10 things to know about finance for reducing disaster risk

Charlene Watson
Alice Caravani
Tom Mitchell
Jan Kellett
Katie Peters

March 2015

Climate & Environment Programme

U N
D P

Design: **Steven Dickie** - stevendickie.com/design

Photo: NASA Goddard MODIS Rapid Response Team - *Typhoon Haiyan after moving through the Philippines*

ODI is the UK's leading independent think tank on international development and humanitarian issues.

Overseas Development Institute
203 Blackfriars road
London SE1 8NJ
Tel: +44 (0)20 7922 0300

Climate & Environment Programme

This study has been prepared with with the financial support of the United Nations Development Programme. See the following link for more information: http://www.undp.org/content/undp/en/home/ourwork/climate-and-disaster-resilience/overview.html

Email: info@odi.org
facebook.com/odi.development
twitter.com/odiclimate

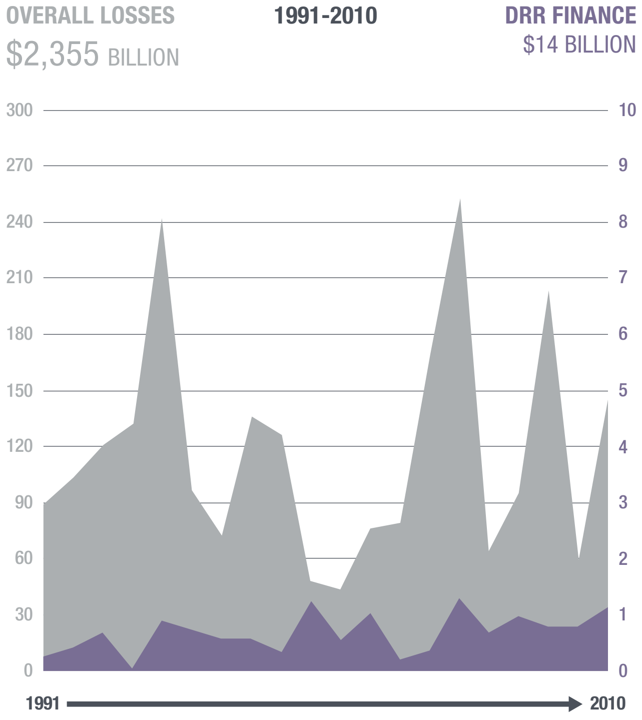
odi.org/programmes/climate-environment

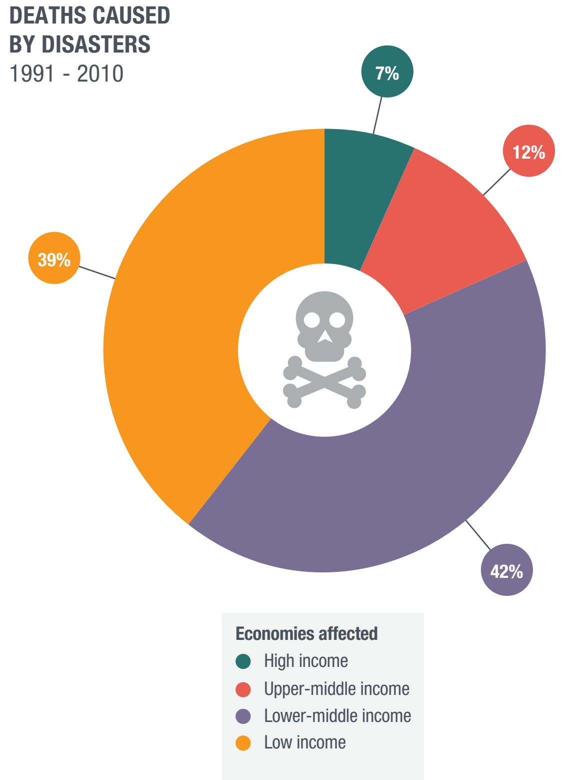
10 things to know about finance for reducing disaster risk

Please see the accompanying full report,
Finance for reducing disaster risk: 10 things to know
for the data sources and references used.

1 Disasters are increasing and their costs are growing

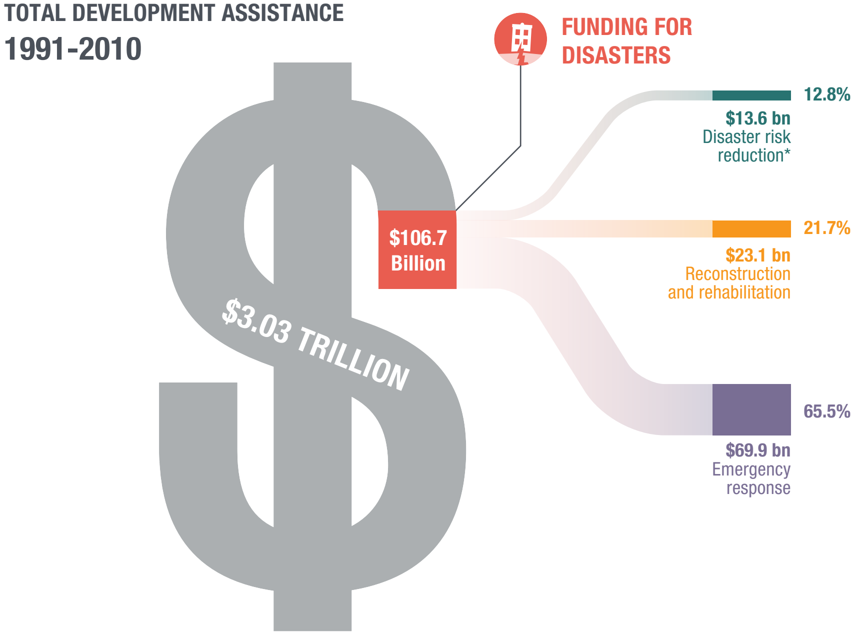
Globally, the number of disasters has doubled since the 1980s. The costs of the damage and losses caused by disasters have been estimated at an average $100 billion a year since the millennium. While a large share of their economic losses has been recorded in developed countries, 93% of the deaths they cause have occurred in developing countries. Despite the toll of disasters in human and economic terms, the growth in development assistance for disaster risk reduction (DRR) has been, at best, moderate.



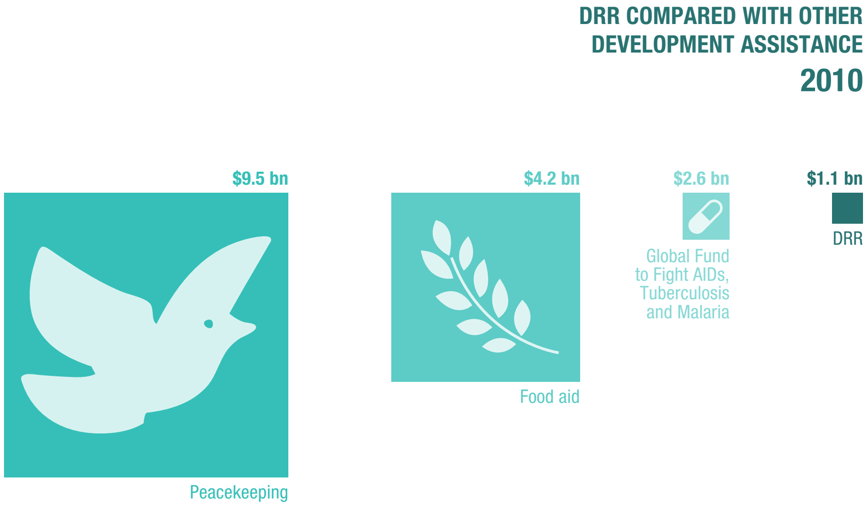


2 DRR spending accounts for a fraction of development assistance

Funds dedicated to DRR account for a tiny fraction of development assistance. While spending on DRR between 1991 and 2010 totalled $13.6 billion, five times as much was spent on emergency responses, while spending on reconstruction and rehabilitation was almost twice as large. Taking 2010 alone, it can be seen that spending on DRR was also far smaller than the spending on risk management in other areas, such as conflict or health.



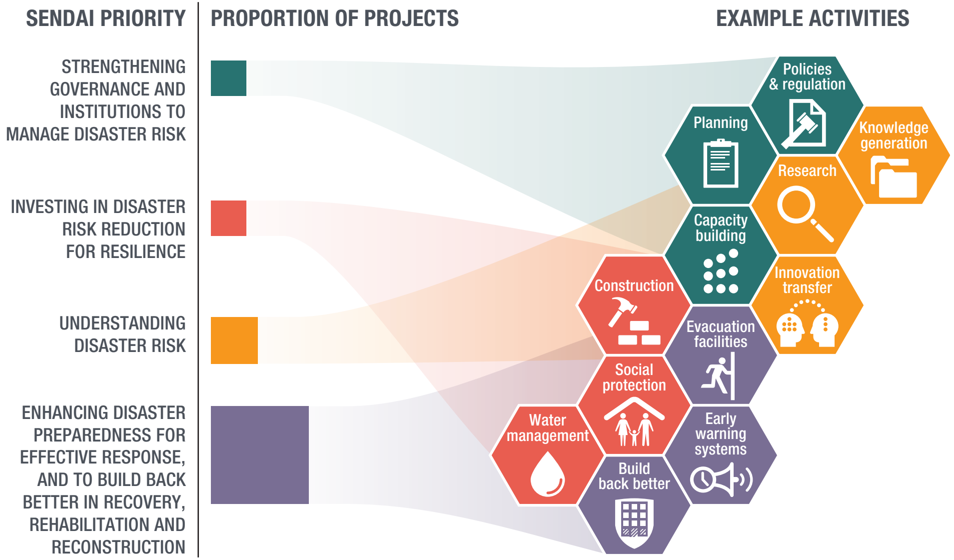
* finance for flood prevention and control included in DRR

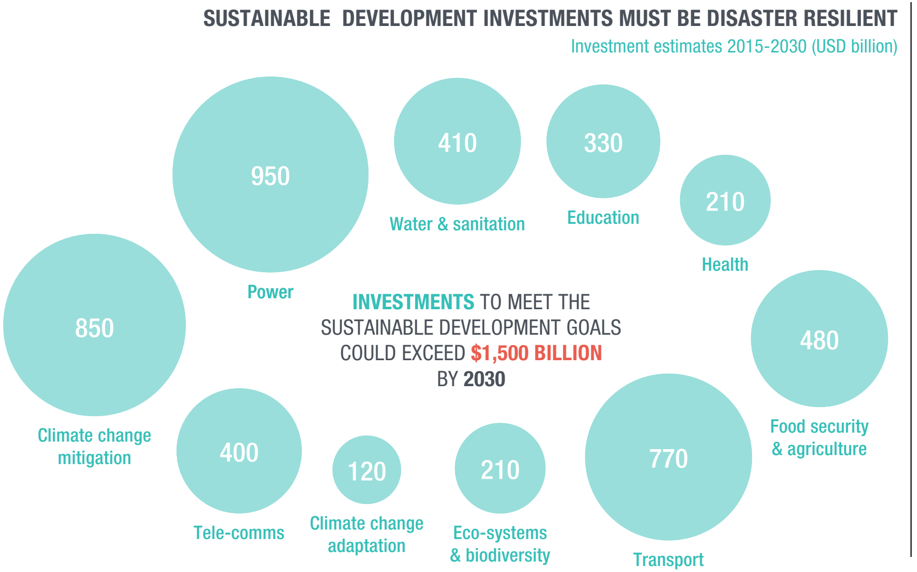


3 Development assistance for DRR supports a range of actions, but is biased towards preparedness

The effective management of disaster risk requires a portfolio of actions to minimise the creation of risks, reduce any that already exist, share residual risks and prepare for and respond to disasters. Using the four priorities set out in the draft Post-2015 Framework for DRR as ways to categorise disaster finance activities, most development assistance projects support enhancing disaster preparedness for effective response and to 'build back better' in recovery, rehabilitation and reconstruction. Far fewer projects support investments that could reduce the human and economic risks of disasters before they strike.

These four Sendai priorities may focus attention on specific disaster risk components rather than the need to make wider investments that are resilient to disaster risk. In reality, the bulk of effective risk reduction will be achieved through disaster resilient sustainable development investments, estimates of which could exceed $1,500 billion through to 2030.



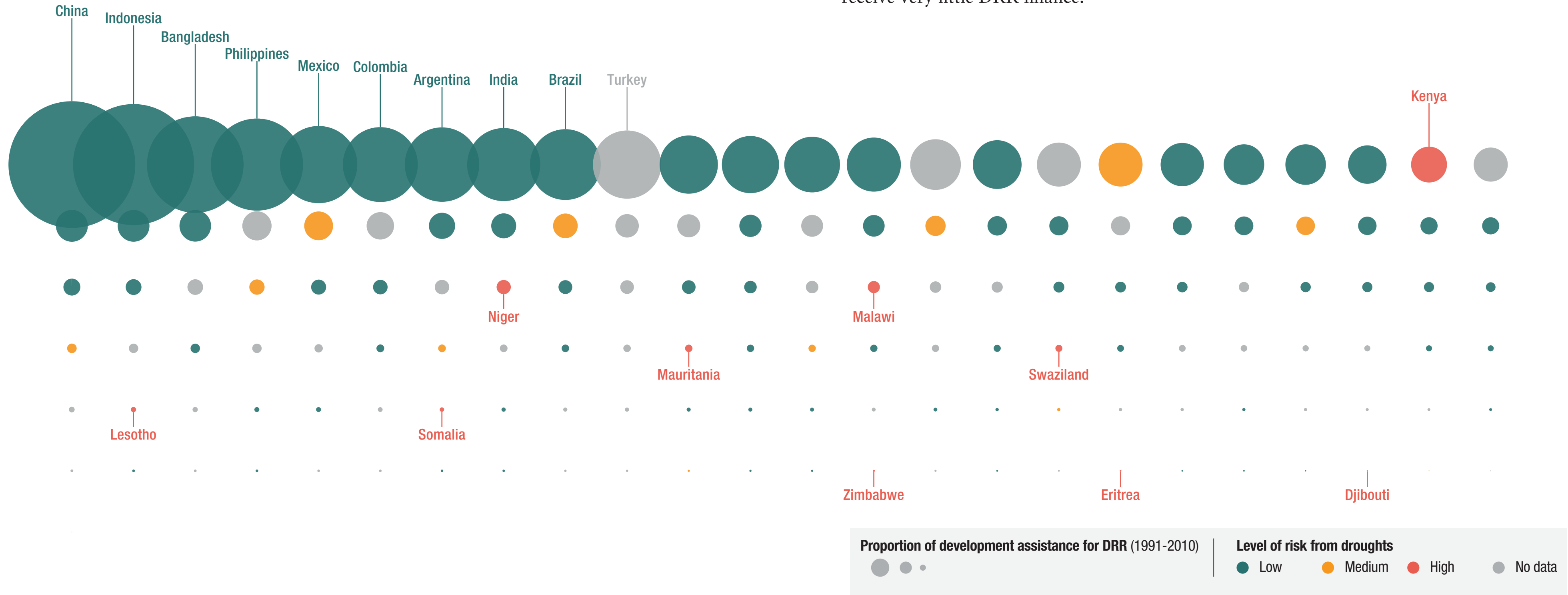


4 Poor, drought-prone countries miss out on DRR finance

The distribution of development assistance for DRR does not respond to:

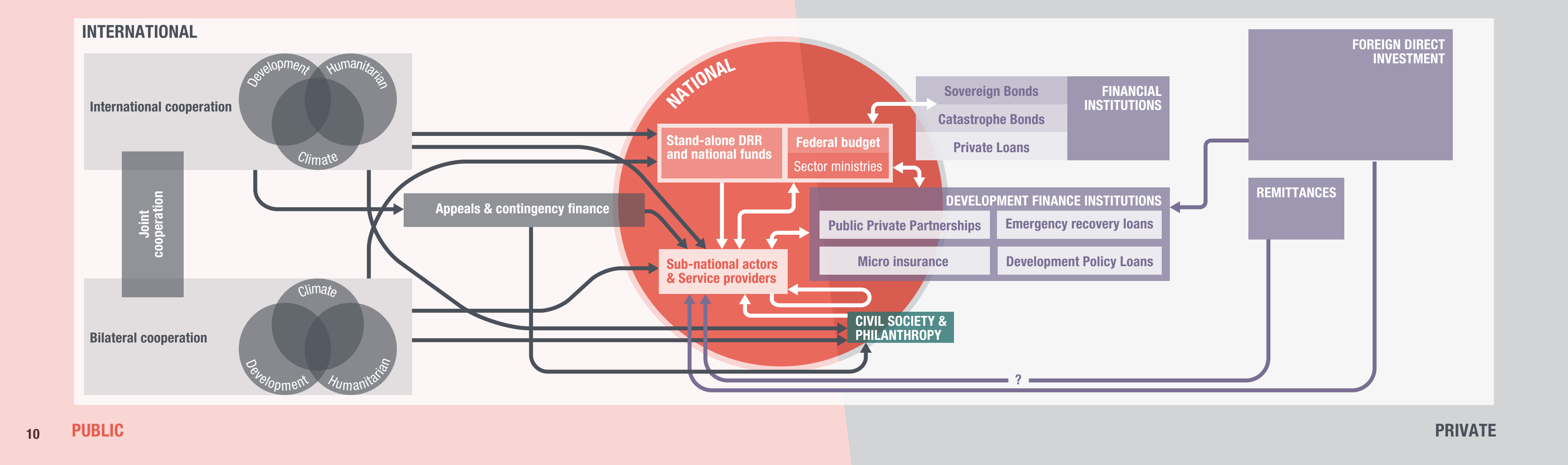
- the needs of the poorest countries or
- those most prone to droughts.

The top ten recipient countries received 59% of the total finance spent between 1991-2010. Half of these – China, Indonesia, Bangladesh, Colombia and India – are also countries with the highest Mortality Risk Index (MRI). However, the countries that are most seriously affected by drought, most of which are also among the world's least-developed countries, receive very little DRR finance.



5 Sources of finance for reducing disaster risk are varied and complex

Development assistance is funding many different aspects of DRR through a mass of multilateral or bilateral channels and through a wide range of actors – but it is just one source. Private sector finance for DRR exists, although this source of funding is often very new or poorly developed in some countries. Private-sector finance includes funding linked to insurance markets, capital investments, remittances and the efforts of businesses to make their operations and supply chains more resilient. The differing national structures through which DRR finance is raised and channelled only add to the complexity, with multiple sources and channels often existing side-by-side. Financing the portfolio of activities that builds disaster resilience means blending multiple sources and financial instruments. However, the existing architecture provides pots of DRR finance that are often unpredictable and activity-focused. These do not support a comprehensive approach to the management of disaster risk.



6 A number of countries have mobilised their own DRR finance

Data on national DRR finance are limited. This is partly because of the nature of DRR itself, in that the more it is integrated into sustainable development, the less easy it is to track. Analysis in Indonesia, Guatemala, Panama, Peru and the Philippines, however, highlights the relative importance of domestic DRR finance compared to development assistance in some countries that are highly exposed to natural hazards.

DRR spend*
USD million