



world institute for
disaster risk management

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Disaster Finance in Latin America:
examples of finance perception

Stefanie Dannenmann, Koko Warner, Walter Ammann



Evaluation of Inter-American Development Bank's Policy on Natural and Unexpected Disasters

OP-704: Approved by the board of executive directors of IADB in Nov. 1998, revised in 2000

List of principle engagements for IADB

- National Systems for Disaster Prevention and Response
- Culture of Prevention
- Lessen the Vulnerability of the Poor
- Involve the Private Sector (risk-spreading financial instruments)
- Generate Risk Information for Decision-Making
- Leadership and Cooperation (regionally and beyond)

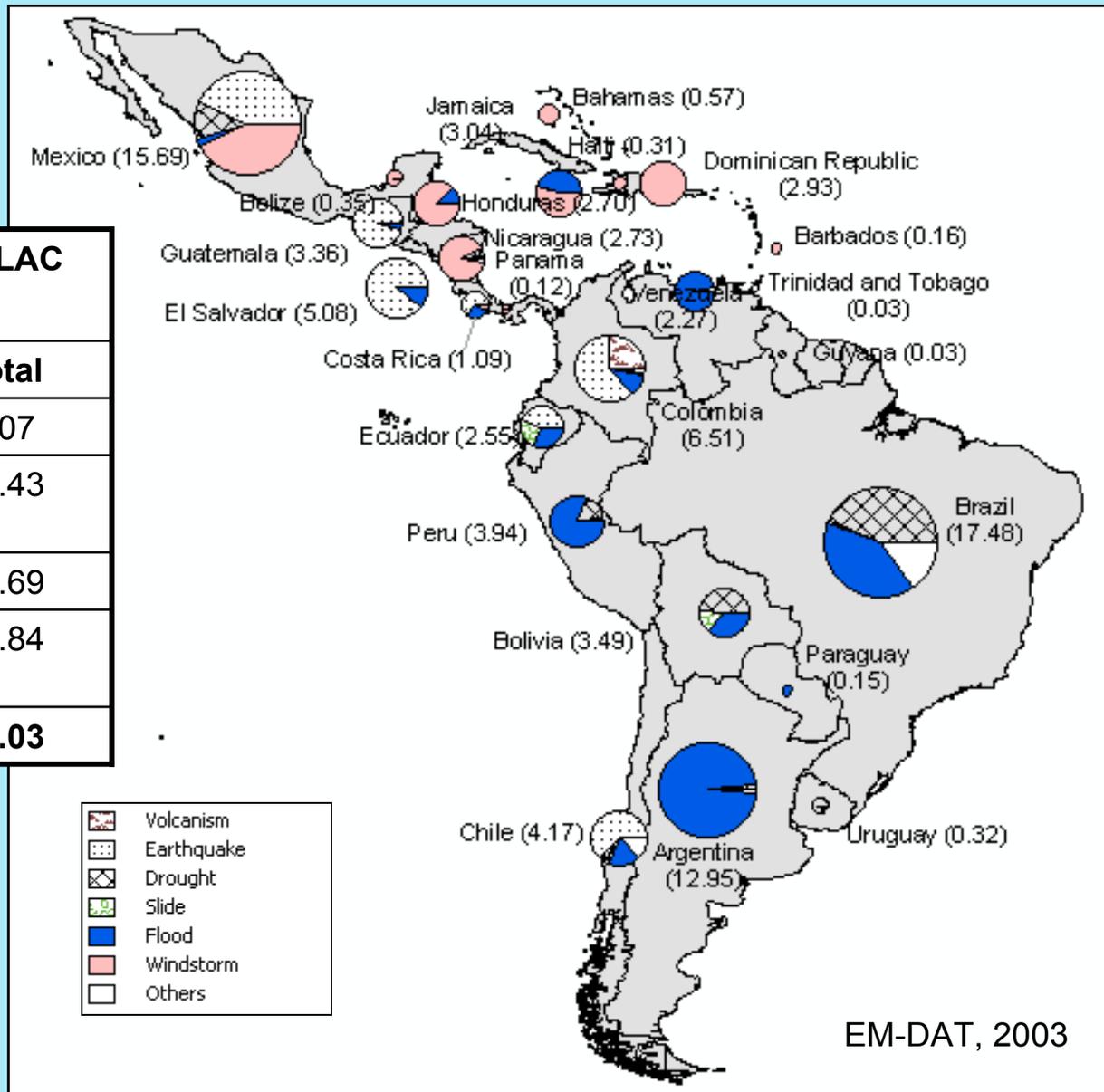
Field Trips

Countries visited and number of people interviewed in each country
(May 19 – June 13, 2003)

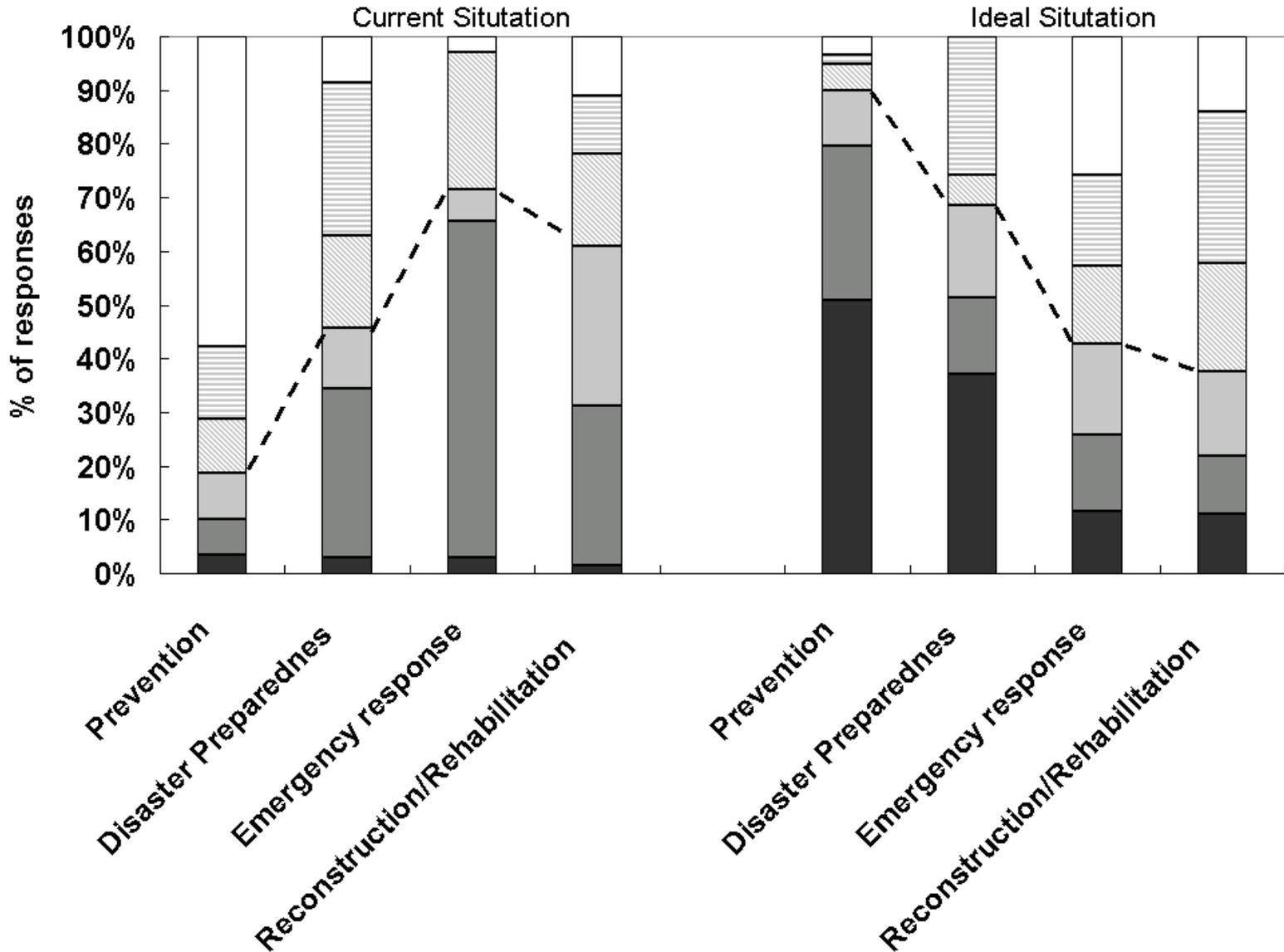
Bolivia	13
Mexico	07
Peru	15
Jamaica	28
Honduras	17
El Salvador	30
Nicaragua	31
Total	141

Total reported losses in US\$ bn, 1975-2002

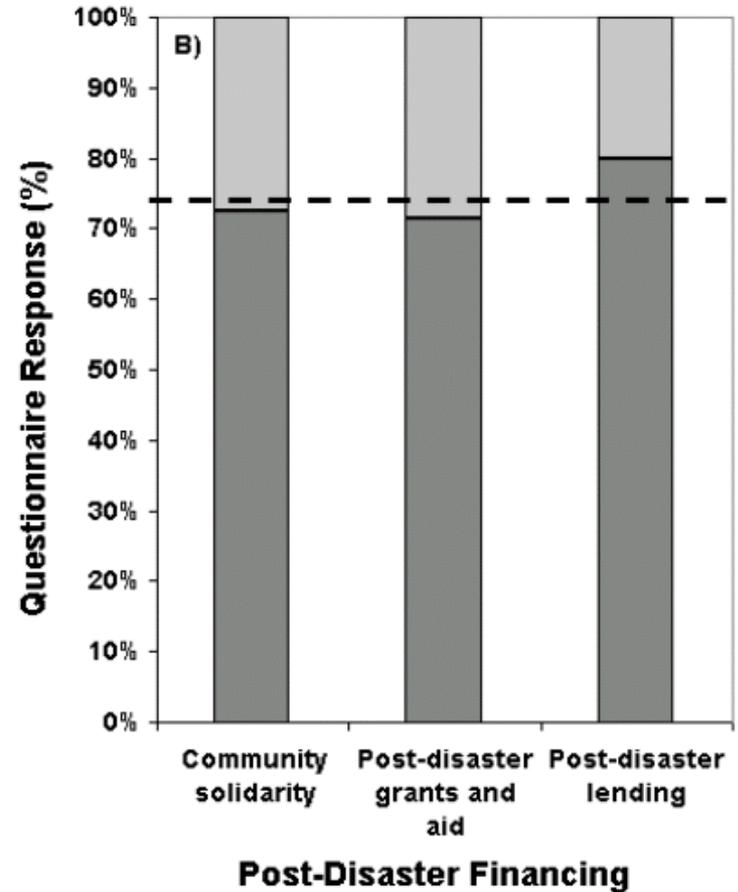
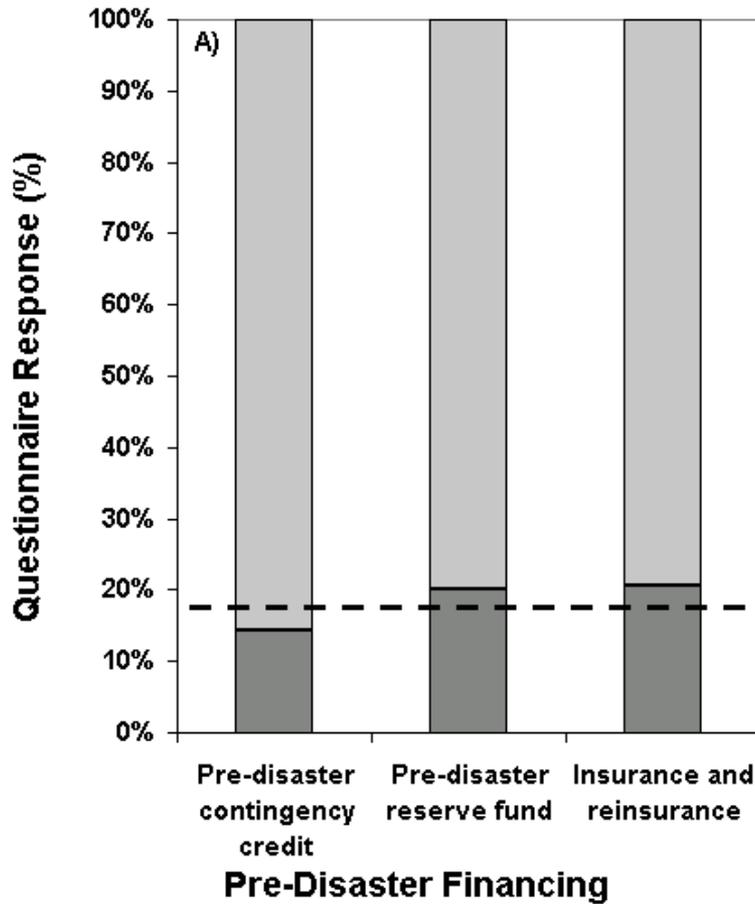
Total Losses for LAC 1975-2002	
Region	Total
Caribbean	7.07
Central America	15.43
Mexico	15.69
South America	53.84
Total	92.03



Risk Perception of Disaster Risk Management activities



Disaster risk financing



■ Used ■ Not used

Example on IADB's loan portfolio

Apparent functional distribution of 49 natural disaster-related loans, 1995-2002

	Number of Loans	% of loans	Natural disaster % of project amount	Natural disaster % of IDB amount
Prevention/Mitigation	26	53	41	47
ERF/Emergency Response	8	16	6	7
Rehabilitation/Reconstruction	15	31	52	46
Total	49	100	100	100

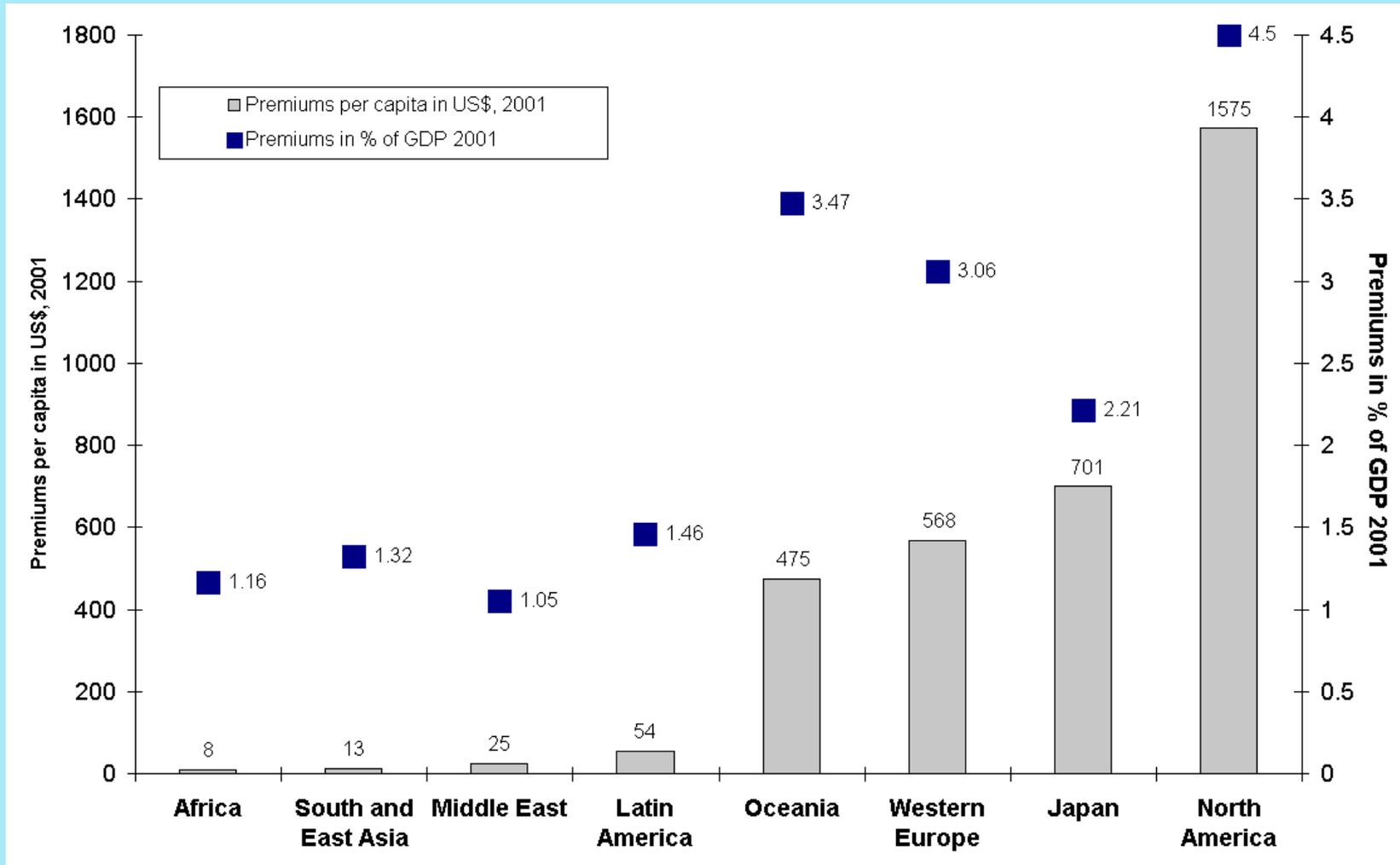
Apparent functional distribution of 47 natural disaster-related technical cooperation projects, 1995-2002*

	Number of projects	% of projects	% of project amount	% of IDB amount
Prevention/Mitigation	33	70	78	73
Emergency Assistant	4	8	5	6
Reconstruction/Rehabilitation	10	22	17	20
Total	47	100	100	100

* TCs ≥ US\$ 150'000

Loans reformulation under certain circumstances (incl emergency situation) might abandon initial objectives!

Per-capita spending on non-life insurance and premiums in % of GDP



LAC World Market Share: 2.8% in 2001

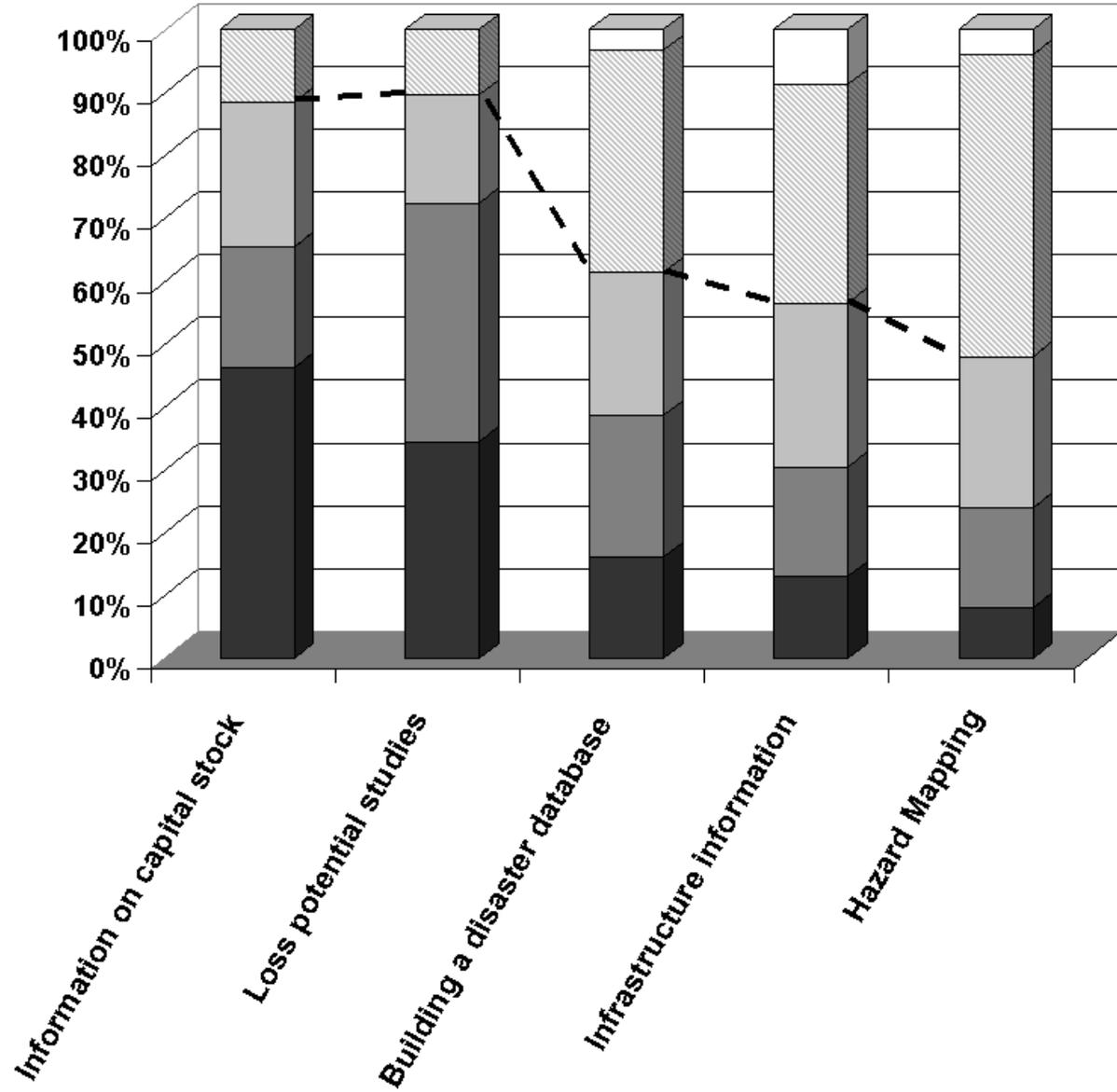
Source: SwissRe Sigma No.6/2002

Pre-requisites for a functioning insurance / reinsurance market

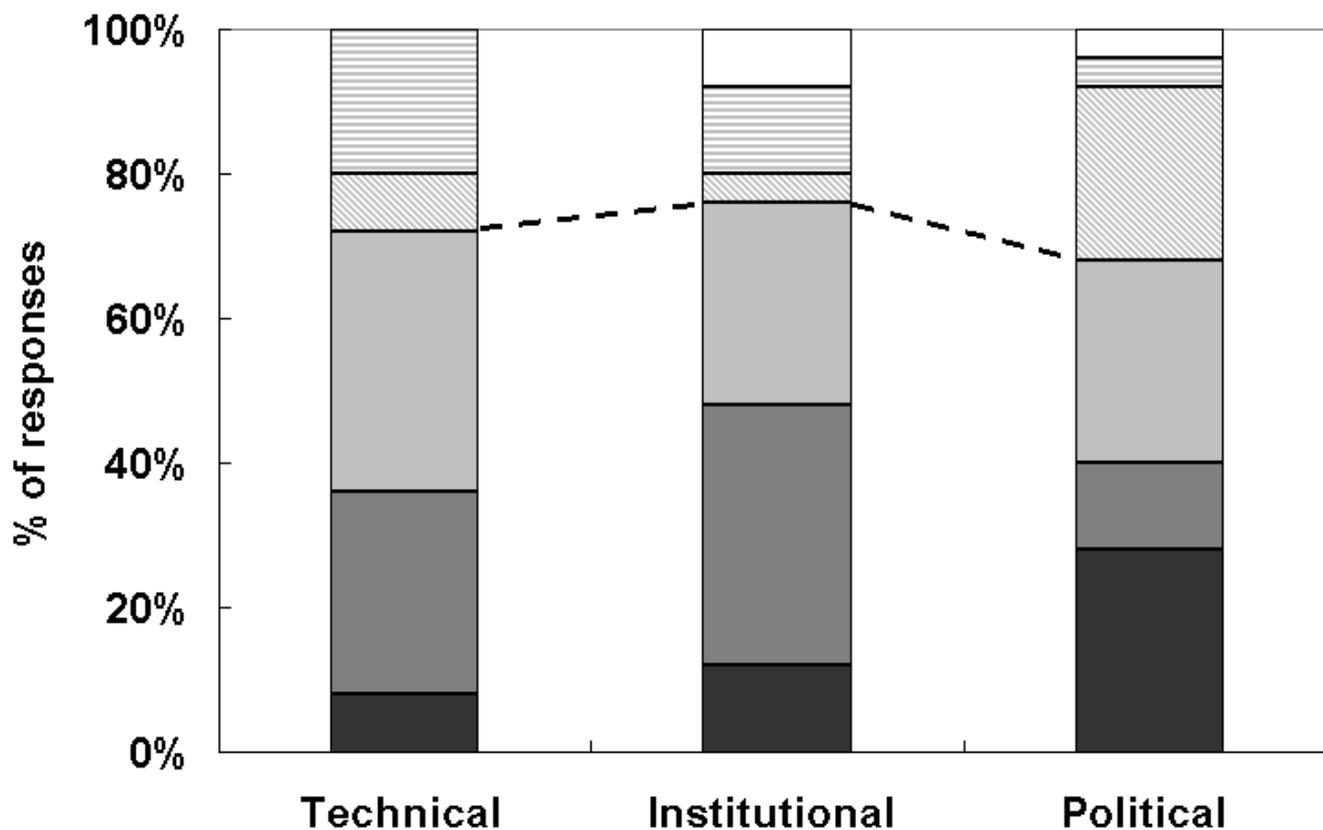
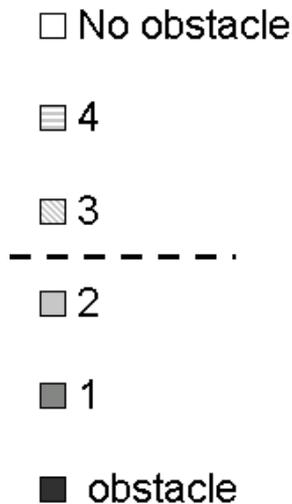
- Acceptable quality of risks (building standards, regional planning, etc)
- Assessable/quantifiable exposures
- Low/inexistent risk of anti-selection
- Adequate capitalization of insurance companies
- Availability of sufficient reinsurance capacity to cover major losses
- Availability of sufficient governmental funds to absorb (part) of uninsured/uninsurable losses
- Adequate legal framework and judiciary practice

Information on technical capacity

- High capacity
- ▨ 4
- ▩ 3
- ▧ 2
- ▦ 1
- No capacity



Obstacles for pre-disaster risk reduction activities in Latin America



Technical: information needs (e.g. Risk Maps), etc.

Institutional: legal regulations, criteria for loan selection (national & international) etc.

Political: competing priorities, timing of political processes, etc.

Competing priorities

“We don’t have electricity or running water for many of the people living in our district. We have inadequate roads, and many of the people live in temporary housing from the last disaster. How can we attempt to make investments in lowering risk when faced with these other priorities? Where do we start? How can we do more than emergency response in this situation?”

A field mission interviewee in La Paz, May 2003

There is a need to

- Create incentives for preventive, risk-reducing disaster finance mechanisms.
- Involve key players to lay groundwork for effective cooperation in disaster finance schemes.
- Develop institutional and legal capacity for disaster finance.
- Encourage ongoing assessment of disaster risk-management methods and socio-economic studies.
- Develop training programs and guidelines to incorporate the concept of integrated risk management.

Thank you very much for your attention!



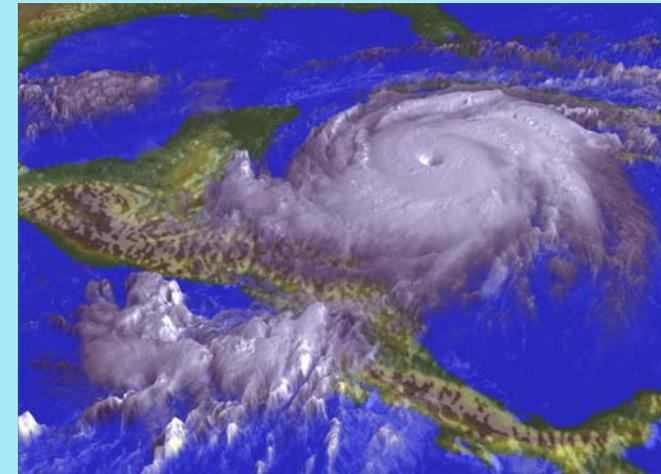
Flood of December 20, 1999 – Caracas, Venezuela
(©USGS)



Earthquake of July, 29, 1967 – Caracas, Venezuela
(©National Geophysical Data Center)

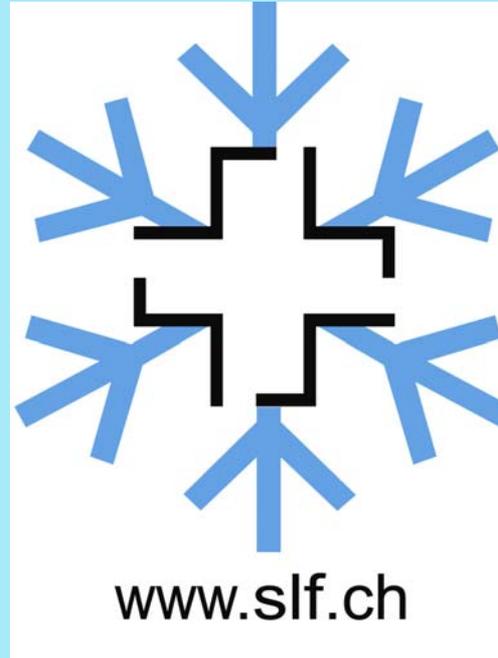


Earthquake of May 31, 1970, Huaraz, Peru
(© University of Colorado)



Hurricane Mitch of October, 26, 1998 – Honduras
(©Hal Pierce, NASA)

Contact Information



Dr. Stefanie Dannenmann: dannenmann@slf.ch

Dr. Walter Ammann: ammann@slf.ch

Dr. Koko Warner: warner@slf.ch