TENTH ARAB PARTNERSHIP MEETING FOR DISASTER RISK REDUCTION

Risk-Informed Investments, Resilient Infrastructure, and Accelerating Financing for DRR

Mathieu Verougstraete, UNDRR
UNSUSTAINABLE TRAJECTORY

- Development gains wiped out by disasters
- Vicious cycle of disaster > response > recovery > repeat
- Rising hazard frequency and intensity
- Insurance providers pulling out of the riskiest markets

WE NEED TO INVEST MORE IN DISASTER RISK REDUCTION...

... BUT CURRENT INVESTMENT VASTLY INADEQUATE

$732 billion of damages per year to infrastructure assets

$4 in benefits for each $1 invested in resilient infrastructure

Expenditures only meet 10% to 25% of needs
WHAT CHALLENGES MUST BE ADDRESSED

- **Optimize** limited budget and **build the case** for higher allocation to DRR
- **Unpack what it means** to invest in DRR / **translate** into concrete actions (policy reforms, financial strategies, investment projects)
- Engage stakeholders **less familiar with DRR** (Ministries of Finance / Planning)
- Make the most of **diverse funding streams** (domestic, private, and international) and **ensure alignment** with DRR objectives
- Identify financing solutions **tailored** to the country’s **needs / local context**
National Level
National Financing Frameworks

Risk Reduction
- Disasters prevented
- Damages limited

Shock Absorption
- Financial resilience of public entities and individuals
- Rapid reconstruction and recovery → limited economic scarring effects
Understand financial consequences of disasters

Analyse existing financial landscape

Identify and prioritize financing needs

Match needs with financing options

Develop a plan / DRR financing strategy

**Step 1** generates an estimate of both **direct** and **indirect costs** of disasters in a country, thereby building the case for DRR investment
TRUE COST OF DISASTERS

Data from past disasters

Projections with GIS Data Models

Macro-economic modeling
HOW UNDRR PROVIDES SUPPORT: 5-STEP approach

- **Step 2** surveys the financial landscape to assess the existing flows of DRR financing from **public, private, and international** sources.
DRR 4% of national budgets (based on 16 countries in Africa)
HOW UNDRR PROVIDES SUPPORT: 5-STEP approach

Step 3 unpacks DRR investment needs and ranks them based on their impact and capital intensity.
7 BROAD THEMES

- Resilient Infrastructure
- Resilient Agrifood Systems
- Resilient Cities
- Resilient Societies
- Resilient Health
- Resilient Industry and Commerce
- Resilient Nature and Biodiversity
Examples

**Resilient Health**
- **Health workforce** (e.g., surge capacity)
- **Essential health products and equipment** (e.g., medical devices, protective equipment, and hospital beds)
- **Health campaigns, vaccine roll-out, and antibiotic stewardship**
- **Data collection and health surveillance**

- **Crop diversification** (e.g., drought-resistant varieties) and **income diversification** (agroforestry, livestock integration)
- **Water-use efficiency** (e.g., drip irrigation, rainwater harvesting)
- **Conservation agriculture** (e.g., crop rotation, soil health protection, ecosystem-based approaches)
- **Risk protection** (e.g., crop insurance, anticipatory actions)
- **Food security** (supply diversification, food reserves, etc.)

**Resilient Agrifood Systems**
PRIORITIZATION

Current level of investment:
Compared to the national DRR objectives, the current level of investment in this area is ....

Capital intensity
The investment area demands a ... amount of capital investment

Potential impact:
The investment in this area has a ... potential impact in terms of disaster risk reduction.
HOW UNDRR PROVIDES SUPPORT: 5-STEP approach

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Step 4 introduces a menu of options for the different investment needs and selects those most appropriate given the local context.
FINANCING OPTIONS

Key investment areas for the specific theme

Challenges limiting current investment

Financing options from the menu of options developed for the G20

Short section introducing the topic, highlighting the rationale, and presenting key cost-benefits.

Description on how to apply the selected financing options in the context of this investment area.

Rational: Cost-Benefit Analysis
Infrastructure disruptions impose costs between $291 billion and $647 billion a year in low and middle-income countries. Building resilience into infrastructure systems is estimated to only add 3 percent of the total investment cost, while these costs can easily be recouped through the benefits they provide during the lifetime of an infrastructure asset.

In a median scenario in low- and middle-income countries, each $1 investment could bring a $4 benefit, amounting to $4.2 trillion in benefits, while the cost of inaction for the 2020-2030 period may amount to around $1 trillion.

Source: LifeNets. The Resilient Infrastructure Opportunity, World Bank, 2019

Main investment areas
Note: Financing options are color-coded based on their primary target audience: public, private, and international.

<table>
<thead>
<tr>
<th>Investment in Protective infrastructure (e.g., flood walls, overflow water reservoirs, breakwaters)</th>
<th>Challenge</th>
<th>Financing Options</th>
<th>Description</th>
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<tbody>
<tr>
<td>Protective assets typically do not generate revenue streams, making them challenging for private investors.</td>
<td>Assign a minimum share of budgetary resources to DRR activities.</td>
<td>Ring-fence funds for DRR-related activities.</td>
<td>Proper cost-benefit analysis can demonstrate the value for money for investing in protective infrastructure. These cost-benefit analyses can then be used by government officials and policymakers to advocate for public budget allocation and donor support.</td>
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<td>Mainstream DRR in infrastructure services planning and delivery.</td>
<td>Mainstreaming DRR in infrastructure planning should lead to the identification of areas where protective infrastructure is needed.</td>
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HOW UNDRR PROVIDES SUPPORT: 5-STEP approach

Step 5 develops and supports implementation of DRR Financing strategy with the engagement of partners.

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RESILIENT INFRASTRUCTURE

- Similar approach around **resilient infrastructure**
- **Applied in countries** in the past 12 months (Bhutan, Chile, Costa Rica, Madagascar, Panama, Ghana, Tonga, Trinidad and Tobago + others being planned).
- Building on the **Principles for Resilient Infrastructure** and **Global Methodology for Infrastructure Resilience**
WAY FORWARD

• Roll out of approach for **supporting countries scaling up investment in DRR**
• Increase coverage of countries **assisted in enhancing infrastructure resilience**
• Leverage existing **partnerships and knowledge/guidance created**
• Maximize **development impact** for beneficiaries
Regional / Global Level
FINANCIAL SECTOR ENGAGEMENT

- Investors Advisory Board (IAB)
  - 10 influential investors
  - 7 funding initiatives
- **Taxonomy** for capital markets with the climate bond initiative/resilience bonds
- **Cooperation with SCB and KPMG** on an Adaptation and Resilience Framework for Commercial Banks
Questions / Reflections

*Are countries in the region interested in*

- Sharing experiences and knowledge on this topic, for instance at the upcoming regional platform
- Engaging with UNDRR on DRR financing and resilient infrastructure through country-level work
- Advancing this topic at the regional/global level, for example by championing work on Adaptation and Resilience Finance and/or pioneering innovative instruments such as resilience bonds.