Briefing | Target 6

Finance for disaster risk reduction

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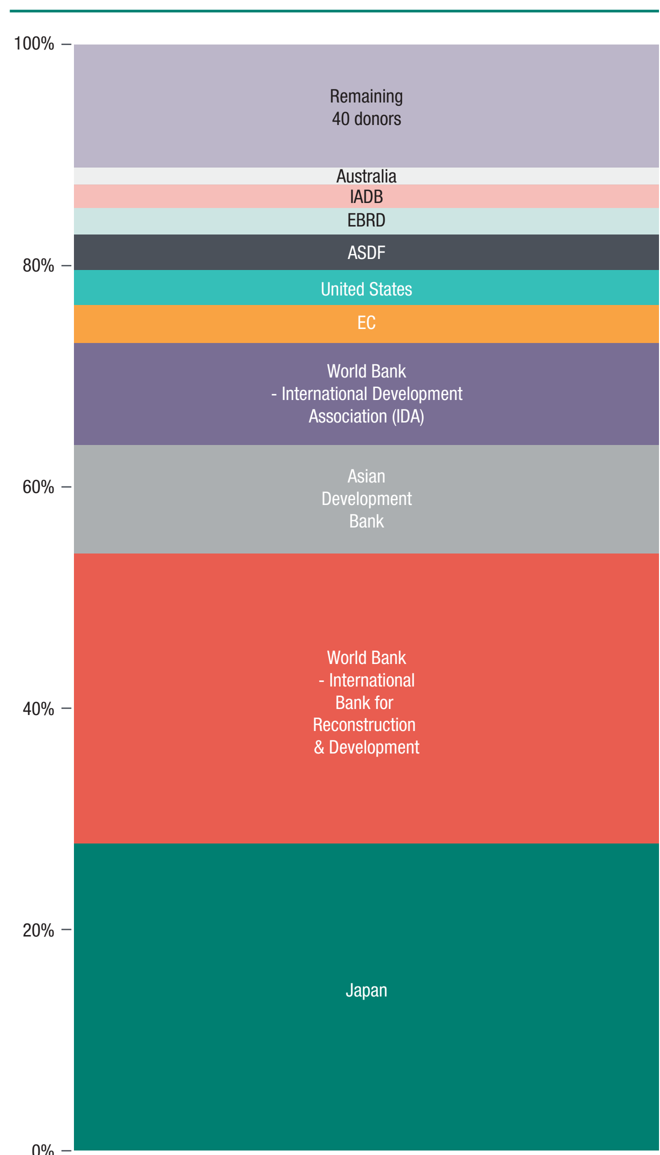
This note provides information relevant to the agreement of target (vi) of the draft Post-2015 Framework for Disaster Risk Reduction (DRR), which reads: *[Increase flow of additional, sustained and predictable means of implementation, in particular, provisions of financial resources for disaster risk reduction including public investments, technology transfers, capacity building etc.; from developed countries to developing countries by [x percentage of gross national income] per year up to 20[xx].*



Context

DRR is financed through multiple sources: private and public, national and international. Private investment includes, for example, foreign direct investment, insurance mechanisms and remittances. Public finance includes international cooperation both bilateral and multilateral, for example through development, humanitarian and climate change finance, and specific humanitarian appeals. Other sources include philanthropic and civil society investments.[1] Significant national investments into DRR are also being made, for example, in the Philippines,[2] Indonesia[3] and India.[4]

The focus of this briefing is on international concessional public finance for DRR (reflecting the nature of target (vi) of the draft 2015 framework). Understanding and tracking such flows from developed to developing countries is complex when DRR is most effectively delivered through investments in risk-sensitive development.

Most significant DRR donors and recipients

The majority of international DRR finance is provided by a few contributor countries and institutions; Japan and the World Bank together contribute more than 50% of total DRR finance.[5] From 1991 to 2010 this totalled $13.5 billion.[6]

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A few recipient countries receive the majority of international DRR finance. The top 10 recipients of total international DRR finance received more than 50%, totalling $7.9 billion between 1991 and 2010.[7] These countries are China, Indonesia, Bangladesh, the Philippines, Mexico, Colombia, Argentina, India, Brazil and Turkey (in descending order).[8] Apart from Bangladesh, these are all middle-income countries. Low-income countries received approximately 12% of total international DRR finance over the same period.[9]

Limitations of DRR tracking and its integration in development flows

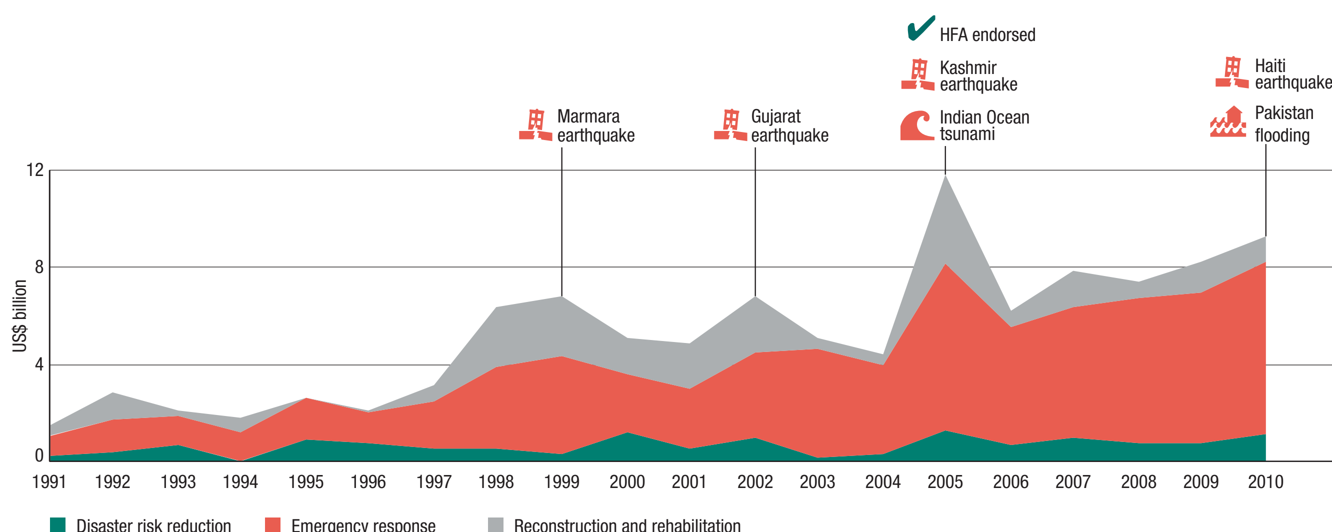
Tracking DRR investments is difficult: international databases are becoming increasingly outdated; the lack of common definitions makes comparisons problematic; and lack of DRR tagging limits the data collected. Moreover, it is important to note that international development finance is just one element of DRR finance. In reality, those vulnerable to natural hazard-related disasters bear the cost of disasters, which are largely not monetised.

Where DRR is integrated into mainstream development approaches, it can be difficult to identify and track as a separate entity.[10] This is an increasing challenge as many approaches rightly encourage DRR integration in order to leverage development funding for disaster-sensitive development investments. Reporting on the provision of finance for risk reduction should therefore seek to be explicit about how wider investments are acting to reduce risk and prevent the creation of new disaster risks.

The use of finance for disasters

DRR can be considered a portfolio approach; supporting a strong DRR system requires a range of connected activities, from building codes and land use planning to early warning and search and rescue, through to recovery interventions.[11] Globally, the distribution of finance across the spectrum of risk-related activities varies; it is estimated to be 66% for emergency response, 22% for reconstruction and rehabilitation and 13% for risk reduction and prevention for the period 1991-2010.[12]

The majority of funding is received after a disaster event, of which a proportion may be used to support DRR activities in the event of future disasters.[13] Increased investments in disaster risk-sensitive development and more emphasis on ex-ante DRR action is required, so as to move beyond a proactive approach that seeks to deal with existing risk profiles only towards a prospective risk management approach that seeks to avoid risks in the first place.



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Thank you to all those who reviewed the briefing, particularly to Lead Pakistan for their detailed support.

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