



Global Platform for Disaster Risk Reduction Fourth Session - Invest Today for a Safer Tomorrow

Geneva, Switzerland, 19-23 May 2013

FEATURED EVENT

Optimising Financing of Disaster Risk Management

CONCEPT NOTE

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| Schedule | Tuesday, May 21, 15:00-16:25 – Room 4 |
| Organizers | The World Bank, the Global Facility for Disaster Reduction & Recovery, and the United Nations Office for Disaster Risk Reduction |
| Focal Points | Mr. Marc Gordon, UNISDR (gordon6@un.org) Mr. Daniel Kull, The World Bank (dkull@worldbank.org) |
| Background and Rationale | <p>Globally, the risk of economic loss due to disasters is on the rise. In OECD countries, the risk of losing wealth in a disaster is currently rising at a faster pace than wealth is being created. In developing countries the majority of losses incurred from disasters are borne by the governments, residents, and businesses. Even though the responsibilities that governments commonly assume following a disaster event (to support affected populations and repair, replace or compensate lost assets) can have enormous budgetary consequences, the tendency to under-invest in disaster risk mitigation and the failure to prepare financially for these events prevails. When disaster risk is recognized as endogenous in economic development, a wider range of risk-sensitive policies can be developed for integration into the national financial and investment planning framework.</p> <p>In this context, there has been growing global interest in assessing countries' financial exposure to disasters and the impact on public finances to make a case for and inform decision-making on optimal investment under constraints (budgetary and legal) throughout the disaster risk management cycle. Financial disaster risk assessment puts a price tag on risk that allows for more systematic cost-benefit analysis of different risk mitigation, retention and transfer strategies. The results of such assessments enable policy makers seeking resilience to take informed decisions on risk management. Within this dialogue, <i>financing of disaster risk management</i> describes investment in risk management prior to, and following disaster events, while <i>investment in reducing risk</i> specifically indicates mitigation and <i>disaster risk financing</i> refers to the proactive management of the financial consequences of disasters.</p> <p>Governments around the world, from small-island states in the Pacific to high income countries such as The Netherlands, have undertaken significant efforts to upgrade their strategies for financing of disaster risk management, based on an understanding of their contingent liabilities and resulting financial disaster risk profile. In 2012, Finance Ministers from the G20 and APEC placed disaster risk management and financing on world leaders' agenda. The G20 / OECD Methodological Framework on Disaster Risk Assessment and Risk Financing for Finance Ministries, and the Sendai Dialogue on the sidelines of the 2012 IMF and World Bank Group Annual Meetings, were demonstrative of the commitment to the topic at the highest levels, and are indicative of the increasing importance accorded by ministries of finance and planning to developing robust disaster risk management strategies - built on national financial risk assessments; an aspect that is expected to feature prominently in the post-2015 framework for disaster risk management (HFA2).</p> <p>Against the backdrop of these different efforts, and both governments' and businesses' growing appreciation of disaster risk as critical to sustainability and competitiveness, this event will convene governments and leading global institutions engaged in disaster risk management to discuss effective public financing of DRM.</p> |

Session Objectives

- To identify the essential information required for informed decision-making on financing of disaster risk management and the prerequisite financial risk assessment needs;
- To discuss frameworks for optimising public investment in reducing risk and risk financing in different contexts, and how this should feature in HFA2. (For example, large versus small economies and territories; low- versus middle-income countries.)
- To discuss how government can enable and manage private investment to complement public financing of disaster risk management.

Discussion agenda and structure

1. **Opening by moderator and introduction of speakers (10 min)**
2. **Managing disaster risk – an emerging priority?**

“Ignite” remarks – rapid-fire 3 minute instigating remarks by each speaker, in response to a specific question. (25 minutes)

 - i. Minister and Director of the Cabinet of the Prime Minister, Niger
 - ii. Minister of General Affairs and Governance, Morocco
 - iii. Deputy Minister for the Development of Disadvantaged Regions, Indonesia
 - iv. Deputy Secretary General, OECD
 - v. Vice President, The World Bank
 - vi. Global Head of Risk Management, Nestlé S.A.
3. **What does it take to trigger action?**

Round-table discussion (10 minutes)
4. **Translating into action**

Round-table discussion (20 minutes)
5. **What is the urgency, where do we go from here?**

Round-table discussion (20 minutes)
6. **Closing – summary by moderator (5 minutes)**

List of expected outcomes

- Agreement on the essential prerequisite information, and actions required to secure information on the public sector’s contingent liability to natural disasters to inform decision-making on financing of disasters.
- Recommendations for optimizing financing of disaster risk management at the national level, for consideration in HFA2.
- Recommendations for frameworks for disaster risk financing strategies to ensure governments’ financial resilience, to be linked to HFA2.
- Public sector contributions to generate enhanced risk-sensitive private investment identified, for consideration in HFA2.

Relevance of the initiative

Financing of disaster risk management was a central issue of the Mid-Term Review of the HFA and of previous Global Platforms.

Subject’s link to post-2015

Financing, investment and financial resilience are core components of effective risk management.

Expected number of participants and speakers

500

Moderator: Nisha Pillai, ex-BBC World Presenter

Speakers:

- Saidou Sidibe, Minister and Director of the Cabinet of the Prime Minister, Niger
- Mohamed Najib Boulif, Minister of General Affairs and Governance, Morocco
- Suprayoga Hadi, Deputy Minister for the Development of Special Regions, Indonesia
- Yves Leterme, Deputy Secretary General, OECD
- Rachel Kyte, Vice President, Sustainable Development, World Bank
- Marc Schaedeli, Global Head of Risk Management, Nestlé SA

Technical Equipment Required

Personal microphones for moderator and six participants; Two floating microphones for questions from the audience; Technical capability to display slides/images if needed; Webstream feed; Recording equipment

Background documents

- Government of Mexico & World Bank, 2012. Improving the Assessment of Disaster Risks to Strengthen Financial Resilience. Washington, DC: World Bank.
- Government of Mexico & OECD, 2012. Disaster Risk Assessment and Financing.
- Laframboise, N. and Loko B., 2012. Natural Disasters: Mitigating Impact, Managing Risks. IMF Working Paper 12/245.
- Ghesquiere, F. and O. Mahul, 2010. Financial Protection of the State Against Natural Disasters. World Bank Policy Research Working Paper #5429. Washington DC, World Bank.
- UNISDR, 2013. From Shared Risk to Shared Value - The Business Case for Disaster Risk Reduction. Global Assessment Report on Disaster Risk Reduction. Geneva, Switzerland: United Nations Office for Disaster Risk Reduction (UNISDR).
- UNISDR, 2011. Revealing Risk, Redefining Development. Global Assessment Report on Disaster Risk Reduction. Geneva, Switzerland: United Nations.
- Mechler, R., Hochrainer, S., Linnerooth-Bayer, J and G. Pflug, 2012. Public sector financial vulnerability to disasters: The IIASA CATSIM model. In J. Birkman (ed): Measuring Vulnerability to Natural Hazards: Towards Disaster Resilient Societies. Tokyo: UNU Press: 380-398.
- UNISDR, 2013. Implementation of the Hyogo Framework for Action – Summary of Reports 2007 – 2013. Geneva, Switzerland: United Nations Office for Disaster Risk Reduction (UNISDR).