

APEC Finance Ministers' Process Working Group on Regional Disaster Risk Financing Solutions for APEC Economies

Terms of Reference

The Working Group (WG) on Regional Disaster Risk Financing and Insurance (DRFI) solutions for APEC Economies was established in response to the request by the APEC Finance Ministers in 2015. It aims to advance policies and implement solutions to strengthen the financial resilience of the APEC economies to natural disasters.

Background and Alignment

Under the **2013 and 2014 joint finance ministerial statements**, the importance of continuing to improve DRF approaches to build resilient real economies in the region was recognized. Thus, under the **2015 joint finance ministerial statement**, the World Bank Group (WBG) was requested to conduct a study and prepare a report on options for regional DRF mechanisms, including risk pooling, among interested APEC economies, and to work with relevant international organizations to develop the financial aspects of comprehensive disaster risk management frameworks, where appropriate.

Developing DRFI solutions was established as an APEC priority under the 2015 **Cebu Action Plan: Enhancing Financial Resiliency** which under Pillar 3 highlights the development of innovative DRFI mechanisms to enable APEC economies exposed to natural hazards to increase their financial response to disasters and reduce their fiscal burden.

The **2016 joint finance ministerial statement** noted that establishing a WG aimed at developing DRFI solutions is necessary in order to identify and implement appropriate regional disaster risk financing mechanisms and to help increase insurance penetration. More economies and international organizations are encouraged to join with the support of the WBG.

Objectives

The objectives of the WG are as follows:

- Facilitate the implementation of APEC priorities on disaster risk finance through improved coordination among a number of economies that volunteered to join this working group;
- Support the exchange of information and lessons learned around DRFI policies and strategies;
- Provide APEC economies with the required information to evaluate the feasibility and options for implementation of regional disaster risk financing mechanisms; and
- Promote public-private partnerships in the implementation of the DRFI solutions across APEC economies.

A work plan will be developed for the Working Group for the next 2 years and will be endorsed by the APEC Deputies.

WG Meetings and Members

The WG convened for the first time in February 2016. The meeting was chaired by Peru as 2016 APEC Chair and co-chaired by the Philippines as 2015 APEC Chair. Nine economies (Canada, New Zealand, Japan, United States, Indonesia, Philippines, Mexico, Chile and Peru) and four international organizations (World Bank, OECD, ABAC and ADB) became members of the WG. Additional APEC economies are encouraged to join the WG.

The WB agreed to serve as a technical resource and facilitator of the WG.

During the 2017 APEC Deputies Meeting in Nha Trang, Vietnam, the Philippines agreed to take over the chair of the Working Group for 2017-2018. In May 2017, the Philippines' agreed to a Co-chairmanship of the WG with Japan.

It is proposed that the WG meets on the margins of the APEC Finance Deputies Meetings and that the Chair would convene additional meetings as required. During the meeting at the margins of the APEC Deputies meeting in the first half of 2018 members, would decide whether to renew the WG for the upcoming year, in alignment of priorities as discussed and set by APEC Deputies.

Responsibilities

A. Chair and Co-Chair of the WG

The Chair of the WG is expected to spearhead the implementation of the agreed Work Plan for the purpose of achieving the objectives of the Cebu Action Plan. In particular, the Philippines, as Chair of the WG, will:

- Convene regular WG meetings to serve as a platform for discussion and knowledge sharing of goodeconomy practices of APEC communities;
- Take the lead in the discussion of best initiatives and strategies as practiced within their economy, so as to help in developing innovative DRFI solutions that can be adopted by the APEC communities;
- Facilitate review and update of the terms of reference and work plan, as deemed necessary, to ensure that the WG is keeping track of recent economy, regional, and global strategies aimed at developing innovative DRFI solutions;
- Take the lead in identifying and developing new initiatives and strategies to contribute to the attainment of the objectives of the WG and goals of the Cebu Action Plan, and that can be incorporated in the proposed Work Plan; and
- encourage other APEC economies to participate and join the WG, in order to expand the platform for knowledge sharing of good economy practices among APEC economies.

- Report to the APEC SFOM, Finance Deputies and Ministers on progress of implementation and outcomes.

The co-chair of the WG, Japan, is expected to assist the Chair and co-lead, together with the Chair, activities mentioned above in implementing the Work Plan and in meeting the objectives of the WG, contributing based on Japan's own experience in the area of disaster risk management and finance.

B. Members of the WG

Members of the WG are expected to contribute to the activities as proposed in the Work Plan that target the development of DRFI solutions, by implementing the requests and the decisions of the finance ministers work stream. In particular, the WG will:

- Identify technical activities in light of APEC FMP DRFI priorities and provide overall guidance to the WB and other agencies implementing specific technical activities under the DRFI work program;
- Review draft outputs prior to discussion at the APEC deputies meetings and before reporting back to the Finance Ministers meetings;
- Support the development of technical activities through participation in regional studies and sharing relevant information on the financial management of disaster risk in their own government; and
- Contribute and provide inputs to the Report of the Chair and Co-Chair to the APEC SFOM, Finance Deputies and Ministers on progress of implementation and outcomes.

Annex: Proposed work plan for 2018-2019

For discussion by WG Members and endorsement by Deputies

All subject to funding and partner support

Activity		Timeline	Responsible
1.	Working Group Meeting	19 October 2017, SFOM	Chair, Co-chair
2.	Workshop on an effective public asset database for effective catastrophe risk financing and insurance framework.	Q2 2018	, WB
3.	Study on best practices on implementation arrangements of Disaster Risk Insurance Facilities.	Q3 2018	WB
4.	Working Group Meeting	Deputies Meeting 2018 (February, March)	Chair, Co-Chair
5.	Study exploring funding mechanisms for effective integrated disaster response through social protection systems.	Q3 2018	WB(lead), OECD
6.	Series of study courses (a couple of days in volunteered economies) to learn about earthquake, El Niño, and flood insurance schemes for property and agricultural assets.	2019	Philippines, Japan, Peru, New Zealand, ADB
7.	Workshop series to support APEC economies develop a roadmap for expanding the coverage of non-subsidized microinsurance.	Q1/ Q2 2018	ABAC/APFF