Strengthening financial resilience: the role of ADB

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ADB's Integrated Disaster Risk Management Approach

Cross-cutting actions

- Institutonal-izing IDRM
- Capacity development
- Investing in disaster resilience
- Stakeholder engagement

Outcome

Strengthened disaster resilience

Reduced disaster risk in the immediate and long term

Enhanced residual risk management for effective disaster response

Principles/requirements

Integrate disaster risk reduction into development

Many development actions carry potential disaster risk but also provide opportunities to strengthen resilience

Address the disaster risk management-climate change adaptation intersection

DRM investments may underperform and ultimately even exacerbate disaster risk if climate change is ignored

Develop disaster risk financing capabilities

Levels of expenditure on disaster risk reduction and residual risk management should be increased to reflect long-term risk profiles

Current disaster risk financing realities

- Expenditure on disaster reduction is limited as more pressing demands on public resources take priority

For every $100 spent on development aid in ADB's DMCs, just 60 cents was invested on disaster risk reduction between 1991 and 2000

- Governments typically have ad hoc financing arrangements for disaster response, relying heavily on post-disaster budget reallocations
- Post-disaster aid covers 4% of total losses on average
- There is extremely low penetration of market-based risk transfer instruments

Late and inadequate flows of post-disaster funding delay reconstruction and knock prior development plans off course

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Planning for disaster response: ADB's ongoing and potential activities

Goal: Strengthened financial resilience and incentivized risk reduction

1. Strengthening the enabling environment

- Analysis of demand and supply constraints to the development of enhanced DRF arrangements

Supply	Demand
Data limitations Legal and regulatory gaps Capital requirement deficiencies	Affordability Trust Financial literacy

- Assessments of disaster risk, the fiscal burden posed by disasters and funding gaps *(risk modelers, government)*
- Enhancing technical disaster risk financing (DRF) knowledge and understanding *(government, regulators, business, individuals… and insurance industry)*

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Planning for disaster response: ADB's ongoing and potential activities

2. Development and implementation of solutions

- Comprehensive DRF strategies (government)
- Pilot projects – e.g., city governments, crops (government, insurance companies, microfinance institutions)
- Contingent disaster loans (government)
- Establishment of risk pools and innovative risk transfer vehicles

Key takeaways

- Strong partnerships with other stakeholders are critical – no single grouping can do it alone
- Always keep risk reduction objectives in sight