



**Asia-Pacific
Economic Cooperation**

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Agenda Item: 4.2

Disaster Risk Finance and Insurance in APEC - Proposed Activities in 2019

Purpose: Information
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Disaster Risk Finance and Insurance in APEC

Proposed Activities in 2019

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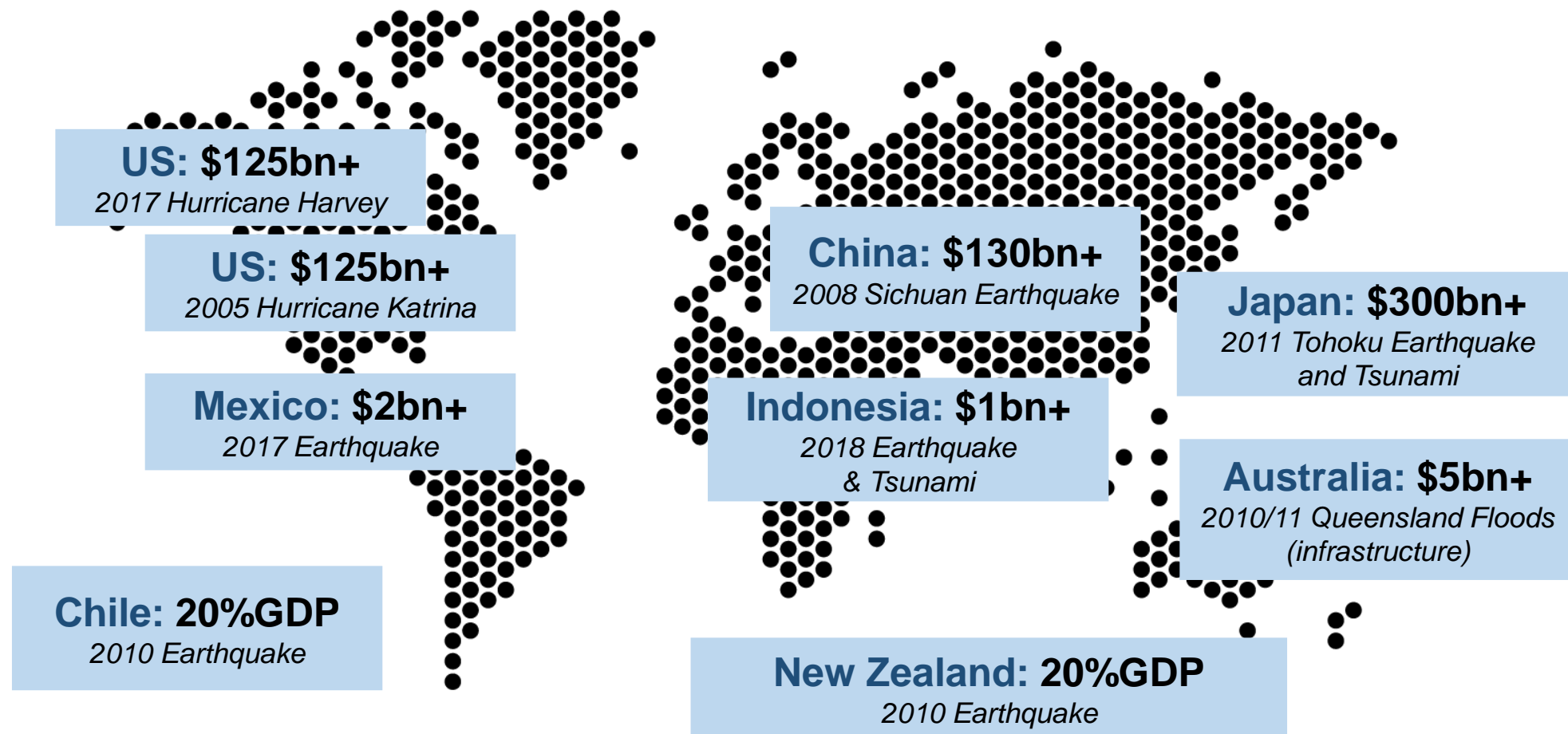
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APEC Mandate on Disaster Risk Finance

- **2013 and 2014 joint finance ministerial statements**
 - Improve DRF approaches to build resilient real economies and introduce good practices on DRF
- **2015 joint finance ministerial statement**
 - Conduct a study on options for regional DRF mechanisms among interested APEC economies
- **Cebu Action Plan: Enhancing Financial Resiliency (Pillar 3)**
 - Develop innovative DRF mechanisms to enable APEC economies exposed to natural hazards to increase their financial response to disasters and reduce their fiscal burden.
- **2016 joint finance ministerial statement**
 - Establish a working group aimed at developing DRFI solutions in order to identify and implement appropriate regional disaster risk financing mechanisms and to help increase insurance penetration.
- **2017 joint finance ministerial statement**
 - Welcome the work of the Working Group in 2017 and look forward to the implementation of the 2018 work plan.
- **2018 joint finance ministerial statement**
 - Look forward to continued cooperation and knowledge exchange on DRFI, particularly on financial risk for quality and resilient infrastructure against natural disasters.

Impacts of Disasters in APEC Economies



Global economic losses from disasters are on average more than **US\$300 billion** a year

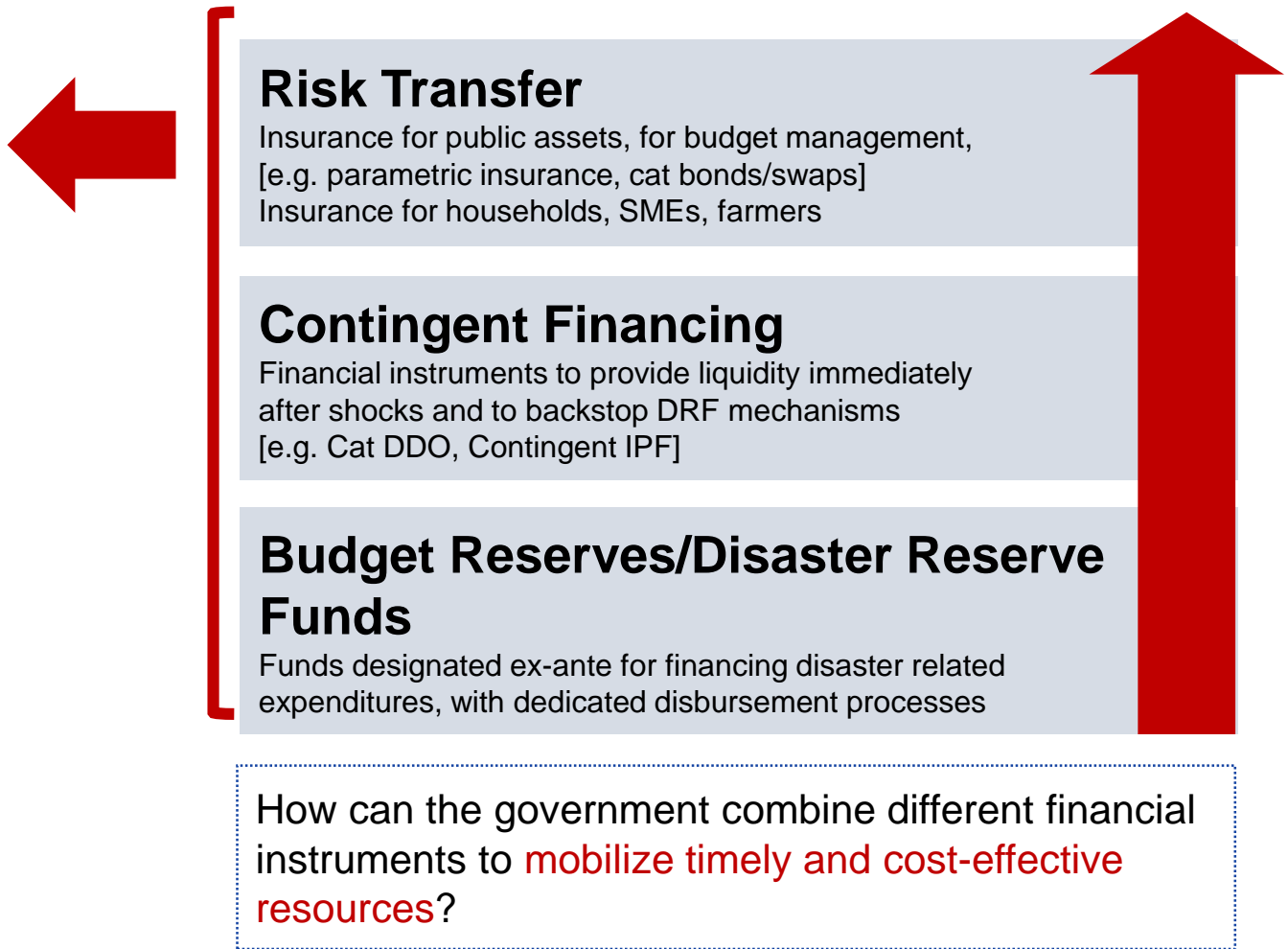
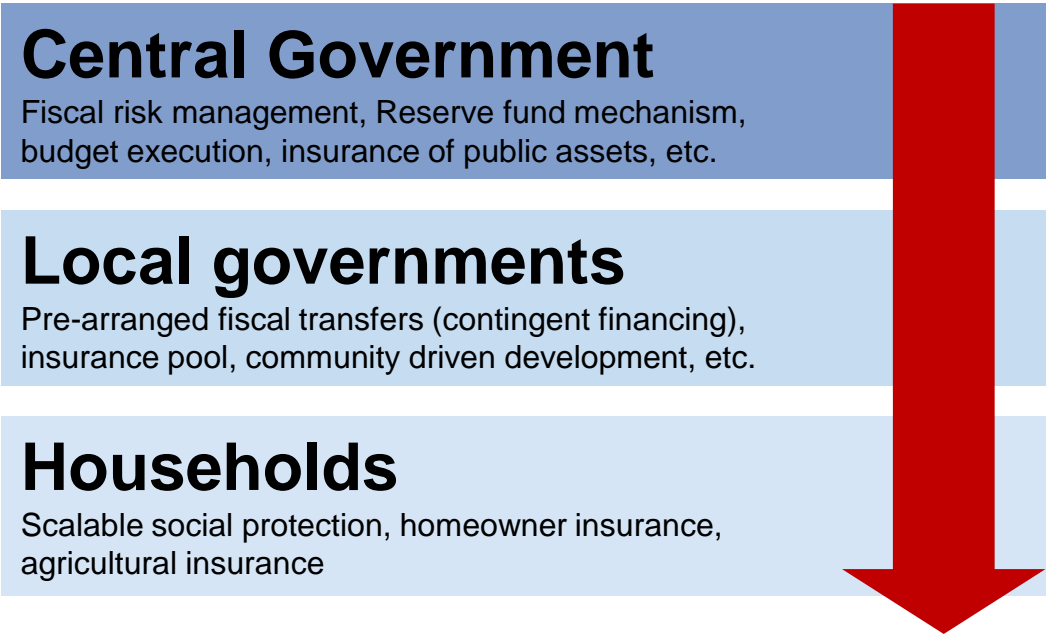
This increases by 60% to **US\$520 billion** when estimating **global consumption loss**.

Disasters force **26 million people** into poverty every year

Disaster Risk Finance Framework

Maintaining fiscal health, developing sustainable financing mechanisms, reducing the impact on the poor and vulnerable.

How does funding and assistance after disasters flow from the central government, to local governments and households?



DRF Core Principles

– Lessons from international experiences

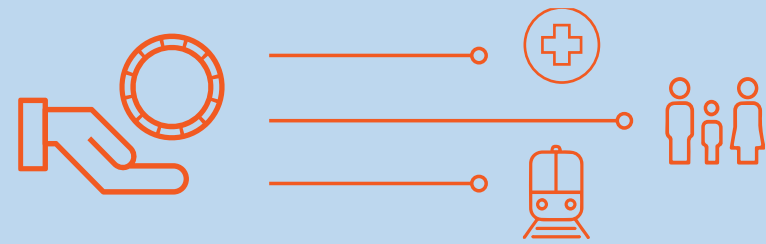
Timeliness of Funding

Speed matters but not all resources are needed at once.



Disbursement of Funds

How money reaches beneficiaries is as important as where it comes from.



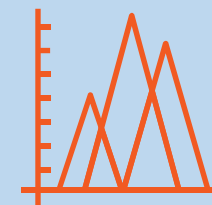
Disaster Risk Layering

No single financial instrument can address all risk.



Data & Analytics

Sound financial decisions require the right financial information and data.



2017-2018 APEC Activities on Disaster Risk Finance

- APEC Working Group on Regional Disaster Risk Financing Solutions for APEC Economies
 - Co-chaired by Japan and The Philippines, with World Bank acting as lead technical facilitator
- Policy Lessons on Managing Disaster-Related Contingent Liabilities in Public Finance Frameworks
 - Report jointly prepared by World Bank and OECD
- Catastrophe Insurance Programs for Public Assets – Operational Framework
 - Report prepared by World Bank
- Knowledge Exchange Events among APEC Economies
 - APEC Seminar on Disaster Risk Financing hosted by Government of Indonesia
 - APEC Workshop on financial management of public assets against natural disasters in Tokyo, Japan

APEC 2019 Proposed Activities



Take a closer look at Infrastructure – largest disaster related contingent liabilities

- Damage to infrastructure is major disaster related contingent liability for governments.
- The financial impact of natural disasters on critical infrastructure assets strain in two ways.
 1. **increase in government expenditure** to fund recover or reconstruct damaged and/or destroyed infrastructure; and
 2. **disfunction of economic activities** that rely on the damaged/destroyed infrastructure, which result in decrease in government revenues.
- Finance Ministries often face trade-offs between investment in physical resilience and financial protection measures against disasters.
 - **Additional costs** for strengthening disaster resilience of infrastructure (**quality and resilient infrastructure**)
 - **Financial protection measures**, such as disaster management fund, contingency budget and insurance premiums, to mobilize quick liquidity soon after disaster

Operational Framework for Financial Management of Infrastructure against Disasters

- **Objective:**

- Identify good practices and lessons in assessing, managing and mitigating financial impact of disasters on infrastructure
- Consolidate principles and operational guidelines for better financial management of infrastructure against disasters
- Inform new approaches to enable governments to quickly mobilize finance and restore services provided by critical infrastructure

- **Timeline and Outputs**

- | | |
|----------------------|--|
| 2019 APEC FM Meeting | • Discussion Note that summarizes financial methodologies to enable continuity of critical services of infrastructure against disasters |
| | • Knowledge Exchanges among APEC Economies and beyond at the APEC Seminar on DRF hosted by Chile |
| Oct 2019- March 2020 | • Conduct Case Studies on selected APEC Economies and beyond |
| 2020 APEC FM Meeting | • Operational Framework building on the Case Studies of APEC Economies and beyond |

Further information

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<http://www.worldbank.org/drfi>