THEMATIC SESSION
PUBLIC INVESTMENT AND FINANCTIAL TOOLS FOR DISASTER RISK REDUCTION

1. BACKGROUND

Disaster risks related to hazards such as tropical cyclones, flooding, earthquakes, droughts and tsunamis; as well as risks related to technological hazards, constitute an important challenge for development. During 2011 only, 302 disasters took 29.782 lives, affected 206 million people and caused damages estimated in 366.000 million dollars.

Whereas developing countries and the most vulnerable people are under a great risk, losses such as the eastern Japan large-scale earthquake and tsunami, show an increase in global social and economic losses due to the increasing magnitude and frequency of disasters. Therefore, the disaster risk reduction (DRR) constitutes one of the major challenges for the region´s sustainable development, and in this context, the reduction of vulnerability and exposure to risk, as well as the increase of resilience, require an integral approach (public and private) for the incorporation of strengthening mechanisms such as public and private investment planning systems on infrastructure and social protection.

The Hyogo Framework for Action 2005-2015 (HFA), the international agreement that guide the governments, communities and private sector to promote a culture of prevention and disaster management in order to minimize the loss of human lives and economic damages due to natural hazards and increase resilience at regional, national and local level; establishes five priorities for action that draw practical directions for all the key actors involved in disaster risk reduction.

2. PUBLIC INVESTMENT AND FINANCIAL TOOLS FOR DISASTER RISK REDUCTION

In recent years, a fast increase in the lost of economic resources and jobs has been produced due to disasters, which has been higher among medium and low-income countries. In spite of the potential cost magnitude and the lost of incomes, reducing the risks of disasters keep on being perceived as a minor priority in comparison with the financial stability, the unemployment or the inflation.

The eastern Japan large-scale earthquake and tsunami of 2011 caused an economic backward of 1 %, according with the Japanese growth forecast in that year. In the Asia-Pacific region, it would mean an impact of 0.1 to 0.21% on the growth for China, Malaysia, India, Singapore and Philippines, including an impact of 0.2 to 0.5% on the growth of the exports in these countries due to the interruption of consumables coming from Japan. Flooding in Thailand in 2011 not only cost 40,000 millions, but also caused a decrease of 2.5% in the world industrial production.

In order for the countries to reduce their vulnerability and exposure to risk, it is required an approach that incorporates mechanisms of development such as national public investments planning systems, social protection and local/national infrastructure investments, to reduce risks and increase resilience.
Reducing risk of disasters and reinforcing resilience should be perceived more as part of a new paradigm of development where the wellbeing and equity are the main values, and the natural and human resources are fundamental for the planning and decision-making processes.

The assessment of Risk is a tool that when applied to the Public Investment Projects (PIPs), allows the identification and evaluation of potential damages and/or losses caused by the impact of a danger over a project or its elements. That way, measures could be identified and included to prevent the generation of vulnerabilities or to correct the ones already existing in order to reduce the risk on the alternatives of solution to the posed problem.

The Conclusions and Recommendations of the Regional Seminar on Public Investment and Financial Mechanisms, Insurance and Reinsurance against Disasters in Latin America and the Caribbean held in Panama in 2011, with support from the Latin American Economic System (SELA) and UNISDR, with participation of the SELA member estates, emphasized that the use of mechanisms of financial risks transfer, such as insurances and reinsurances against disasters, should be part of an integral strategy, with a multidimensional vision and based on the widest inter-institutional cooperation for disaster risk reduction, in which the prevention elements should be a priority. This should be a fundamental part of the planning and public investment processes, it was also indicated that the insurance against catastrophic events in the Latin American and Caribbean region currently represents barely between 1,5% and 2% of the total insurance premiums collected worldwide, notwithstanding at the same time these premiums are considered to be very high regarding the levels of income and relative development of several of our countries. Therefore, it was deemed that efforts should be made to expand the insurance coverage against catastrophic events, among other instruments, for which reason it would be convenient to intensify the information and social awareness raising campaigns on the importance of this issue.

Regarding the subject on public investment for disaster risk reduction they resolved that it is necessary to strengthen the designing and implementation of policies, the planning, the institutional development and the investment towards disaster risk reduction as part of the integral development process, highlighting the need of an execution of the public investment with quality, safety, and project sustainability, to which the risk assessment should be incorporated, as well as prioritized the capacity building and the human resources to be employed. Likewise, to link the public investment with the budgetary systems was recognized as a priority in order to guarantee the allocation of resources for the projects of investment taking in consideration the risk assessment.

Finally, it was acknowledged that there are several experiences regarding the use of development planning and management mechanisms that take in consideration DRR within the processes of public investment, state financial security, insurance and financial risks transfer systems that could serve as a base for a bigger commitment from the public and private sectors to reduce the impact of disasters in tasks such as local, national and regional development, aiming to reach a real sustainable development.

3. SESSION GOAL

To share experiences at local, national and regional level concerning different incorporation processes of DRR and CCA within the Public Investment National Systems, the Insurance and Financial risk transfer market systems, as well as funds or financial instruments for financial security in case of disaster, expecting to establish a success criteria linked to such experiences, identifying gaps and challenges to increase the relevance of DRR within the mechanisms and systems above mentioned, as well as recommendations for its implementation in the region.

4. SESSION SCHEME AND ISSUES TO BE ADDRESSED

First Panel

Experiences on Public investment Processes and Monitoring (Investment tracking) Mechanisms/Indicators of DRR and CCA Investments within public policies.

a. Case studies on DRR and CCA incorporation within the National Systems of Public Investment, the budgetary planning structures, and the criteria for the assignment of resources at national and local level.
b. Losses and damages databases, system of indicators, probabilistic models for public policies formulation and investment.
c. Progresses on regional indicators to follow up DRR investment in national accounts.

Second Panel

Insurance, Reinsurance and Financial risks transfer systems

a. Lessons learned from assistance and disaster prevention funds, financial security for DRR (contingent credit, catastrophe bonuses).
b. Market mechanisms, insurance and financial risk transfer systems at regional, national and local level
c. Empowering the private sector role on financial risk transfer processes.