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Disaster Risk Financing & Insurance Program



Financial Protection for Middle Income Countries

Strengthening the financial resilience of developing countries against the impact of natural disasters

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Why is financial protection important to reduce poverty and increase shared prosperity?



Financial losses from natural disasters continue to rise. Developing countries and their low-income populations experience the greatest impacts.



The Disaster Risk Financing and Insurance Program leads the dialogue on financial resilience as part of the World Bank Group's effort to support more than 50 vulnerable countries in better managing disasters and climate shocks.



Over the last 10 years, global losses due to natural disasters have averaged **\$165 billion a year**.



Disasters have the worst effect relative to GDP on middle-income countries, where rapid economic growth leads to an increase in assets exposed and affected.

What we do

The Disaster Risk Financing and Insurance Program (DRFIP) helps Middle Income Countries develop and implement comprehensive financial protection strategies that bring together different financial instruments to protect against disasters of different frequency and severity. By securing the funds for disaster response in advance and putting in place the budget systems to rapidly and effectively execute them, this approach helps governments become more effective risk managers. The program for Middle Income Countries is structured around **five main activities**:



1. Catastrophe risk modeling strategy



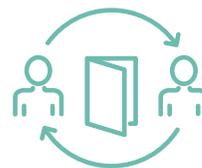
2. Assessment of economic and fiscal impact of disaster



3. Review of fiscal management of natural disasters



4. Review of catastrophe risk insurance regulatory framework



5. Capacity transfer and training on sovereign disaster risk financing strategy

How we support governments

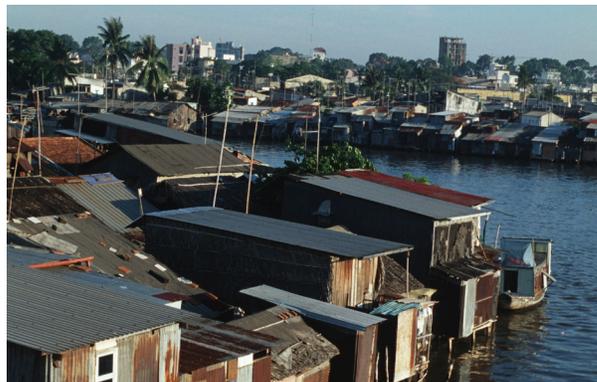


Colombia

In 2013, Colombia became the first country to develop and begin implementation of a dedicated national DRF strategy with support of the program for middle income countries.

Colombia now has catastrophe risk insurance standards in place protecting public infrastructure investments **worth US\$38 billion.**

Future support. Colombia is working toward long-term implementation of its strategy with a special focus on expanding work to the subnational level and seeks to improve its combination of risk transfer and risk retention solutions.



Vietnam

A national catastrophe risk model was developed for Vietnam to provide the Ministry of Finance with estimates of future losses resulting from floods, earthquakes, and typhoons.

Vietnam is seeking to integrate financial risk management of public assets, including potential insurance solutions, into a new draft law and associated regulations.

Future support. Vietnam will explore insurance solutions to protect public assets, develop a national DRF strategy, and support select cities in strengthening their financial resilience.



Morocco

In 2016, the World Bank approved a US\$200 million Integrated Disaster Risk Management and Resilience Program-for-Results for Morocco, which includes a focus on financial resilience.

A new catastrophe risk insurance law passed in 2016 (i) requires that disaster insurance be included in property and automobile insurance policies, and (ii) establishes a Solidarity Fund to provide basic financial compensation to noninsured households.

Future support. Implementation of the 2016 law and development of analytical tools to guide risk-informed decision making will be supported.



Peru

Building on extensive analytical support provided to the government by the DRFIP, the Ministry of Finance launched a national DRF strategy in 2016.

Peru's Insurance Supervisory Authority revised its regulation on catastrophe reserves for insurance companies, a change that will help grow and strengthen the local insurance market.

Future support. The focus will be on implementing the national DRF strategy, in particular by developing a catastrophe reinsurance pool and extending DRF to subnational governments.



Serbia

The government of Serbia adopted a national DRF program in 2017 and is working toward establishing a dedicated fiscal risk unit in the Ministry of Finance.

In 2017, Serbia entered into a contingent line of credit (Catastrophe Deferred Drawdown Option, or Cat DDO) with the World Bank; this will provide **US\$70 million in rapid bridge financing** after a disaster until the government can mobilize more resources.

Future support. The focus will be on helping the government establish and build the capacity of the dedicated fiscal risk management unit, expand DRF to the subnational level, and improve the efficiency of budget mechanisms in managing disasters.



World Bank Group Disaster Risk Financing and Insurance Program is a joint program of the World Bank's Finance and Markets Global Practice and the Global Facility for Disaster Reduction and Recovery (GFDRR). As a leading provider of analytical & advisory services on disaster risk finance, it helps governments, businesses, and households manage the financial impacts of disaster and climate risk without compromising sustainable development, fiscal stability, and well-being.

Partnership with Switzerland's State Secretariat for Economic Affairs

This work is generously funded by Switzerland's State Secretariat of Economic Affairs (SECO) and supports selected middle-income countries to strengthen their financial resilience and protect their fiscal balance against disaster and climate risks. Launched in 2011, this is one component of a broader World Bank Group–SECO partnership on fiscal risk management for middle-income countries.

Key Lessons Learned from engagement with Middle Income Countries

Since the launch of the program for Middle Income Countries in 2012, work with seven countries has generated key lessons for successful engagements in building financial resilience.



1. Government ownership. Active ownership of the agenda by the government was instrumental in fostering progress toward goals.



2. Identification of key stakeholders. Building relationships with several relevant ministries and departments made it possible to continue engagements despite changes in government.



3. Identification of priorities and challenges. An early discussion of priorities and challenges enabled a strategic approach in the support provided.



4. Timely delivery of customized solutions. Meeting client needs in a timely and responsive manner was a key factor in strengthening relationships.



5. Interaction with counterparts. Exchanging with local stakeholders made frequent engagement with the government possible.



6. Balance between technical and policy solutions. Giving equal weight to technical and policy aspects of disaster risk finance (DRF) helped to identify sustainable and implementable solutions.

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