



Risk-informed development: From crisis to resilience

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18 September 2019
SDC

*Why do we need to **think** about and **act** upon risks to development differently?*

Our complex world calls for:

1. Moving beyond a single hazard risk analysis and management
2. Systematic assessments of complex threats and risks, and our role in creating them
3. Acknowledgement of and working with risk tolerances and perceptions
4. Analyze and acknowledge potential trade-offs of development policies and investment actions
5. Identifying who has responsibility and capacity to deliver risk management in development

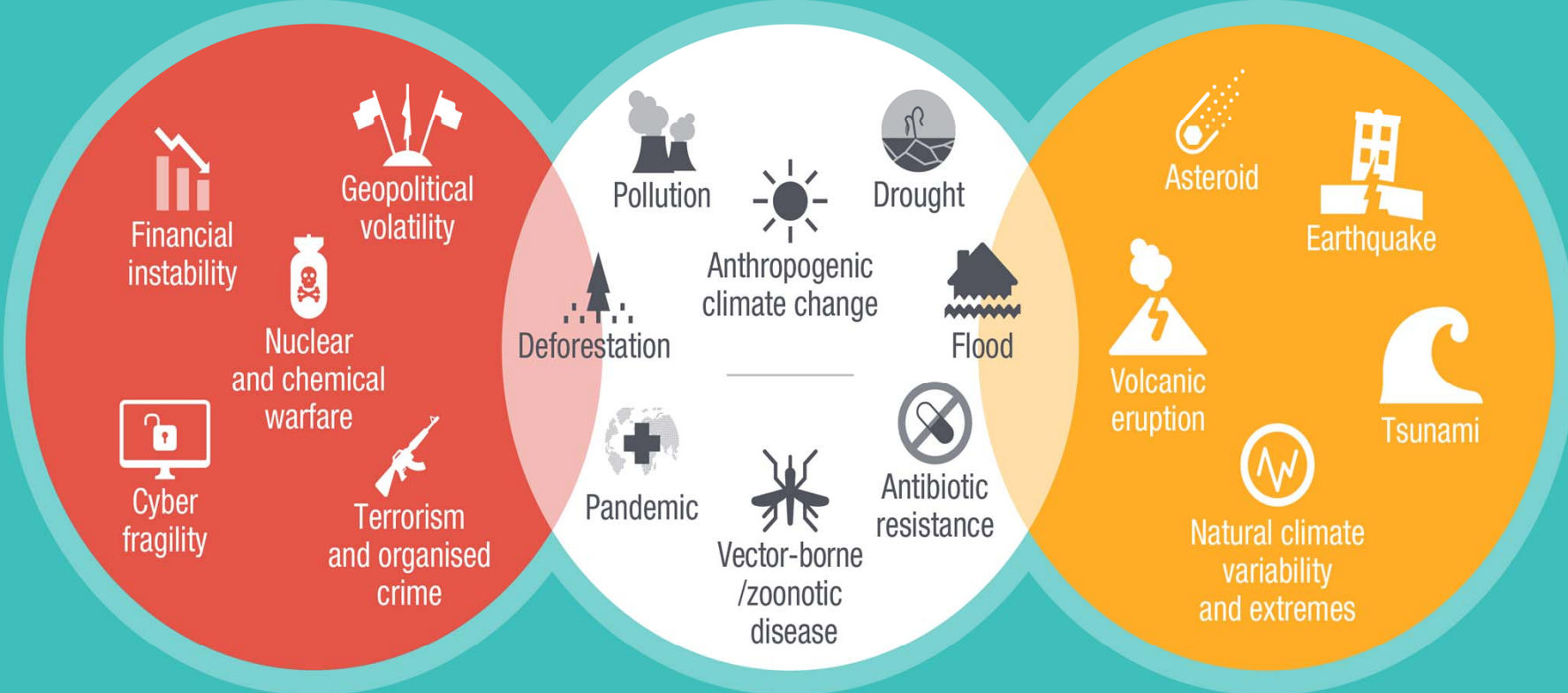
RID urges a more nuanced understanding of Risk

Risk is not the same as a threat, hazard, impact or disaster: it's a description of potential outcomes if a threat occurs, not the threat or disaster event itself. .

Risk results from the interaction between threats and underlying conditions: that means that **impacts** come, *not just from the severity or nature of the hazard or threat* – they're also **determined by** social, political, economic and environmental **conditions**

Also - recognizing the diversity of *values* and *perceptions* of what is considered risky- the risk tolerance.

Multiple threats can pose complex risks to sustainable development



Man-made

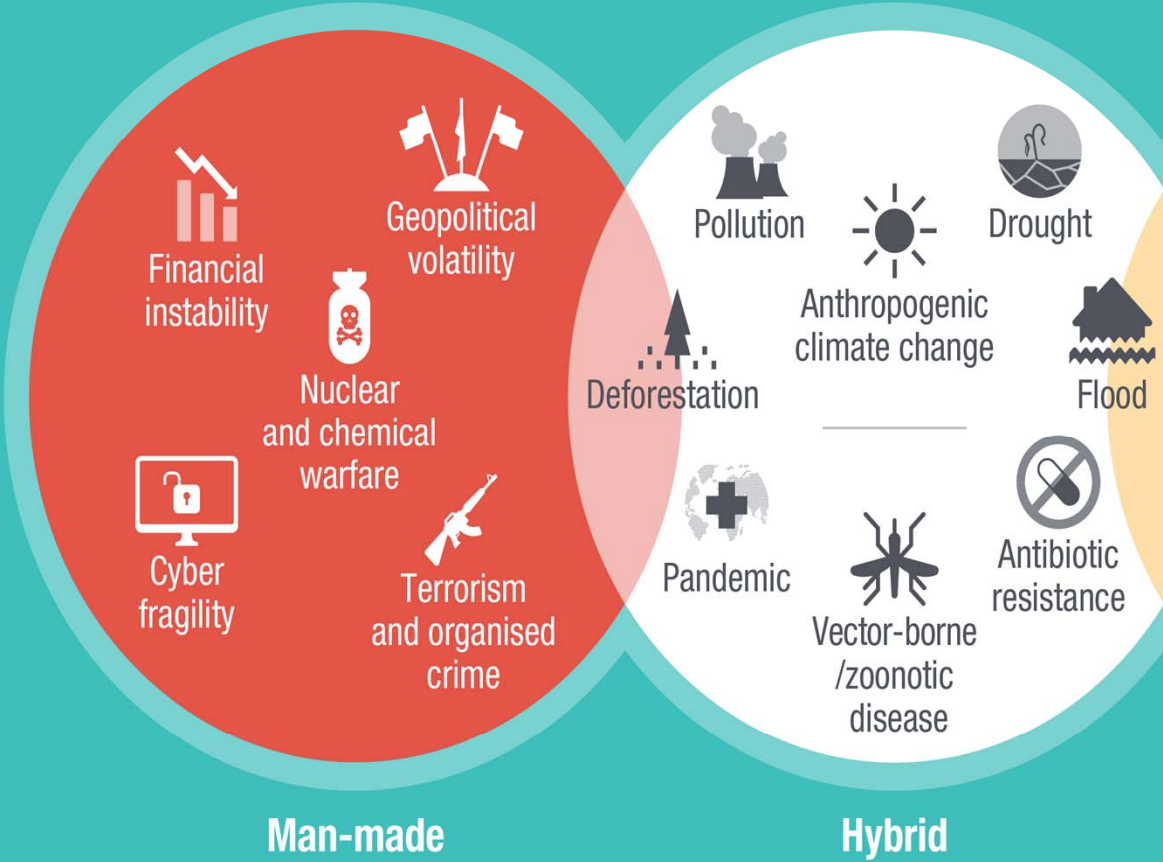
Hybrid

Natural

Source: Nadin and Opitz-Stapleton



Multiple threats can pose complex risks to sustainable development



New and Emerging Threats:

- Severe environmental change
- Economic and financial instability
- Antibiotic resistance & pandemic
- Transnational criminal networks & terrorism
- Cyber fragility
- Geopolitical volatility & conflict

Source: Nadin and Opitz-Stapleton

Threat Characteristics – Why these matter

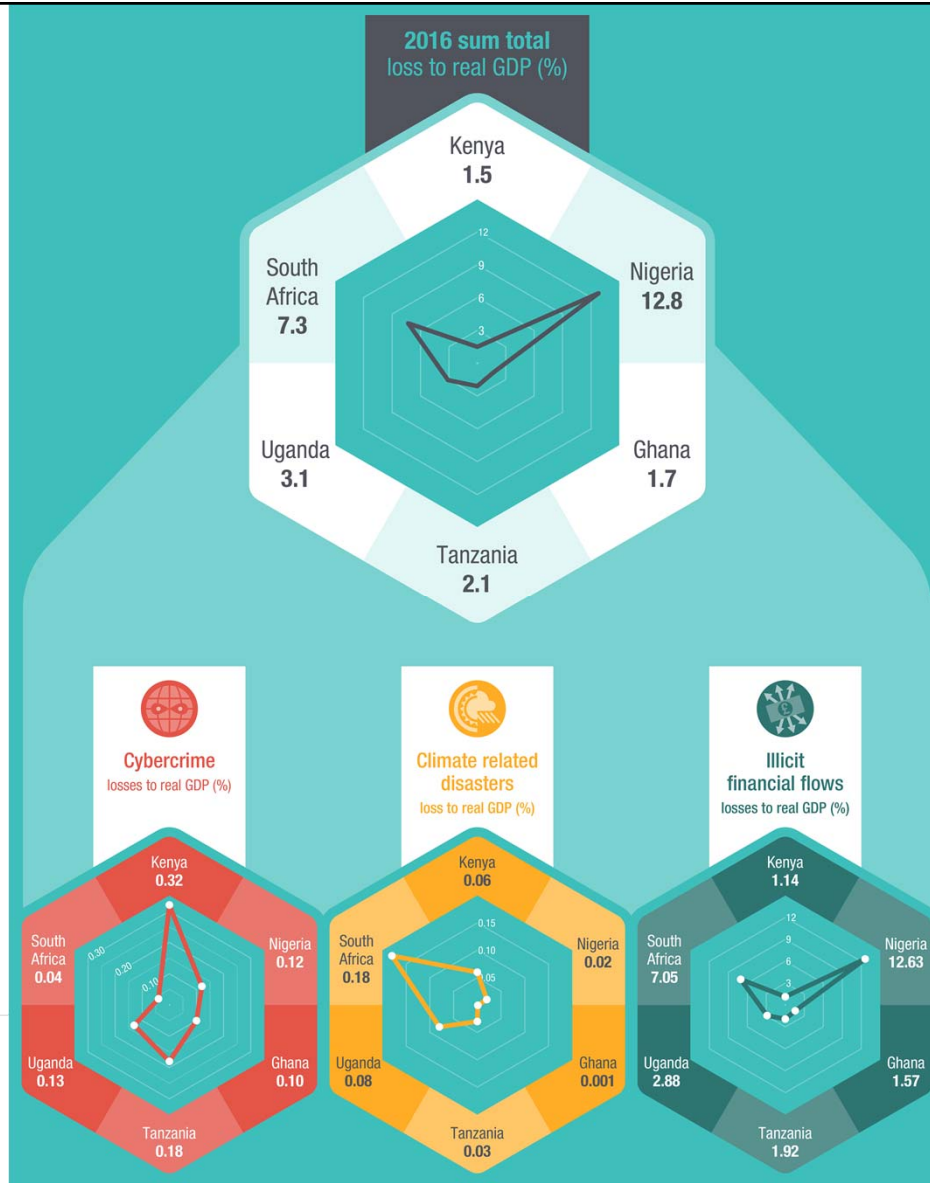
Characteristics	Explanation
<i>Interconnected</i>	Threats are often linked. This can lead to cascading and layering of risks in and to development objectives.
<i>Transitional</i>	Threats, and responses to and actions for managing them, are shifting socioeconomic, technological, political and environmental systems.
<i>Transformational</i>	Threats have the potential to radically change societies and alter the status quo
<i>Transboundary</i>	Threats and associated risks do not respect geopolitical or physical borders. Furthermore, risk reduction actions taken by one country may affect the risk management options of other countries.

Threat Characteristics: Time Dimensions

Characteristics	Explanation
<i>Intensity, duration, frequency and rate</i>	The temporal aspects of a threat influence the severity of risks, in combination with vulnerability and exposure contexts. Some are inter-generational, others maybe short-term shocks with severe and transformational consequences.
<i>Concurrent/ simultaneous</i>	Multiple threats are happening simultaneously – geopolitical instability and conflict, severe environmental change and international financial crimes, for example – that span a whole country or cross borders.

Concurrent threats to development...

and a caution about why traditional approaches of single hazard focus may miss other significant threats and risks



Complex Threats & Risks:

**Transnational criminal networks/
terrorism /environmental
crime/climate change/**

Interconnected threats and complex risks

Environmental crime is a major threat to security and sustainable development. It is worth approximately \$258 billion/yr and growing at 3x the rate of the global economy. Estimated costs from (UNEP and Interpol 2016):

- **illegal fishing:** \$11-30 billion per year
- **Illegal logging/timber:** \$30-\$100 billion per year
- **minerals:** \$12-48 billion per year
- **dumping chemicals and waste:** \$10-12 billion, e-waste and carbon credit fraud (UNODC).

Complex risks:

- Environmental degradation, deforestation, species extinction, water and soil pollution
- Food, water and livelihood insecurity for people with natural resource based livelihoods
- State corruption and instability
- Market distortion

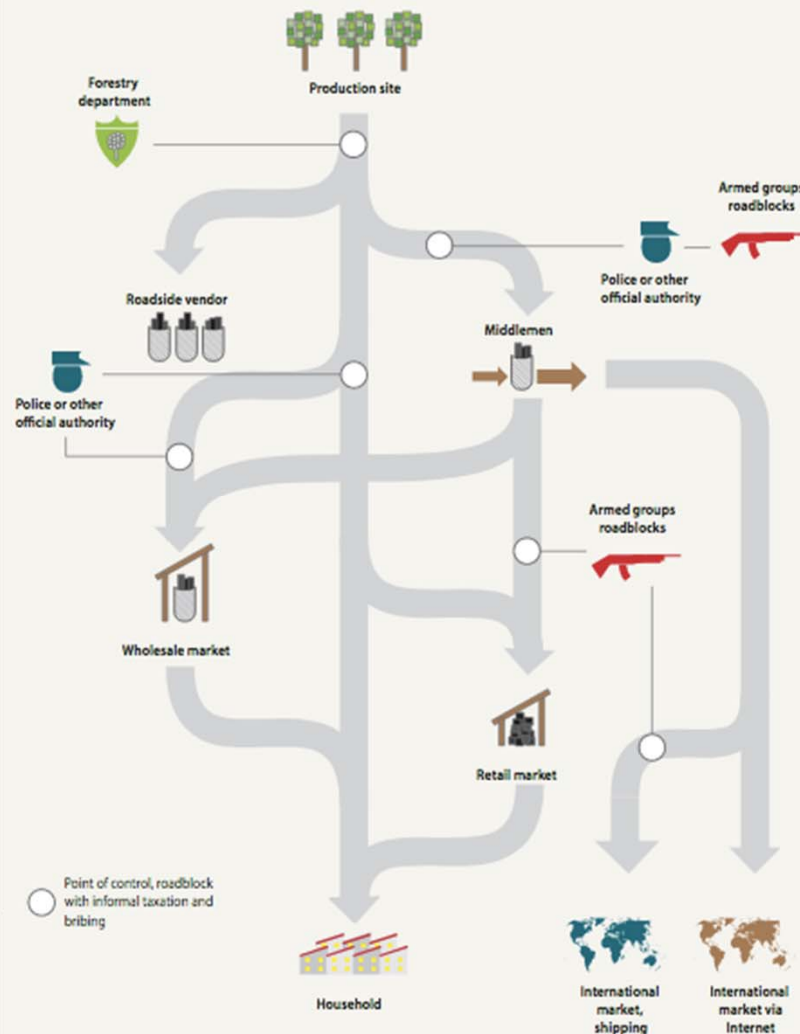
Interconnected threats and complex risks

Illegal charcoal trade in Africa is estimated to involve a direct loss of revenues of \$1.9 billion per year. In Somalia, it was generating US\$15 million a year for terror groups like al-Shabaab.

In fragile contexts, development needs to be risk informed of the role of environmental crimes in:

- fuelling and exploiting state fragility,
- Deforestation/ sustainability. undermining

The charcoal supply chain



Price of a bag of charcoal at retail market

Percentage of the total selling price, Malawi



Sources: Kambewa, R, et al., Charcoal: the reality, 2017



Empowered lives. Resilient nations.

Development involves trade-offs

- All development involves **trade-offs** - both risks and opportunities - for different groups of people, nations, businesses and for the environment.
- The key issue is that **development priorities, policies, plans and investments** *can either increase vulnerability, exposure and risks, or build capacities, opportunities and resilience*. Sometimes they do both.
- There is a **choice to be made**, and *sometimes a stark and politically difficult one*.

Trade-off example: Modern financial services for pastoralists

- GAIN- Greater access to financial services through mobile banking –such as M-PESA
- TRADE OFF- savings exposed to CYBER FRAUD. Is this acceptable or not? Who will pay?

Risk-informed Development: a Process

1. Systematic assessments of complex threats and risks, and our role in creating them
2. Acknowledgement of risk tolerances and perceptions
3. Analyze and acknowledge potential trade-offs of development policies and investment actions
4. Identifying who has responsibility and capacity to deliver risk management in development



Evidence.
Ideas.
Change.

Risk-informed decision process for resilient and sustainable development

Knowledge generation:
Becoming risk-informed



Acting on knowledge:
Making development sustainable and resilient



Empowered lives.
Resilient nations.

In conclusion, development will not be resilient or sustainable unless it is **risk-informed**. This means that it must:

1. Move beyond a single hazard focus and siloed management-
2. Conduct systematic assessments of multiple, complex threats and risks, and include a frank assessment of our role in creating them
3. Acknowledge of and work with differing risk tolerances and perceptions in a transparent manner-
4. Analyze and acknowledge potential trade-offs of development policies and investment actions
5. Identify and facilitate responsibility and capacity to deliver risk management, including monitoring and evaluation



Acknowledgements

ODI and UNDP are grateful to the support of SDC for this work on Risk-Informed Development.



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