PRIORITISING NATURAL DISASTER FUNDING – MITIGATION VS RECOVERY

In the last few years a number of organisations have called for a substantial increase in investment in measures to mitigate against the risks and consequences of natural disasters. In this think piece, we outline how such spending can be made more appealing to decision makers.

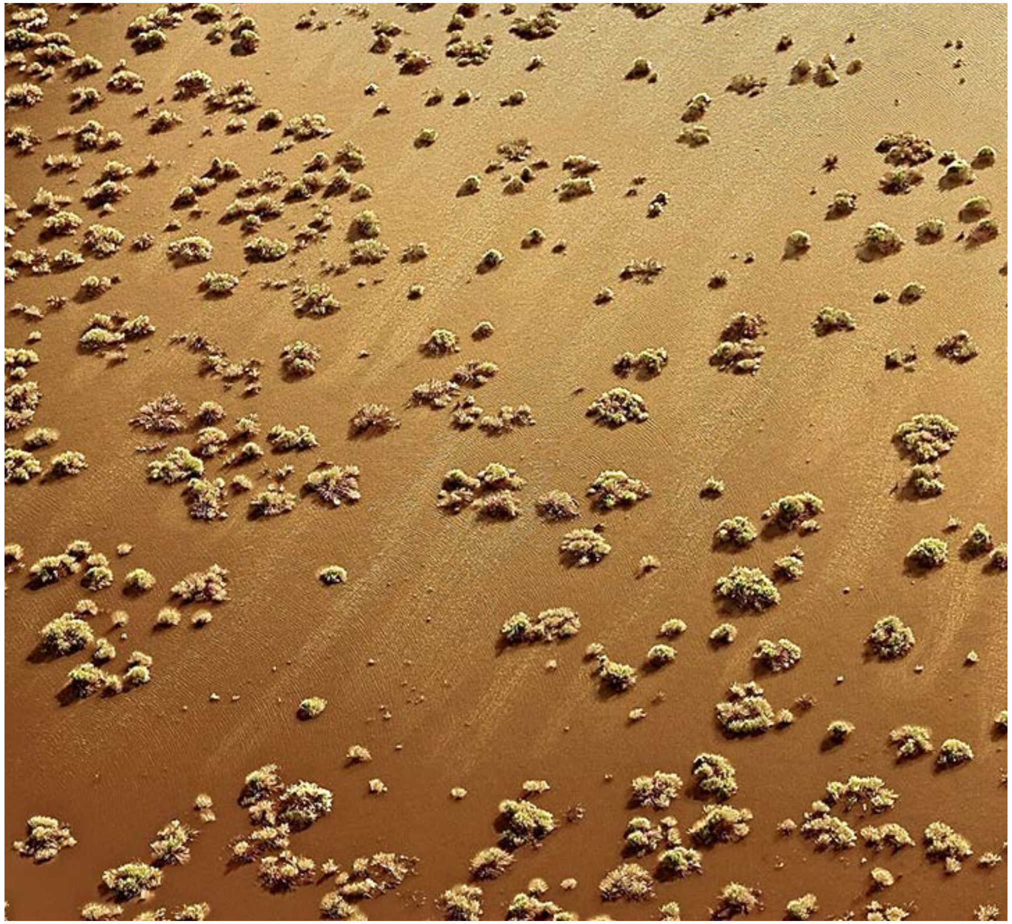
Arguments for increases in mitigation spending have been made by the Productivity Commission *Inquiry into Natural Disaster Funding Arrangements*, the Red Cross *World Disaster Report*, the Australian Business Roundtable for Disaster Resilience and Safer Communities *White Paper* and even the Prime Minister, Malcolm Turnbull.

The key premise of these arguments is that investing more in mitigation will reduce, in the long-term, the level of funding required for disaster recovery. Research undertaken by the Australian Business Roundtable for Disaster Resilience and Safer Communities in 2013 found, for particular events, that for every dollar spent on mitigation between three and eight dollars is saved in terms of damages avoided.

It is also clear that Australia spends considerably more on recovery than mitigation. Between 2009–10 and 2012–13, $11.0 billion was spent on disaster recovery, while only $225 million was spent on mitigation (Productivity Commission, 2015). Estimates as to what the optimal level of mitigation funding should be does vary and the rationale given for specific figures is often not clear. The Productivity Commission recommends that Australian Government mitigation funding provided to states should increase from $26 to $200 million a year and be matched by the states while the Australian Business Roundtable recommends a $250 million annual fund.

While there is a growing body of evidence to suggest that increased investment in mitigation would be beneficial, little substantial action appears to be occurring in this regard. Similar disparity between mitigation and recovery funding is also apparent across the globe.
There may be a few reasons why this is the case:

- Funding relief and recovery has direct and immediate benefits that are easily identifiable
- The return on investment for mitigation actions is not usually immediate or certain
- The benefits of some mitigations actions can be difficult to measure



" ... Australia spends considerably more on recovery than mitigation."

The exact amount of money required for natural disaster mitigation in order to maximise societal benefit would be difficult to estimate. Additionally, mitigation actions must compete with other government, business and individual priorities for funding. What seems clear however is that it is likely that more should be invested in mitigation.

How can such spending be made more appealing to decision makers and are how much should be invested?

There are a number of actions that policy makers can undertake to drive a more optimal balance between mitigation and recovery investment.

Investor confidence

Investors require confidence that their investment will have a positive return. For government investing in public goods this means that investments need to provide an overall financial, social and environmental benefit to society. The benefits of potential investments are also weighed up against other priorities, such as investment in health and education. To effectively prioritise and compare investments, costs and benefits are ideally quantified into dollars.

To drive investor confidence and therefore give proposals for investment in disaster mitigation the best chance of receiving appropriate funding the following elements are required:

Information and data – Without good information on hazards and risks it is very difficult for government, businesses and communities to make informed decisions or determine the benefits provided by mitigation investment. There is a clear role for government to develop information on hazards and risks and importantly make this information available to the wider community. Information and data of this nature also provides a valuable baseline against which to measure the success of mitigation actions.

A risk assessment framework – A regional and state scale disaster risk assessment framework will help governments adopt a more strategic approach to disaster management and is an integral tool for identifying priorities and communicating risk with communities and other stakeholders.

Clear objectives and outcomes – Setting clear objectives and time bound outcomes allows investors to focus on a tangible future state and see clear links between funding specific actions and the expected return on the investment.

A cost-benefit framework – Having a standard or rapid assessment framework for articulating the costs and benefits of mitigation options is an important decision making and communication tool. A cost-benefit analysis allows for like-for-like comparisons across investment options, providing a solid basis for prioritisation. Such calculations are also valuable at highlighting the values at risk if mitigation action is not undertaken. It is important that any cost-benefit framework has methods for articulating all the benefits of mitigation / values at risk. This means extending beyond infrastructure protection and reduced disruption to business to also incorporate, for example, the psychosocial effects of disasters.

Monitoring and adaptive management – Monitoring of indicators should provide the data upon which investment performance stories can be articulated, highlighting successful progress. Adaptive management approaches should be employed to alter interventions to meet the required objectives if appropriate.

Roles and responsibilities

All levels of government, business and individuals have a role in mitigating against natural disasters. Governments set these roles and responsibilities through policy, legislation and the signals they send either explicitly through information and education campaigns, or implicitly through their actions. Currently the roles of different levels of government are unclear, this leads to:

- A lack of accountability for funding and investment in disaster mitigation which in turn can result in inaction
- Uncertainty for business and the community as to their role in disaster mitigation

Governments, as policy setters, need to work together to clearly identify and define appropriate roles and responsibilities across all aspects of natural disaster and emergency management.

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