

# Pillar 4

## Financial Protection

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### AT A GLANCE

#### • PORTFOLIO

In fiscal year 2014, 31 grants in over 12 countries helped improve financial resilience to the impact of natural disasters, with better post-disaster financial response capacity and stronger domestic catastrophe insurance markets.

#### • RESULTS

In fiscal year 2014, Sri Lanka became the first South Asian country to access a \$102 million World Bank loan with a Catastrophe Deferred Drawdown Option (Cat-DDO), an innovative form of World Bank financing that provides immediate payouts after a major catastrophe such as a tsunami, cyclone, or flood.

#### • LEVERAGING

GFDRR has helped leverage \$1.4 billion in contingent credits from the World Bank to provide immediate funds to Colombia, Costa Rica, El Salvador, Guatemala, Panama, Peru, the Philippines, the Seychelles and Sri Lanka in case of disaster.

### What We Do

A country with an otherwise robust disaster risk management program can still be highly exposed to budgetary shocks caused by major disasters. Disaster risk financing and insurance helps ensure that governments, businesses, and people are financially protected in the event of a disaster. Through funding and expertise, GFDRR supports countries to develop and implement tailored financial protection strategies that increase the ability of national and subnational governments, homeowners, businesses, agricultural producers, and low income populations to respond quickly to disasters.

### How We Do It

GFDRR works with countries to enhance financial response capacity for greater overall financial resilience to natural disasters. To strengthen domestic catastrophe risk insurance markets, we also support the development of public-private partnerships (PPPs) to improve the supply and demand of property and agricultural catastrophe risk insurance solutions. Through the Disaster Risk Financing and Insurance Program, GFDRR works on four priority areas.

**Sovereign Disaster Risk Financing:** GFDRR and partners launched a pilot insurance program in the Pacific Islands to provide access to market-based catastrophic risk insurance solutions for six Pacific Island countries (PICs). The pilot is one component of the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), which provides these disaster-prone countries with disaster modeling and assessment tools and supports the design and implementation of integrated financial solutions to reduce financial vulnerability from disaster and climate change. Launched in January 2013, the program has now entered its third season, running from November 1, 2014 to October 31, 2015. Working together, the Cook Islands, the Marshall Islands, Samoa, Tonga, and Vanuatu have been able to secure aggregate insurance coverage worth \$43 million against tropical cyclones, earthquakes, and tsunamis.

**Property Catastrophe Risk Insurance:** GFDRR supports collaboration with the private sector through PPPs to increase access to competitively-priced and high-quality insurance products for homeowners and businesses to efficiently protect their property against climate and disaster-related losses. Catastrophe risk insurance is protecting citizens in Southeast Europe and the Caucasus, for example, against flood, earthquakes, and hail through Europa Re, a catastrophe risk reinsurance company owned by the countries of Southeast Europe and the Caucasus.

**Agricultural Insurance:** GFDRR works to increase access to quality insurance products for farmers, herders, and fishers to increase their financial resilience to adverse natural hazards (see “Results on the Ground” section).

**Disaster-linked Social Protection:** Governments are increasingly looking to strengthen the resilience of low-income populations through the application of insurance principles and tools to social protection programs such as social safety nets. The Government of Ethiopia, for example, integrates contingency planning and financing into the Productive Safety Net Program (PSNP), a social safety net that relies on more than \$550 million in annual funding and currently supports more than 7.6 regular beneficiaries. It is able to scale up during extreme events such as the 2011 Horn of Africa Drought, a severe drought that affected the entire East Africa region.

## Partnerships

GFDRR works with a wide variety of partners and donors, including the State Secretariat for Economic Affairs of Switzerland, the European Union (EU), the Government of Japan, and the UK Department for International Development

(DFID), as well as financial institutions, such as SwissRe and MunichRe, academic institutions, and government agencies to promote financial resilience in disaster-prone countries.

## RESULTS ON THE GROUND

### India's National Agricultural Insurance Scheme

GFDRR supported the Government of India in reforming their national crop insurance scheme—one of the world's largest crop insurance programs. With technical assistance from the World Bank that began in 2005 and finalized in 2014, this project reduced delays in claims payments and improved coverage for farmers. India's weather-based crop insurance has been in place since 2007 for 11 growing seasons, with more than 11 million farmers and over \$370 million covered in the most recent season. The national crop insurance program, operating since 2010, offers more than 1.1 million farmers a total of \$67 million coverage in yield crop insurance. These successes in India have informed further GFDRR-funded projects, including technical assistance engagements on agricultural insurance in Kenya (amounting to approximately \$500,000 in fiscal year 2014) and Bangladesh, an engagement that began in late 2014.

*“The cash received from the catastrophe risk insurance pilot makes an important financial contribution for carrying out the government strategy for mitigating natural disasters. It ensures that response efforts to help the people of Ha'apai recover and return to their normal everyday lives can continue without interruption or delay.”*

— Dr. 'Aisake Valu Eke, Minister of Finance and National Planning, Tonga

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\*All figures in US Dollars