Core Principle 3: How money reaches beneficiaries is as important as where it comes from

Many countries lack the dedicated mechanisms, experience, and expertise to effectively allocate, disburse, and monitor recovery and reconstruction funds following disasters. For example, limited experience with and awareness of emergency procedures for public procurement can lead officials to apply business-as-usual procedures, leading to costly delays. Part of the challenge for countries that want to implement a sovereign disaster risk financing and insurance strategy, including setting up budget execution systems to address specific post-disaster challenges, is that it requires strong collaboration between the ministry of finance and the public entity tasked with spending the money, such as local governments or public infrastructure maintenance agencies. In addition, the system must balance policy makers' concerns for fast disbursement with the public's and donors' needs for transparency and accountability. For example the government of Mexico established a post-disaster loss reporting mechanism managed by its Natural Disaster Fund (FONDEN), which lets affected states access timely payments directly from FONDEN, reducing time-consuming coordination problems.

Opportunities to expand the impact of disaster risk financing and insurance

Social safety net programs and disaster risk financing: Few developing countries are currently supporting their social safety nets by disaster risk financing strategies to help governments manage the potential cost of scale up following disasters. One challenge to increasing this critical link is to forge the partnerships required—such as between ministries of finance and officials working in public welfare agencies—to financially and institutionally adapt safety nets to expand during and after disasters. Additionally, since it is low-income countries who would benefit the most from linking safety nets to disaster risk financing and insurance strategies, it is essential that the international community provide technical and financial support to make this happen.

Subnational disaster risk financing and insurance agendas: Expanding disaster risk financing and insurance to the subnational level will not only increase the financial resilience of regional or local governments, but it also reduces the potential financial burden on the central government. This often requires additional investments in building capacity and expertise, which tend to be weaker at the subnational level. Integrating disaster risk financing and disaster risk management into city-level planning has become particularly urgent in the face of rapid urbanization. In Asia, for example, unprecedented levels of economic and population growth has led to a rise in megacities—cities with over 10 million people—that tend to be located near coastlines and rivers, making them highly vulnerable to rising sea levels and other effects of climate change.