

[Co-Chairs and all participants]

**On structure and general views:**

I represent the Business and Industry Major Group and the UNISDR private sector group.

We find the pre-zero draft to include, quite successfully, ideas from both the *Suggested Elements* by the Senior Representative of the Secretary General, and from consultations to date, while making the framework better understood by non-DRR specialists. As a sector with diverse members and diverse needs, we particularly note and appreciate the flexibility given to individual countries while working towards globally unified goals.

The private sector's main recommendation is to bring back the urgency and the insistence to engage the private sector, which was evident in the *Suggested Elements* and during the consultations, in the zero-draft. We ask for more explicit statements on the need for active collaboration between governments and the private sector, as well as recommendations that strengthen the motivation for the private sector to engage in voluntary standards and reporting practices.

The Preamble (Section A) explains that the previous HFA has resulted in the decrease of mortality risk, but has failed to address the increase in exposure and economic loss. To address exposure and economic loss, it is imperative to engage the private sector, who in terms of the world economy is responsible for 70-85% of the investment dollars influencing the accumulation, development and geographical distribution of assets around the world.

Almost every area of DRR – be it land use, risk-aware investment, preparedness, education of the public and workforces – requires a strong public-private partnership, for example to ensure resilient infrastructure in cities. Private companies are innovators as well as providers of technologies that are critical for DRR and resilience. The private sector can also ensure that DRR is based on sound risk assessments, and that the risk information is made available to the end users, the communities at risk. The private sector is already doing a lot, but coordination and cooperation is key. We need to collaborate more. We have to interact because lives and economies depend on it. We think the zero-draft needs to reflect that sense of urgency.

Our consistent message throughout the years of consultations has been that we the private sector are able and willing to make an important contribution to resilience, but we rely on the right regulatory and policy environment. We need the right regulations, long-term incentives, active collaboration and robust leadership from governments to create an enabling policy environment for our engagement in DRR. This has been strongly echoed in the Regional Platform Declarations, for example,

- the Bangkok Declaration from the 6<sup>th</sup> Asian Ministerial Conference on Disaster Risk Reduction, which specifically calls on all Governments to “Encourage the **development of regulations, incentives and tools to motivate improvement in disaster risk management by the private sector** with an emphasis on micro, small and medium enterprises”<sup>1</sup>, and

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<sup>1</sup> Bangkok Declaration on Disaster Risk Reduction in Asia and the Pacific 2014, 6<sup>th</sup> Asian Ministerial Conference on Disaster Risk Reduction, Bangkok, Kingdom of Thailand, 22-26 June 2014, Paragraph 5, P. 3.

- the Meeting Statement from the Sixth Session of the Pacific Platform for Disaster Risk Management, which includes a recommendation to “**Develop incentives and partnerships for the private sector to increase investment in disaster risk management**, [climate change adaptation and low carbon development to boost resilience and the sustainability of local economies].<sup>2</sup>”

We find that the importance of active collaboration should be further strengthened in the zero-draft. Section D, Paragraph 23 describes the role of private sector stakeholders thus:

“Businesses... are encouraged to... actively engage with the public sector for the determination of laws, policies and plans to manage disaster risk; base investment decisions on risk considerations...”

In our view, equal emphasis need to be given on the need for governments to foster a collaborative two-way process. We thus recommend including a statement, elsewhere in the document, that gives an equally specific recommendation for national and local governments to engage with the private sector and to take measures that drive the private sector to make risk-sensitive investments.

Additionally, we recommend the zero-draft to illustrate the desired optimal state of private sector engagement – of a partnership between the public and private sectors based on the “enlightened self-interest” that each partner has in working with the other. To sustain its contribution to the local economy, the private sector needs the public sector to strengthen the execution of risk assessments and identification of appropriate land zones; maintaining local infrastructure and services; maintaining ecosystem services that may increase resilience; and to lead local preparedness and response activities. In turn, the public sector needs the option of drawing on the private sector’s skills and perspectives, and sometimes its materials and supply chains; and needs to use the communication channels available in private companies to communicate with the workforce. When this partnership is working effectively, the result will be increased safety of people and property, and increased economic prosperity from a higher level of economic as well as social and physical resilience.

Consultations and the Global Assessment Report have pointed out that disaster risk reduction has to be woven into the very fabric of economic decisions. That we need to tackle this difficult task – which requires DRR to be discussed beyond the established sphere of DRR practitioners and policy-makers -- is the central message that we believe the new framework should send to member States. If the framework can make this clear, action will follow not only by States but by stakeholders such as the private sector.

Finally, we in the private sector found the proposed new *Indicators*, discussed at PrepCom1, which included a set of indicators that measures risk-aware decision-making in the private sector, to be a very positive step forward. The UNISDR private sector group is currently already discussing voluntary forms of standards, codes, and reporting that will contribute to this monitoring system. The voluntary standards and reporting aim to include a set of disaster resilience metrics that would become part of financial and accounting regulations to highlight disaster risks to companies and shift mainstream capital to more resilient investments. We strongly recommend the zero-draft to

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<sup>2</sup> Sixth Session of the Pacific Platform for Disaster Risk Management, The Way Forward: Climate and Disaster Resilient Development in the Pacific, Meeting Statement, 2-4 June 2014, Suva, Fiji, Paragraph 25f, P. 4.

include reference to these indicators, again to strengthen the motivation for the private sector to work on voluntary standards and reporting.

### Specific suggestions on Section A. Preamble

Paragraph 5 lists the guidance from consultations.

**The 6<sup>th</sup> point** (3<sup>rd</sup> from last on page 3) discusses the recognition of the role and responsibilities of all stakeholders.

- *It is necessary that all stakeholders be recognized and take on roles and responsibilities in order to play their part in close partnerships in the common endeavor, as States' institutions alone cannot tackle the challenges to manage disaster risk;*

While in full agreement with this point, we suggest an addition at the end of this sentence to clarify that the States must also be willing to let the stakeholders play their part:

- *It is necessary that all stakeholders be recognized and take on roles and responsibilities in order to play their part in close partnerships in the common endeavor, as States' institutions alone cannot tackle the challenges to manage disaster risk. **It is important, in turn, for States to actively seek collaboration with stakeholders and define mutual roles and responsibilities;***

**The 10<sup>th</sup> point** (4<sup>th</sup> point from last on page 4) reflects the private sector's input, but is highly abstract, in contrast to other points:

- *Risk-informed investments and strengthened financial instruments are required at national and international levels.*

This bullet can be enhanced by:

- 1) Replacing the term 'risk-informed' with 'risk-sensitive'. We consider the term 'risk-informed' to be not strong enough, as one can be informed and neglect the implications.
- 2) Giving examples of 'strengthened financial instruments<sup>3</sup>,' and
- 3) Referring to the necessary pre-conditions that promote risk-sensitive investment.
- 4) Also, we suggest saying 'local', 'national', and 'global', as we consider this recommendation also valid at the local level, and in order to unify the usage of the term 'global' with the Priority of Action section.

We thus recommend this point to read:

- ***Risk-sensitive public and private investments are essential. To promote these, strengthened financial instruments, or schemes with embedded specific requirements for resilience before financing and/or incentives would be awarded, such as tax incentives, financing incentives, and project fast-track incentives that reward risk-sensitivity; financial and accounting regulations and standards that guide investment decisions; enhanced sharing and use of risk***

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<sup>3</sup> We understand the relationship between risk-informed (or risk-sensitive) investments and strengthened financial instruments as follows: risk-sensitive investments involve due diligence to identify and address a project's risks before investing. Strengthened risk-sensitive financial instruments contain requirements and/or incentives for resilience. Those requirements might be, for example, adherence or use of the PRI, <http://www.unpri.org/about-pri/about-pri/>, the Equator Principles <http://www.equator-principles.com/>, or the City Disaster Resilience Scorecard linked to UNISDR's Making Cities Resilient campaign and developed by members of the UNISDR private sector group <http://www.unisdr.org/2014/campaign-cities/Resilience%20Scorecard%20V1.5.pdf>

**information; and transparent reporting based on clear standards** are required at the **local, national and global levels.**

We express our appreciation of **Point 7** (2<sup>nd</sup> from last on page 3) that includes businesses as partners in local-level disaster risk management, together with local authorities, communities, and civil society. We reiterate our message that engaging businesses' core strengths, expertise, and power of innovation is as important at the local level, rather than just a company's capacity for volunteerism.

### **Specific suggestions on Section B. Purpose, Scope, Outcome and Goals**

We find these well stated.

### **Specific suggestions on Section C. Guiding principles**

We recommend two additions to e) – the word “engagement” and “local stakeholders\* so that the latter half of the sentence reads:

*e) ...their management requires the full leadership, **engagement** and empowerment of local communities, **local stakeholders**, and administrators.*

We recommend clarification of ‘public and private stakeholders’ to indicate the wider reach of the latter than just volunteers, in f):

*f) A clear recognition, articulation and alignment of responsibilities across public and private stakeholders, including **national and local administrators, communities, businesses, civil society, and** volunteers, are essential to ensure implementation and accountability in **reducing and managing risks.***

We recommend an addition at the end of f) that focuses on Micro, Small and Medium Enterprises (MSMEs).

**The needs and contributions of Micro, Small and Medium Enterprises (MSMEs) should be taken into account when developing the legal and policy frameworks to improve resilience in the private sector.**<sup>4</sup>

Both the importance of encouraging better business continuity practices among MSMEs, as well as making sure MSMEs are not squeezed out of competition by the stricter rules introduced to the private sector so they can be more resilient, were mentioned in voluntary commitments and private sector consultations in Asia, Pacific, Americas, and Europe, and specifically included in Declarations coming out of the Asia-Pacific AMCDRR and the Pacific Platform.

We recommend an addition to h), regarding voluntary standards and reporting:

*h) Transparency in, and the disclosure of, disaster risk information in public and private transactions and investments are essential, together with accountability for risk creation, **and needs to be governed through clear financial and accounting standards, regulations and codes, and encouraged through guidelines and the sharing of information and data. Adoption of***

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<sup>4</sup> “The private sector is not a singular homogeneous entity. Subsectors vary with differing considerations and abilities to support disaster risk reduction. A subsector specific tailored approach is needed to **engage micro, small, medium and large organizations.**” Summary of Key Findings from Pacific Platform for Disaster Risk Management, Plenary Discussions on the Key Elements of the Post 2015 Framework on Disaster Risk Reduction, 2-4 June 2014, Suva, Fiji, Paragraph 3, P. 1.

**voluntary standards and reporting by stakeholders such as the private sector is important to accelerate this process.**

We recommend a major addition to i).

Let me read out the new bullet first:

*i) Sound disaster risk management is based on risk-**sensitive** decision-making, which requires freely available, publicly accessible, **up-to-date**, simple and easy-to-understand, science-based ~~non-sensitive~~ risk information **and modeling**, including on disaster losses, socio-economic impact, hazards' characteristics, and people and assets' exposure and vulnerability, at every level. **Better data sharing between public, private, and academic data holders, improved access to scientific assessment methods, development of metrics that describe both the required minimum standards and the voluntary optimum for resilience, and methodology to analyze the costs and benefits of risk-sensitive investments are necessary.** Relevant local, traditional, and indigenous knowledge, culture and practices are to be taken into account.*

We propose this addition because the pre-zero draft makes frequent mention of 'risk information' and 'risk-informed decisions and investments'. We wish to make sure that these notions are clear, and set a high enough standard, to produce the resilient outcomes and future we desire, by making this addition in the Guiding principles section.

Current codes and practices already take into consideration 'risk information' and the decisions and actions they generate can claim to be 'risk informed'. However, in most cases they are not demanding enough to ensure 'resilience', which means both protecting people and preserving assets against future hazards.

Truly 'resilient' decisions and investments involve setting the bar above the minimum, which may vary by area. The 'metrics' we refer to are the analytical tools to define this level for each locality, and their development relies on 'risk information'.

The focus of efforts should be to both raise the minimum governed by laws and regulations to 'adequately resilient', and also to encourage voluntary commitments that raise this to the optimum. The latter will have only come by creating a more enabling environment in which the truly resilient investments and decisions are rewarded with the highest incentives, for example tax breaks, favorable financing, and preferential treatment in vendor selection in the government procurement process for those demonstrating resilient practices. One of the UNISDR private sector group's ongoing work is to engage with the public sector to create such a system and stimulate such behavior.