CONCEPT NOTE

‘Reducing Economic Losses Caused by Disasters’

Interactive Discussion

to mark the International Day for Disaster Reduction

Co-organized by UNCTAD, UNISDR and ITC

15 October 2018, 10.00 – 13.00
Palais des Nations, Room IX, Geneva, Switzerland

Summary

The world is facing an increasing number and severity of disasters, the consequences of which entail, inter alia, human and economic losses worldwide. In 2016, weather-related disasters were estimated to have displaced 23.5 million people (WMO 2018). 2017 is considered as the “most costly hurricane season on record” (WMO 2018\(^1\)), with reported economic losses of USD 337 billion, including record USD 144 billion of insured losses. The World Bank estimates that globally disasters caused by natural hazards cost $520 billion of consumption loss (human and economic losses) annually, 60 percent larger than asset losses that are commonly reported.

Disasters destroy and damage assets, means of production and infrastructure but also weaken a company’s financial situation through unexpected spending, loss of revenue, commodity price fluctuations. Key disaster impacts include loss of production facilities, disrupted business, supply chains, transport links and other networks, shortage of transport fuel and energy supply, constraints on workforce availability, material disruption due to lack of access to supplies or distribution center facilities, and loss of the consumer base. In the case of super disasters, disruption and damage have led to relocation and displacement and cascading unemployment, post-disaster. Disasters, caused by both natural and man-made hazards, thereby become

If it’s not risk-informed, it’s not sustainable. If it’s not sustainable, it has a human cost.
Reducing economic losses from disasters has the power to transform lives.

increasingly complex, with cascading events starting to present threats to our existing economic systems and financial and political stability.

This threat has been widely recognized, including by the private sector. Among other, the WEF’s Global Risks Report 2018 saw extreme weather events and natural disasters as the most prominent risk to business. However, when it comes to concrete action, disaster risk is often still considered as a stand-alone component of investment or business risk, often a “tail-risk”; hard to measure and therefore commonly overlooked. For example, according to the Business Continuity Institute’s 2017 Supply Chain Resilience Report, 69 percent of companies lack full visibility on supply chains, despite two-thirds having experienced at least one disruption. Similarly, a recent KPMG survey revealed that the majority of companies do not acknowledge climate change as a financial risk. ²

With trillions of dollars to be invested in the SDGs by the public and private sector in the coming years, the requirement to understand, address and disclose hitherto ‘hidden’ risks, including disaster and climate risk, is becoming more pressing. And there are positive developments, with initiatives such as the G20 Financial Stability Board Task Force on Climate Disclosure or the Action Plan of the EU Capital Market Union calling on companies to integrate climate risk into their business considerations. But more needs to be done.

Every investment in development has the potential to create and, amplify, or reduce existing disaster risk, just as each investment decision can prevent the creation or propagation of risk. Considering the fact that trillions of dollars will be invested in all sectors and geographies and at all scales infrastructure over the coming decades, particularly in the developing world, there is a clear need to ensure that those investments both private and public are risk-informed. Without the accurate and effective identification and pricing of risk across all investment classes, balance sheets and decisions as well as inclusive disaster and climate risk management, the aspirations enshrined in, inter alia, the 2030 Agenda for Sustainable Development for durable, resilient solutions underpinned by risk-sensitive socio-economic planning will not be realized, development will not be sustainable.

The Sendai Framework, adopted by the UN Member States in June 2015, recognizes that to effectively understand and manage risk, we need an all-of-society approach to address both natural and man-made hazards and risks. Whilst confirming that Governments remain the main responsible, the Sendai Framework highlights the critical role private sector and, uniquely in all post-2015 agreements – specifically the financial sector and its regulators, have to play to reduce the incidence of hazards becoming disasters for resilient communities and economies.

**Objective and Expected Outcomes**

The event is part of the celebrations of the [International Day for Disaster Reduction](https://www.unisdr.org/), which is celebrated across the globe on 13 October every year. Since 2016, the IDDR highlights process

and opportunities for one of the seven global targets of the Sendai Framework. In 2018, the focus is on Target C): ‘The substantial reduction of economic losses caused by disasters’.

The objective of the event is to raise awareness on the need to substantially reduce the economic losses caused by disasters. To this end, ongoing efforts for the integration of disaster and climate risks into the development, trade and financial systems will be highlighted. This session will present the opportunity to share and learn from experiences and innovative approaches to better manage and reduce disaster risks from different social, financial and economic perspectives.

The event links closely to the upcoming discussions at the 2019 Global Platform for Disaster Risk Reduction (May 2019 in Geneva, Switzerland), High-level Political Forum on Sustainable Development and SG Climate Summit in 2019.

**Target Audience**

1. Government representatives from the Geneva based Permanent Missions responsible for Trade and Development.
2. Representatives from the private sector as well as from the financial sector.
3. UN agencies and civil society working on development, trade and climate and sustainable financing.

**Programme**

The list of speakers and programme are forthcoming.

The event will be followed by a reception.