LEARNING STATEMENT

8TH SOUTH-SOUTH CITIZENRY BASED DEVELOPMENT ACADEMY:

Building Urban Resilience: Risk Transfer and Insurance

As the urban population in developing countries increases rapidly, more people are exposed to a growing number of disaster risks, calling for new types of measures and policies. At present, about 31% of India's population i.e. about 380 million, live in urban areas and this will increase to about 600 million by 2030 (Planning Commission, GOI: 34)[1]. In view of the rapid growth of urban areas, there is an emerging concern about cities becoming more vulnerable to disasters on account of unsafe construction (Planning Commission, GOI: 72)[2]. Poor people are particularly at risk when it comes to facing disasters and recovering after them. In India 85% of the land is vulnerable to one or multiple hazards and most cities are located on hazardous terrains. For example, about 60 cities with population exceeding half a million are located within zones III, IV and V where severe impact of earthquake is expected[3]. Increasing urban resilience has therefore become a crucial challenge in which all the various stakeholders are to take part, whether national or local governments, international or local organizations, private sectors or city-dwellers themselves. The goal 11 of the post-2015 development agenda (Make cities inclusive, safe, resilient and sustainable) has made this increasing need for resilience an important global priority. Urban resilience is indeed defined as the

> "An alternative to mitigate the disaster's consequences instead of only responding to them"

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[1] Planning commission, GoI (2013) Twelfth five year plan (2012/2017). Faster, More Inclusive and Sustainable Growth Volume I. Available at http://planningcommission.gov.in/plans/planrel/12thplan/pdf/12fyp_vol1.pdf

[2] Planning Commission, GoI (2011) Report of the Working Group on Disaster Management.For the Twelfth Five Year Plan (2012 – 2017).GoI: New Delhi. Available at: http://ndma.gov.in/images/pdf/Working%20Group%20Report%20on%20Disaster%20Management%20for%2012th%20FYP.pdf

[3] ChandraniBandyopadhyayNeogi, NIDM (2013) Training Module on Urban Risk Mitigation. NIDM: New Delhi. Available at: http://nidm.gov.in/PDF/modules/urban.pdf

"capability to prepare for, respond to, and recover from significant multi-hazard threats with minimum damage to public safety and health, the economy, and security" of a given urban area (PAC)[4]. As stated in the Priority 3 of the SFDRR, the promotion of mechanisms for disaster risk transfer and insurance is necessary to increase the resilience of urban areas, especially in the context of climate change. The number of disasters is indeed expected to increase and measures need to be taken. The poor experience the most severe effects of disasters therefore risk transfer and insurance can be one of the keys for decreasing their vulnerability and dependency. Often, poor households and small businesses have no savings to use when a disaster occurs. In order to ensure a dignified life to every citizen, microinsurance can help rebuild livelihood and businesses. Disaster insurances therefore need to be considered as a tool for poverty and risk reduction. In the current context of increasing climate change, it is a means to adapt to a more hazardous and uncertain future.

THE EIGHTH SOUTH-SOUTH CITIZENRY BASED DEVELOPMENT ACADEMY

THE SOUTH-SOUTH CITIZENRY BASED DEVELOPMENT ACADEMIES, as part of the Global South-South Development Academies, are southern learning platforms supported by the United Nations Office for South-South Cooperation (UNOSSC) in order to share knowledge, skills and practices. The SSCBDA seeks to contribute to the enhancement of the capacity of government, civil society and communities through joint reflection on development and disaster risk reduction.

The Eighth South-South Citizenry Based Development Academy emphasizes the importance of building urban resilience, particularly through risk transfer and insurance. Risk transfer and insurance are indeed key tools to increase resilience of small businesses and households as they allow them to recover from the financial losses of disasters. The Academy aims at addressing this matter through its various dimensions - its potential for small businesses, its financial aspect, its inclusive extent etc. - and through the various voices of community, governments and in other countries.

This learning statement is the result of a three-day interactive academy in which various stakeholders took part. These stakeholders include researchers, practitioners, decision makers, officials from government, non-government, UN, universities, community-based organization, community representatives, from six states of India and six countries. As a tool for advocating risk transfer and insurance in order to help implementing development frameworks (such as the SFDRR) as long as the Sustainable Development Goals 2030, this statement is comprised of three parts that elaborate on the main points to be considered within the development of risk transfer mechanisms – requirements, opportunities, and key message to policy makers.

[4]Public Affairs Centre (PAC) 2014. Colloquium on 'Urban Resilience'. Available at: http://pacindia.org/index.php/events/content/colloquium-on-urban-resilience

The Learning Statement as a tool to promote and strengthen risk transfer and insurance

TARGET VULNERABLE POPULATIONS: Almost 70% of the world's population has not access to proper insurance coverage. Microinsurance has the potential to reach a high number of households and small businesses, particularly the vulnerable and marginalized population, to help raise their awareness and prepare them to face disasters in building financial resilience.

PRESERVE WHAT HAS BEEN BUILT: When a disaster occurs, the economic improvement and wealth created or saved by small businesses or family can be destroyed. Moreover, the aftermath of a disaster often brings debts, for the small businesses often choose loans as a way to recover from the loss. Informal and exploitative credits then prevents them from full recovery and growth. Disaster insurance can help keeping the level of development already achieved and protecting the assets of such populations to break the poverty cycle.

PREPARE FOR THE FUTURE: Climate change increases the number of disasters and changes the nature of risks. For instance, flash floods have become a major threat for small businesses, especially because frequently occurring disasters are more harmful than rare large-scale disasters. Microinsurance are therefore key tools to bring sustainability to the response and recovery in the aftermath of a disaster, supporting both households, small business owners and the local economy.

EMPOWER COMMUNITIES: Offering economic opportunities and a more equal access to financial tools support the development of small businesses and households. It improves their knowledge and ability to master their development.

SUPPORT GLOBAL ECONOMY: Small and informal businesses are the motors of the economy in the urban context of developing countries. Strengthening their growth allows for more general economic growth through a virtuous cycle.

Requirements to put learnings into practice

STATE RECOGNITION AND POLITICAL WILL: The implication of State and local governments is an important step in raising the awareness of insurance companies and city-dwellers. Government can ensure regulation, monitoring and promotion of disaster insurances. Strong political institutions are also a key step towards efficient organization.

GOVERNANCE AND TRANSPARENCY: Communication and consultation from the part of the different stakeholders is a key element to the success of microinsurance systems. Information must reach and be discussed by all the actors.

TAILOR-MADE POLICY: As coping strategies are not universal, solutions have to be adapted according to the situation, whether social, financial or geographical. The policy must adapt according to the place and people involved, to be as close as possible to the interests of the stakeholders.

EDUCATION: A certain level of awareness and education is needed on the part of various stakeholders to build strong disaster insurance systems together. Potential clients must be aware of the importance of the microinsurance systems to understand the mechanisms in order to trust the system and invest money in it.

RESEARCH AND DATA: Both are necessary to identify the needs, to understand the perspectives of the different stakeholders and to create coherent microinsurance schemes suitable for the different populations targeted. Research needs to focus both on knowledge of people's incomes and ability to pay for insurance as long as knowledge of hazards and all possibilities of risks in order to focus areas.

DOCUMENTATION: It is very much important to show case the success stories of people who gained benefit of Disaster Insurance in order to convince more people. Documentation of such success stories can be one of the tools to increase the demand for disaster insurance.

SIMPLICITY: The mechanisms and language need to be easily understandable so that every stakeholder can take part and feel concerned, affording sound and reliable claim processes.

Opportunities for a rapid implementation

CURRENT INTEREST: A month after the end of the COP21, a year after the Sendai Framework for Disaster Risk Reduction was launched; the international interest for urban resilience and risk reduction is increasing. India will also host the Asian Ministerial Conference on Disaster Risk Reduction by the end of the year 2016. 2016 can be a turning point in term of awareness and creation of projects at various scales.

CURRENT INVESTMENTS FROM THE GOVERNMENT: The current investments made by the Government of India on smart cities and urban development in general can offer an opportunity to develop resilience. Indeed, smart cities cannot be considered as such without being safe cities and disaster insurances can help providing the required protection to their dwellers. The new initiatives by the Government in the field of insurance and coverage show a renewed interest for the sector. Two new insurance schemes were created in 2015: *Pradhan Mantri Jeevan Jyoti Bima* for life insurance, *Pradhan Mantri Suraksha Bima Yojana* for personal accident insurance, and a new pension fund: *Atal Pension Yonaja*.

DISASTER: Disaster themselves can also be seen as an opportunity to raise awareness and promote suitable insurance packages to affected and vulnerable groups.

LOCAL CAPACITIES: Urban and rural dwellers often carry an important memory of disasters and of resilience practices that has been long-acquired throughout time. This precious knowledge needs to be recognized and promote as a key tool for urban resilience.

INSURANCE COMPANIES INVOLVEMENT: Insurance companies are not used to the type of population requiring microinsurance, and often does not see the advantage of insuring people with low premiums. However, the potential increase of their involvement could help devising new mechanisms that could cover large amounts of the population.

OPERATIONALIZATION: The practical aspects of microinsurance are central in order to implement efficient schemes reaching communities and gaining the trust of people.

FINANCING: The financial supply to provide insurance in the long-term and possibly reinsure companies or NGOs is a crucial matter to allow for a sound insurance system. The financial matter is an important challenge for short but also especially long-term recovery.

Key message for policy makers

RISING FINANCIAL LOSSES: Natural disasters and climate change induced financial losses are likely to rise, which will not only wipe out developmental gains but also put pressure on publics funds and economic growth prospects in absence of catastrophic risk transfer arrangements at national and sub-national levels.

SETTING EXAMPLES: Disaster management being the state subject, ideally governments should lead in introducing risk transfer and insurance mechanisms to protect public and private investments as risk reduction and adaptation strategy.

ENABLING ENVIRONMENT: Creating enabling environment for private sector players through supportive polices and regulatory environment in the risk transfer and insurance sector should be seen as a strategy to reduce its own losses and cost of rebuilding and reconstruction. This sector must have both, incentives for investors as well as products and policies that cater to the needs of the poor and vulnerable.