Risk Transfer for Developing Countries
A Role for the International Community

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Three Challenges for Risk Transfer in Developing Countries

- Link explicitly to physical loss reduction
- Assure instruments are least cost alternative
- Assure instruments are affordable
Link explicitly with loss reduction

- Micro-insurance: Can give security needed to heed warnings;
- Public-private partnerships
  - TCIP: incentives for retrofitting
  - NFIP: communities required to take measures
Assure instruments are least-cost alternative

Example
Honduras
Assure instruments are affordable

- National solidarity
  - Public-private partnerships

- International solidarity
  - Global-national partnerships
Summary

- Mitigation first
- Financial instruments have potential for developing countries, but high associated costs;
- Need solidarity/partnerships in the national/international community to make risk transfer affordable;
- High benefits in terms of risk reduction.