaster event.
- Potential sources include:
 - Budget transfers
 - Reserve funds
 - Diversion of resources from current programs and loans
 - New borrowing
 - Development Banks
 - Private banks: domestic, international

Planning for loss financing (Cont.)

Not all disaster risk can be eliminated.

- Emerging potential financing sources:
 - New borrowing
 - Contingent credit
 - Insurance
 - Parametric
 - Non parametric
 - Cat bonds:
 - Parametric
 - Non parametric

Key Challenges

1. Decision makers need better information of the problem in order to take action
 - Indicators program
 - Country risk assessments
2. National disaster risk management systems in the region have inadequate institutions for risk reduction.
 - Institutional realignment
 - Institutional strengthening

Key Challenges (Cont.)

3. Disaster risk strategies should include financing of prevention. Key ministries:
 - Finance, Planning.
4. Development agencies have incomplete knowledge on the risk posed by natural hazards to their programs.
 - Support risk evaluations
5. Approaches of the development agencies should favor prevention investments and activities.
 - IDB: Disaster Prevention Facility and Disaster Prevention Fund.

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