

From Innovation to Learning

Non-insurance Disaster Risk Finance



InsuResilience
GlobalPartnership



Non-insurance DRF scope

- Household non-insurance DRF
 - Savings
 - Contingent credit
 - Private transfers: remittances or other
- Forecast-based finance
- Sovereign non-insurance DRF is covered in the macro policy solutions session

Household: savings and credit

- A classic literature on this.
- Much of it focused on managing smaller income losses and idiosyncratic shocks.
- Less on how they would perform in responding to covariate shocks—shocks that hit a large share of households in a local market all at once.
- Not clear that savings and credit are a good way of managing large covariate shocks (existing evidence suggests they are not, but in the case of savings this has not been tested)
- Emerging evidence on contingent credit (recovery loans in the Philippines and emergency loans in Bangladesh): both positive impacts (1 RCT)

- Considerable literature documenting the impact of private transfers in helping households manage disasters.
 - Goes well beyond the evidence in the brief (seminal papers by Dercon, Fafchamps, Platteau and others)
 - Not clear it is all positive (Jakiela and Ozier 2015, Fafchamps and Hill 2018)
 - But some cases where networks could be used to beneficial effects.
- Is this something to support, replace, something in between? What are the policy issues?
 - Exciting innovation selling weather index insurance to urban migrants (Kazianga and Wahhaj forthcoming)
 - Cost of remittance transfers can be high (see brief)

Household: summary

- Little evidence on savings for large covariate shocks: could be good to add to this, but noting theory suggests not optimal for large shocks.
- Emerging evidence on contingent credit: more experimentation and evaluation needed.
- Private transfers: much more evidence needed on how to use these and the broader implications for development. Remittance research does seem fruitful
- Household strategies: theory tells us all will be needed and have a place, risk layering. Very little evidence on comparing instruments and combinations of instruments (one paper comparing savings and insurance, Hill et al 2014)

Forecast based finance

- Strong area of experimentation (Bangladesh, Mongolia) and now scale-up too (Bangladesh 2020).
- Most of the early “impacts” for FbF are modelled, none published in peer reviewed journals.
- Recent positive and plausible impact evaluations of pilots, 1 published in a peer reviewed journal: FAO 2018, Gros et al 2019, Red Cross Red Crescent Climate Centre forthcoming.
- Replication and experimental work would be valuable.

Discussion



1. Getting the assessment right

- Initial **feedback** on assessment of state of literature
- **Ongoing work**: what are you working on now / aware of that could contribute to the evidence landscape?
- **Quality**: what are seminal pieces in this thematic area? Is the evidence robust?

2. Setting our aspirations

- What is the **evidence we need** on this theme for progress? What are the key questions that we need answers for (impact, how to...)?
- What are the **challenges** to get there? Data, methodology
- What are **opportunities** for collective action/platforms and future collaboration?