Resilience and Risk Financing

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Abstract

Organizer: IIASA
Format: Introduction, 3x8min presentations from panel members, then open the floor for questions and discussion (1 hour total).

Introductory abstract:

Public or donor-supported financial safety nets, and private risk financing, will increasingly be part of the disaster and climate change adaptation landscape in developing countries. These schemes are still in their infancy; now is the time to seize the opportunity to establish them in a way that enhances resilience, particularly for the poor and marginalized groups. This requires a genuine engagement between the resilience and insurance communities, who have traditionally moved in different spheres. This panel will present new thinking on risk financing and disaster resilience, and open the space for this engagement. It will explore the potential role for risk financing instruments in resilience building, challenges to this and potential ways forward.

Research is clear that safety nets which provide timely access to finance for reconstruction are associated with reduced long-term impacts of disasters on livelihoods and even lives. They allow communities to avoid disabling (and sometimes life threatening) coping strategies. Informal risk sharing at the community level is effective only up to the point where the whole community is affected, beyond this there is a gap to be filled. A secure contract for post-disaster financial security can be a more dignified form of disaster relief than relying on ad hoc handouts. Furthermore, safety nets are essential for development since they allow people, communities and small businesses to take risks associated with innovation. The potential for risk financing instruments to incentivize risk reduction and enhance resilience is frequently cited by academics and practitioners alike. To date there have been numerous trials and initiatives in developing countries on instruments such as micro-insurance through to catastrophe bonds, yet these remain plagued by numerous challenges, particularly in regards to vulnerable households, communities, farms and other small businesses.

Panel:

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* Ian O’Donnell, IFRC

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