De-Risking Investments for People, Planet, and Prosperity
A Side Event of the 2022 ECOSOC Forum on Financing for Development
co-organized by the United Nations Office for Disaster Risk Reduction (UNDRR); the Permanent Missions of Australia, Indonesia, Norway, and Peru as Co-Chairs of the Group of Friends for Disaster Risk Reduction; and the Alliance of Small Island States

On-line, Wednesday 27 April, 8:00-9:30am (New York Time)

- Setting the scene

Today’s disasters have macroeconomic implications that cannot be confined to a single sector or country. According to SwissRe, total insured losses from natural hazards and human-induced disasters in 2020 were 25% higher than 2019. Disaster losses are contributing to a steady decline in national wealth, particularly among the LDCs, LLDCs, and SIDS where fiscal space is constrained, and debt burden is growing. The COVID-19 pandemic and the climate crisis, as well as the conflict in the Ukraine, demonstrate that governments are critically under-prepared to tackle the systemic nature of risk and the cascading impacts of environmental, economic, and political crises. There is a massive under-investment in strategic foresight, risk reduction and resilience in all countries. Data from the OECD finds that for every $100 spent on total development aid between 2010-2018, only 50 cents were allocated to ex-ante risk reduction and prevention.

In the Agreed Conclusions and Recommendations of the 2021 ECOSOC Forum on Financing for Development, Member States have already called for an urgent shift in the balance from investing in response to investing in prevention and in risk reduction. This is echoed in the Glasgow Pact which reiterates the urgency of scaling up finance to minimize and avert loss and damage associated with the adverse effects of climate change in developing countries. Moreover, in his report on “Our Common Agenda”, the Secretary-General calls for a renewed approach to development that is grounded in strategic foresight and reducing risk for future generations.

- The case for de-risking investments from a multi-hazard perspective

If the current risk-blind approach to macro-economic policy and development and climate finance persists, economic losses due to disasters will continue to increase. There is currently limited financial rationale for risk reduction for many hazards, such as a demonstration of the value of resilience-related investment or the cost/benefit of preventative actions. Progress has been seen in the enhanced inclusion of climate change adaptation as an environmental objective in the context of green financial products and services. However, there is a wider concern that while investors are cognizant of their contribution to carbon emissions as well as the impact of climate change on the potential return on investment, they do not often consider how the investment may be creating disaster risk in terms of exposure and vulnerability of local communities, supply chains and natural ecosystems, and their subsequent macro-economic implications.

Mandates for multi-hazard risk analyses or disclosures are scarce and much greater political commitment is needed to remove or alleviate disincentives to resilience. National governments and national financing bodies can benefit from building capacity an understanding in this area to internalize current negative externalities from many economic activities. Demonstration of how
national ministers, regulators and financial supervisors can incentivize or mandate a multi-hazard approach is to risk reduction is needed. This needs to be supported with enhanced guidance on how to integrate disaster risk into procurement processes, accounting practices, as well as in international and national accounting standards. Similarly, guidance on alternative lending standards and collateral documentation for informal markets is critical.

Political commitment, public buy-in and support is a critical enabler of all available policy options required to move forward the DRR financing agenda. A basic understanding of and support for a ‘Think Resilience’ approach is needed to ensure the sustained implementation of various policy options. To achieve this, the following options need to be considered:

- Overhauling regulatory environment and strengthen oversight, e.g. through risk metrics, mainstreaming DRR into financial institutions and creating an enabling insurance environment
- Building the evidence base, e.g. tracking prevention financing, conducting risk-sensitive budget reviews, using hazard data
- Applying new and innovative financing models, including promoting blended financing, investing in resilient infrastructure and addressing resilience in Covid-19 stimulus packages

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. National DRR financing strategies 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. These include integrated national financing frameworks (INFFs) and national development cooperation plans, and relevant regulations and standards for risk-informed investing.

- **Objective of the event**

As countries and stakeholders take stock of the Sendai Framework for Disaster Risk Reduction ahead of the General Assembly’s High-Level Meeting on the Midterm Review of the Framework in May 2023, development financing that reduces rather than creates risk, and climate finance that avoids maladaptation are emerging as key priorities. This side event aims to highlight gaps, challenges, and progress related to financing for disaster risk reduction that can be further explored through the midterm review process.

This side event brings experts from disaster risk reduction together with experts from the financial sector and government to explore new and innovative approaches to support the public and private sector actors to de-risk investments from a multi-hazard perspective. The panelists will discuss the importance of risk-informed policies and instruments to achieve the goals of the Sendai Framework, the Paris Agreement, and the 2030 Agenda. Panelists will share solutions to integrate robust risk assessment into public and private infrastructure spending, including pipelines of investor-ready infrastructure projects in LDCs, LLDCs, and SIDS. The concept “Net Resilience Gain” will be discussed as a way to garner long-term commitments to move toward highly resilient infrastructure systems that support national ambitions for uninterrupted critical services in the event of a disaster. Panelists will also explore how a national “Financial Stability Analysis” can help better understand the financial impact of disasters in order to design pro-cyclical policies and approach to address them.
• **Guiding questions**
  • How can multi-hazard risk reduction considerations be integrated into public and private development and climate finance?
  • What type of tools, polices, and legislation are needed to ensure risk reduction and prevention are included in investments in all asset classes?
  • What type of policies, mechanisms and interventions can support de-risking important investments?
  • How can international financial institutions better support LDCs, LLDCs and SIDS to ensure risk reduction is integrated across climate and development financing?
  • How can the knowledge gap between disaster risk reduction experts and the financial sector be bridged?
  • What are the key issues related to financing for disaster risk reduction that need to be further explored in the midterm review of the Sendai Framework?

• **Programme**
  
  *Moderator: Mr. Abhilash Panda, Deputy Chief, Partnerships Branch, UNDRR*

**Opening Remarks**
  • Ms. Mami Mizutori, SRSG for Disaster Risk Reduction
  • H.E. Ambassador Fiona Webster, Deputy Permanent Representative of Australia and Co-Chair of the Group of Friends for Disaster Risk Reduction
  • H.E. Ambassador Conrod Hunte, Deputy Permanent Representative of Antigua & Barbuda and Chair of the Alliance of Small Island States

**Panel Discussion**
  • Ms. Kerry Hinds, Director, Department of Emergency Management, Barbados
  • Mr. Brodie Boland, McKinsey & Company
  • Ms. Savina Carluccio, Executive Director, International Coalition for Sustainable Infrastructure
  • Mr. Sean Kidney, Climate Bonds Initiative

**Questions and Answers**

**Closing Remarks**
  • Mr. Abhilash Panda, Deputy Chief, Partnerships Branch, UNDRR