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Federal Department of Economic Affairs FDEA  
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Swiss Confederation

## A programmatic approach to fiscal disaster risk assessment and management

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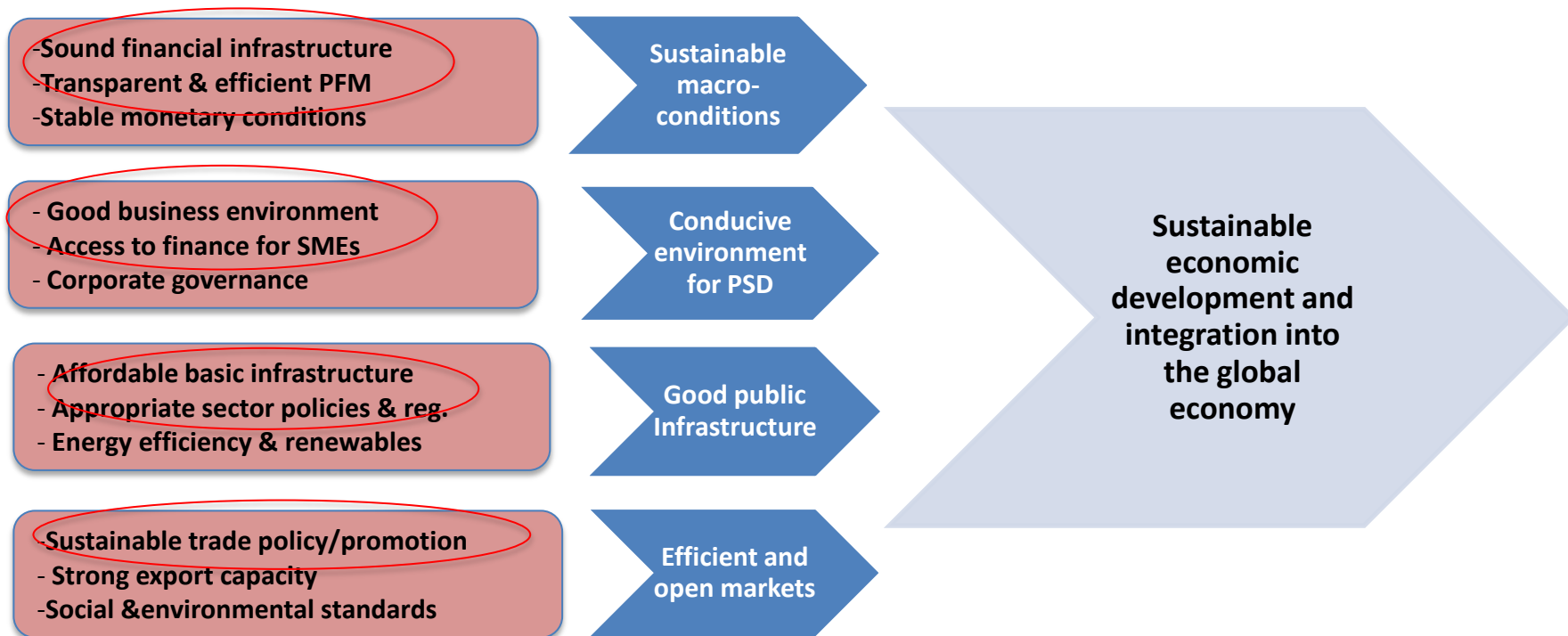
**GFDRR**  
Global Facility for Disaster Reduction and Recovery



Cooperative Governance  
Traditional Affairs



# Is risk financing & insurance relevant for the Swiss Economic Cooperation?



# Economic & social costs of natural disasters for developing countries are devastating

SECO Partners: eight partner countries in the South and eight in the East with high poverty incidence, increasing urbanization and strong exposure to natural risks



PERU: With more than 500 deaths, over 60'000 houses destroyed or affected, 14 hospitals reduced to ruins and economic losses estimated around US\$ 10 bn, the 2007 earthquake in Pisco put a heavy burden on the Peruvian state.



COLOMBIA: Three months of above-average rains in 2010 provoked losses estimated to total around US\$ 6 bn, or 2% of GDP. This calculation does not include the cost of assisting the 2.2m victims of the natural disaster.



INDONESIA: The Tsunami in 2004 hit Indonesia worst than any other Asian country in terms of human losses, although it was mild with regard to macroeconomic consequences.

# Act before it hits: the need for a paradigm shift

Many problems of ex-post financing....

- Limited borrowing capacity
  - Narrow tax-base for internal resource mobilization
  - Slow pace of external support
- Δ financing gap,  
Slow recovery

... and some important advantages of ex-ante financing

- Tailored combination of risk retention and transfer depending on ≠ risks
- Positive spill over on disaster risk management
- Better economic management, more reliable (and targeted) government intervention
- Contribution to financial sector development

# Interventions along three categories of Disaster Risk Financing

Business line	Clients	Focus of intervention		Responsible Division	Supported Initiatives
		Policies (Upstream)	Products (Downstream)		
Sovereign disaster risk financing	Governments, public sector	Vulnerability/fiscal impact assessments, cat risk models Legal/reg. framework (PFM, insurance sector) Risk financing strategies, policy framework	Facilitating access to sovereign risk transfer products (contingent debt, pools, cat bonds) Capacity building	Macroeconomic Support	Swiss World Bank Fiscal Risk Management Partnership, IDB RIFDP (WEMF IDB CTF)
Property catastrophe risk insurance	Households, SMEs, private sector		Product structuring, e.g. catastrophe insurance pools, incl. actuarial/probabilistic risk models for pricing, marketing, capacity building	Private Sector Development	Southeastern and Central Europe Catastrophe Risk Insurance Facility (SECE CRIF)
Agricultural insurance	Farmers, agricultural supply chain	Agricultural supply chain risk assessments Macro-level agricultural risk stress tests	Price risk (commodity futures, options), weather risk (e.g. index-based) products Cash crop early warning system	Trade Promotion	Agricultural Supply Chain Risk Management Program (ARMT)



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## Questions?

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