



Food and Agriculture
Organization of the
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Key challenges in drought finance: paving the way for enabling pathways

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PREAMBLE



A climate-related disaster, but not induced merely by climate change

Even if efforts to mitigate climate change reach results and some adaptation needs are reversed, drought risk cannot be entirely eliminated



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Drought finance is **in-between a slow-motion hazard and the prioritized expenditures** that require urgent financial assistance

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Drought finance is **not yet financially attractive** to investors, as drought risk mitigation is context-specific, multi-sectoral, and periodic

PREAMBLE



Drought finance must be raised on the political agenda, and the finance gap calls for **more intense private sector contribution**



What are the drought-specific barriers?

(excluding traditional and systematic barriers)

DEVELOPMENT IS OUTPACING THE UNDERSTANDING



Information asymmetry: poor information base for business risk assessment

Accessibility of generated knowledge: results only at the scientific or pilot level and lack of information dissemination infrastructure

Lack of documentation of results: only a few pilots and proofs of feasible business cases, limited access to readiness and technical assistance (e.g. infrastructure-type investment by the private sector)

PROJECTIONS AND FORECASTINGS ARE NOT ACCURATE ENOUGH TO INFORM INVESTORS

Accuracy of information systems: limited explanatory power and robustness of monitoring systems (e.g. insurance companies affected)

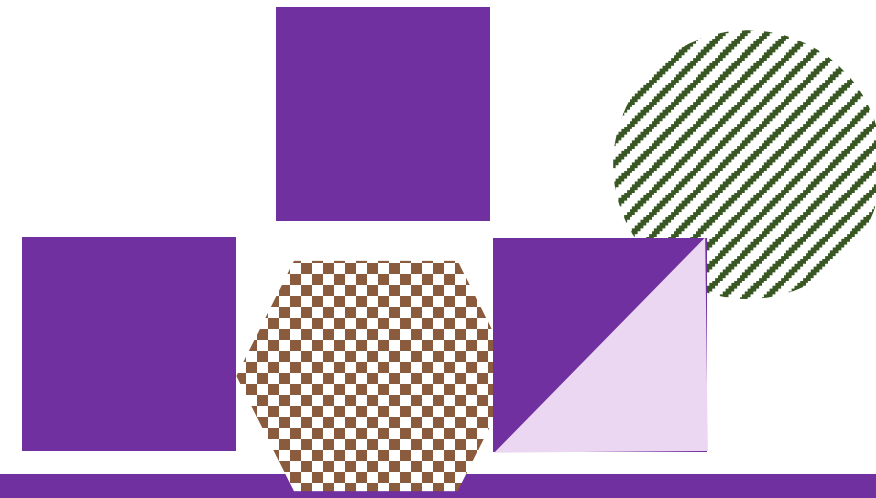
Incomplete forecasting: retrospective and short-term forecasting

Dependence on internal technical units: technical team incorporated within the financial institutions (e.g. increased operating expenses)

DROUGHT AWARENESS IS WAXING AND WAINING AS A RESULT OF PERIODICITY

Drought myopia: prioritization of investment based on actual needs

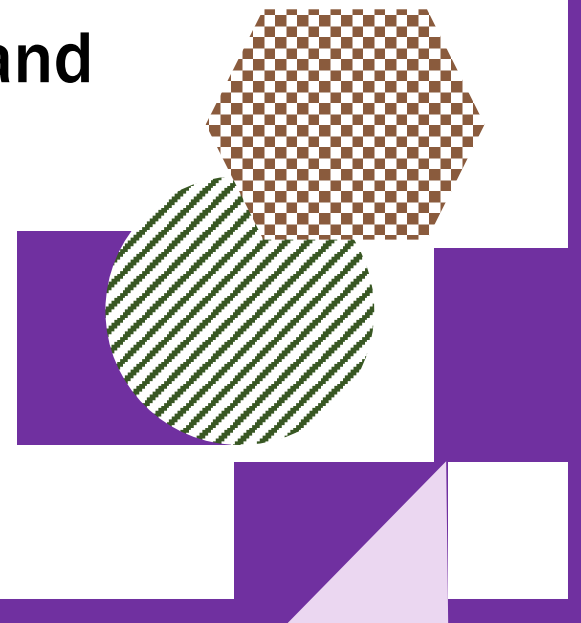
Lack of long-term measures: no measure/instrument to maintain drought awareness



FINANCIAL INCLUSION IS IMBALANCED AND MOVES AT A LOW PACE

Lack of intermediaries: no link between affected communities and financial institutions

Incomplete financial inclusion: geographical imbalance and concentration of access to financial products



A person is shown from the side, interacting with a large computer monitor. The monitor displays a complex financial dashboard with various charts, including a line graph and a bar chart. The person's hand is pointing at the screen. The background is a blurred office setting with a bookshelf and a chair. The image is overlaid with a purple diagonal gradient.

THE NEED FOR A FUNCTIONAL MONITORING SYSTEM TO TRACK FINANCIAL RESOURCES



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THANK YOU

