

Women in Risk Finance

Tuesday, March 8, 2022
8:00am to 9:30am
EST



Disaster Risk Financing
& Insurance Program



SUPPORTED BY
WORLD BANK GROUP



Disaster Risk Finance
Community of Practice

Housekeeping



90-minute webinar

Different guest speakers



Q&A: Please share your questions via chat box (If possible, please indicate which speaker(s) to address your question(s))



The full session will be recorded for post-event sharing



Opening Remarks

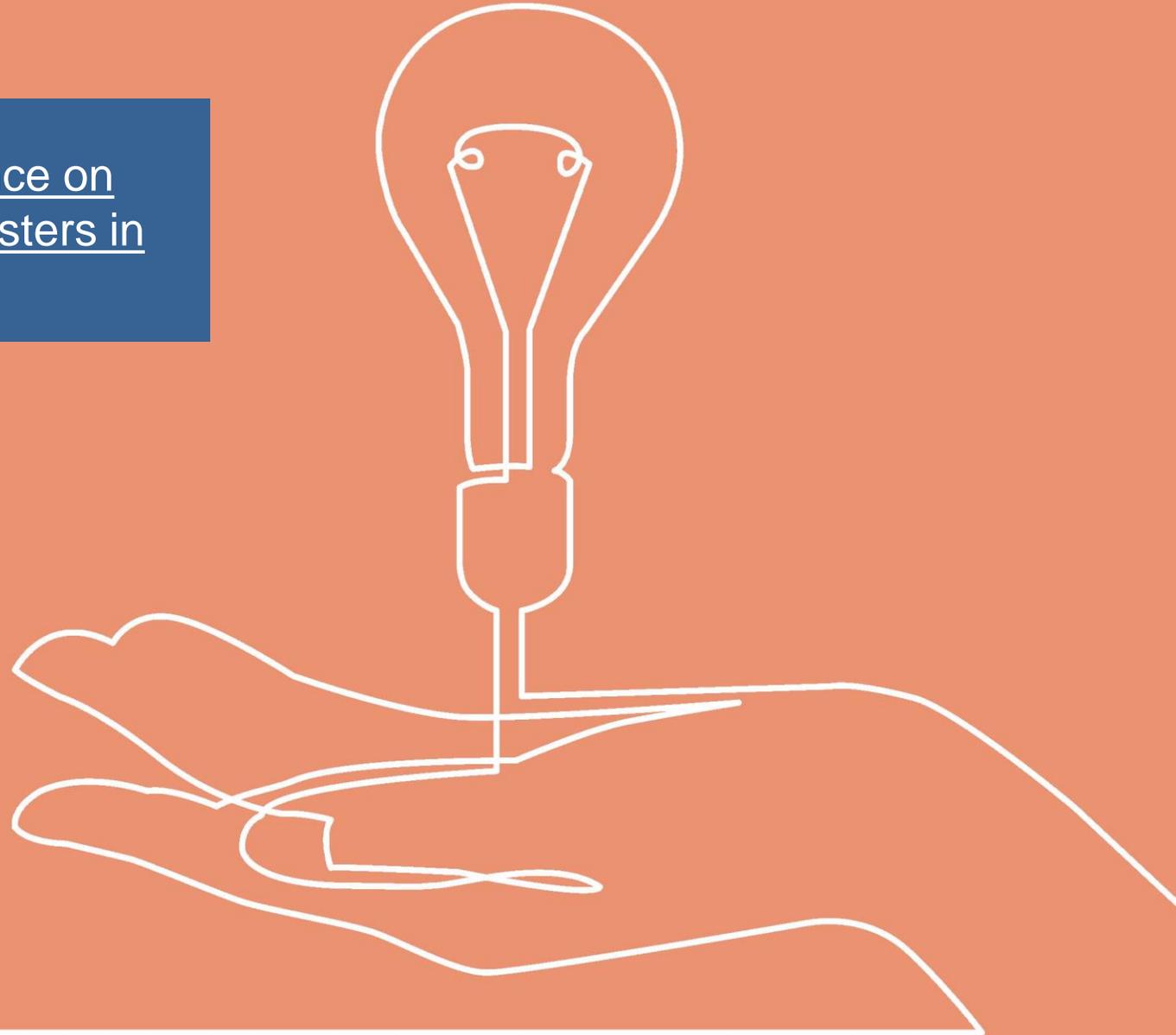
Jean Pesme

Global Director, Finance,
Competitiveness and Innovation
Global Practice, World Bank Group

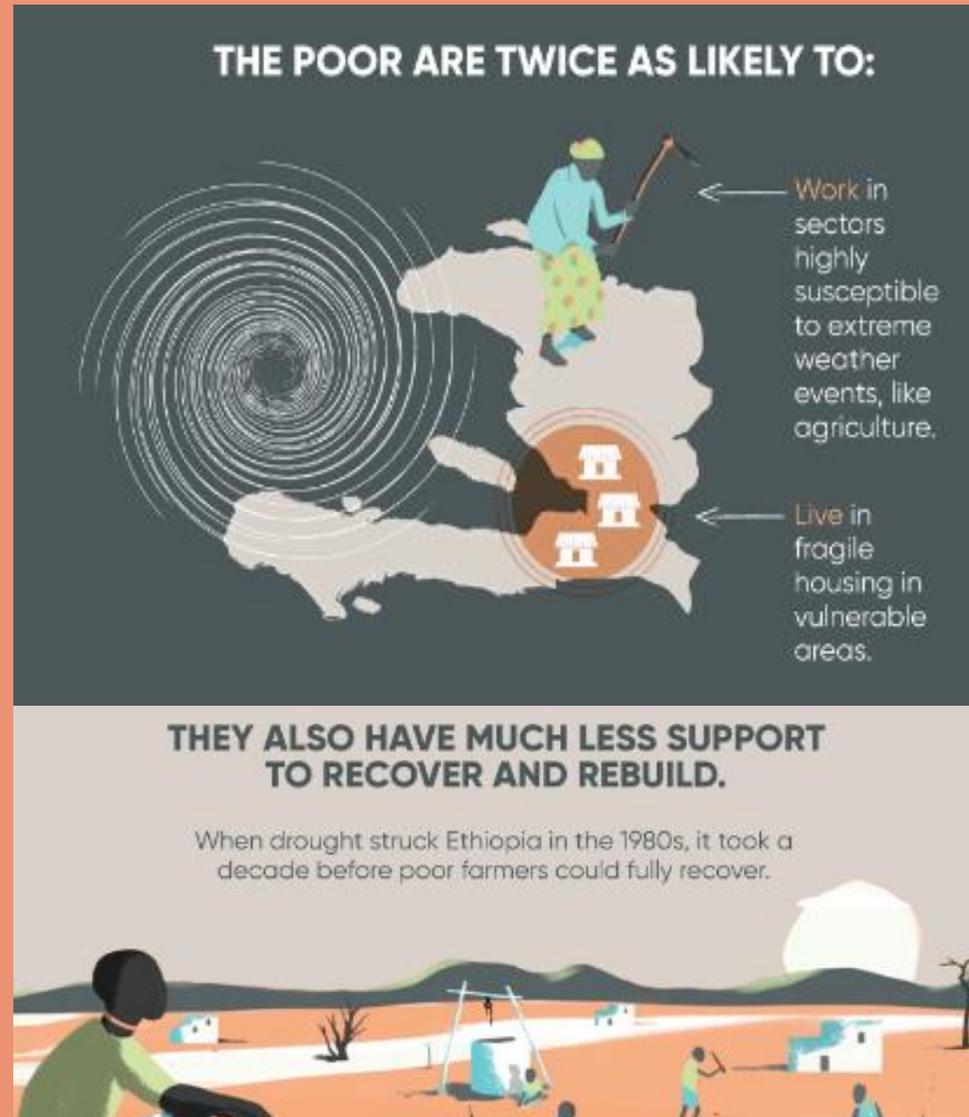
Framing Presentation: WBG experience on
deepening financial protection to disasters in
Africa

Evie Calcutt

Financial Sector Specialist,
Crisis and Disaster Risk
Finance, Finance,
Competitiveness and
Innovation Global
Practice, World Bank Group



Disasters in Africa threaten public finances, external trade balance and poverty reduction



Building a comprehensive approach to resilience

PHYSICAL RESILIENCE

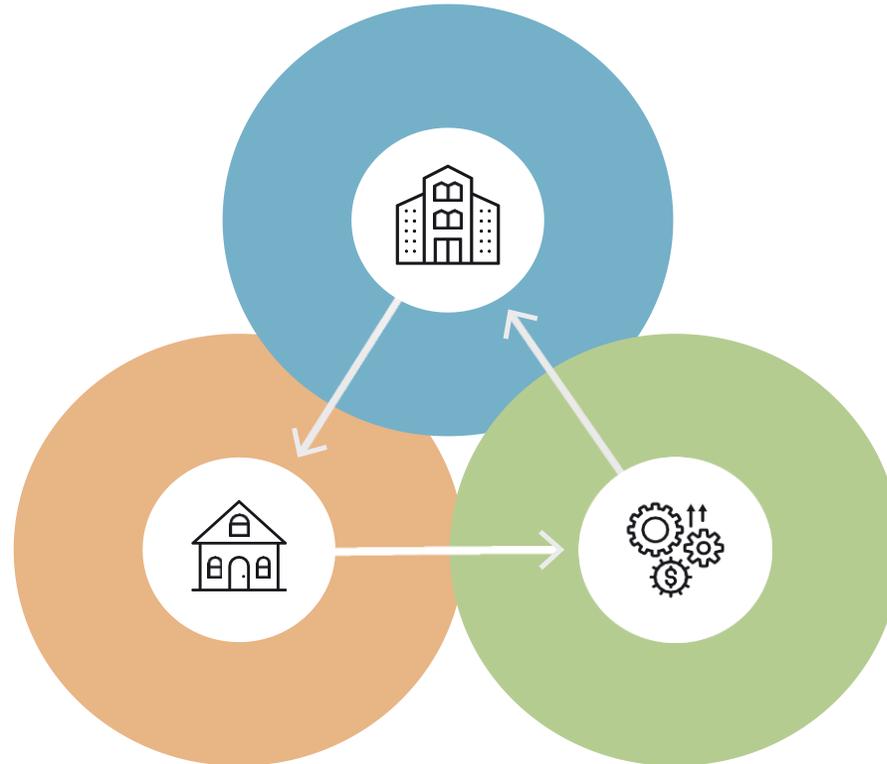
Reduce risk, prevent disasters, and be prepared

Eg. Quality infrastructure, rehabilitation planning

FINANCIAL RESILIENCE

Protect the government,
SMEs, and households

Eg. Pre-arranged predictable funding
when disasters strike, linked to effective
disbursement mechanisms



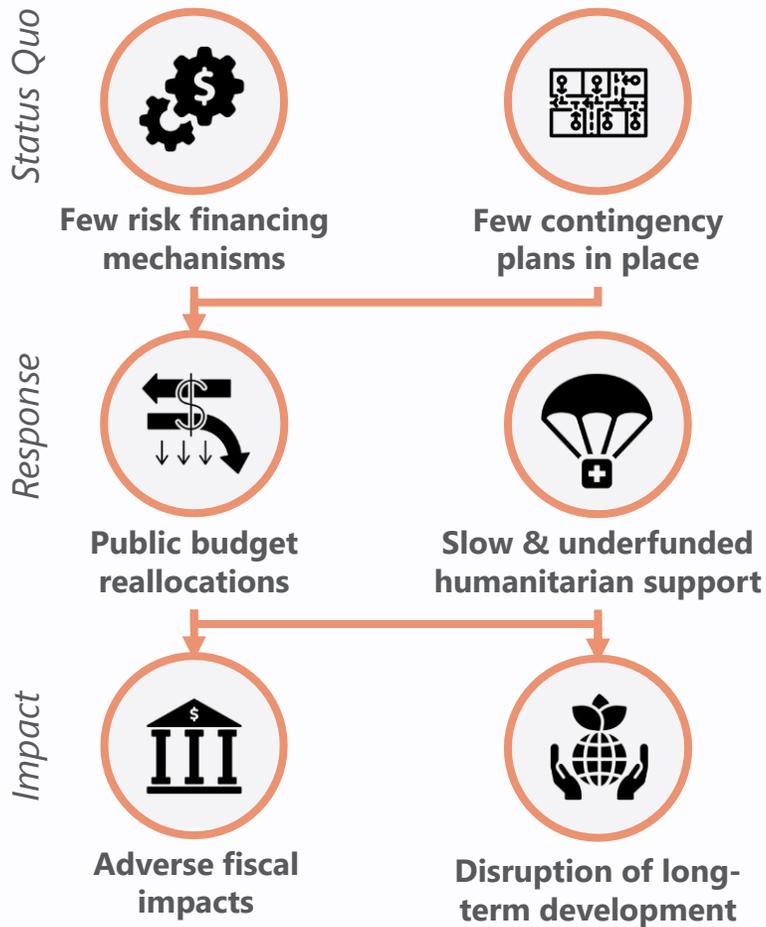
SOCIAL RESILIENCE

Help households and
society cope with shocks

Eg. Shock responsive safety nets

Historic challenges: Inadequate financing for post-disaster humanitarian needs following natural disasters

PROGRAM BEGINNINGS



Current progress: Pioneering risk finance mechanisms for climatic disasters and other shocks

CURRENT PROGRESS

Results



13 Operational engagements



9 Advisory Services & Analytics (ASAs)



50 Policy reports

Focus



Financial Protection



Risk & impact data analytics



Regional partnerships & political leadership

DRF engagements across Africa



Intervention Sectors



Sovereign Finance



Agriculture



Social Protection

To date US\$565m DRF specific components, complimented by US\$52.6m of Trust Fund support

DRF Core Principles – Lessons from international experiences

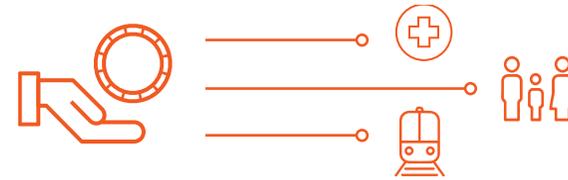
Timeliness of Funding

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.



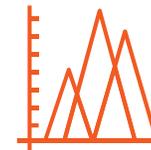
Disaster Risk Layering

No single financial instrument can address all risk.



Data & Analytics

Sound financial decisions require the right financial information and data.



Capacity strengthening and technical assistance are essential for enabling government leadership

Knowledge Management



Capacity Development



Policy Dialogue



Blog Posts

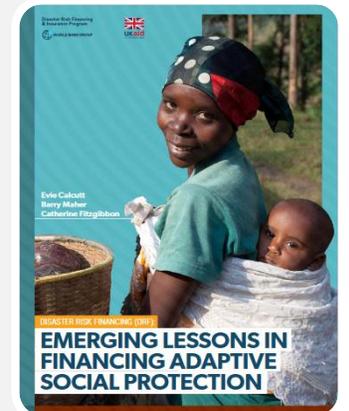


Knowledge Platforms



Training Curricula

Policy Research Papers



<https://www.financialprotectionforum.org/>



High-level Policy Platforms

Training Partnerships



Several countries in Sub-Saharan Africa have prepared or are preparing a DRF Strategy

COUNTRIES THAT HAVE STRATEGY



Senegal



Malawi



Kenya

COUNTRIES IN THE PROCESS OF DRFS DEVELOPMENT



Mozambique



Madagascar



Sierra Leone



Benin



Niger



Lesotho



eSwatini



Ethiopia

Going forward: Deepening and broadening the African risk finance agenda

GROWTH STRATEGY

Vertically



Increase number of projects/countries

Horizontally



Public Health

Cross-cutting



Gender Sensitive Products



Scaling existing interventions



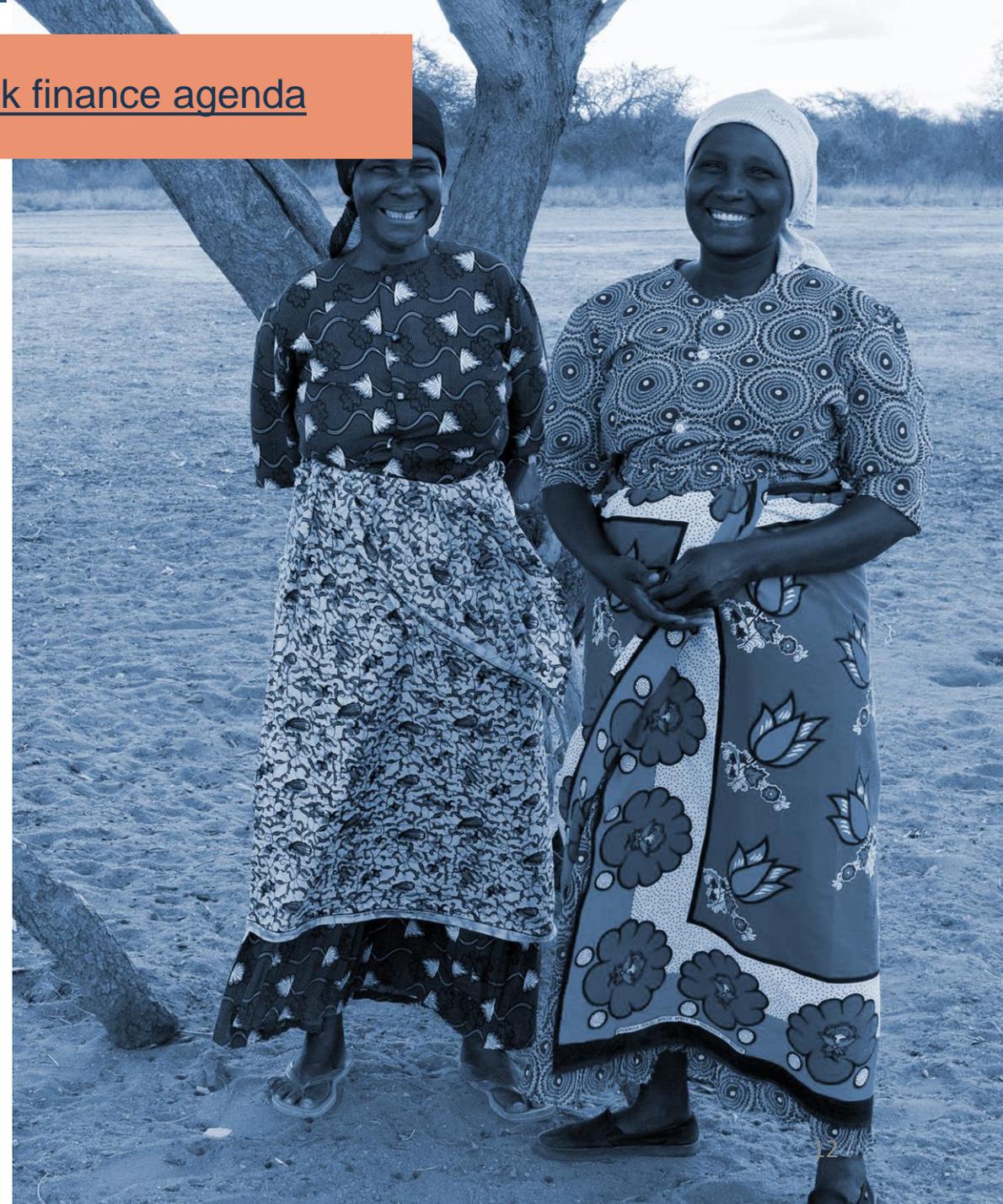
Conflict & Displacement



Regional solutions & partnerships



(M)SME Support



Lightning Presentation:
South Africa

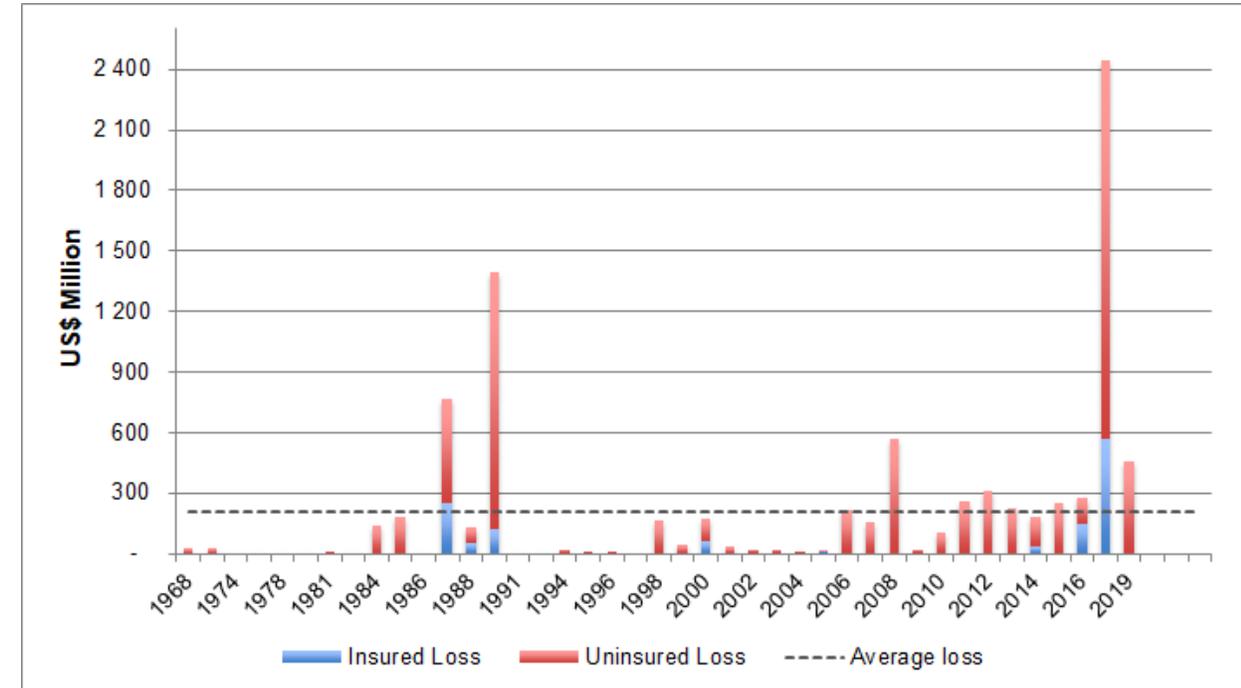
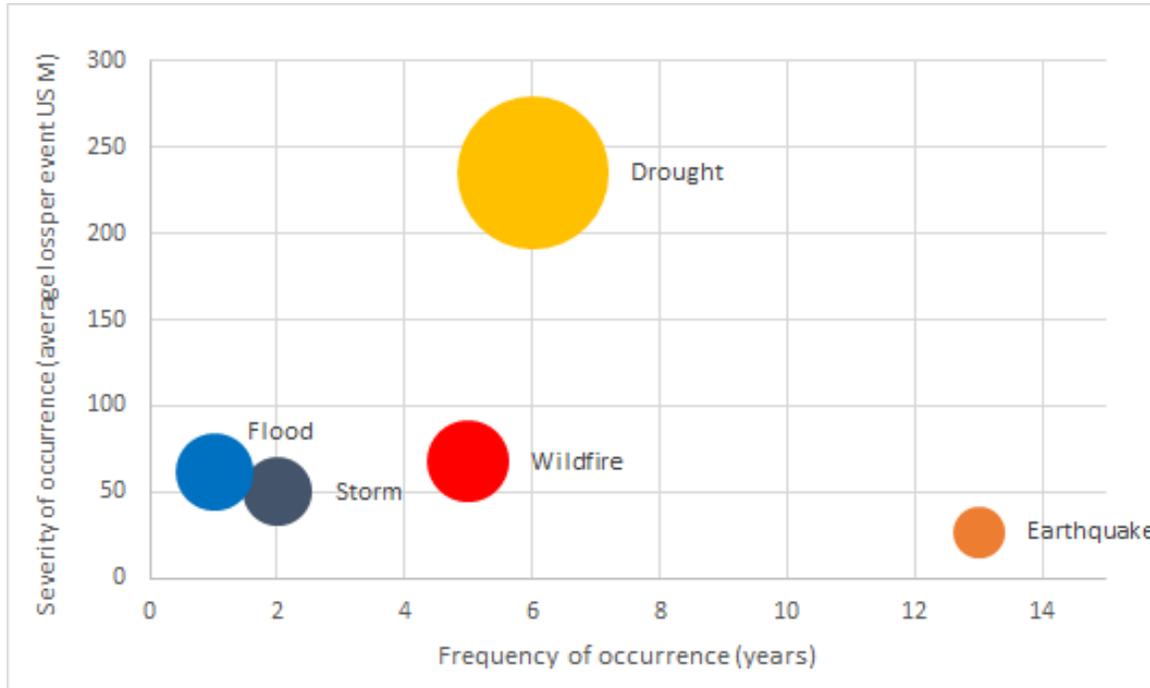


Anthea Stephens

Climate & Sustainability Lead,
Cities Support Programme,
National Treasury, South Africa



Drought is the most severe peril while flood and storm are the most frequent.



Source: EM-DAT database (1952-2019), Swiss Re, Risk and Development Annual Review (RADAR), NDMC Annual reports, other government reports and academic (peer-reviewed) reports. *Note: The table presents aggregate impacts across different disaster events.*

- Drought is the most severe peril while flood and storm are the most frequent
- Wildfire disproportionately affects vulnerable households

- On average, up to 86% of losses are uninsured, creating a large protection gap into which the Government often provides financial support

The three-sphere structure of the government creates both opportunities and challenges to the efficiency of disaster risk financing

STRENGTHS OF THE MULTI-TIER SYSTEMS IN DRF

- Understanding of local-level risk exposures
- Ability to develop tailored DRF instruments
- Knowledge of local distribution channels, speeding up the procurement process
- Base for a robust risk-layering strategy with higher tiers involved only during costlier events

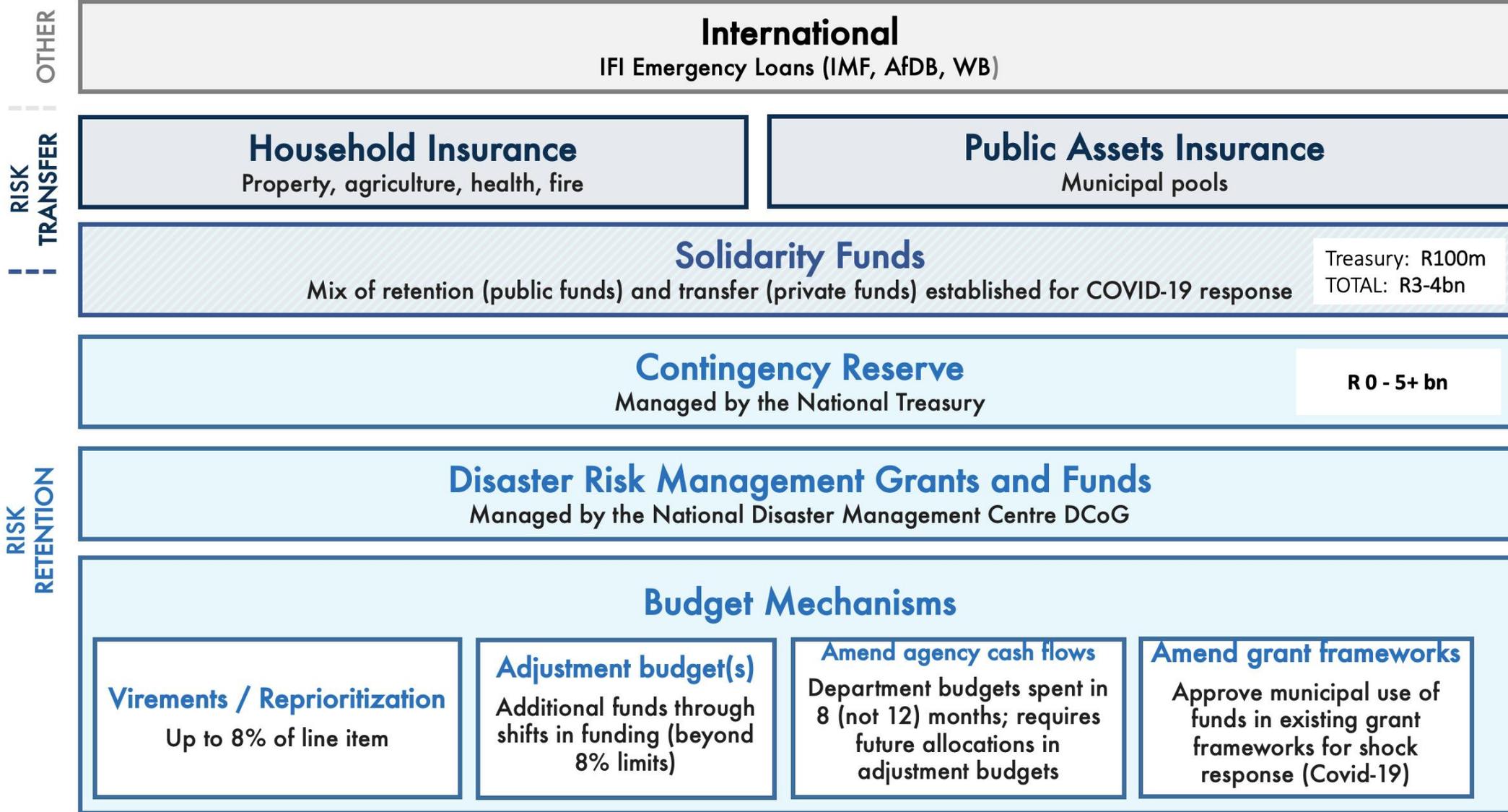
DRF Principles

- **Simple** procedures
- Reporting and auditing **adequate** to disbursement size
- Prioritization and **rewarding** of *apriori* instruments

CHALLENGES OF THE MULTI-TIER SYSTEMS IN DRF

- Complexity of the decision and audit process
- Lack of ownership
- Delays in disbursements
- Lower transparency requiring more stringent procedures
- Challenging balance between equity and efficiency when affecting local disaster risk exposure

NT has a comprehensive risk layered strategy to finance disaster response. Focus on: 1). improving efficiency of instruments; 2). risk transfer, and; 3). reducing reliance on budget reallocations



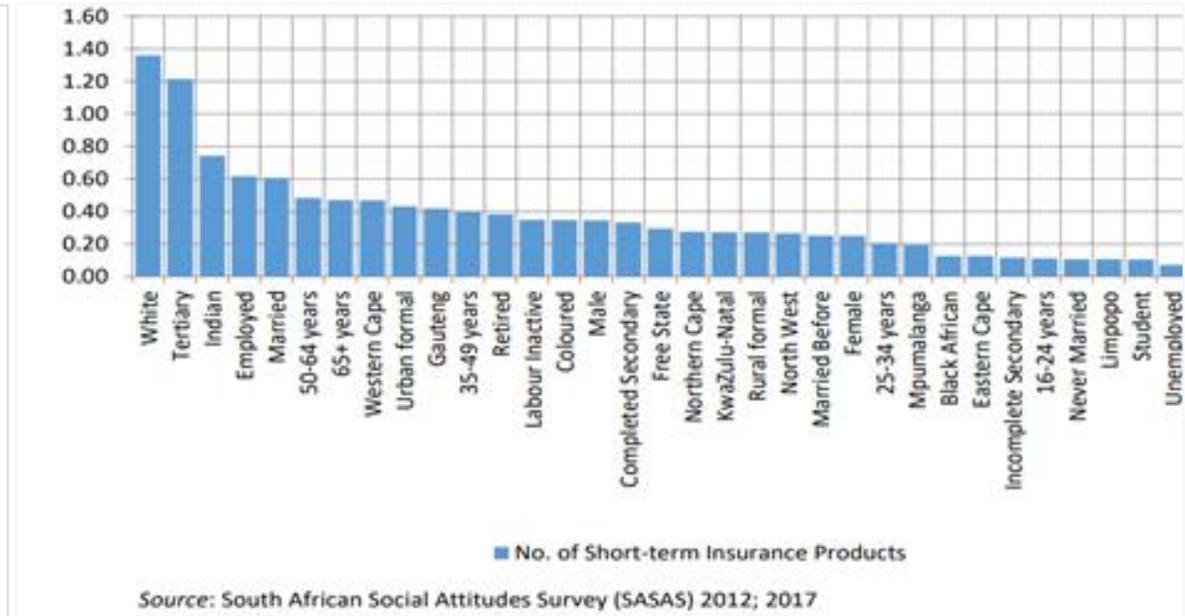
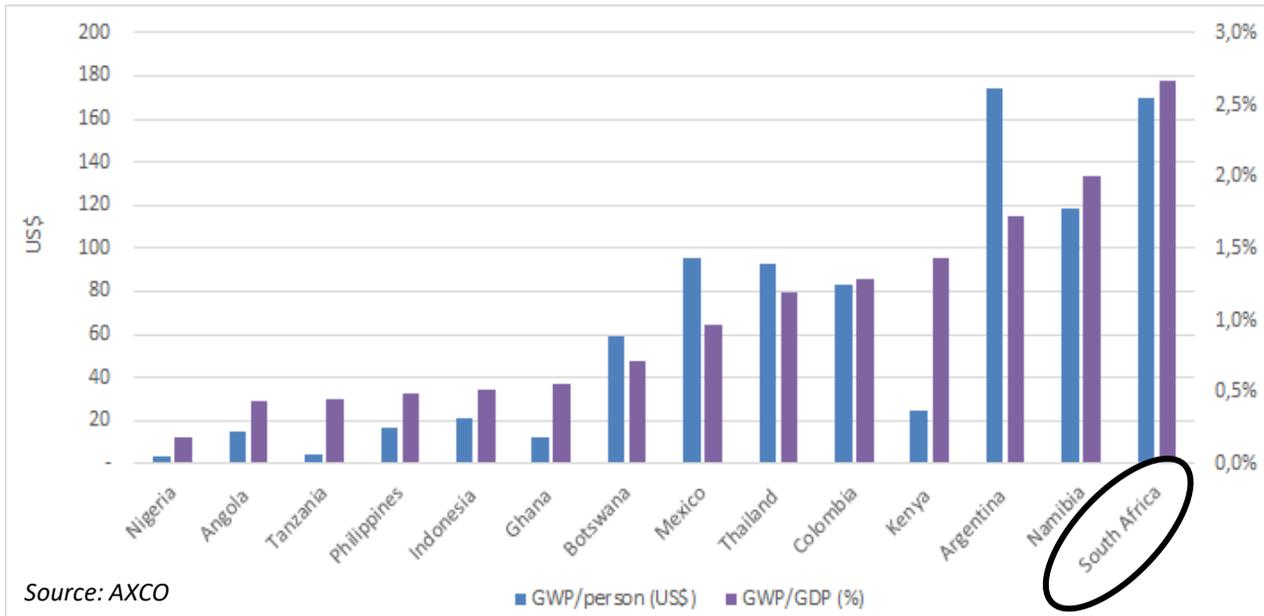
Monetary Policy Rate
Cost of government borrowing

COVID: -300bps

SEVERITY

FREQUENCY

Non-life insurance markets represent an opportunity to reduce budget exposure and volatility to shocks.



- SA has a **robust** short-term insurance market, leading other upper middle-income countries
- Penetration has been **stagnant** at 2.65% for the last 5 years
- **Municipal pools** represent opportunity to expand coverage
- **Unequal access** - only 1 in 5 South Africans has a short-term insurance
- Large variation by socioeconomic status and province

Lightning Presentation:
Lesotho



Maleshoane Lekomola-Danziger

Budget Controller, Ministry of
Finance, Lesotho

Disaster risk financing context

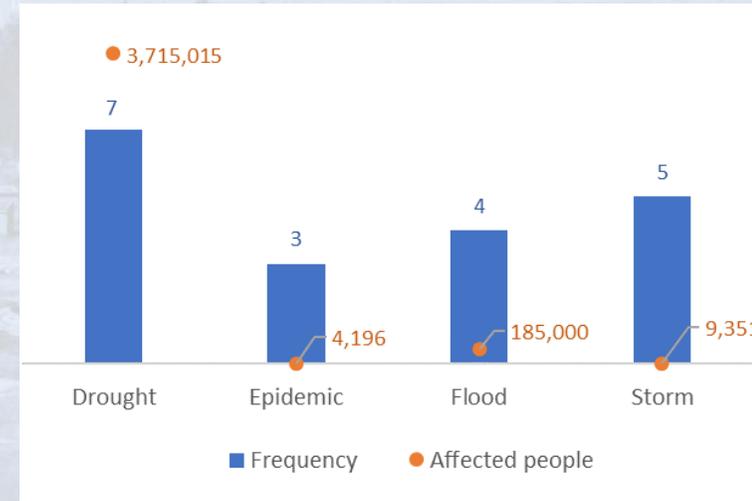
Lesotho faces recurrent shocks, including droughts & floods

The average annual cost of disaster response is estimated at US\$19.3 million, or 1.6% of the total budget expenditure in the 2019/20 fiscal year. For more infrequent and severe shocks, the costs can be much higher.

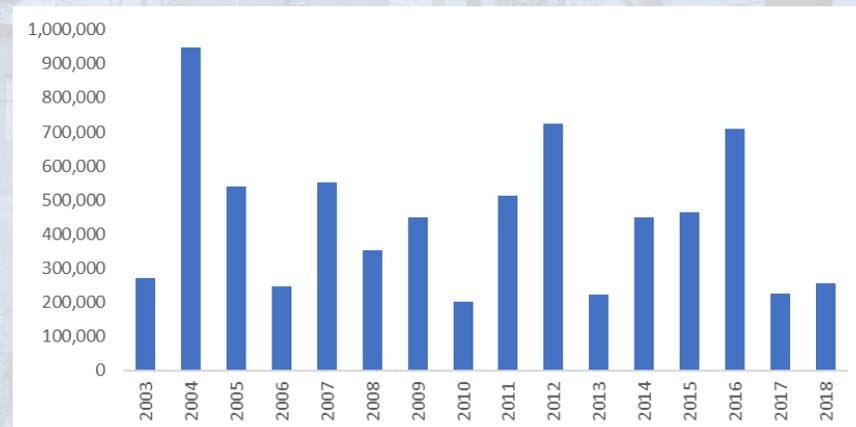
Heavy impact on the poor

- An assessment by the World Bank shows that without the 2015/16 drought, poverty in Lesotho would have decreased twice as fast over the past 15 years

Frequency and affected people by type of disaster Cumulatively from 1968 to 2017



Yearly number of people affected by all types of disasters



Outstanding challenges

Risk Financing

Liquidity

Limited budget flexibility & instruments to respond to shocks

Contingency fund exhausted early in budget cycle

Heavy reliance on ex-post instruments, reallocations and humanitarian financing

Limited use of digital financial services, which inhibits rapid payouts during shocks

Shock-response programs tend to be ad-hoc and lack planning

Access to Finance

There is a gap between what banks are willing to offer, what MFIs can offer, and what firms need

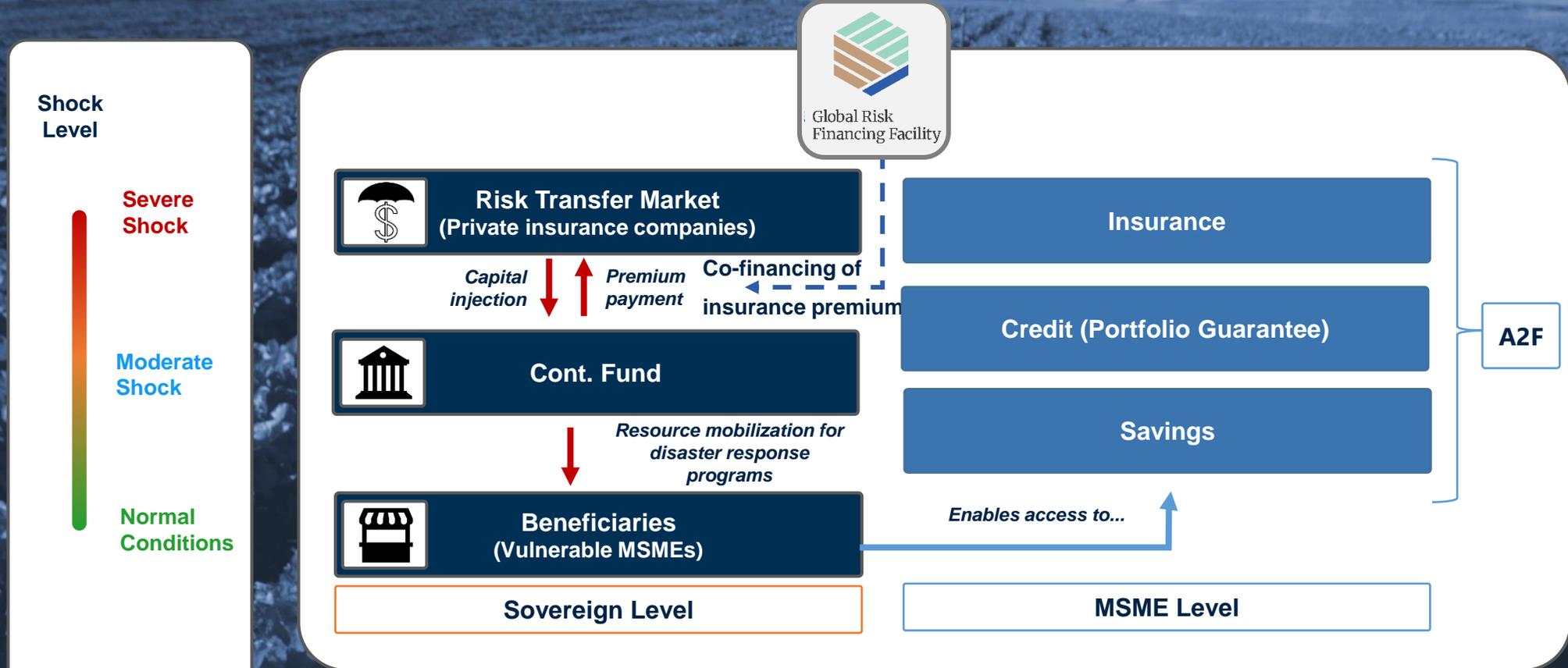
Credit infrastructure not strong enough to bridge the gap

Partial Credit Guarantee Schemes are not yet functioning to support lending.

The market misses an innovator to lead by example and break the vicious circle of focus on retail

-> FSAP (work in progress) will contribute to finding solutions to meet the outstanding challenges

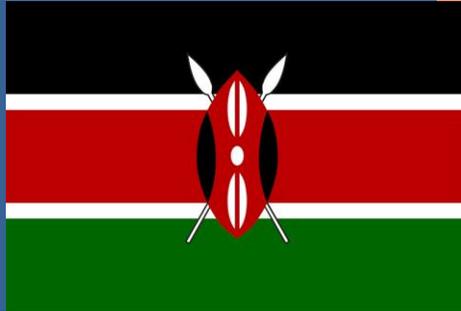
Proposed Disaster risk financing solution



Technical Assistance

- Draft and adopt a *National Disaster Risk Finance Strategy*
- Design and execution of *risk transfer product*
- Strengthen *digital financial services* - delivery mechanism for relief resources

Lightning Presentation:
Disaster Risk
Financing in Kenya



Isabel Joy Ochieng

Senior Economist,
Financial and Sectoral Affairs,
Directorate of Budget, Fiscal
and Economic Affairs, Kenya



Outline

1. Types of disasters that Kenya is predisposed to
2. Pictograph of types of disasters experienced
3. Impacts of disasters on lives and livelihoods
4. Impacts of disasters on the Economy
5. Advancing Kenya's Disaster Risk Financing Agenda
6. Strategic Priorities of Disaster Risk Financing Strategy
7. Kenya's Disaster Risk Financing Strategy: A portfolio of Instruments for Financial Resilience

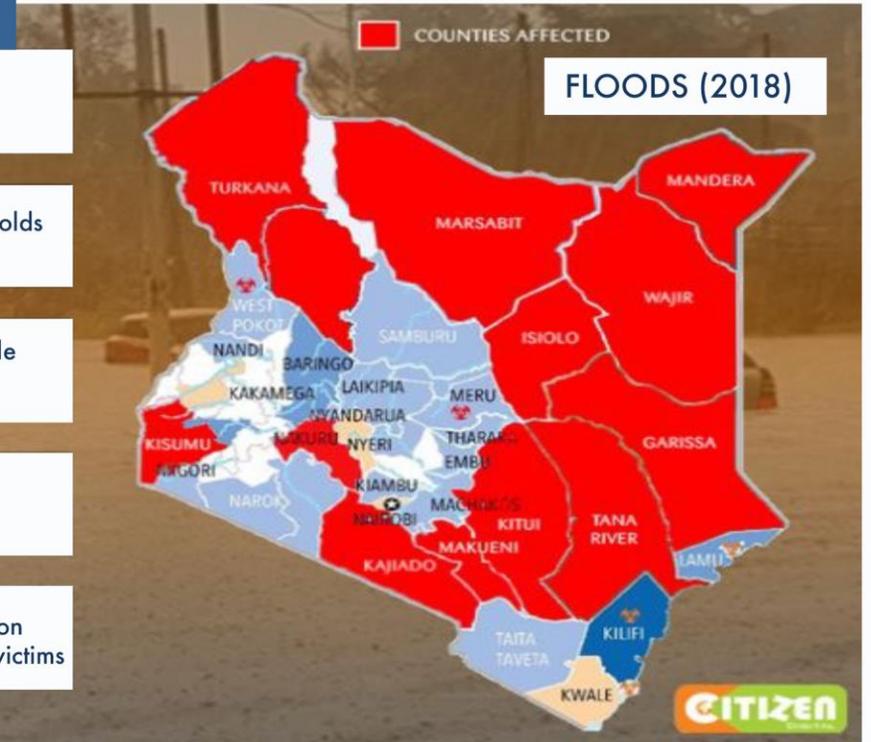
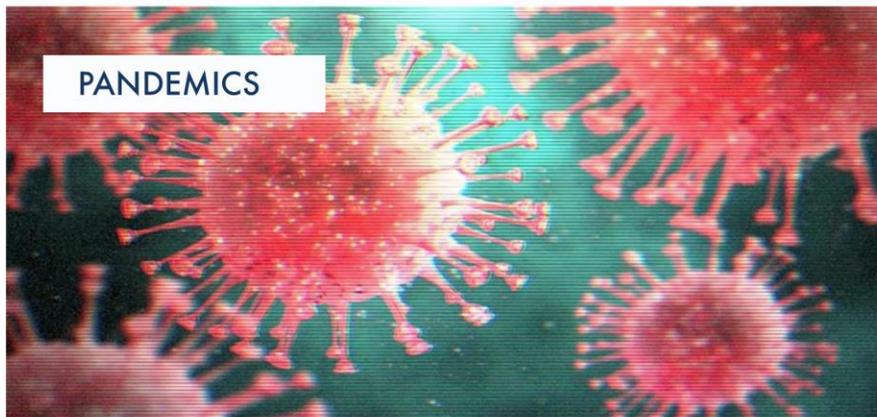
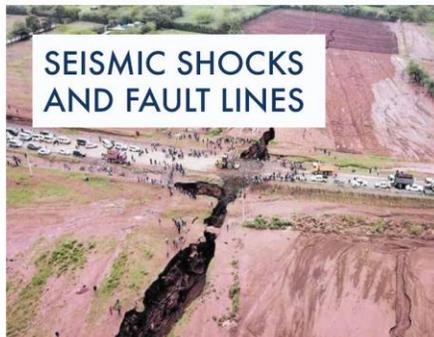
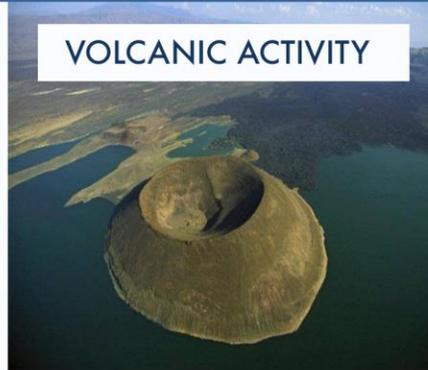
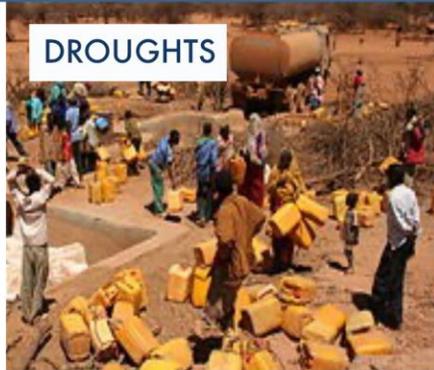
1. TYPES OF DISASTERS IN KENYA

- Kenya is one of the countries in the greater Horn of Africa that is exposed to disasters.
- **Droughts** – 84% of the country is classified as ASAL making the country highly vulnerable to droughts. Declared national disaster in 2017 and on 8th September 2021.
- **Floods**- occur due to flash floods and river floods – The enhanced rains that hit many parts of the country towards the end of year 2019 resulted to loss of lives and massive destruction of property.
- In 2018, 2019, 2020 floods affected the Lower Eastern Parts of the Country (Machakos, Makueni, Kitui Counties), some coastal parts of the country (Tana River County).

1. TYPES OF DISASTERS IN KENYA (cont)

- **Landslides and Mudslides** induced by flooding in central parts and Lower Eastern (Murang'a, Makueni) including some parts of Rift Valley regions (Bomet, West Pokot).
- **Desert Locust Invasion** – affected more than 15 counties in 2020, and 2021
- **Epidemics and Pandemics** – COVID-19 pandemic
- **Man-made disasters**
- **Terrorism** – Kenya has had several terror attacks in West gate Mall, Mpeketoni, Garissa and Dusit D2 Hotel in Nairobi in 2013, 2014, 2015 and 2019 respectively.
- **Structural collapse** - Also in 2018, bursting of Solai dam in Nakuru County led to 283 households displace and about 47 fatalities. Collapse of building in Kinoo Nairobi, no casualties.

2. PICTOGRAPH ON TYPES OF DISASTERS IN KENYA



3. IMPACTS OF DISASTERS ON LIVES AND LIVELIHOODS

- **Lives and Livelihoods** – Disasters affect several lives and sometimes cause displacement of many people and destroy critical agricultural assets and infrastructure, and they cause losses in the production of crops, livestock and fisheries. They can change agricultural trade flows, and cause losses in agricultural–dependent manufacturing sub–sectors such as the textile and food processing industries.
- **Property and infrastructure** – Disasters can destroy property and important infrastructures like road networks as well as building infrastructures which include houses and bridges.



4. IMPACTS OF DISASTERS ON THE ECONOMY

Years	Event	Damage and Losses (USD)	Percentage of Annual GDP	Sources
1997/98	El Nino Floods	USD 800 Million-1.2 Billion	2.9 – 4.4 %	Otiende, 2009: IMF, 2015
1999-02	Drought	USD 2.5 Billion	4.8%	CERRF, 2008
2005-06	Drought	USD 450 Million	1.0 %	GoK, 2015
2008	Drought	USD 1.4 Billion	3.9%	GoK, 2012
2009	Drought	USD 4.1 Billion	11.1%	GoK, 2012
2010	Drought	USD 2.8 Billion	7.0 %	GoK, 2012
2011	Drought	USD 3.7 Billion	8.8%	GoK, 2012
2017	Drought (Declared a national disaster)	Substantial	N/A	N/A
2018	Floods	substantial	N/A	N/A
2019	Floods	substantial	N/A	N/A
2020	Desert Locust Infestation (> 15 Counties)	substantial	N/A	N/A
2020, 2021	Pandemic (COVID -19)	> USD 5.1 Billion	apprx. 5.75%	GOK, 2021
2021	Drought(Declared a National Disaster on 08.09.2021)	substantial	substantial	

5. ADVANCING THE DISASTER RISK FINANCING AGENDA IN KENYA

- The Government of Kenya has made significant progress in integrating Disaster Risk Management in planning and budgeting at both national and subnational levels in an effort to reduce risks.
- But it recognizes that not all risks can be entirely prevented and has developed a Disaster Risk Financing Strategy to more effectively manage any residual risks.
- This Strategy—as of 2018, was the first of its kind in Kenya, and in mainland Africa —seeks to proactively mitigate disaster’s long-term economic impacts and ultimately to defend the welfare and improve the resilience of the Kenyan people.



6. STRATEGIC PRIORITIES OF THE DRF STRATEGY

OBJECTIVE



TO INCREASE the ability of the National and County Governments to respond effectively to disasters, thereby protecting development goals, fiscal stability and wellbeing of its citizens.

STRATEGIC PRIORITIES



1: ENSURE a coordinated approach to disaster risk financing across National and County Government institutions managing various disaster risk financing instruments;



2: IMPROVE sovereign financing capacity by strengthening and expanding the National and County Government's portfolio of disaster risk financing instruments.



3: SUPPORT key programmes to protect the most vulnerable populations from the impacts of disasters and contribute to building resilience; and.



4: ENHANCE the capacity to respond to disasters of national Ministries, Departments and Agencies, as well as County Governments

IN SUPPORT OF OVERARCHING DEVELOPMENT GOALS

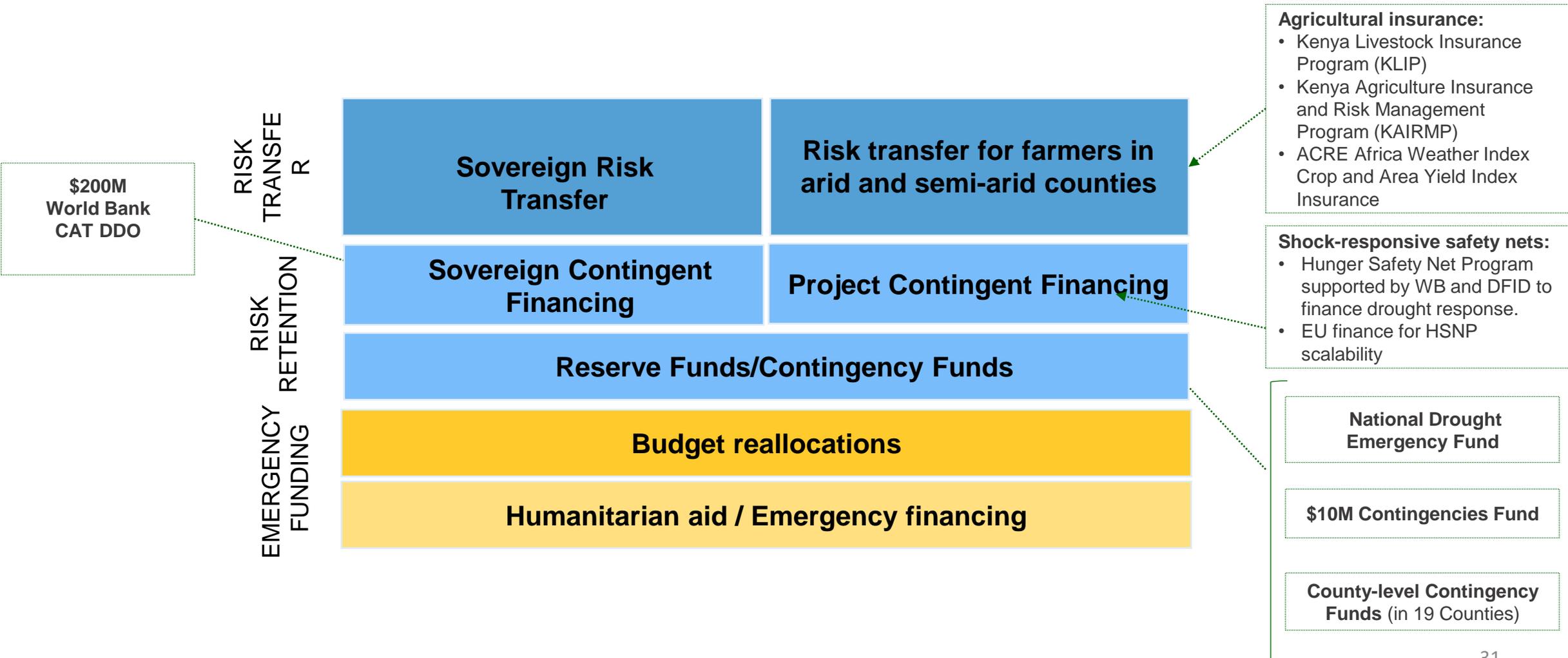


SUSTAINING economic growth and to protect economic gains from disaster shocks.



REDUCING the economic impact of disasters on the poorest and most vulnerable people

7. KENYA'S NATIONAL DRF STRATEGY: A PORTFOLIO OF INSTRUMENTS FOR FINANCIAL RESILIENCE



Lightning Presentation:
Zep-Re

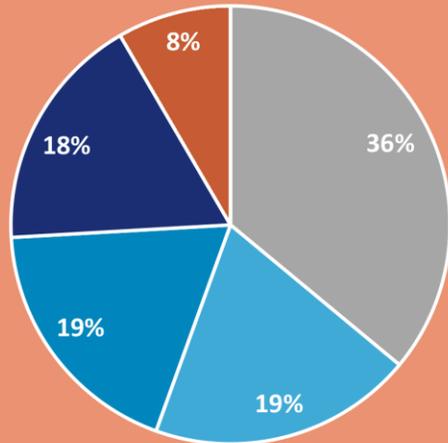


Hope Murera

Managing Director,
Zep-Re (COMESA Reinsurer)

About Zep-Re

- Zep-Re is a regional multilateral with a mandate for financial inclusion and a strategic focus on the Continent.
- We underwrite over 4,000 treaties and support close to 600 companies drawn from over 50 countries in Africa, the Middle East, and the Indian sub-continent in risk mitigation.
- A diverse shareholding structure to support our business model-PPP.



13 Government-owned companies



2 COMESA organisations



2 Development financial institutions



6 Governments



14 Private insurance companies

Zep-Re Involvement in Financial Inclusion



Food Security

Weather Index-based insurance supports over 1 million farmers in Zambia, over 250,000 farmers in Kenya, and over 320,000 in Uganda.



Savings Culture

Long-term savings in Rwanda for subsidized life cover. Target is 2.7M lives covered in the first 5 years.



Access to Credit

MFI-supported microcredit with distribution through branch networks and through Telcos across the region. Approx 15,000 active loans monthly.



Empowering SMEs

Corporate and SME loans are granted through MFIs and banking institutions in East Africa.
Life and catastrophe insurance cover.



Home Ownership

Support for low-cost housing across 11 COMESA countries by removing the necessity for down-payment. Over 1,000 housing units supported in the program. We are currently scaling this through the national Housing schemes



Financial Security

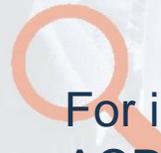
Micro Life insurances cover illness, death, and disability to protect family wealth in case of loss and provide decent send-off for loved ones across various COMESA markets.

Agriculture Insurance

ACRE is the largest provider of risk mitigation solutions to farmers in Africa.



Index crop insurance using satellite data allows ACRE to provide significant experience for reinsurers, is cheap to administer, and is easy to distribute and manage digitally.



For index products, ACRE uses 100m 'pixels' (down from 10km only 2 years ago) and an innovative soil moisture index that mirrors changes in crop conditions.



ACRE has developed Picture Based Insurance. Farmers upload photos of their crops with mobile phones. ACRE can monitor crops live and farmers use it to make claims.

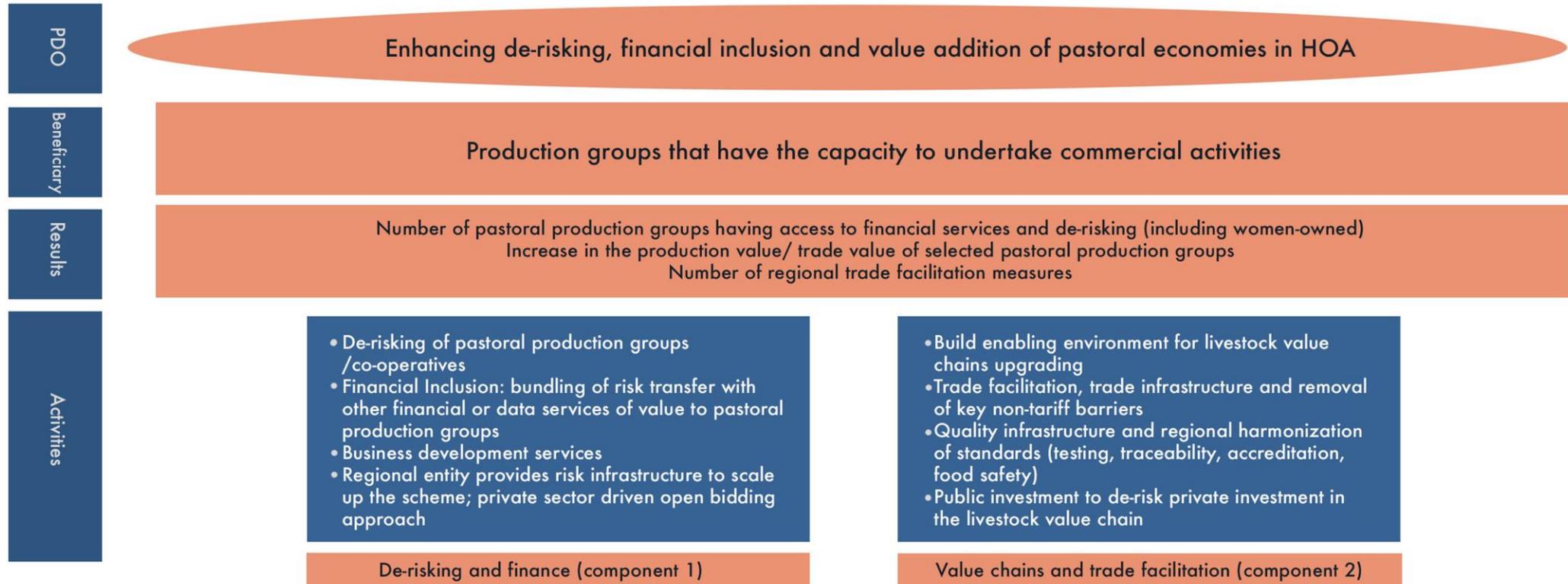


With innovative products, digital solutions for the distribution and onboarding of farmers, ACRE is ready to scale crop insurance significantly and cheaply to farmers across Africa.

Since its inception, ACRE has been involved in providing crop insurance to over 3 million farmers.

DRIVE in the Horn of Africa

De-Risking, Inclusion and Value Enhancement of Pastoral Economies Project (DRIVE)



Key results



1.6 million

pastoralists having access to financial services



\$572 million

Amount of private capital enabled or mobilized through the project



2,500

Pastoralist groups connected to markets



20

trade facilitation measures supported by the project

Q&A

Please share your questions in English via chat box.

If possible, please indicate which speaker(s) to address your question(s).



Scan the QR code to join the
Disaster Risk Finance Community!

A woman with braided hair, wearing a light-colored blazer over a patterned top, is speaking into a microphone. She is standing in front of a large, blurred audience of people. The background is a dimly lit conference room with some lights visible. The entire image has a blue tint.

Closing Remarks

Douglas Pearce

Practice Manager, Eastern/Southern Africa, Finance, Competitiveness and Innovation Global Practice, World Bank Group



Thank you

**Disaster Risk Financing
& Insurance Program**



**Disaster Risk Finance
Community of Practice**