



CONCEPT NOTE
Private Sector's Engagement in Disaster Risk Reduction

Schedule	16:15-17:45 on Wednesday 24 May 2017, 16:15 to 17:45
Room and Venue	Arena E
Organizers	UNISDR ARISE – The private sector partnership for disaster resilient societies
UNISDR and Mexico Focal Points	Kiki Lawal, lawalk@un.org , +41 79 444 3778
Background and Rationale	<p><u>What is at stake?</u></p> <p>The successful implementation of the Sendai Framework is dependent on resilient investments. The private sector is responsible for 70-85% of capital investment in most economies. As such, it is a powerful influence over how disaster risk is addressed. Private businesses, ranging from Small & Medium-sized Enterprises (SMEs) to multinationals, are fundamental to the effort to build more resilient communities, economies and nations. Their cooperation with each other and their collaboration with governments are essential.</p> <p><u>State of play?</u></p> <p>This session also offers an opportunity to highlight the Private Sector Alliance for Disaster Resilient Societies (ARISE). An initiative of the UN Office for Disaster Risk Reduction (UNISDR) and a UN-recognized private sector stakeholder group, ARISE's members voluntarily commit to align their work with the Sendai Framework.</p> <p><u>Way forward?</u></p> <p>Disaster risk management must be based on a deep understanding of disaster risk in all its dimensions: hazard (frequency, severity and location), vulnerability, exposure (asset, economic and human), and capacity to respond. This understanding is essential to the fundamental disciplines of DRR: risk quantification, risk prevention / mitigation, risk financing and event response.</p> <p>In order to manage risk effectively and build sustained resilience, a deep understanding of risk-reward trade-offs is</p>

required. To realise the full potential, we need to broaden the use of more analytical approaches to value-creation; approaches which take into account the underlying risk, the drivers thereof and how they may be changing over time. Unless public and private investments become more 'risk-informed', the potential remains for these investments to increase accumulations of exposure and heighten concentrations of disaster risk. This session will emphasise this point and discuss how best to leverage existing expertise to address the 'understanding gap'.

Public and private investment in disaster risk prevention and reduction through structural and non-structural measures is essential to enhance the economic, social, health and cultural resilience of persons, communities, countries and their assets, as well as the environment.

The risk of disasters needs to be factored into investment decisions, to enable sustained, resilient growth. Indeed, if targeted correctly, investments in risk reduction can reward businesses and governments alike with better financial performance over the long term. There is a gap, however, not just in the understanding of the quantified benefits of DRR, but also in the incentivisation of resilient investments. Might a much more systematic combination of technology (e.g. early warning systems, resilience analytics, internet of things), innovative regulation (e.g. risk-based reporting), standards (e.g. best-practice data capture) and government incentives across industries deliver faster improvements?

Disaster risk management is impossible without solid governance. Disaster risk governance at regional, national and global levels is critical for effective DRR strategies. Risk quantification, risk reduction and event recovery all demand decisive leadership. Mature risk governance instils a risk-sensitive culture in public and private entities alike, and fosters collaboration among sectors.

Without resilience metrics to design and evaluate resilient investments, progress will be stymied. Furthermore, we will be without means to hold our leaders – public and private – accountable. Effective risk measurement techniques can help leaders set and articulate their resilience targets in ways which are simple yet progressive; aligned to an entity's strategic priorities. Best practice in the corporate sector has moved away from indicators (which guide decision-makers where to look) to resilience metrics which quantify probabilistically both the 'resilience dividend' of potential investment scenarios, as

	<p>well as the sensitivity of investments to future risk. Harnessing these techniques is key to the successful implementation of the Sendai Framework.</p> <p>To date, the indicators developed to guide the implementation of the Sendai Framework do not fully incorporate either the private sector's needs or the private sector's expertise.</p> <p>The growth of disaster risk means there is a need to strengthen disaster preparedness for response, act in anticipation of events, and ensure capacities are in place for effective response and recovery at all levels. Recovery and reconstruction offer a critical opportunity to identify how to build back better.</p> <p>We must prepare to respond effectively, recover quickly and incorporate lessons learned in order to lessen the impact of future events. There is a triple role for the private sector here. First, businesses must improve their preparedness. Second, the role of the private sector in emergency response situations can be accelerated and recovery can be accelerated. Third, leverage analytical expertise which already exists, investments in preparedness, recovery and improvements.</p> <p>Please see additional points in Annex 1.</p>
<p>Session Objectives</p>	<p>All Working Sessions are to focus on the critical 'strategic and political aspects of disaster risk reduction' which require 'particular attention and actions by countries' to meet the Sendai Framework targets by 2030.</p> <p>In that context, the overarching objectives of this session are to ensure that the high-level communiqué (finalised during GP17)</p> <ul style="list-style-type: none"> a) emphasises the potential of the private sector to reduce disaster risk substantially and b) includes specific actions to unlock that potential.
<p>Discussion questions</p>	<ul style="list-style-type: none"> • What expertise exists in the private sector which can be leveraged – both by other private sector entities and by government? • What the private sector can do to make itself more resilient to disaster risk? • How is risk managed as a strategic function in the private sector? • What organizational structures is the private sector using to manage risk?

	<ul style="list-style-type: none"> • How is the private sector moving from indicators to metrics and how is the private sector holding itself accountable? • How can risk be communicated so that all people, as individuals and employees, can be a part of managing risk? • How does investment in risk reduction translate to increased social resilience? • What is the gap between the quantified benefits of DRR and its incentivisation? • Are there investors with resilience capital to invest? How can that be tapped? • How can we leverage the private sector in a crisis? • With the globalisation of markets, what has the private sector done to become increasingly practiced at managing the resilience of international supply chains and distribution networks? • How can we apply private sector thinking to establish coherence among DRR agendas that are sometimes siloed by DRR, sustainable development, and climate change? • To what extent do we understand the potential acute shocks and chronic stresses that may occur across the globe and, importantly, are building codes adequate to ensure our cities and communities are resilient enough to meet the SDGs?
<p>Discussion agenda and structure</p>	<ul style="list-style-type: none"> • Introduction (6 minutes) <ul style="list-style-type: none"> - Opening remarks by governmental co-chair - Introduction of the panel by stakeholder co-chair • Opening Remarks (50 minutes) <ul style="list-style-type: none"> - Opening remarks by each panelist - Prepared questions to each panelist by stakeholder co-chair • Discussion with Audience (24 minutes) <ul style="list-style-type: none"> - Discussant's intervention from the floor - Interactive panel discussion and Q&A from the floor • Closing (10 minutes) <ul style="list-style-type: none"> - Final observations from panelists

	- Closing summary by co-chairs
<p>Speakers and Co-Chairs</p>	<p>Co-Chairs H.E. Mr. Soltan bin Saad AL-MURAIKHI State Minister for Foreign Affairs, Kingdom of Qatar</p> <p>Ms. Chloe Demrovsky Executive Director, DRI International</p> <p>Panellists Mr. Daniel Stander Global Managing Director, RMS</p> <p>Mr. Mark Crossweller AFSM Director General, Emergency Management, Australia</p> <p>Mr. Dale Sands Senior Vice President & Global Practice Director, CH2M</p> <p>Mr. Jesús González Arellano Partner, KPMG México</p> <p>Discussants Ms. Ingrid-Gabriela Hoven Director General, Global Issues, Sector Policies and Programmes, Federal Ministry for Economic Cooperation and Development (BMZ), Germany</p> <p>Ms Morika Young Chair, Fiji Business Disaster Resilience Council</p>
<p>Expected outcomes</p>	<p>For detail on the observations and recommendations expected to arise from this session, see Annex 2 and Annex 3. At a high-level, the following outcomes are anticipated:</p> <ul style="list-style-type: none"> • Governments and stakeholders develop a clearer understanding of the expertise in the private sector which can be leveraged. • Governments and stakeholders increase their knowledge of specific actions which can be taken both by other private sector entities and by government to use private sector expertise to make themselves more resilient to disaster risk. • Governments and stakeholders better understand the need to employ analytical techniques which capture the full range of possible impacts from disasters, both in terms of their frequency and severity.

	<ul style="list-style-type: none"> • The international community has a better understanding of methods which already exist in the private sector to model extreme, ‘tail’ risk and which can be leveraged cross-sectorally to meet the goals of the Sendai Framework. • All attendees better appreciate the need to understand best practice in the private sector for managing risk, identifying how it communicates about risk and holds itself accountable. • Concrete recommendations emerge to feed into the High-level Political Forum for Sustainable Development on the need for all levels of government (cities, states, nations) and the private sector to undertake independent risk audits; audits which are informed by globally valid, analytical methodologies. • Government, stakeholders and the international community realizes the galvanizing importance of entities (public and private) reporting annually on their current risk and resilience targets, and doing so in a way which communicates their progress in achieving their stated disaster risk reduction goals in terms of modelled losses. • Recommendations are made to develop and to test innovative financial mechanisms (e.g. resilience bonds) to deliver DRR improvements faster. • There is a deeper understanding of how, by leveraging analytical expertise which already exists in the private sector, preparatory investments in recovery and improvements can be quantified, articulated, cost-justified and prioritised. • Ideas emerge as to how private sector thinking can be applied to establish coherence among DRR agendas that are sometimes siloed in three (i.e. DRR, sustainable development, and climate change).
<p>Commitment / announcement in support of the Sendai Framework</p>	<ul style="list-style-type: none"> • A high-level communique will be issued addressing the special potential of the private sector to contribute to better measurement and reduction of risk, and defining specific ways to unlock that potential. • Commitment by all actors to accelerate the implementation of private sector techniques which quantify the full range of possible impacts from disasters, both in terms of their frequency and severity, in line with Priority One of the

	<p>Sendai Framework.</p> <ul style="list-style-type: none"> • Commitment by public and private actors – in support of Priority One of the Sendai Framework – to the idea of undertaking independent risk audits, informed by globally-valid, analytical methodologies, and reporting on their progress in achieving their stated DRR goals in terms of modelled losses. • Commitment by countries to develop and to test innovative financial mechanisms (e.g. resilience bonds) to stimulate investments in DRR, in accordance with Priority Three of the Sendai Framework. • Commitment by all actors to deepen the understanding of how investments in DRR can be quantified, articulated, cost-justified and prioritised, in order to accelerate such investments. • Commitment by donor countries to fund and employ private sector expertise in reducing disaster losses.
<p>Background documents</p>	<p>Please be sure to read the appended documents:</p> <p><u>ANNEX 1: Additional Priorities</u></p> <p><u>ANNEX 2: Expected Actions & Commitments</u></p> <p><u>ANNEX 3: Factors to Accelerate and Scale Success</u></p> <p><u>ANNEX 4: ARISE's Manifesto for Action for the 2017 Global Platform</u></p> <p>The following may also be of use:</p> <ul style="list-style-type: none"> • A Global Assessment Report 2013 • A Global Assessment Report 2015 • ARISE Strategy Document • Sendai Framework for Disaster Risk Reduction 2015-2030 • Report of the Open-ended intergovernmental expert working group on indicators and terminology relating to disaster risk reduction • Implementing the Sendai Framework to achieve the Sustainable Development Goals • 2030 Agenda for Sustainable Development • Paris Agreement on Climate Change • UNISDR Issue Brief: The Sendai Framework for Disaster Risk Reduction and the Paris Agreement on Climate Change: Opportunities for Mutually Reinforcing Outcomes • Addis Ababa Action Agenda

ANNEX 1: Additional Priorities

In addition to The Four Priorities, this Working Session will ideally reinforce five other points which received special mention at Sendai.

a. *Monitoring the Sendai Framework implementation*

The private sector has been setting itself KPIs and OKRs¹ for many years, demonstrating at regular intervals to analysts and regulators alike how it has met, exceeded or at times fallen short of targets. After all, if you can't measure it, you can't manage it. This is especially true when it comes to developing and measuring risk metrics. Thankfully there exists in the private sector techniques for quantifying catastrophic risk and the reduction thereof. Data monitoring, collection and analysis techniques from the private sector can be applied to monitor implementation, to improve analytical capabilities and to drive risk reduction. These techniques have been informed by 25 years of practical usage. By engaging the right private sector partners, the implementation of the Sendai Framework can be monitored in quantifiable terms, surfacing opportunities to catalyse the realisation of demonstrable objectives.

b. *Substantial increase by 2020 in countries with national and local DRR strategies*

Just as the engagement of the private sector will support the Four Priorities, so too it can accelerate the number of national and local DRR strategies. From understanding the risk and setting up the effective governance structures to reducing the risk and recovering quickly, the Private Sector has the expertise and experience to add significant value in this dimension. Regional and local companies have deep knowledge of local capacity and vulnerabilities. Global companies have capabilities to analyse strategies, distil the best of the best and disseminate best practices. Further, to be effective the DRR strategy must be one based on solid risk analytics and one that is progressive and quantifiable. It must also be realistic – both in terms of time and affordability – lest it gathers dust. There exists huge potential to galvanise the creation and implementation of robust DRR strategies by harnessing skills and experience abundant in the private sector.

c. *Coherence with the sustainable development and climate change agendas, including questions for the 2017 High-level Political Forum on Sustainable Development*

There is a strong interplay between three, related but distinct agendas: a) DRR, b) Sustainable Development and c) Climate Change. Integrated thinking and planning is required to ensure these initiatives are coherent. The private sector has a track record of thinking about the interplay between catastrophic shocks (like earthquakes and hurricanes), non-stationary background factors (like sea-level rise), and socio-economic stressors. These are critical aspects to supply chain and operational resilience. An opportunity exists to engage the private sector in order to bring greater coherence to the three, interrelated agendas of DRR, sustainable development and climate change, thereby strengthening societies in ways that build overall resilience from multiple sources.

d. *International cooperation initiatives*

Disasters do not respect geopolitical boundaries. Multi-national corporations have developed great skill at achieving coherent policies and procedures while working across national frontiers. With the globalisation of markets, the private sector has also become increasingly practiced at managing the resilience of international supply chains and distribution networks.

¹ 'Key Performance Indicators' and 'Objectives & Key Results'

e. Gender and inclusion

Human resource practice and regulation has resulted in significant improvements in gender equality in the private sector. The same is true for other inclusion issues – whether based on ethnic origin, age, religion or ability. This is still a very important area in which the private sector continues to improve. By engaging with businesses at all levels, it will be possible to leverage the private sector's commitment to inclusion.

ANNEX 2: Expected Actions & Commitments

This session is not a 'talking shop'. The co-chairs especially must ensure that the panellists and the contributors from the floor are action-orientated, driving towards tangible commitments that will accelerate and de-risk the successful implementation of the Sendai Framework and its four priorities.

It is of course possible that, via the interactive panel discussion, new actions and commitments will emerge. However, going into the panel, it is hoped that the following observations and actions will be emphasised so that they find their way formally into the high-level communiqué arising from GP17. There are eight observations and eight actions, two of each for each of the four 'Sendai Priorities'.

Priority #1: Understanding Disaster Risk

Observations

1. Before you do anything, you need to comprehend your risks deeply – their frequency, the severity of outcomes and potential changes over time.
2. A decade of disaster data gives no meaningful perspective on the true risk (i.e. likelihood and impact) of large and potentially destructive natural disasters and how that risk may be changing over time. The past is only one indicator. Solid modelling techniques are necessary to inform actions in the future.

Actions

3. Analytical techniques must be employed to capture the full range of possible outcomes, both in terms of their frequency and severity.
4. Adequate methods to model extreme, 'tail' risk (which is driven by low-probability, high-severity events), already exist in the private sector and must be better employed cross-sectorally, if the goals of the Sendai Framework are to be met.

Priority #2: Strengthening Disaster Risk Governance

Observations

1. If you can't measure it, you can't manage – let alone be held accountable for it.
2. Good risk governance begins with a) a clear understanding of current levels of risk, b) how they compare to desired levels of risk and c) clear, metric-based milestones towards the future state.

Actions

3. All levels of government (cities, states, nations) and the private sector must be encouraged to undertake independent risk audits. These audits must be informed by globally valid, analytical methodologies.

4. They ought to report annually on their current risk and resilience targets, evidencing in terms of modelled losses their progress in achieving their stated disaster risk reduction goals over time.

Priority #3: Investing in DRR for Resilience

Observations

1. The indicators developed to date are not sufficient to quantify, cost-justify and incentivise investments in resilience.
2. Certain pockets of the private sector have long-since moved away from indicators to metrics which quantify probabilistically both the 'resilience dividend' of potential investment scenarios, as well as the sensitivity of investments to future risk.

Actions

3. Economic incentives, regulatory innovation and enabling technologies must be brought to bear in order to create the right environment for risk-reducing investments.
4. Private sector expertise must be better leveraged in national and international disaster risk reduction activities in order to develop a systematic, industry-specific approach and to test innovative financial mechanisms (e.g. resilience bonds) to deliver improvements faster.

Priority #4: Enhancing Disaster Preparedness

Observations

1. There exists in the private sector tremendous experience regarding the efficacy of emergency response planning and the value of building back better.
2. The private sector, specifically the re/insurance industry, collects far more detailed and precise information on property damage than any other public sector or private organisation; data which can provide deep insights into how to reduce loss escalation.

Actions

3. Only by leveraging analytical expertise which already exists, can preparatory investments in recovery and improvements be quantified, articulated, cost-justified and prioritised.
4. The voluntary contributions of UN-recognized, private sector stakeholder groups (e.g. ARISE) must be acknowledged, expanded and further supported to stimulate greater and public-private and private-private collaboration.

ANNEX 3: Factors to Accelerate and Scale Success

The session will identify the factors which have contributed to success to date and which are required to replicate, accelerate and scale successes in the future. The underlying belief is that scaling up the involvement of the private sector will dramatically catalyse the pace toward and likelihood of achieving the targets set out in the Sendai Framework.

To galvanise private sector engagement, three factors above all will be emphasised:

1. As businesses are results-focused, **economic methodologies must be used to demonstrate that investments in risk reduction benefit businesses**, either directly in terms of financial performance or in terms of indirect corporate value.
2. **Independently audited risk disclosures must be rewarded and in time mandated** in order to incentivise corporations to engage more deeply in how their own behaviours can both manufacture disasters and reduce disaster risk.

Rather than reinvent the wheel, **a greater commitment from government is required to bring in private sector expertise focused on each of the four priorities**, beginning with the move from indicators to resilience metrics, which estimate the cost of inaction and capture the value of resilient investments.

ANNEX 4: ARISE's Manifesto for Action for the 2017 Global Platform

Our Key Messages

- Recent years have seen a significant increase in disasters; economic losses from disaster are now running at close to \$300 billion a year with this being a very conservative estimate. Urbanization is adding to this risk – by concentrating populations and economic activities.
- These rising losses are putting severe strain on public finances and, in many countries, acting as a brake on economic and social development.
- To tackle this issue, businesses are ready to work with governments, civil society and other stakeholders.
- As part of their corporate social responsibility and going concern, businesses today already invest for the safety and protection of people and communities. However, more longer-term, transformational investment is needed to further reduce risk and build greater resilience.
- For business to play its role fully in this, it needs the right environment – it needs policies, rules and regulations that support private sector investment and innovation over the long term.
- Business investment in resilience must be part of a comprehensive approach – that assesses all forms of risk, across public and private sectors, and emphasizes the importance of risk reduction, as well as disaster insurance.

This manifesto sets out 7 key proposals for reform – which, if adopted, we believe will enable business to play its role fully in helping reduce risk and build resilience to future disasters:

- **Apply the Build Back Better principle to all aspects** of planning, development, recovery and reconstruction – from building codes to government tenders and contracts.
- **Create incentives for businesses to invest** in longer-term risk reduction and resilience in advance of disaster. At the same time, remove legal and other regulatory barriers that prevent such investment or, worse, drive continued low-resilience investment.
- **Take a more holistic and integrated approach to upgrading key infrastructure** by engaging key stakeholders at national, state and local levels to better address requirements and drive more resilient capital investments.
- **Involve businesses before, during and after disasters** – to ensure private resources and expertise are mobilized in support of effective disaster risk management.
- **Promote the benefits of resilience to consumers and extend education and professional training** to help increase public awareness. Without this awareness, risk reduction and pro-resilience policies will be much less effective.
- **Harness the potential of data and technology** to ensure effective implementation of resilience and risk reduction measures.