

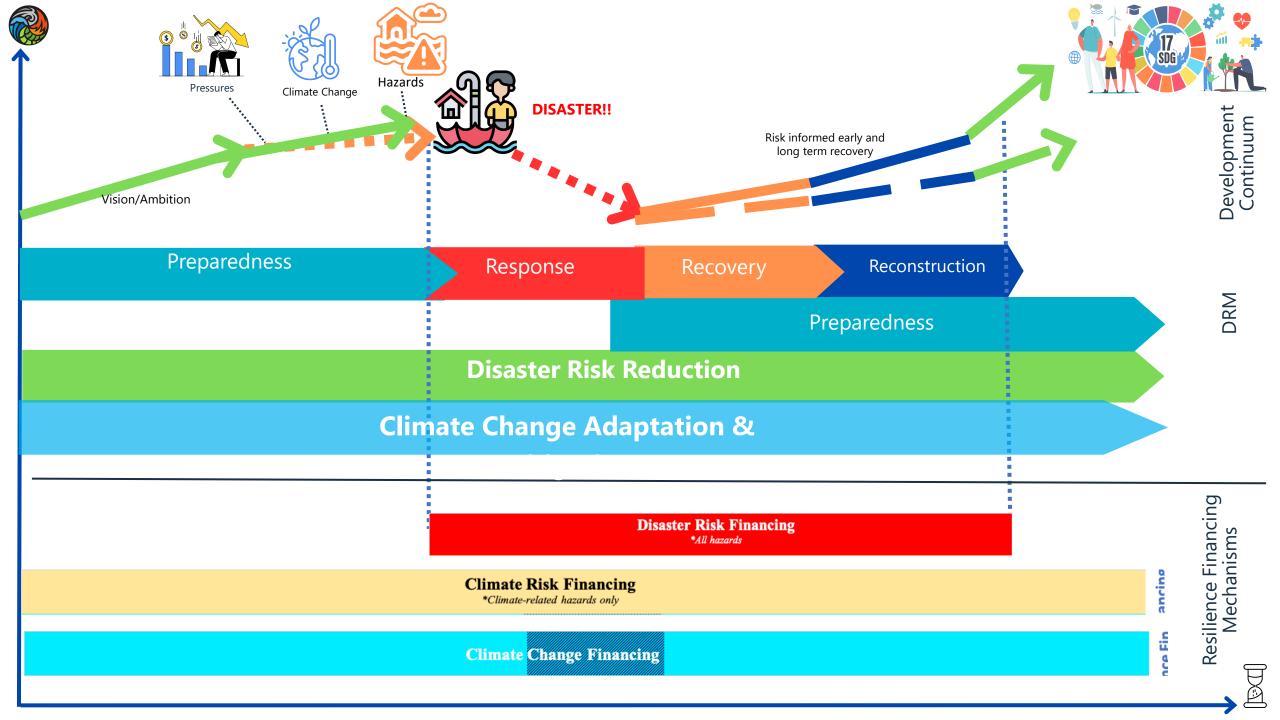
28th Regional Disaster Managers Meeting Tanoa Hotel, Nadi, Fiji

11 April 2024

Agenda Item 4:Strengthening NDMO Support for National Disaster Risk Financing









Type of DRF Instruments

1	These are instruments that enable pre-emptive financing to target groups in advance of a disaster event thus helping to minimize or reduce risk and loss.		
Preparedness and Risk Reduction Instruments	Examples: Forecast-based Financing (IFRC); Anticipatory Action Financing (FAO)		
2	These financial instruments enable users (e.g., governments) to absorb or retain the costs of the risk associated with a disaster.		
Risk Retention	Example: National disaster funds or reserve funds		
Risk Transfer	These are market-based instruments such as indemnity or parametric insurance and catastrophe bonds which enable the policy holder to transfer the risk of a loss to a wider group of stakeholders. Examples: Regional risk insurance pool (PCRIC); market-based parametric microinsurance (UNCDF-PICAP)		
International Emergency Financing	This type refers to international funds (pre-arranged in advance of an event) such as credit lines and grants that can be accessed by meeting specific criteria established by a donor or provider. Examples: Asia Pacific Disaster Response Fund (ADB); Central Emergency Response Fund (United Nations)		
Post-Event Policy Options	Governments may at times need to identify other types of financing e.g. through taxes or by redeploying existing budgets to help address or supplement financing requirements.		

Source: PIFS 2021



Risk Layering

HAZARD TYPE FINANCING INSTRUMENT

Frequency/
Severity

Market-Based Instruments

Risk transfer for *assets* such as property insurance or agricultural insurance and risk transfer for *budget management* like parametric insurance, cat bonds/swaps

uncertain

ssistance

Internationa

Contingent Financing

Financial instruments that provide liquidity immediately after a shock

High Frequency.

Budgetary Instruments

Reserve funds specifically designated for financing disaster related expenditures, general contingency budgets, or diverted spending from other programs

Source: World Bank, Core DRF Principles 2018

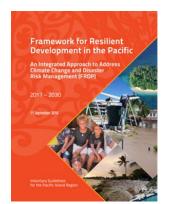


DRF Instruments – over time

	SHORT TERM (1-3 MONTHS)	MEDIUM TERM (3-9 MONTHS)	LONG TERM (OVER 9 MONTHS)	
Ex-post Financing				
Donor Assistance (relief)				
Budget Reallocation				
Domestic Credit				
External Credit				
Capital Budget Realignment				
Donor Assistance (reconstruction)				
Tax Increase				
Tax Incentives (Flash Appeal)				
Ex-ante Financing				
Reserve Fund				
Contingency Budget				
Contingent Credit				
Sovereign (parametric) Catastrophe				
Risk Insurance				
Traditional Disaster Insurance				

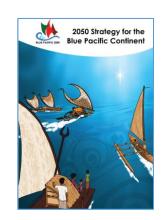
Source: World Bank, 2015

DRF Regional Policy Landscape



2016

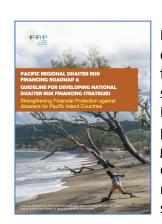
Goal 3 – Strengthened disaster preparedness , response and recovery



July 2022

2050 Strategy –
long-term vision
to secure the
future of the Blue
Pacific. CC and
Disaster key
thematic priority

September 2022



Priority
considerations
for
strengthening
DRF &
procedural
guideline for
developing
national DRF
strategies

Sendai Framework for Disaster Risk Reduction 2015 - 2030

2015

Priority 4 -

Enhancing disaster preparedness for effective response and to 'Build Back Better' in recovery, rehabilitation and reconstruction



2019

Strategic Focus Area 2: Human Security and Humanitarian Assistance – includes "strengtheningaccess to climate and disaster risk finance"



Declaration of DRR Ministers includes commitment to strengthened CC and DR financing August 2023



Key Challenges for DRF

- 1. The lack of strong leadership, human capacity and flexible and agile institutional arrangements to support DRF;
- 2. Greater awareness and understanding of disaster risk;
- 3. Understanding the range of DRF instruments and products;
- 4. Greater coherence of DRF with other forms of resilience-related financing and investments including DRR/DRM financing, Climate financing etc.
- 5. The need to acknowledge and embrace the diverse needs of different stakeholders and also ensure that the needs of the most vulnerable are paramount when developing and implementing DRF instruments;
- 6. Sources of funding/tailored funding to support DRF solutions;
- Need to strengthen DRF coordination, cooperation and collaboration at regional, national and subnational levels;
- Need for a more strategic approach to DRF at the national and subnational level in Pacific Island countries



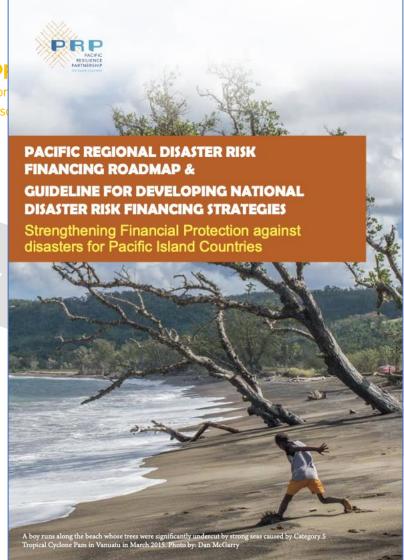
Priorities

Inclusive National App All national stakeholders are importidentification of risk financing so

2

Understand Disaster Risk

Need to understand how people and the built environment are at risk to disasters in order to better decide how to address risk effectively



National DRF Strategy/Policy

A national strategy/policy is needed to DRF investments for the future





NDMO Support for National DRF – How best? (1/2)

- 1. Support to ensure stronger alignment to the National DRM governance arrangements (i.e. structure, policy, legislation etc).
 - Also look at enhancements to the DRM arrangements to help make DRF more effective.
- 2. Help MoF to look into enhancements to the national PFM system
 - Expedite financing for humanitarian action/early recovery
 - Strengthen recovery financing capability connect better with PDNA outcomes and recovery planning
- 3. Hazard/risk, disaster loss, disaster expenditure data and information to support DRF Diagnostic Study.



NDMO Support for National DRF – How best? (2/2)

- 4. Support DRF awareness and understanding.
- 5. Help identify DRF needs for communities, businesses etc.
- 6. Leadership and support for a national DRF strategy and improved national coordination of DRF with MoF

- 7. Join the PRP Technical Working Group on DRF and encourage your MoF's to join.
 - Current PIC members: Cook Islands, Fiji, PNG, Samoa, Solomon Islands, Tonga, Tuvalu,
 Vanuatu



Thank you