Australia Development New International Development PolicySubmission by the Global Facility for Disaster Reduction and Recovery (GFDRR)

The Global Facility for Disaster Reduction and Recovery (GFDRR) is a global partnership that helps communities and countries understand, reduce, and manage their climate and disaster risk, to ultimately build resilience, reduce the human and economic costs of disasters triggered by natural hazards, and build back better after a shock. A demand-driven Facility, GFDRR responds to specific requests from national and local governments that they prioritize for use of their scarce resources, ensuring the necessary ownership needed to achieve positive and sustainable results. Most activities are implemented through the World Bank in partnership with national, regional, local, and other international development agencies.

Established in 2006, GFDRR operates in 140 countries providing technical assistance, capacity building, analytics and innovative tools. To date, GFDRR has invested more than US$750 million in resilience-building investments across the world, including in the Indo-Pacific region where we work with Australia's Department of Foreign Affairs and Trade (DFAT).

This submission draws on GFDRR's experience in the Indo-Pacific region and reflects current demand from countries for support in building climate and disaster resilience.

Working in the Indo-Pacific Region

The Indo-Pacific region (what GFDRR and the World Bank refer to as East Asia and Pacific[1]) is one of the world's most disaster-prone regions. A total of around 1.6 billion people are believed to have been affected by natural hazards in the region in the past 20 years. The Indo-Pacific bears the impact of nearly 70 percent of hydrometeorological events globally, it suffers from seismic events and volcanic activity, and it is home for the Pacific Ring of Fire. Disaster risks are exacerbated by the region's rapid urbanization and its population growth - increased from 322 million in 1970 (25%) to 1.4 billion (60%) in 2020. Moreover, the negative impacts of climate change pose major challenges to environmental stability, economic growth and human development.

The Indo-Pacific includes 13 of the 30 most vulnerable countries to the impacts of climate change, and without concerted action, the region could see an additional 7.5 million people fall into poverty

[1] GFDRR and the World Bank definition of East Asia and Pacific region corresponds to Australia's definition of the Indo-Pacific region with the addition of China and Mongolia.

due to climate impacts by 2030. GFDRR operates in 23 countries in the region through a diverse portfolio that reflects the heterogeneity of the region, including low- and middle-income countries, small islands and large countries, as well as fragile states suffering from conflict and violence.

Through our partnership with DFAT, GFDRR helps Indo-Pacific countries implement their Sendai commitments by promoting the adoption of risk-informed national and local development planning; and by investing in a variety of activities including on disaster risk financing, adaptive social protection, early warning systems, safer schools, or innovation. Jointly, GFDRR and DFAT have improved the quality and timeliness of countries' recovery and reconstruction efforts.

Over the years, we have seen countries in the Indo-Pacific made great progress in managing disaster risks, pivoting from focusing efforts mostly on response, to investing in prevention and preparation, reducing loss of lives and mitigating some economic impacts. However, to fulfill our shared vision for more climate and disaster resilient communities, countries, and economies, it is important to scale up existing efforts.

Regional priorities for intervention

Despite the heterogeneity of the Indo-Pacific region and the distinct characteristics of countries within it, a set of priority areas of action emerge when discussing disaster risk management and climate adaptation with our partners on the ground, these are:

1. **Mitigating climate and disaster risk**

Millions of people are facing the consequences of substandard infrastructure, often at a significant cost. Disruption to infrastructure costs households and firms in low- and middle-income countries at least $390 billion a year, and the indirect effects place a further toll on households, businesses, and communities. It is typically caused by underfunding, poor maintenance, mismanagement, and the impact of natural hazards that are becoming more frequent and devastating as a result of climate change.

Supporting national, sub-national, and local governments to integrate disaster risk management principles in infrastructure development, and to leverage disaster risk management technologies, tools, and expertise, can help them: (i) mitigate the exposure of planned infrastructure; (ii) prioritize disaster risk management investments based on improved asset management systems; (iii) increase access to disaster resilient design standards; and (iv) develop policy and institutional frameworks for infrastructure emergency preparedness and business continuity.

For example, with support from GFDRR, the national and local governments in the Republic of Marshall Islands, Vanuatu, and Kiribati have introduced disaster risk reduction and climate adaptation considerations into national and local urban regulatory frameworks and planning processes and developed approaches for affordable and resilient 'sites and services' investments to improve long-term resilience of human settlements in Pacific atoll island countries.

2. **Investing in preparedness and recovery**

The challenges posed by climate change, including extreme flooding, heat waves, droughts etc. significantly alter the types and magnitudes of hazards faced by communities and challenge the emergency management systems at various levels of governments serving them. As a result, in GFDRR we have seen an increasing demand for support from governments in the region that want to strengthen their emergency preparedness and response systems and plans, and that want to do so in a more holistic manner, involving a number of governmental institutions and local agencies.

Supporting governments to build their capacity can help them to systematically prepare for and respond to emergencies by establishing legal and institutional frameworks for clear mandates and accountabilities, and invest in personnel, facilities, equipment, and information technology to enhance emergency management systems.

For example, the Government of Samoa, in collaboration with the World Bank, developed a multi-hazard early warning system (MHEWS) to increase its implementation capacity for disaster preparedness and response. This later informed a World Bank's Development Policy Financing operation that triggered policy reforms to enhance response, recovery, and resilience in the country. Additionally, it also led to the development of a social protection policy that includes an adaptive social protection mechanism that can be activated in response to a shock.

3. **Promoting disaster risk financing and governance**

The costs of disasters are particularly difficult to bear for low- and lower-middle-income countries that tend to depend on ad-hoc solutions, such as emergency loans or the diversion of other limited financial resources. The lack of financial-resilience mechanisms for disasters often delays economic recovery and prolongs hardships for governments, households, businesses, and vulnerable communities.

Investing in disaster risk financing mechanisms such as contingency fund or budget allocations, risk transfer instruments (e.g., insurance, reinsurance, catastrophe bonds), contingent credit lines, and post-disaster credit can help countries optimize their financial coverage by combining different instruments to protect against events of different frequency and severity, either before or after a disaster strikes. This kind of approach provides financial planning that protects countries' national budgets as well as channel emergency support to households through social protection mechanisms, enabling faster and more transparent disaster response and helping livelihoods to become more resilient.

For example, Tonga, which was hit by a devastating volcanic eruption and tsunami in January 2022, had a contingent line of credit, under a Catastrophe-Deferred Drawdown Option (Cat-DDO[2]) in place which made it possible for the World Bank to swiftly disburse an initial $8 million, funded through the International Development Association (IDA). Emergency Operating Centers, which

[2] A Catastrophe-Deferred Drawdown Option (Cat-DDO) is a World Bank catastrophe contingent line of credit providing rapidly disbursed financing in the event of a catastrophic event. It provides much-needed liquidity at the point of disaster, making this instrument akin to catastrophe bonds, in how they secure a line for catastrophe contingent funding albeit in a repayable form, rather than insurance or reinsurance.

were built as part of the ongoing resilience building program, were immediately activated in response to the eruption. The World Bank's rapid assessment report (GRADE), through which the damage estimation can be produced quickly and remotely, also helped to inform appropriate, timely and efficient courses of action to prioritize resources where most needed.

Building awareness and capacity for better disaster-related financial and fiscal planning, management, and implementation at the national, sub national and local levels, help countries: (i) minimize the impacts on service delivery; (ii) protect the lives and livelihoods of poor and vulnerable populations; (iii) enable the use of improved disaster-related financial planning to incentivize resilient infrastructure and other disaster risk reduction measures; and (iv) improve efficiencies and transparency in post-disaster public finance management processes through risk-based governance. GFDRR and the World Bank continue to fund disaster risk analytics to increase the capacity of governments to make more informed decisions using a variety of tools and risk management solutions that involve better quantifying risk, developing risk reduction strategies and programs, and optimizing risk-financing strategies with a combination of risk retention and transfer financial instruments and solutions.

Fostering inclusion throughout disaster risk management practices

The impacts of disasters caused by natural hazards and climate change expose structural inequality and exclusion. Shocks often have disparate impacts on vulnerable groups, such as women, and people with non-binary gender identities, older persons, youth, persons with disabilities, and other marginalized communities.

It is important to foster an inclusive approach towards resilience, scaling-up inclusive disaster risk management by consolidating and connecting existing initiatives for community resilience, gender, citizen engagement, and disability-sensitive disaster risk management with the broader policy and institutional actions at the national, sub national, and community levels. This includes adapting post-disaster assessment methodologies and developing new methodologies for remote data collection to investing in new analytical research and testing cross-sectoral operational solutions building disaster and climate resilience in fragile, conflict and violent contexts.

With support from DFAT, GFDRR recently concluded an analysis of disability inclusion gaps in several Pacific countries and provided recommendations to better inform disaster preparedness and recovery policies and practices. Building on this work, GFDRR and the World Bank are now developing a roadmap for Kiribati, Vanuatu, and the Republic of the Marshall Islands (RMI) to operationalize these recommendations and improve project design of development operations.

Going forward

Evidence shows that development efforts are more effective when the eradication of poverty is focused on those most in need. In addition, evidence[3] shows that climate change is a clear threat to poverty and that poor people are at higher risk from climate related shocks. It is unlikely that

[3] "Shock Waves: Managing the Impacts of Climate Change on Poverty", World Bank Group, 2015.

any country or community will succeed in eradicating poverty without becoming better a managing disaster risk and adapting to a changing climate. Linking technical assistance work that can collect globally available knowledge on DRM and climate adaptation to local needs and knowledge, allowing for co-identification and creation of solutions that governments and communities are willing to prioritize for their own scarce resources, is key for any chance of supporting sustainable solutions. Without efficiently influencing the billion of dollars available through development finance and the trillions governments and private sector invest every year there is no chance to avoid that climate change and other global crises push an additional 100 million people into poverty by 2030.

To date, one third of the World Bank operational portfolio in East Asia and Pacific addresses disaster risk management, indicating both the potential of influencing climate and poverty reduction outcomes through development finance and the magnitude of the issue at hand. As a result of this and other development partner support the region has witnessed substantial progress in disaster risk management over the past decade. The challenge ahead remains enormous, but progress is clearly possible.

At GFDRR we believe it is essential to continue:

- **Promoting risk-informed sustainable development**. Investing in disaster risk reduction and preparedness is smart development, with evidence[4] showing that for each US dollar invested in climate-resilient infrastructure, there is a 4 US dollar benefit in return. Yet, it is important to go beyond enhancing disaster preparedness and resilient recovery to support development policies and plans that help most vulnerable countries to better manage their climate and disaster risks while contributing to growth and the improvement of livelihoods.
- **Mobilizing additional financing.** Development needs far exceed available resources, and the gap is only increasing. Unlocking the power of productive partnerships to target resources to the most impactful operations that allow for the leveraging of additional financing from public and private entities is key.
- **Addressing social vulnerabilities** including gender, age, disability, ethnicity and other social vulnerability dimensions into development activities to inherently ensure inclusive and equitable outcomes. This requires an increased focus on inclusive design and participation of development policies and plans.

We thank you for the opportunity to share our views and experience delivering development and humanitarian aid in the Indo-Pacific, and to reflect on our successful partnership with DFAT.

[4] "Lifelines: The Resilient Infrastructure Opportunity", The World Bank Group, 2019.