

An Executive Education Program on
Disaster Risk Finance for Bangladesh

DAY 1: FOUNDATIONAL DAY

Introduction to Disaster Risk Finance

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**Disaster Risk Financing
& Insurance Program**



Global Shield
Financing Facility



Do you recognize this?



Floods of 2024

THE EVENT



Feni, Eastern Bangladesh, 2024



Agriculture and infrastructure were heavily affected



US\$ 1.2 BILLION
Estimated Economic Cost
~**2%** of the National Budget



A localized event with **far-reaching** effects



Over **1 million people** affected



It's important to think about planning for such events.

What is Disaster Risk Finance?



DRF is about **planning financial responses before disasters strike**. It is thinking about tomorrow, today.



It is about making sure **funds are available** when countries need them and with clearly identified **ways of disbursement** before disasters strike.



It is about moving to a path of **self sufficiency** - and **lowering reliance** on international assistance.

What is NOT Disaster Risk Finance?

DRF is not about reducing risk (though it can **INFLUENCE** activities that reduce risk).

DRF is not about building better infrastructure or retrofitting infrastructure (though it can **INFLUENCE** activities that reduce risk).

It is not about raising funding for disasters *after* a disasters.

Why DRF matters for governments

Links fiscal stability with humanitarian and development outcomes.

Challenge (Reactive Financing)

Struggle to find money during a crisis.



Have to cut other programs or delay planned spending.



Face long and difficult talks to get support during an emergency.



People and business struggle to pay taxes and owed to governments and loans owed to financial institutions.



Benefit (Using a DRF Approach)

Governments already have funds or arrangements in place, so money is available quickly when needed.

DRF sets aside funds for emergencies, helping keep regular plans and budgets on track.

DRF puts clear plans and agreements in place ahead of time, making it faster and easier to release funds.

DRF allows for planning for such fiscal drops in revenues.

What is important when developing your DRF approach?

Data & Analytics

-> evidence helps for making informed decisions
how about to manage costs.



Risk Layering

-> no single instrument can address all needs



Disbursement Mechanisms

-> how funds flow is as important as making funds available.



Protection Priorities

-> who and what you want to protect is fundamental to understand



Regulatory Environment

-> Important to understand what is possible in the current regulatory framework and what needs to change



Timeliness of Funding




-> speed matters when a disaster strikes.



#1: Data & Analytics

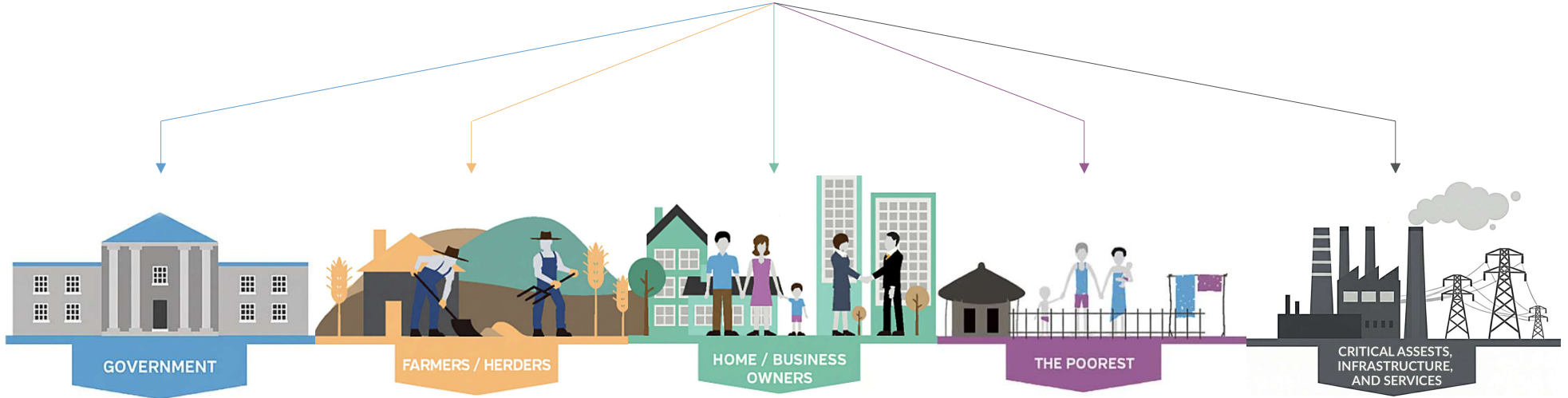
To make decisions about **WHAT** you want to do, you need Data.

What data do you need?

Date Type	General Description	Example
 Hazard	Data kind of disasters are you prone to? Where do they happen? How frequently do they happen? How much do they cost?	Floods, Cyclones, Storm surges, Riverbank erosion, Droughts, Landslides, Earthquakes, Heatwaves, Lightning strikes, Hailstorms etc.
 Vulnerability	In the areas where they happen, who lives there? What is their income level and how are they impacted? What would it cost for them to recover?	Is a person on the flood plain or on a hill? Is a structure built with wood or cement?
 Exposure	In the areas where they happen, what infrastructure is there? If affected how much would it cost to repair or reconstruct them?	If a building is damaged, how much does it cost to replace? If a person is affected, how much do they need to fully recover?

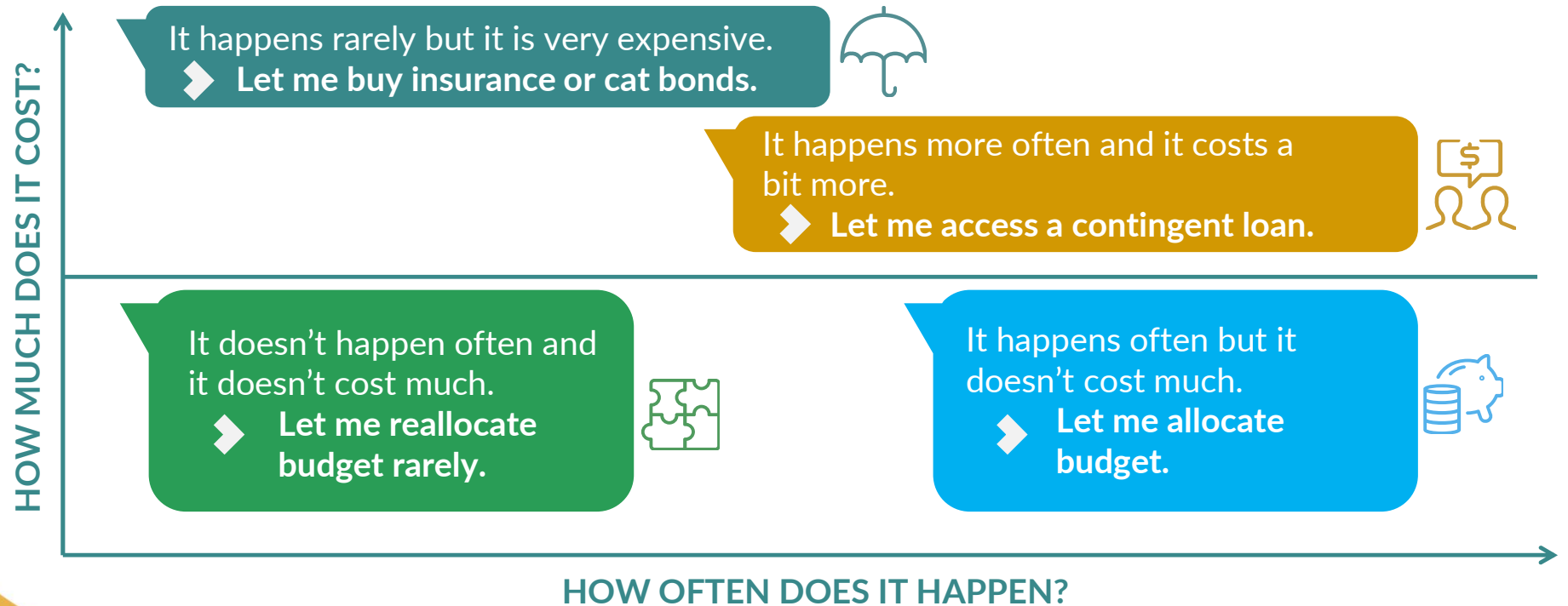
#2: Protection Priorities

It is important to decide what core protection priorities are.



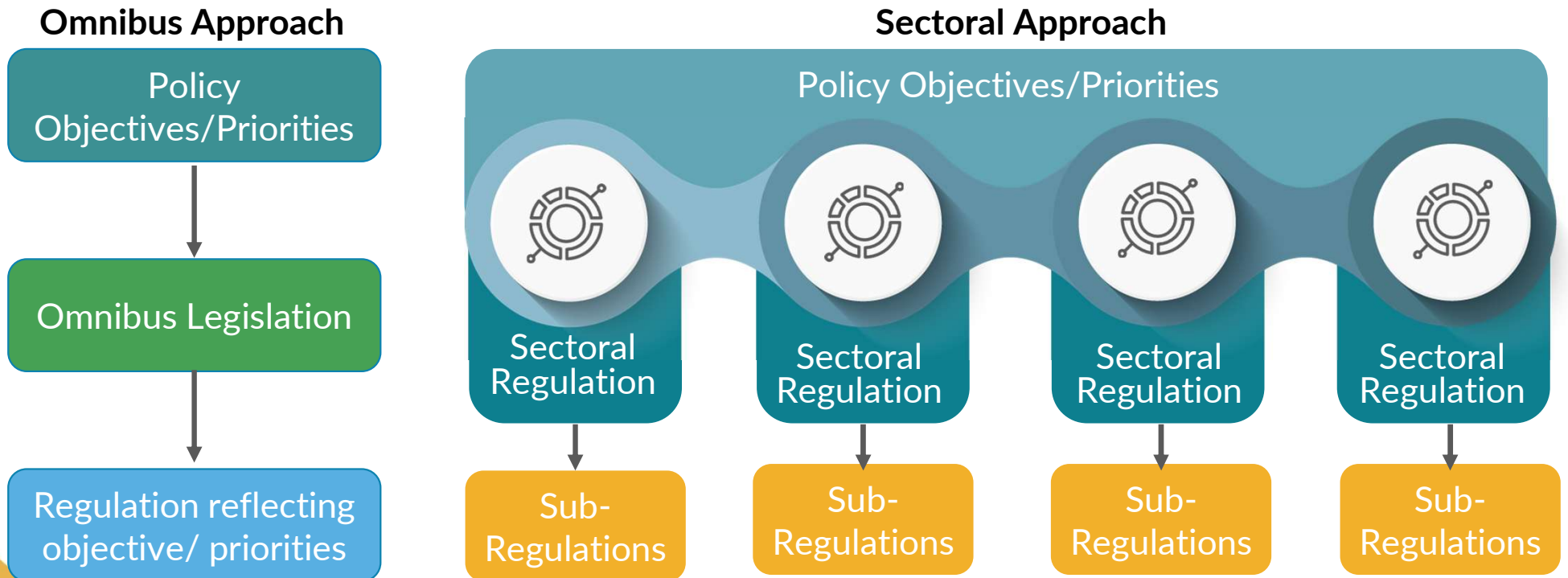
#3: Risk Layering

- Different types of disasters are better financed through different types of instruments -> cost effective approach and risk appetite



#4: Regulatory Environment

Effective regulation and institutional arrangements come from policy objectives/priorities for the financial protection program and serve as a bridge between policy objectives and implementation



#5: Disbursement of funds

It happens rarely but it is very expensive.



Let me buy insurance or cat bonds.

It happens more often and it costs a bit more.



Let me access a contingent loan.

It doesn't happen often and it doesn't cost much.



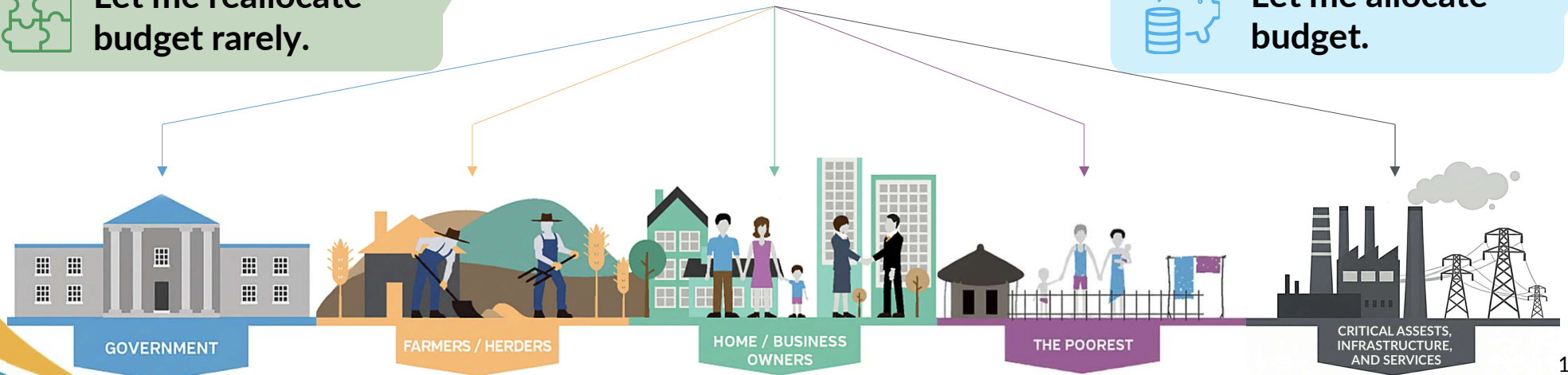
Let me reallocate budget rarely.

WHERE DO THE FUNDS GO AND HOW?

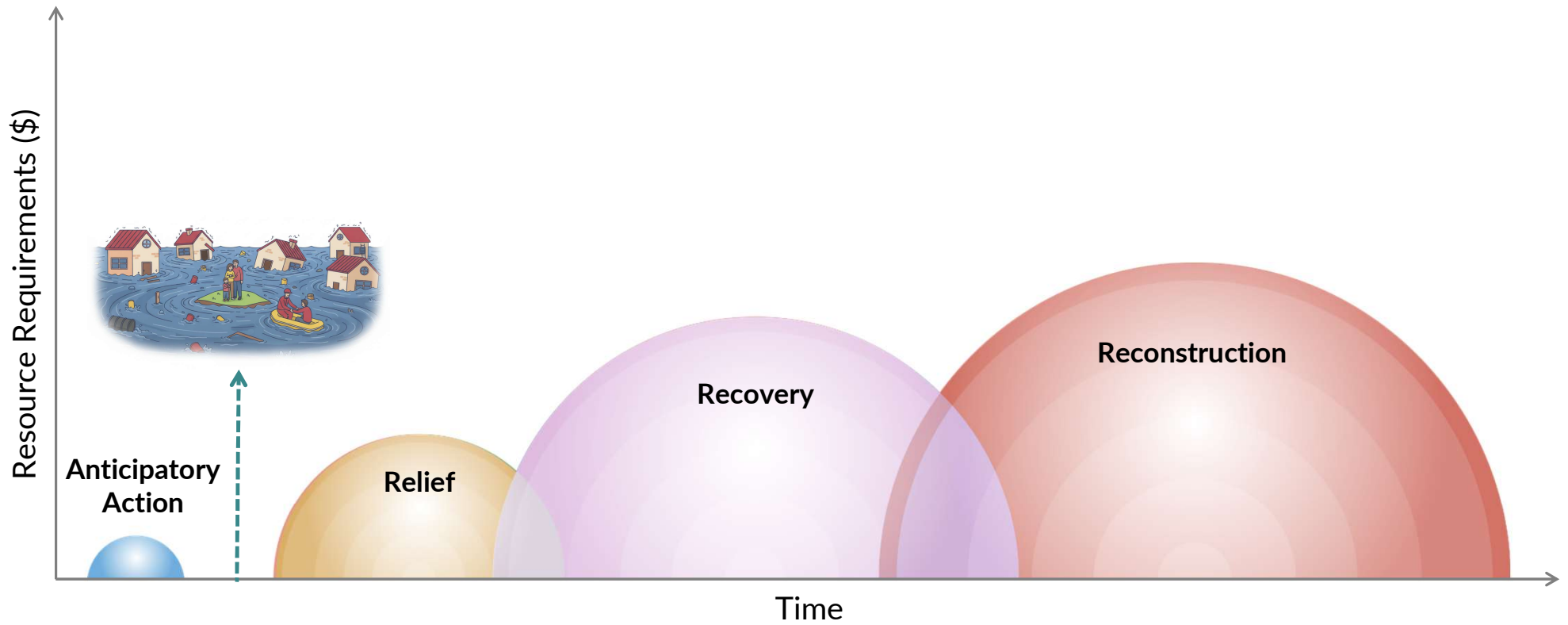
It happens often but it doesn't cost much.



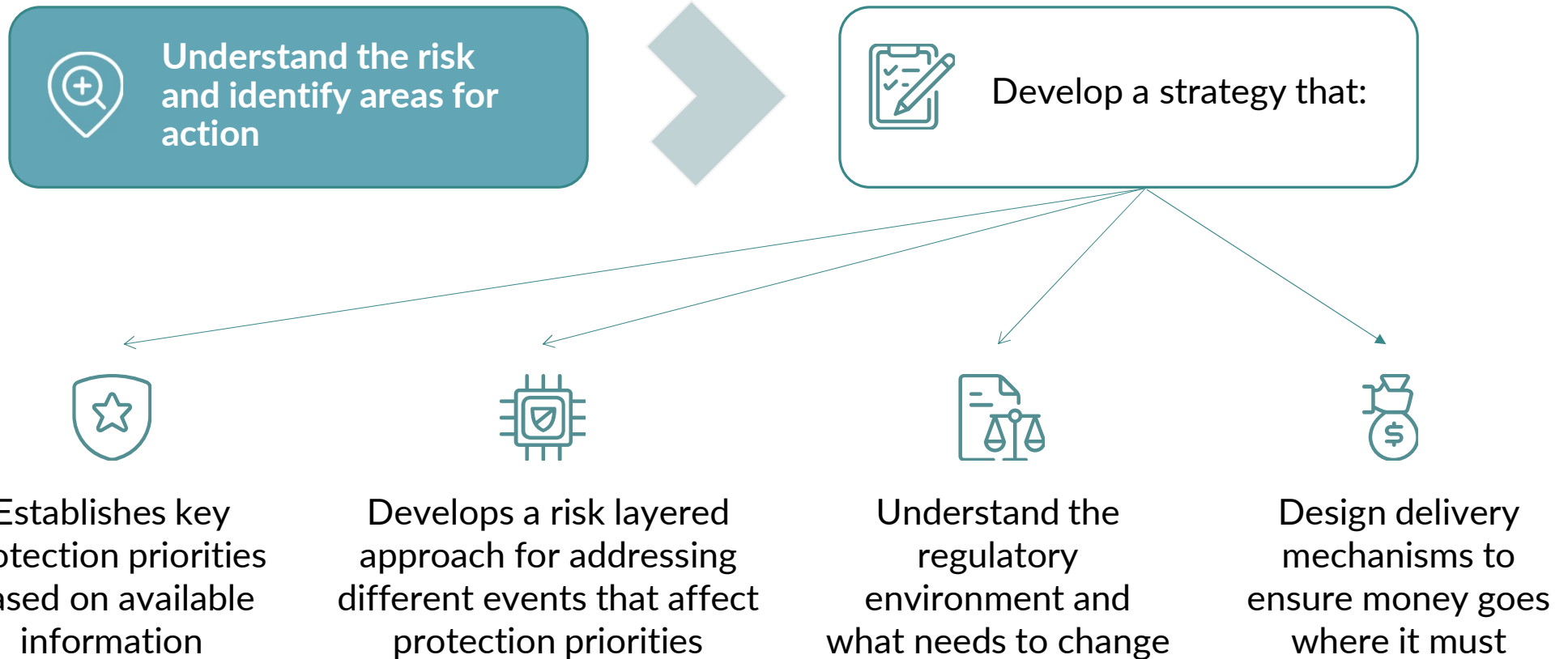
Let me allocate budget.



#6: Timeliness of Funds



What can governments do?



What can governments do?



Own and use this strategy by crowding in key stakeholders to make decisions about how to plan for post-disaster financing needs.



Identify ways to incentivize those protected to contribute to protection efforts.



Identify ways to incentivize governments to invest in longer term resilience measures.

Key considerations in implementing risk financing strategy



DRF strategy is an important prerequisite for selecting “fit-for-purpose” disaster risk financing instruments. It ensures that financing instruments are selected based on a clear understanding of risks, costs, and policy objectives, and that they work together in a coordinated, cost-effective, and timely manner.



No single ministry can implement DRF alone. Effective design and implementation of DRF require broad ownership and collaboration across line ministries and key stakeholders.



There is no one-size-fits-all solution. A DRF program should start with what is feasible, learn from experience, and evolve as needs and contexts change.

Thank You



Global Shield
Financing
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Community
of Practice



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