GLOSSARY

This explains terms used in the Resilience resources

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GLOSSARY

Absorptive capacity - the ability of a system or actors to prepare for, mitigate or prevent negative impacts, using predetermined coping responses in order to preserve and restore essential basic structures and functions. This includes coping mechanisms used during periods of shock.

Adaptive capacity - ability of actors (individuals, communities, governments) to adjust to a disturbance, moderate potential damage, take advantage of opportunities and cope with the consequences of a change.

Adaptive preference – when people adjust their expectations and aspirations downwards in order to respond to deteriorating situations.

Adverse selection – higher risk clients are more likely to purchase insurance, resulting in higher risk pool and higher premiums, pushing lower risk clients out of the market.

Anticipation costs - the ex-ante investments for disaster/shock preparedness (Béné, 2013).

Anticipatory capacity - ability of social systems to anticipate and reduce the impact of climate variability and extremes through preparedness and planning. (BRACED, 2015)

Basis risk - risk of events that produce significant losses but no payout from index-based insurance

Benefit-cost ratio - the ratio of the present value of the economic benefits to the present value of the economic costs of a project each discounted at the economic opportunity cost of capital. If the ratio is greater than 1, the project makes a positive net contribution to welfare. (Practical Action, 2011)

Catastrophe bonds/CAT bonds - A high-yielding, insurance-linked security providing for payment of interest and/or principal to be suspended or cancelled in the event of a specified catastrophe, such as an earthquake of a certain magnitude within a predefined geographical area. (GFDRR/World Bank, 2012)

Climate change adaptation - reducing vulnerability and building resilience to climate-related shocks and stresses (Ranger, 2013)

Climate resilience – incorporates disaster resilience + ability to cope with longer term climate changes (including transformative change/tipping points) (DFID, 2013)

Contingent loans – loans provided by multilateral finance institutions such as the World Bank, that are specially designed to manage developing country disaster risk

Covariate shocks – events such as climate shocks (e.g. droughts and floods) or conflict that typically affect groups or communities of people and can trigger other shocks.

Disaster resilience – the ability of countries, communities and households to manage change, by maintaining or transforming living standards in the face of shocks or stresses – such as earthquakes, droughts or violent conflict – without compromising their long-term prospects (DFID, HERR)

Disaster risk management - The systematic process of using administrative directives, organizations, and operational skills and capacities to implement strategies, policies and improved coping capacities in order to lessen the adverse impacts of hazards and the possibility of disaster. (UNISDR, 2007)

Disaster risk reduction - The concept and practice of reducing disaster risks through systematic efforts to analyse and manage the causal factors of disasters, including through reduced exposure to hazards, lessened vulnerability of people and property, wise management of land and the environment, and improved preparedness for adverse events. (UNISDR, 2007)

Disturbance component/measure - data describing the effects of shocks and stresses.

Early action - interventions that enable individuals, communities and governments to prepare for, mitigate or prevent disasters.

Ex-ante component - data describing the initial state before a shock.

Ex-post component - data on the subsequent states/trajectories after shocks have occurred.

Early Warning System - The set of capacities needed to generate and disseminate timely and meaningful warning information to enable individuals, communities and organisations threatened by a hazard to prepare and to act appropriately and in sufficient time to reduce the possibility of harm or loss (UNISDR, 2007)

Exposure - assessment of the magnitude and frequency of shocks or the degree of stress as well as the location, attributes and values of assets that are important to communities.

Hazard - the likelihood, probability, or chance of a potentially destructive phenomenon.

Household Economy Approach - The Household Economy Approach is a livelihoods-based framework for analysing the way people obtain access to the things they need to survive and prosper. It helps determine people's food and non-food needs and identify appropriate means of assistance, whether short-term emergency assistance or longer term development programmes or policy change. It was developed in the 1990s by Save the Children UK. (Save the Children, 2008)

Impact - An evaluation of what might happen to people and assets from a single event.

Index-based or parametric insurance - A form of insurance that makes indemnity payments based not on an assessment of the policyholder's individual loss, but rather on measures of a parametric index (e.g. weather or geological observation such as rainfall, Richter scale reading) that is assumed to proxy actual losses. (GFDRR/World Bank, 2012)

Idiosyncratic shocks – events that have a negative impact at household level such as livestock death, job loss and illness of a household member

Impact costs - the costs of destruction following the impact of the shock (Béné, 2013)

Internal rate of return - the discount rate that would give a project a net present value of zero. (Practical Action, 2011)

Livelihoods protection threshold - what it costs to maintain the locally specific livelihood system (Save the Children, 2013)

Moral hazard – Individuals become less incentivised to alter behaviour or invest in risk reduction measures due to feeling secure

Multi-Hazard Risk Assessment – holistic approach to risk management which involves considering multiple hazards faced by vulnerable people or systems and/or their capacities to cope with shocks

Net present value - the difference between the discounted value of a stream of benefits and a discounted stream of costs. (Practical Action, 2011)

Present value - the value today of a future payment, or payments, discounted at an appropriate interest (discount) rate. For example, at an annual interest rate of 10 percent (r=0.1), a payment of £ 110 next year has a present value of £ 100 = £ 110/(1+r). (Practical Action, 2011)

Recovery costs - the ex-post recovery costs, including adaptation and aid

Reserves – national-level funds that governments set aside as a contingency for responding to unexpected events such as natural disasters.

Reinsurance – insurance taken out by an insurance company

Risk layering - The process of separating risk into tiers that allow for more efficient financing and management of risks. (GFDRR/World Bank, 2012)

Risk management - "The systematic approach and practice of managing uncertainty to minimize potential harm and loss." (UNISDR, 2009)

Risk retention – where one party retains financial responsibility for loss in the event of a shock. Governments typically hold risk through government reserves, contingency funds, contingent credits and loans.

Risk transfer – the burden for financial loss or responsibility is transferred to another party e.g. international donors (aid) or market-based mechanisms including insurance and securities such as catastrophe bonds.

Triggers - Trigger points are key changes in the indicators that make up the early warning system. For the system to work swiftly, these triggers for action need to be agreed in advance (IFRC, 2014)

Sensitivity - the degree to which a system will be affected by, or respond to, a given shock or stress.

Shock - External short-term deviations from long-term trends that have substantial negative effects on people's current state of well-being, level of assets, livelihoods, or safety, or their ability to withstand future shocks (Zseleczky and Yosef, 2014)

Social discount rate -the discount rate used to calculate the present value of costs and benefits in a social cost-benefit analysis. In conception, the social discount rate should reflect the social opportunity cost of capital, i.e. the rate of return to capital in its best alternative use. The higher the social discount rate used, the lower is the weight effectively given to future benefits or costs compared to present benefits or costs. (Practical Action, 2011)

Sovereign disaster risk financing instruments – National-level mechanisms for responding to disasters either before they occur (ex-ante) or after they occur (ex-post). Ex-ante instruments include market-based mechanisms such as insurance and bonds. Ex-post instruments include new government loans, extra taxation, budget re-allocation, requesting donor funds.

Stress/stressor – Slower onset phenomena with negative impacts such as gradual changes in temperature or water availability due to climate change

Survival threshold - most basic of needs, including minimum calorie requirements, and costs associated with food preparation and water. (Save the Children, 2013)

SWAPS – A financing product whereby catastrophe risk is 'swapped' between two reinsurers with exposure to different types of catastrophe risk.

Transformation - pertains to the holistic and fundamental ways in which people's capacity to adapt to, anticipate and absorb shocks can be built, reshaped and enhanced (BRACED, 2015)

Transformative capacity - the ability to create an enabling environment through investment in good governance, infrastructure, formal and informal social protection mechanisms, basic service delivery and policies/regulations that constitute the conditions necessary for systemic change. (Carletto, Banerjee and Zezza, 2015)

Vulnerability - The likelihood that assets will be damaged or destroyed when exposed to a hazard event.