V20 Regional Consultation

Asia Pacific

Workshop on Disaster Risk Financing
Summary Reflections from Participants

V20

Disaster Risk Financing & Insurance Program

SUPPORTED BY WORLD BANK GROUP

GFDRR
Global Facility for Disaster Reduction and Recovery

The Vulnerable 20 Group of Ministers of Finance (V20) was established in October 2015 to strengthen and promote economic and financial cooperation and action to address climate change risks and opportunities and facilitate the transition to a low carbon, resilient global economy.

Working as a platform, the V20 aims to:

- Act collectively to promote the mobilization of public and private climate finance and other source of climate finance;
- Share and exchange best practices on economic and financial aspects of climate action;
- Develop improved and innovative approaches to climate finance; and
- Engage in joint advocacy and other collective actions.

In support of these objectives, the V20 adopted a 5-year Action Plan to address V20 climate finance needs and unlock the full potential of vulnerable countries to pursue climate action, enhance security, maximize co-benefits and opportunities, and in doing so, inspire others around the world.

In this context, the development and implementation of **disaster risk financing strategies** has been identified as a key step towards enhancing financial resilience against climate and disaster risks at national and regional levels, including risk pooling at the supranational and subnational level.

As part of the roll out of the V20 Action Plan, and to move forward the **disaster risk financing** agenda, an initial group of member countries gathered for a workshop on disaster risk financing during the **first regional consultation** in Manila in March 2017. Hon. Senator Loren Legarda, Chair of the Philippines Senate Committees on Climate Change opened this workshop dedicated to Asia-pacific members of the V20.

The workshop on Disaster Risk Financing was hosted by the World Bank Group's Disaster Risk Finance and Insurance Program (DRFIP), The Asian Development Bank and the Global Facility for Disaster Reduction and Recovery (GFDRR). This was an opportunity to exchange knowledge and experience among peers, as well as discuss next steps in the implementation of the V20 Action Plan. This will be followed by two other regional consultations in Latin America and Africa in 2017.

This summary booklet presents reflections the participant countries on their biggest challenges they face in terms of financial resilience, and key actions they plan to undertake to develop, strengthen and implement financial protection strategies.

Participant countries for the regional consultations are as follows: : Bangladesh, Bhutan, Fiji, Kiribati, Maldives, Marshall Islands, Mongolia, Palau, Philippines, Tuvalu, Vanuatu, Vietnam. Representatives from Sri Lanka, Maldives and Papua New Guinea were unable to attend the workshop.

As the V20 Regional Consultation was held in conjunction with meetings of the V20 Focus Groups, a number of those Groups' co-chairs, including Barbados, Costa Rica and Ethiopia (also V20 chair) additionally participated in the Workshop from outside the region.

Our Partnership: The World Bank Group and Vulnerable 20

Millions of people across the world are already feeling the adverse effects of climate change. As a result of climate impacts, an additional 100 million people could be pushed into poverty by 2030.

Since the establishment of the V20 in 2015, members have received support and guidance from various development partners including the Asian Development Bank, The United Nations Development Programme, The World Bank Group etc. The World Bank Group has been specially invited to advise the V20 members on Disaster Risk Financing and Insurance. The regional consultations are important to turn the V20's vision of building financial resilience to climate risks into action

For example: In the Philippines, as part of its comprehensive approach to building financial resilience, the government is now working towards diversifying typhoon and earthquake risks across provinces. The government has been proactive in identifying three strategic priorities, including a commitment to maintaining the fiscal health of the national government to support long-term rehabilitation and reconstruction, enabling local government units the provision of immediate cash at the onset of a disaster and working towards reducing the impact of disaster on the poorest and most vulnerable and preventing them from falling into a cycle of poverty.

Small island states in the Caribbean and Pacific increasingly benefit from risk pooling mechanisms, which allowed Vanuatu to receive an insurance payout within 10 days of Cyclone Pam.

Since the first V20 meeting in Lima in 2015, the Paris Climate Agreement has staked out bold commitments among 190 countries to work together on climate change.

Development partners are playing their role, and supporting our clients to fulfil their Nationally Determined Contributions, through a new Climate Change Action Plan that involves stepping up our commitments in key areas such as renewable energy, disaster preparedness and urban resilience.

The Action Plan also confirms the WBG's commitment to increase it's share of financing that delivers climate benefits from 21 to 28 percent by 2020 in response to client demand. However, the economic and financial impacts of climate change will only increase as hazards intensify and economies grow.

Development partners welcome the V20's commitment and political leadership in building financial resilience to climate shocks at national and regional levels. The V20 is ideally placed to exercise a leadership role on the proactive management of climate-related risks, and on improving capacity to recovery quickly and effectively after disasters and extreme weather events.

The regional consultations allows the V20 countries to exchange information with each other, learn from international experience through an introduction and trainings on important aspects of financial protection, and start planning ahead through mapping out a financial protection strategy.

Olivier Mahul

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"Our nations bear the brunt of climate change even if we are among those who contributed the least to the crisis. Climate vulnerable nations suffer economic losses amounting to 2.5 percent of our gross domestic product (GDP) every year. Due to the increasingly dire threat posed by climate change, we need to upgrade everything. Infrastructure, supply chains, urban services, logistics, food supply, and more. Climate action makes development sense."

"Hon. Senator Loren Legarda, Chair of the Philippines Senate Committees on Climate Change"

Summary Reflections

Recap of Key Challenges

- Lack of technical capacity building and knowledge sharing in Disaster Risk Financing (DRF)
- The need for support in Disaster Risk Financing strategy and associated investment plans, including the development of new financial instruments to better manage the financial costs of climate risks
- The need for better data to feed into Disaster Risk Financing strategies

Next Steps

- The V20 countries will present learning/outcomes from the DRF workshop to their Ministers of Finance.

- The V20 is looking to endorse the World Bank Group's upcoming Knowledge Platform (to be launched summer 2017) on DRF and use it as a secure platform for learning and knowledge exchange on Disaster Risk Financing.

- The V20 countries are looking for Technical assistance to support the building of a Disaster Risk Financing Strategy and related investment plans. Building on the consultations, V20 countries will prepare investment plans against those strategies and then present these investment plans to International partners for support.

- The V20 countries are looking to international partners for capacity building and financial support to develop their institutional capacity as a part of their broader fiscal risk management agenda. The V20 countries are looking to development partners, to support their training and capacity building needs, to empower them to enhance their risk financing policies, while addressing their diverse risk profiles and demands.

- The V20 countries will request financial and technical support to implement the activities of the V20 working groups on climate risk. There will be two more regional consultations for the V20 this year, which will be held in the Caribbean and in Africa.

BANGLADESH

Riverine floods affect around 20% of the country on a regular basis, and up to 68% in extreme years

Challenges

- Lack of adequate Risk Financing Data to develop a robust financial protection strategy.
- Lack of coordination among different ministries, divisions, and sectors to implement a risk Financing Strategy
- Urgent need for better monitoring and accountability measures

Key actions

- Build awareness in the Ministry of Finance on financial protection against natural disasters by providing technical engagement, training and capacity building, and opportunities for knowledge exchange with other countries.
- Support the Ministry of Finance in the development of a DRF strategy to improve long-term financial planning and fund allocation to mitigate the adverse effects of natural disasters
- Champion the design and development of a database indexing hazards, existing risk data, current public assets etc.

Short Term action

BARBADOS

25% of Barbados' population lives within 2 km of the coast and is vulnerable to sea level rise and storm surge

Challenges

- Lack of a centralized financial management center for planning and deployment of DRF funds.
- Lack of coordination between key government agencies to work together on implementing DRF strategy
- Urgent need to identify key decision-makers to strategize the deployment of DRF funds

Key actions

- Identify the different implementation agencies who will own a national DRF strategy and provide them with specific roles
- Establish contingency plan for post-disaster response
- Undertake a risk-assessment and quantify results through a national DRF strategy

BHUTAN

Bhutan is nestled within the Himalayan Mountains, one of most seismically active zones in the world

Challenges

- The need to clearly define the scope and utility of Disaster Risk Finance.
- Immediate need for uptake of Disaster Risk Financing within the Ministry of Finance.
- Insufficient understanding of the principals and application of Disaster Risk Finance.

Key actions

- ⏱ Initiate consultations with oversight and regulatory authorities within the country to discuss the development of a DRF plan.
- ⏱ Participate in knowledge exchange and consultative meetings with V20 member countries and neighboring countries on creating strategic, sustainable plans on financial resilience against natural disasters
- Develop operational procedures and best practices on deploying financial liquidity post disasters.
- Collaborate with relevant agencies to establish clear and useable documentation and data about disasters.

⏱ Short term action

COSTA RICA

78% of Costa Rica's population reside in areas exposed to high risk from multiple natural hazards

Challenges

- Lack of historical data on disasters including frequency, magnitude, associated economic damages etc.
- Urgent need to gather risk information and carry out and analysis and assessment.
- Follow-through on risk assessment to link to Financial Protection Policy priorities.

Key actions

- Take stock of how disaster response is currently financed within the country and analyze the gaps/weaknesses
- Conduct a thorough risk analysis, including gathering and analyzing risk information on-hand to be used in the country strategy for disaster preparation
- Improve on current public asset databases by adding relevant data like location information and structural vulnerability

FIJI

Fiji is expected to incur, on average over the long-term, annual losses of US$85million due to earthquakes and tropical cyclones

Challenges

- Lack of financial products to serve the purpose of financial resilience against disasters
- Lack of capacity to respond to and effective manage disaster risk financing
- Urgent need to build having the capacity at the sector level to better understand risk assessment and disaster risk financing

Key actions

- Leverage existing knowledge base to learn about designing new insurance and financial products
- Foster inter-agency information sharing and cooperation on Disaster Risk Finance
- Strengthen institutional arrangements to better identify, finance and manage disaster risk finance.
- Establish strong fiscal rules around contingency funds
- Strengthen institutional capacity to undertake risk assessments

Short term action

KIRIBATI

In the next 50 years, Kiribati has a 10% chance of experiencing a loss exceeding US$40 million

Challenges

- Frequent coastal inundation from storm surge, salt water intrusion of the fresh water lens, prolonged drought, and concentrated heavy rains.
- Reliance on climate-exposed economic sectors (fisheries and agriculture)

Key actions

- Need for economic diversification
- Continue scaling up the TA provision, especially in Public Financial Management
- Scale-up in adaptation measures, especially infrastructure resilience and drinking water

MONGOLIA

60%+ of Mongolia is affected by permafrost which negatively impacts agriculture, water management and infrastructure

Challenges

- Lack of historical data on disasters including frequency, magnitude, associated economic damages etc.
- Urgent need to build Institutional capacity to understand the basics of Disaster Risk Financing
- Immediate need to address Risk Financing through preparation of strategy and training for the relevant officials.

Key actions

- Gather historical data and information on natural Disasters from the National Emergency Management Agency (NEMA) and related agencies
- Initiate a Capacity Building Program on Disaster Risk Financing at both the ministerial and the local levels, leading to the developing of a national disaster risk financing strategy
- Improve inter-government agency collaboration on implementing DRF and DRF strategies including the establishment of an inter-government agency data sharing platform

Short term action

PALAU

In the next 50 years, Palau has a 50% chance of experiencing a loss exceeding US$30 million

Challenges

- Lack of institutional capacity to understand the scope and principles of disaster risk finance
- Immediate need to address Risk Financing through preparation of strategy and training for the relevant officials.

Key actions

- Develop partnerships with appropriate agencies to further the DRF agenda and initiate a pilot project
- Arrange a ministerial-level management meeting to further discuss the DRF agenda and incorporate it into the V20 work plan
- Conduct a thorough risk analysis, including gathering and analyzing risk information on-hand to be used in the country strategy for disaster preparation

THE PHILIPPINES

Since 1990, the Philippines has been affected by 565 natural disasters, causing an estimated $23 billion in damages

Challenges

- Lack of historical data on insurance, which does not allow for proactive planning on gaps on the insurance side.
- Urgent need for solid strategy for financial resource mobilization and execution of DRF program
- Insufficient information about funds received for disaster risk financing and management, which makes it difficult for proactive planning

Key actions

- Understanding how the country can make strategic use of the national budget, as well as innovative financial instruments like the CAT-DDO for DRF
- Facilitating better coordination between national and local government agencies to implement the national DRF strategy
- Taking stock of information available on disasters and using this to simulate potential response options
- Build a framework/model featuring disasters and relevant financial solutions (instruments and funding)
- Supporting the discussion on mandatory insurance for disaster resilience with capacity building and expertise

TUVALU

In the next 50 years, Tuvalu has a 50% chance of experiencing a loss exceeding US$4 million

Challenges

- Lack of institutional capacity to understand the scope and principals of disaster risk finance
- Lack of clear policies and regulations about disaster risk financing
- Inability to access rapid post-disaster financial liquidity
- Lack of financial products to serve the purpose of financial resilience against disasters

Key actions

- Build awareness amidst the Ministry of Finance on financial protection against natural disasters by providing technical engagement, training and capacity building and opportunities for knowledge exchange with other countries.
- Support the Ministry of Finance in the development of a DRF strategy to improve long-term financial planning and fund allocation to mitigate the adverse effects of natural disasters
- Champion the design and development of a database indexing hazards, existing risk data, current public assets etc.
- Developing new knowledge base to learn about designing new insurance and financial products and stablishing strong fiscal rules around contingency funds and strengthen institutional capacity to undertake risk assessments

VANUATU

Vanuatu is susceptible to hydrometeorological and geophysical disasters From the South Pacific tropical Cyclone basin and the Pacific Ring of Fire.

Challenges

- Urgent need to budget and plan in advance to ensure financial protection against disasters
- Lack of capacity, knowledge, and information on DRF
- Lack of governance, legislations, and a policy framework to institute strong DRF strategy

Key actions

- Attend more training and workshops on disaster risk finance
- Initiate internal consultations that aim to improve current financial systems before seeking further assistance
- Seek Technical Assistance from development partners to build capacity in DRF
- Include climate change and DRF initiatives in the country's fiscal framework
- Update policy framework and legislations in DRF

VIETNAM

70% of Vietnam's population lives in coastal areas and low-lying deltas, and have increased exposure to flooding risk

Challenges

- Low capacity to conduct robust DRF assessment due to inefficient coordination mechanisms within the government on Disaster Risk Financing
- Lack of data and comprehensive information on Risk Financing to build a financial protection strategy as Disaster risk is a difficult area to estimate/forecast
- Limited fiscal capacity preventing the government from engaging in the development of the insurance market for public assets

Key actions

- Establish a comprehensive database featuring historic and current data on DRF for an in-depth assessment
- Institute a monitoring mechanism to ensure that data is continually recorded and updated
- Strengthen and mobilize political to support the development of a DRF strategy
- Encourage the Ministry of Finance to propose a main focal point to establish a legal framework for Disaster Risk Finance
- Raise awareness on the role of risk transferring instruments (e.g. insurance) in managing fiscal risks related to natural disasters

ETHIOPIA

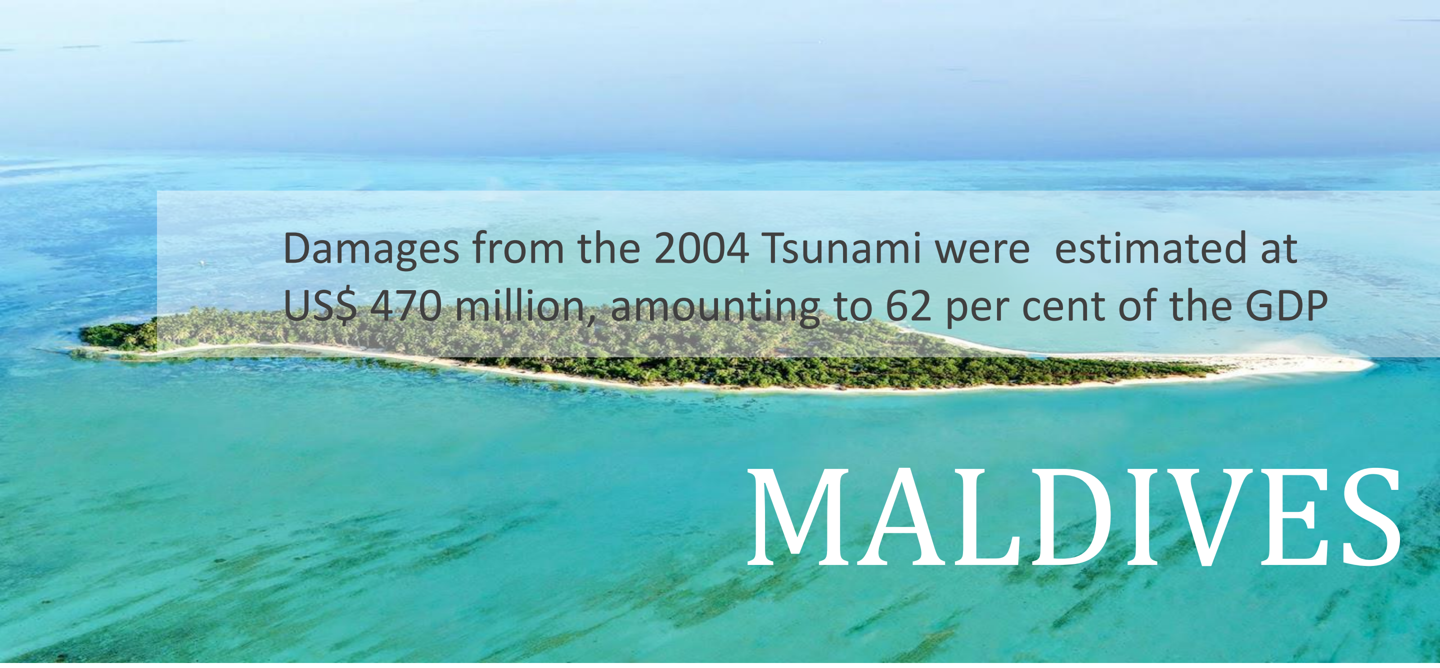
The 2011 Horn of Africa drought left an 4.5 million+ people in need of food assistance

Challenges

- Lack on comprehensive risk analysis and subsequently a robust disaster risk financing strategy
- Lack of ability to conservatively engage and interest the private sector in climate finance
- Insufficient information about funds received for disaster risk financing and management, which makes it difficult for proactive planning

Key actions

- Consult with the top –most officials in the government to develop a strategic plan on disaster risk management with a strong Disaster Risk financing component.
- Develop a national Disaster Risk Financing strategy
- Proactive planning for the flexibility in re-allocation of budgets, so that following a disaster funds earmarked for areas unaffected by disasters can be quickly reallocated to affected areas.
- Champion advance planning in advance for disaster, including encouraging budget officials in the government to save funds for bad years during good periods

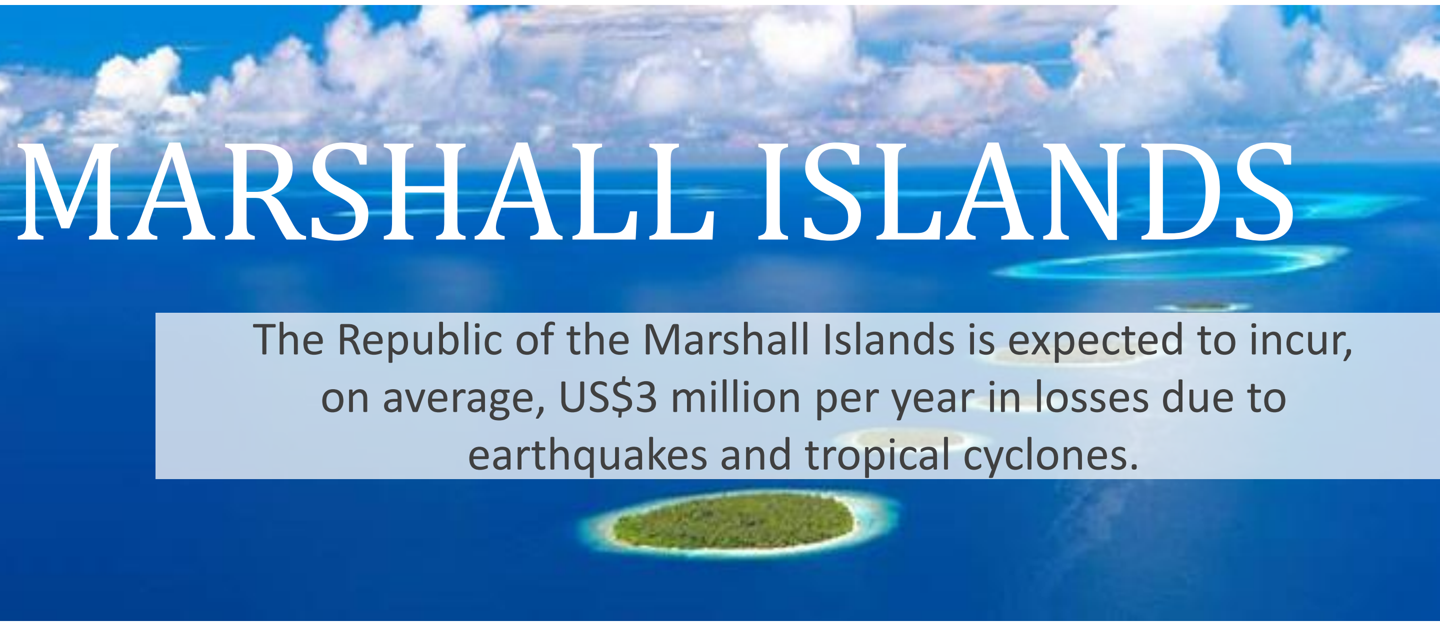


Damages from the 2004 Tsunami were estimated at US$ 470 million, amounting to 62 per cent of the GDP

MALDIVES

SRI LANKA

Annual expected loss from natural disasters represents 0.50 % of Sri Lanka's GDP and is equivalent to 3 percent of total government expenditure



MARSHALL ISLANDS

The Republic of the Marshall Islands is expected to incur, on average, US$3 million per year in losses due to earthquakes and tropical cyclones.

In the next 50 years, Papua New Guinea has a 50% chance of experiencing a loss exceeding US$700 million and casualties larger than 4,900 people

PAPUA NEW GUINEA

V20

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