

President of the General Assembly - SDG Financing Toolbox

UNISDR Input

A. Recommendations for a risk-informed approach for SDG financing

- 1) **Making new investments, especially in infrastructure, risk-informed and resilient will pay off over the long term.** Disaster risk, including climate risk, is increasing world-wide. Disasters curtail economic growth and the prospect of achieving the ability to achieve the SDGs by 2030, particularly in the poorest countries and communities. Annual investments of \$6 billion in disaster risk management could generate benefits in terms of risk reduction of \$360 billion. Such investments in disaster risk reduction represent only 0.1 per cent of the estimated \$6 trillion per year that will have to be invested globally in infrastructure by 2030¹. Disaster risk reduction measures, should be incorporated into development assistance programmes and infrastructure programmes, in line-with the Sendai Framework for Disaster Risk Reduction
- 2) **Tailored disaster risk reduction financing instruments are needed to turn national and local disaster risk reduction strategies into action, and to create the fiscal space for a risk-informed approach to sustainable development.** Disaster risk financing (i.e. insurance, risk-transfer) do not cover the complete cost of reconstruction and rarely cover frequent losses to small-scale disaster, which increasingly erode the resilience of the poorest households and communities. Resources spent on recovery and reconstruction could have been allocated to investments in sustainable development. International financial institutions, development banks, and the United Nations system can develop disaster risk reduction financing mechanisms to support the implementation of national disaster risk reduction strategies, encourage national resource mobilization, and incentivize risk-informed investments for sustainable development.
- 3) **It is vital that integrated national financing frameworks and pipelines of investable projects for the SDGs are risk-informed and accompanied by disaster risk reduction financing instruments.** Greater engagement of ministries of finance, economy, and planning on disaster risk reduction can enhance the allocation of domestic budgets to disaster risk reduction; include disaster risk reduction in budgeting and financial planning across all relevant sectors; and align sustainable development strategies, financing frameworks, and infrastructure plans with disaster risk reduction strategies.
- 4) **Investments made by the private sector must be disaster-risk informed to ensure sustainability.** In most economies, private investment comprises the majority of total capital formation. However, disaster risk is rarely made explicit and is often only discovered in the event of a disaster. Hidden contingent liabilities arising from unaccounted disaster risk come bundled together with apparent comparative advantages in locations that seemingly offer potential for short-term gains. Regulating the conduct and disclosure of disaster risk assessments can provide an understanding of hidden fiscal liabilities to promote longer-term risk-informed investments by the public sector which are needed to achieve the SDGs

¹ 2015 Global Assessment Report on Disaster Risk Reduction (UNISDR)

B. Disaster risk reduction financing tools

1) OECD Policy Marker for Disaster Risk Reduction

See: [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT\(2017\)26&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT(2017)26&docLanguage=En)

In January 2018 the Organisation for Economic Co-operation and Development - Development Assistance Committee (OECD-DAC) approved a policy marker for disaster risk reduction. Developed in collaboration with the United Nations Office for Disaster Risk Reduction (UNISDR), the policy marker is a response to the need to build a culture of resilience by investing in ex-ante measures for understanding, reducing and preventing disaster risks, and to integrate disaster risk reduction into sustainable development policies, plans, programmes and budgets at all levels.

The disaster risk reduction policy marker will assess policy objectives in relation to disaster risk reduction in each development aid activity. It also aims to address most of the challenges involved in accurately tracking integration of disaster risk management in development co-operation.

The policy marker can encourage the mainstreaming of disaster risk reduction into development planning through the review of every aid activity through a disaster risk reduction lens. It can also provide a reliable means of gauging disaster risk reduction mainstreaming within development co-operation and, over time, provide an incentive to increase risk-informed development investments. It may also serve as a model for the national budgetary systems of recipient countries and foster risk-sensitive development planning over time.

2) Risk-sensitive Budget Review

See (Annex A): https://www.preventionweb.net/english/hyogo/gar/2015/en/gar-pdf/UNISDR_Working_Papers_on_Public_Investment_Planning_and_Financing_Strategy_for_Disaster_Risk_Reduction_Review_of_Mauritius.pdf

The objective of the Risk-sensitive Budget Review is to explore the gap between risk level and disaster investment at the national-level. The budget review aims to clarify what has already been done to reduce risk and checks the balance between disaster risk reduction/mitigation, preparedness, response and reconstruction. Understanding the costs of response and reconstruction is an opportunity to re-consider the importance of disaster risk reduction investment.

The Risk-sensitive Budget Review is expected to bring about improved efficiency and accountability. Systematic budget analysis requires the cooperation of all stakeholders, thereby improving budget coordination and leading to a more effective use of financial resources. Budget review clarifies the current level of disaster risk reduction activities and enables a thorough analysis of the gap to explain how much funding is required for further disaster risk reduction implementation.

3) Technical Guidance for Monitoring and Reporting on Progress in Achieving the Global Targets of the Sendai Framework for Disaster Risk Reduction

See (page 129-153): https://www.unisdr.org/files/54970_techguidancefdigitalhr.pdf

The Open-ended Intergovernmental Expert Working Group on indicators and terminology related to disaster risk reduction requested UNISDR to support Member States to measure progress towards the Sendai Framework through the on-line Sendai Framework Monitor and accompanying technical guidance. Released in December 2017, the guidance includes a technical note on data and methodology to estimate the enhancement of international cooperation to developing countries to complement national actions to measure the achievement of target (f) of the Sendai Framework for Disaster Risk Reduction.

The document provides technical guidance on data collection, including minimum and desirable data requirements, and computation methodology and analysis across the eight indicators of target (f) related to official development assistance, the transfer and exchange of disaster risk reduction-related technology, capacity building support, as well as programmes and initiatives for the transfer and exchange of science, technology and innovation in disaster risk reduction for developing countries. It also highlights gaps in data and analysis where further work is needed.

4) Disaster Risk-integrated Operational Risk Model

See: <http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=Towards-Disaster-Risk-Sensitive-Investments.pdf&mode=wp&campaignid=disasterrisk>

The Disaster Risk-integrated Operational Risk model is an important step in the promotion of a better understanding of disaster-related risks in the context of business planning, and represents a sustained effort to promote disaster-sensitive investment. The model looks at policies, regulations and institutions, as well as the broader business operating environment, providing metrics for both policymakers and businesses, with the aim of promoting a better understanding of how to measure risk.

The Disaster Risk-integrated Operational Risk model was developed by the Economic Intelligence Unit, through substantial engagement with the United Nations Office for Disaster Risk Reduction (UNISDR) and a team of subject-matter experts. Building on five domains, 23 indicators and 82 sub-indicators, both qualitative and quantitative, the model makes a substantial contribution to mainstreaming disaster risk, and aims to open a dialogue on what is needed to foster the transition to risk-resilient societies.