Financial resilience in disaster

John Handmer

There are many elements of resilience, but issues of money or its equivalent underlie many of them. Financial resilience for individuals, households and communities is fundamentally about livelihoods and opportunities to deal with shocks and adapt to change. Without livelihoods people cannot survive, and are unlikely to have access to some other important elements of resilience such as health care, education and opportunities. Livelihoods are based on flows of money or its equivalent. These flows can come from many formal and informal sources including remittances, insurance and aid, or the work or asset sales of those concerned. Remittances, insurance and aid often come from distant locations. Assets are valuable only if they can be converted into flows of money or goods and services that enable people to manage in a crisis. In a crisis significant debt can deprive people of the value of their livelihood and force asset sales. Diverse sources of livelihood, in particular non-local sources such as remittances and welfare, provide additional security by insulating communities from local crises. Similar comments apply to disaster recovery – flows rather than assets are key. Recent Australian wildfires illustrate some of these points.