

Ad Hoc Expert Meeting on

**Addressing the Transport and Trade
Logistics Challenges of the
Small Island Developing States (SIDS):
Samoa Conference and Beyond**

11 July 2014

**Climate change - Indian Ocean Commission
Intervention**

Presentation by

Mr. Raj Mohabeer
Chargé de mission
Indian Ocean Commission

Ad hoc Expert Meeting on Addressing the Transport and Trade Logistics Challenges of the Small Island Developing States: Samoa Conference and Beyond, Palais des Nations, Room XXV, Geneva, 11th July 2014

Session 2: Climate change impacts and adaptation for coastal transport infrastructure in SIDS

Intervention of Raj Mohabeer, Officer in Charge, General Secretariat, Indian Ocean Commission

"Sustainable development will not be possible without managing disaster and climate risks as an integral part of development".

According to the Asia Development Bank "Disaster losses have increased faster than GDP growth in the Asian region for the past ten years".

What should be the priority areas for action for SIDS in addressing climate change in order to make significant progress towards sustainable development? Action, of course, is the key word.

We must first define, with great accuracy, the nature and extent of the main factors that are slowing, or are likely to slow down, sustainable development, or even imperil its progress. Then, as a second step, we need to put in place policies and practical measures to limit the negative impact of these factors.

Climate change impact and loss for disasters

Seen from an economic angle, the greatest danger to the sustainable development of SIDS comes from climate change and natural disasters.

- To take an individual example: in Jamaica, observed annual average losses due to disasters between 1991 and 2011 were equivalent to 2.6% of its annual average capital formation, contributing to sluggish growth. It is estimated that a cyclone such one that hit Mauritius in the 60's will cost it a whole year of its GDP.
- In 2004, a low Category 3 hurricane in Grenada resulted in damage estimated at more than 200% of the island's gross domestic product in that year.
- Concerning Latin America, the establishment of an economic loss data base shows that for each intensive disaster there are 151 small ones which total the same amount in economic loss. These small disasters were previously not accounted for in statistics.
- Sea level rise most of the coral reefs of the Seychelles archipelago will be lost in 50 to 100 years.
- Mauritius could lose half of its beeches by 2050.

- Between 1990 and 2004 the Western Indian Ocean region witnessed 50 cyclones of intensity 4 or 5, when between 1975 à 1989 there were only 18 – we have had 3 times more cyclones.
- The last 30 years, the IOC region incurred loss due to natural disasters estimated at 2.8 billion dollars.

The 2013 Global Assessment report of the UNISDR makes the point very convincingly. SIDS have the world's highest relative disaster risk. For example, of the countries that would lose the largest proportion of their urban produced capital in a one-in-250 years' earthquake, 80% are SIDS. Climate change will largely magnify disaster risks in SIDS, due to sea level rise and associated flood and storm surge hazards, the increasing intensity of cyclonic winds, and coastal erosion. Climate change impacts are likely to cause important economic losses that will severely reduce the GDP.

Action for disaster management

SIDS must therefore give priority to risk strategies that combine adaptation to climate change and risk reduction measures. These measures must be integrated into national development plans and into public investment planning. Risk management must become a central element of government policy. Investments in disaster risk reduction and climate change adaptation are likely to reap greater benefits in SIDS than in any other group of countries.

Risk strategies must be based on reliable and accurate facts and information. To be effective, risk assessments rest on the establishment of accurate economic loss data bases as well as probabilistic modelling for future disasters. These tools, if properly managed, will be the best barrier against GDP losses, and consequently they will be a powerful means of ensuring economic growth.

In my view, therefore, the overall objective for the sustainable development of SIDS should therefore be Disaster Risk Reduction and Risk Assessment: disaster risk management and disaster insurance are obviously two of the most important tools to put in place to attain this objective. We tend to focus on trying to address the vulnerability of SIDS. But this is a very imprecise term, as it may cover physical and/or social vulnerability. To reduce vulnerability, we need first and foremost to be able to measure it ("what cannot be measured cannot be managed"). We should not only focus on the direct losses, but also the indirect losses that can now be accurately measured - especially loss in production capacity or loss of markets, including the export market and the industry of tourism.

The Global Assessment report of the UNISDR documents the fact that these losses in Small Island States are in fact about 7 times higher than originally calculated. This impact is going to become more and more important. Action to reduce the risk that such disasters will happen is therefore an essential and priority for sustainable development. It is important always to keep in mind that disaster is the materialization of a risk; a disaster is a social construction. And we can do this now through modern methods of risk assessment. But reducing vulnerability is not enough to protect losses in GDP. The physical hazards

themselves which will continue to strike must become an essential part of the equation. Hazard exposure is a key issue for certain countries: this dimension must be integrated into risk assessment when calculating the probable economic damage of future disasters.

You will have noted that I use the words “disaster risk management” and “disaster insurance”. This is because the term “risk management” is widely used in the financial world, especially in the banking industry. It may ring the wrong bell when risk management is linked to insurance. We have to beware that risk insurance may not be linked at all to disasters and financial protection, but is rather an integral part of international stockbroking.

In order to reach this result, SIDS must be able to benefit from strong technical support for the establishment of accurate risk assessments in each of their countries. Currently, methodologies are available that can be used to reach this goal. However, it is essential to ensure a continued transfer of technology to enable SIDS to appropriate the necessary techniques, as well as continued support over the years to ensure perfect mastery and application by the countries themselves. Work must be done with planning or finance ministries to train them in estimating the costs and benefits of potential prospective and corrective disaster risk management investments.

The IOC experience

The IOC through its ISLANDS project has established a ground breaking regional programme to enable the governments of its Member States to alleviate the potentially catastrophic financial consequences of the natural disasters that periodically befall these vulnerable Indian Ocean countries.

Called the ISLANDS Financial Protection Programme (IFPP), it is a sophisticated, country-by-country toolkit which is based on the concept of risk financing and its associated mechanism of risk transfer. When in place, the programme will not only help these five countries shoulder the potentially heavy costs of relief and reconstruction after a cyclone, flood, earthquake or tsunami, but will ultimately serve as a significant contributor to their economic development as well, since it reduces the negative impacts on GDP – and thus on future development – that such disasters always leave in their wake.

The IFPP was carefully thought out and designed with the support and collaboration of key external specialists (UNISDR and the World Bank/GFDRR). Designed as a comprehensive toolkit, it consists of the following four elements:

1. A thorough survey of the existing financial protection measures against catastrophic risks in the region in early 2013. This review defined the need for new tools.
2. An accurate economic loss database and realistic risk profiles of each of the member states. These were ascertained using the highly respected technical instruments DESINVENTAR (to collect historical disaster data), and CAPRA (to model future risks).

3. The methodology for decision making by the government with regard to allocation of resources for risk reduction financing and risk transfer, which are to be customized for each country based on their detailed risk profiles.
4. A feasibility study of establishing a regional risk financing solution, which identified the need to create a credible framework on which to build such an arrangement.

Currently, the IFPP has completed the first two components, in which the needed tools were identified, acquired and fine-tuned, and each of the five member states or island territories familiarized and trained in their use.

The third phase of the project, which is being started in June 2014 foresees the implementation of the risk financing aspects of the programme, which will serve as a basis for the feasibility study mentioned in point 4 and which will be carried out by the World Bank during the period 2015-2017.

Conclusion

As a conclusion, I believe it would indeed be very important - essential even - to focus the future programme of SIDS on a global objective of economic risk. However we must be careful not to increase the dependence of SIDS on the international world of finance.

There will be Samoa, but after it, Sendai (Third UN World Conference on Disaster Risk Reduction, March 2015). The first PREPCOM for Sendai will be held in a few days, and we must be aware of the recent rise in the political importance of the Disaster Risk Reduction constituency in the context of the forthcoming SENDAI conference in Japan in March 2015. DRR is not specifically related to SIDS, not even to developing countries, and it is even agreed now (General Assembly resolutions, EU position papers) that DRR and climate change adaptation are to be integrated into one overall approach. Sendai is stealing the thunder from Samoa as concerns the donor community: it would perhaps be important to see how UNCTAD can intervene in the Sendai debate, including on the issue of disaster risk.