The case of disaster risk reduction for trade and economic resilience

Irina Zodrow, Head, Partnerships and Stakeholder Engagement, UN Office for Disaster Risk Reduction
An Interconnected Risk Landscape

Numbers of disasters per type 1998-2017

- Flood: 3,148 (43.4%)
- Storm: 2,049 (28.2%)
- Earthquake: 563 (7.8%)
- Extreme temperature: 405 (5.6%)
- Landslide: 378 (5.2%)
- Drought: 347 (4.8%)
- Wildfire: 254 (3.5%)
- Volcanic activity: 99 (1.4%)
- Mass movement (dry): 12 (0.2%)

WEF Global Risk Report 2021: Global Risks Network

Economic
Environmental
Geopolitical
Societal
Technology
Disaster Risk = Economic & Financial Risk

Figure 1
Insured losses, 1970–2020, in USD billion at 2020 prices

The impact of coronavirus on stock markets since the start of the outbreak

Source: Bloomberg, 24 January 2021, 00:01 GMT
Key Issues to Tackle

- Disaster risk is not yet integrated into our economic, financial and trade systems = we are currently investing in maladaptation;

- Resilience is part of the social contract and the ‘just transition’ but so far it does not have a vocal political constituency;

- Need for creation of public and private sector strategies for long-term disaster risk and climate adaptation linked to investment strategies, and assessed against climate scenarios;

- Financing and investment needs to be resilient, otherwise we face not only specific but also systemic and cascading financial risk; investment taxonomies must include “sustainable” and “unsustainable” activities;
The Time for Change

1. Integrate multi-hazard disaster risk reduction into our economic, financial and trade system.

1. Internalize (disaster risk) externalities into our investment and other decision-making.

1. Policy frameworks that take a holistic and systems-based view of risk impacts.

1. National leadership and international co-operation on risk governance.

2. Better risk communications.

1. New forms of public-private partnership on risk prevention.
EXPECTED OUTCOME

The substantial reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries.

GOAL

- Prevent new and reduce existing disaster risk through measures that prevent and reduce hazard exposure and vulnerability to disaster,
- increase preparedness for response and recovery,
- and thus strengthen resilience.
SUBSTANTIALLY REDUCE

A. Global disaster mortality
B. Number of affected people
C. Economic loss in relation to GDP
D. Damage to critical infrastructure and services disruption

SEVEN TARGETS TO ACHIEVE BY 2030

E. Number of countries with national and local DRR strategies by 2020
F. International cooperation to developing countries
G. Availability and access to early warning systems and DRR information

SUBSTANTIALLY INCREASE
Policy Frameworks and Discussions

- Financing for Development in the Era of COVID-19 and Beyond
- Financing for Development (FFD) and Integrated National Financing Frameworks (INFFs)
- EU Sustainable Financing, Adaptation Strategy and EU Green Deal
- NAPs, NDCs and Climate Finance
Emerging Priority Areas for Risk Informed Investment

- **Monitor and manage systemic risk**: greater understanding of multi-hazard risk and how it cascades through the financial system.
- **Make resilience measurable**: Business case and financial evidence behind the costs of disasters or the value of preventative measures.
- **Think resilience as a baseline requirement for all financial instruments**: integrate DRR into oversight of financial decision-making and supervision (including scenario analysis) and public spending and budgets.
- **Risk-informed economic stimulus** packages.
Success Factors for Resilient SMEs

- Develop international and national **policy frameworks** that address the specific needs of SMEs.

- Provide access to **finance and financial products** tailored to SMEs.

- Combine **Enterprise Risk Management and Business Continuity Management** mechanisms with a focus on prevention.

- Understand and address interdependencies and inequities across **value and supply chains**.
Measures to Build Resilient Infrastructure

• Strengthen infrastructure regulation.

• **Measure exposure** of infrastructure investments to risk including disclosure of disaster risks.

• Enhance knowledge and build capacity with a targeted focus on LDCs and SIDS.

• Promote risk and performance-based procurement guidelines.

• Develop **multi-hazard stress tests** and an ‘infrastructure resilience rating system’.
The Trade Dimension of Risk and Economic Resilience

▪ How does trade affect risk exposure and vulnerability

▪ How to internalize externalities into the trade system

▪ Potential impact of DRR and climate change strategies on trade

▪ How can trade support risk reduction, prevention and resilience (“transition risk and opportunities”)

▪ Develop a ‘Think resilience tool’ for the WTO toolbox

▪ What institutional partnerships are needed for WTO to achieve the above
THANK YOU

For more information please contact Irina Zodrow, zodrow@un.org