



PRESS RELEASE

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INTERNATIONAL DAY FOR DISASTER REDUCTION

Invest to prevent disasters

Hurricane Katrina caused more than \$125 billion in economic losses in the United States, four times more than Hurricane Andrew in 1992, which had been the most expensive natural disaster in American history. Of these economic losses, only one third was covered by insurance. The poor are the most affected by disasters and also the less protected.

On the occasion of the International Day for Disaster Reduction, to be held on 12 October 2005, and to mark the International Year of Microcredit, the secretariat of the International Strategy for Disaster Reduction (ISDR) has launched a global debate on how microfinance can reduce the impact of natural disasters on vulnerable communities.

The ISDR secretariat has asked a number of experts for their opinions on microfinance as a tool for disaster risk reduction. The results are summarized in a publication, "Invest to Prevent Disaster," to be launched today in Geneva, Switzerland.

"Many in the financial community see great potential in microfinance not only to reduce poverty and the impact of disaster, but also as new investment opportunities in previously untapped markets. It is also, so to say, an issue of strategic importance," says Thomas Loster, Chairman of the Munich Reinsurance Foundation who was participating in the Geneva press briefing.

Microfinance reduces disaster vulnerability and increases coping capacity through livelihood diversification, income growth, risk preparedness and empowerment of women. "We are convinced of the importance of public-private partnerships dedicated to build up the social, economic and institutional infrastructure the poor need to effectively use financial services to help their assets grow" confirmed Hans Michael Hoelz, Global Head Sustainable Development for Deutsche Bank, who stressed the need for private sector involvement in these processes.

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In the aftermath of a disaster, microfinance provides much needed resources and reduces dependence on aid. “While supporting communities and helping them manage their own preparedness and recovery, microfinance must be part of a greater strategy of disaster risk reduction” says Salvano Briceño, Director of the ISDR secretariat. It is clear that we need to invest more to prevent disasters.

Roundtables and discussions will be held worldwide on or around the 12th of October, to explore how microfinance can practically alleviate the suffering of the most vulnerable populations. Financial experts, disaster managers and UN specialists will gather on 14-15 October in New Delhi, India, to discuss the impact and the potential use for recovery of microfinance in countries affected by the tsunami last December. Other events will also take place in Thailand, in Tajikistan and in Indonesia, to promote dialogue on the potential of using microfinance to reduce disaster risk and increase community resilience.