Financing for Disaster Risk Reduction and a Risk-Informed Approach to Investing Across the SDGs

An ECOSOC Forum on Financing for Development Side Event
Tuesday 13 April 2021, 7:30-8:45am EDT

Co-Hosted by the UN Office for Disaster Risk Reduction
the UN Department for Economic and Social Affairs Development Cooperation Team
and the Permanent Missions of Australia, Indonesia, Peru and Norway as Co-Chairs of the Group of Friends for Disaster Risk Reduction

Background

The socioeconomic impacts of the COVID-19 pandemic and the climate and biodiversity crises demonstrate the urgent need for financing for disaster risk reduction and for investments in all sectors to be risk-informed. Current levels of economic losses due to disasters undermine the financing available for investment in the SDGs and the stimulation of economic growth and increase the debt burden in the world's poorest and most vulnerable countries and communities. Disaster risk reduction (DRR) must be at the core of development and economic, social and environmental policy and investments at all levels. The Sendai Framework for Disaster Risk Reduction presents a paradigm for understanding and managing systemic risk and gives clear guidance for prevention that moves the focus from managing disaster events to managing disaster risk systemically by reducing existing risk, preventing the creation of new risk and managing residual risk. Six years since the adoption of the Sendai Framework, 101 countries have national DRR strategies in place. Financing the implementation of the strategies remains a challenge for many developing countries.

International public finance will play a crucial role in supporting national DRR efforts. While LDCs, SIDSs and other vulnerable countries are putting tools and strategies into place, these efforts will require sufficient financing to realize their full impact. Now is the time to scale up development cooperation. With the impact of the pandemic on ODA for 2020 is still uncertain, one possible scenario could be an overall reduction of ODA levels. Target F of the Sendai Framework calls on governments to substantially enhance international cooperation to developing countries to support national actions for DRR. However, ODA to DRR averaged 0.1 per cent of total ODA in the last 10 years. Development partners must meet their commitments and ensure all development cooperation is risk-informed. International development cooperation that is risk-informed and climate smart will be an essential tenet of building back better in the Decade of Action toward achieving long-term sustainable development. It will be an opportunity to bring all stakeholders together to build capacities and coherence in addressing systemic risk.

Public domestic and international investment led by Governments is a crucial element – but it represents one side of the coin. Recognizing that up to 80% of investment in any country comes from the private sector, the Sendai Framework also highlights the role of the private, specifically the financial sector and its regulators, in driving better and comprehensive integration of DRR considerations into business investment decisions. The current approach to public and private financing for DRR and risk-informed investing are lagging behind the rapid rate of creation and increasing complexity of disaster risk. They are inadequate for the implementation of multi-hazard, prevention oriented DRR strategies. Disaster risk continues to be created at an alarming and unsustainable pace because risk reduction is not sufficiently considered in policies and investments across sectors and is yet to be fully integrated in the implementation of the 2030 Agenda for Sustainable Development. A new approach to investments and financing for DRR is urgently needed.

Since 2015, Member States have set a clear policy direction on public and private financing for DRR at the ECOSOC and General Assembly. These calls have been further bolstered by the G7 and G20, IFIs, development banks, central banks and international organizations such as the OECD as well as the initiative of Heads of State and Government on Financing for Development in the Era of COVID-19 and Beyond. National DRR financing strategies and instruments can change the way money is spent and contribute to a more efficient and effective use of resources. They can bring together the optimal mix of financing from all available domestic and international and public and private sources, including development cooperation in all its forms. They can guide the integration of disaster risk considerations into financial decisions across the economic, social and environmental dimensions of sustainable development through alignment with other national planning and policy frameworks, such as integrated national financing frameworks and national development cooperation plans, and relevant regulations and standards for risk-informed investing.

Progress has been made in developing tools and instruments for financing for DRR, including UNDRR's Risk-Sensitive Budget Review, the OECD's DRR Marker, and the integration of DRR into the INFF guidance modules. However, more effective development cooperation, including capacity support, is needed to develop guidance for national DRR financing strategies and support countries in their implementation and to review existing instruments for development and climate finance and assess the extent to which they contribute to financing for DRR and prevention.

Similarly, while a shift to more risk-informed, resilient investment is partially supported by existing initiatives such as the UN Principles on Responsible Banking, Task Force on Climate Related Financial Disclosures recommendations, ESG reporting guidelines and green investment discussions, the majority of current investment is still risk-blind. As highlighted by both the COVID and climate crises, public and private partners need to work together for better integration of a comprehensive risk angle in the evolving investment landscape. This must include enabling interoperability between various risk assessment tools used by the financial sector as well as scenario building, financial regulation, accounting practices and ratings that reflect the full spectrum of risk and address related vulnerabilities of populations, economies, institutions and investors.

Objective

The side event will bring together a variety of development finance practitioners, including from Governments, development cooperation agencies, IFIs and the private sector, to engage on a comprehensive approach to financing disaster risk reduction that is responsive to country needs, particularly in the time of COVID-19. Practitioners will identify the unique roles each sector will play in developing this approach, and identify recommendations on a way forward, including on the implementation of national DRR financing strategies and resilient investment. Discussions will draw on insights from the 2021 Financing for Sustainable Development Report, recent and upcoming UNDRR reports on risk-informed investing and reducing risk and building resilience of SMEs, and DCF analytical work.

Programme

Moderator
- Mr. Shaun Tarbuck, Chief Executive, International Cooperative and Mutual Insurance Federation (ICMIF)

Opening Remarks
- Ms. Mami Mizutori, Special Representative of the Secretary-General for DRR, UNDRR
- Mr. Navid Hanif, Director of Financing for Sustainable Development Office, DESA
- H.E. Dr. Fiona Webster, Deputy Permanent Representative of Australia to the United Nations, Co-Chair of the Group of Friends for Disaster Risk Reduction

Panel Discussion
- Ms. Gladys Mamtee Osabutey, Chief Economic Officer, Head of UN System Unit, Ministry of Finance, Ghana *(tbc)*
- Mr. Raditya Jati, Acting Deputy Minister for System and Strategy, National Authority for Disaster Management, Indonesia
- Ms. Martina Macpherson, Head of ESG Strategy, ODDO BHF Asset Management
- Mr. Rob Wesseling, President and CEO, The Co-Operators Group

Lead Discussant
- Representative from the Sendai Framework Stakeholder Engagement Mechanism

Interactive Discussion
- Questions for participants and interactive discussion with the panel

Guiding Questions
1) How can governments ensure that financing for COVID-19 recovery supports DRR?
2) What are the main elements of a national DRR financing strategy and how can they be used to bring together all sources of financing for DRR and ensure all public and private investments are risk-informed? How might they look in different country contexts?
3) What are some good practices from bilateral and multilateral development cooperation that is risk-informed and climate-smart and aligned with national sustainable development and DRR strategies? How can development cooperation, both financial and non-financial, best support the implementation of national DRR strategies?
4) What type of risk assessment tools need to be developed or adapted, and what capacities need to be built, so that the financial sector can consider disaster risk in their investment decisions? How can the creation or reduction of disaster risk be included as a performance indicator for investors?
5) How can the insurance sector better promote/incentivize behavior that reduces rather than creates disaster risk?
6) What kind of data, information, standards and regulations are needed to ensure private sector investments do not create disaster risk and to ensure disaster risk is shared equitably between the public and private sectors in blended finance agreements?