

## Informed Financing for a Riskier Future: Building Resilience in the Age of Extremes

### Background:

Disasters and shocks are increasing in frequency, intensity, and complexity, posing escalating threats to sustainable development across the globe. Rising disaster costs may already exceed \$1 trillion annually, creating an unsustainable burden to vulnerable countries.

In this context, scaling-up investment in climate and disaster resilience is vital to enable governments and the private sector to safeguard development gains and protect lives and livelihoods. Investment in Disaster Risk Reduction (DRR) will lead to significant benefits, far exceeding the initial investment cost in the long run.

Yet, this investment has remained inadequate, as highlighted during the midterm review of the Sendai Framework, in part due to constrained fiscal space, underdeveloped risk financing mechanisms, and insufficient institutional capacity to establish national financial systems for DRR. Indeed, while many of these countries have identified DRR and resilience building as national priorities, translating that ambition into action has been limited.

In addition, many developing countries face serious gaps in disaster data collection, management, and analysis. Without adequate risk analytics on current and future risks, governments struggle to make informed financial decisions, plan strategically, or develop appropriate instruments to transfer, reduce, or absorb risk. Data constraints also prevent countries from identifying climate and risk financing opportunities or from incorporating DRR into public investment and budgeting frameworks.

To address these challenges and scale-up investment in DRR, national disaster management authorities need to collaborate with ministries of finance, planning, and line ministries to develop comprehensive national and local disaster risk reduction financing strategies, that leverage the full spectrum of pre- and post-disaster financial resources from public, private, domestic and international sources.

There are good practices observed across the globe, which can be scaled up and replicated to create national financial systems for DRR. For example, India ring-fences part of its disaster-related budget to DRR activities; Morocco has a national fund that finances prevention and risk reduction investment at the local level; Barbados concluded a debt-for-climate-resilience swap, using fiscal savings for resilience investment in water security; The Philippines strengthened parametric insurance for typhoons and earthquakes through advanced disaster risk analytics; Mozambique has strengthened forecast-based financing and risk-layered strategies, which enabled pre-positioned funds and social protection payouts to be triggered before and during tropical storms based on early-warning systems; and Fiji became the first country to issue a sovereign blue bond explicitly linked to disaster risk reduction and climate resilience, for which the proceeds were invested in nature-based solutions and community-based adaptation measures.

While these examples are commendable, many vulnerable countries still lack institutional capacity and access to risk analytics and financial technical expertise required to integrate DRR into national public financial management systems and ongoing efforts such as Integrated National Financing Frameworks (INFFs). Therefore, the United Nations Office for Disaster Risk Reduction (UNDRR), in collaboration with Member States, UN partners, international financial institutions, banks, private sector actors, and civil society, is seeking to formalize a global initiative to strengthen national financial systems for disaster prevention and resilience building in 50 developing countries over the next five years. This initiative would significantly contribute to the Financing for Development agenda, as well as to the Sendai Framework for Disaster Risk Reduction.

### **Objective and Goals of launch of the Risk to Resilience Finance Initiative:**

This high-level event at the 4<sup>th</sup> International Conference on Financing for Development (FFD4) will highlight the urgency of risk-informed financial governance, and foster dialogue among key stakeholders on how to scale up support for countries most in need for the implementation of the FFD4 outcome. The event will:

1. Promote the integration of disaster and climate risk into national planning and budgeting, with regards to SDG-aligned frameworks including Integrated National Financing Frameworks (INFFs).
2. Share good practices and success stories from governments, financial institutions, and development partners;
3. Present the goals, structure, and expected impact of an initiative to support developing countries as they establish national financial systems for DRR, and explore opportunities for collaboration and resource mobilization;

### **Expected Outcomes:**

- ☑ Increased awareness of new initiatives as well as strengthened partnerships and commitments for joint implementation of DRR financing systems
- ☑ Increased visibility of country-level challenges related to risk data, analytics, and institutional capacity, helping to shape tailored support strategies.
- ☑ Stronger alignment between DRR financing in Sendai Framework and other global agendas, including the SDGs, Paris Agreement, and FFD4.