Opportunities to integrate disaster risk reduction and climate resilience into sustainable finance

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Policy context

- ***Sendai Framework:*** *"Addressing underlying disaster risk factors through disaster risk-informed public and private investments is more cost-effective than primary resilience on post-disaster response and recovery, and contributes to sustainable development."*
- ***European Commission's Sustainable Finance Action Plan:*** *"Environmental and climate risks are currently not always adequately taken into account by the financial sector."*
- ***EFDRR's Rome Declaration:*** *"Promote risk- and climate-sensitive public and private investments for building disaster resilience, making full use of the opportunity of ongoing wider developments around sustainable finance"*

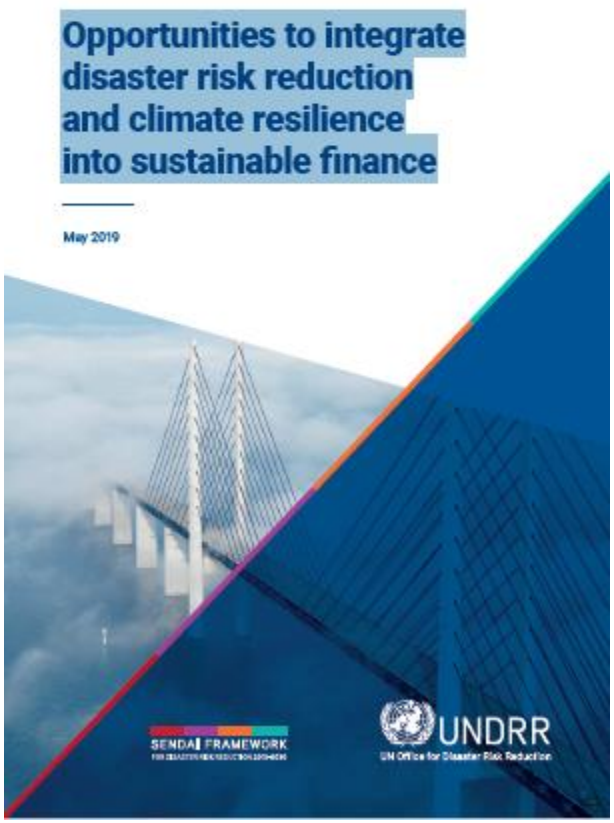
Financial context

- In the 10 years to 2019, three European countries reached the global top ten for economic losses from storms, floods and earthquakes: France ($43.3 bn), Germany ($57.9 bn) and Italy ($56.6 bn);
- In Europe assets under management by regulated third-party managers reached €25.2 trillion in 2017;
- Blackrock forecasted that the share of sustainable assets in Exchange Traded Funds will go from 3% in 2019 to 21% by 2028;
- The European Commission has estimated Europe's sustainable finance gap as €180 billion per year. Its **Sustainable Finance Action Plan** created new market rules and incentives in order to define and grow these sources of finance. The Commission is now consulting on a **Renewed Sustainable Finance Strategy** to include further measures.

Recommendations for action

In 2019 UNDRR and E3G published a report that included:

1. Rationale for integrating disaster risk and sustainable finance;
2. Review of the actions in the Commission's Sustainable Finance Action Plan, and latest developments in these policy areas;
3. Identification of 11 'Areas to Explore' for the next phase of European sustainable finance reforms;
4. Suggestions for translating these actions into the international context.



Key Issues

- All investment needs to be resilient to risk, otherwise we face not only specific but also systemic and cascading financial risk;
- Disaster risk is not yet integrated into financial decisions, therefore we are currently investing in maladaptation;
- Resilience is part of the social contract and the ‘just transition’ but has not had strong political support – will this change now due to the pandemic?

Thank you

For more information:

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- https://www.preventionweb.net/publications/view/65291