

**69<sup>th</sup> SESSION  
ECONOMIC AND SOCIAL COMMISSION  
FOR ASIA AND THE PACIFIC (ESCAP)**

**INTERVENTION NOTES**

1. MINISTRY/DEPARTMENT: National Security Council
2. DOCUMENT NO: E/ESCAP/69/23
3. DOCUMENT TITLE: Opportunities to build resilience to natural disasters and major economic crises
4. ISSUES/RECOMMENDATIONS FOR CONSIDERATION:  
Addressing disaster risk management in macroeconomic frameworks
5. MALAYSIA'S POSITIONS ON THE ISSUES/RECOMMENDATIONS:
  - ✓ 1. In developing countries, although the number of deaths due to natural disasters is gradually decreasing largely due to advances in disaster preparedness and early warning capabilities, in terms of damage sustained however, the trend is reversed. These rising costs are the combined result of increasing urbanization, particularly in high-risk coastal areas, and the increasing complexity of our infrastructure.
  2. In many regions of the world however, the loss of property as well as lives continue to rise. Clearly, no society is immune from the threats of disasters.
  3. Risk in one word means uncertainty; which in turn reflects the doubt in one's mind about what the future holds. Risk, as a form of uncertainty do bring about surprises which often result in crises for those companies, organizations, and even countries that often underestimate the potential impact of risk in the first place. Such companies and organizations, including nations often fail to foresee and anticipate the potential financial implications that crises bring about.
  4. In managing costs of natural disaster, effective planning is highly essential. As the saying goes, "people don't plan to fail, but sadly, people often fail to plan". Worst of all, those people who plan do not always follow their plan. Till a few decades ago, disasters are viewed as one-off events and

responded by governments and relief agencies without taking into account the socio-economic implications and causes of these disasters.

5. Fortunately, the evolution of approach from relief and response to enhancing preparedness and mitigating the impact of disaster has begun to influence the way disaster management programmes are now being planned and financed. It is both tragic and futile to see benefit of years, even decades of development washed away by disaster when marginal investment in incorporating hazards resistance could have protected lives and assets.

6. <sup>mission believes that</sup> Investing for a safer tomorrow needs to be contextualized within the national framework. Local action requires investment in several areas. In addition to finance, investment in its broader context should also encompass institutional arrangement for mobilization, stakeholder participation, early warning and R&D, awareness and capacity building, as well as regional collaboration to improve preparedness at the local level.

7. As the Asia Pacific region continues to grow while at the same time having to face various disasters, it creates a complex vulnerability landscape which can only be effectively responded through building strong resilience through:

i. Creating a culture of risk assessment

National disaster risk assessment should be upgraded and to create an effective and workable interface between formal and indigenous practices, which is mutually reinforcing. Regional and international cooperation in the collection and sharing of data on risk exposure and in catastrophic risk modelling should be encouraged. Where possible, information on catastrophic risks should be harmonized.

ii. Promoting risk awareness and education to aid risk prevention and loss mitigation

Educational efforts to raise risk awareness, especially in disaster prone areas are crucial, as human factors can greatly increase or reduce the impact of a disaster.

iii. Design compensation strategies to be ready before the occurrence of a major event

In so doing, the use of resources can be optimised and preparations for each phase of post disaster response from emergency rescue to long-term recovery can be facilitated. Insurance and other financial protection tools have an important role to play.

8. The financing and effective reduction of disaster risks however, requires a joint response from the private and public sectors. As complexity and costs rise, neither group can meet the challenge alone. This is particularly true for emerging economies that lack funds, yet must also deal with the increasing frequency and severity of natural disaster. Moreover, as the underlying risk exposure increase, the inflation-adjusted costs of future events could far exceed the limited government budget.
9. The global Facility for Disaster Reduction and Recovery (GFDRR) Risk Financing was established to support the implementation of the Hyogo Framework for Action (HFA). The fourth of HFA's 5 priority actions to reduce disaster losses is to reduce underlying risk factors. A key activity under this priority action is the promotion of the development of financial risk and transfer mechanism. While this recommendation is only one among many, the need for an innovative risk financing mechanism is relevant to developing countries exposed to natural hazards.
10. Malaysia for instance, have come up with some appropriate measures and desired actions with regard to risk financing and investment in relation to disaster risk reduction.
11. ~~Another important point to note is that,~~ Besides relying totally on government funding, it is suggested that companies and corporations contribute by playing their industry role as part of their Corporate Social Responsibility and sustainability. The best way to maintain that trust is to build a history of capable, sincere behaviour through active and strategic corporate social responsibility.
- i. Public and private sector finance and global climate change adaptation
  - ii. Issuance of generic bonds and other financial tools by private sector

- iii. Global research and development on risk management with emphasis on DRR and CCA
- iv. Education and global training fund on risk management with emphasis on DRR and CCA
- v. Global risk management and insurance scheme (Takaful included)
- vi. Global risk management information system
- vii. Venture capital and commercial loans
- viii. Global environment facility trust fund
- ix. Global facility for DRR and CCA
- x. Global trust fund for CCA
- xi. Support from bilateral donor worldwide.

6. ADDITIONAL INFORMATION:

ADDITIONAL INFORMATION ON MEASURES TAKEN BY MALAYSIA WITH REGARDS TO RISK FINANCING

Tabung Kumpulan Wang Insurans Badan Kerajaan/Group Insurance Fund for Government Bodies

1. The Kumpulan Wang Insurans Badan-Badan Kerajaan (KWIBK)/Group Insurance Fund for Government Bodies (GIFGB) was established by the Government of Malaysia and managed by the Ministry of Finance (MOF) Malaysia with the purpose of managing insurance protection for all physical assets and resources of Government Ministries, Agencies and Departments.
2. In respect of Risk Management, the KWIBK/GIFGB is an example of Self-Insurance whereby retained losses are wholly self-funded and partly retained and partly shared with an Insurance Consortium. As a matter of policy decisions, such a scheme involves a comprehensive arrangement with the Insurance Providers through a pre-arranged Insurance Consortium with insurance arrangement being facilitated by an Insurance Broker selected among a List of Insurance Brokers. All insurance arrangements including insurance claims will be managed and handled by an Insurance Division within MOF itself. All payments and compensations received from the Insurers will be channeled directly to KWIBK/GIFGB while all repair and reinstatement costs have to be applied separately through the Insurance Division of MOF.

**Amanah Ikhtiar Malaysia (AIM)/Iktiar Malaysia Trust Fund**

3. AIM is a Private Trust Fund registered under the Trustees Incorporation Act 1952 (Revised 1981) and is entrusted to reduce poverty in Malaysia through the provision of small loans for income generating purpose with priority given for the poor household. Such a fund is an example of capital financing that is being used by the poor to finance their economic activities in order to increase their potential earnings.

4. The objective of AIM is to give out benevolent loans to finance income generating activities to the poor households and eventually move out from the poverty group. It is complementary to the Government objective in eradicating poverty amongst the poor households in Malaysia. AIM's program is poverty focused microfinance program by targeting very poor women and incorporating them into a microcredit scheme, designed to be collateral free, guarantor free with no threat of legal action in the loan recovery. An important point to note is that such a program pledges to provide services to the poor irrespective of race, religion, and 'group fund' which is also an in-built mechanism for self-reliance.

**Yayasan Tekun Nasional (YTN)/Tekun National Foundation (TNF)**

5. YTN/TNF was established in 1994 with the primary objective of setting up a system of providing funding for businesses and industries. Such a foundation was undoubtedly a success among business entrepreneurs and the Small & Medium-sized Enterprises (SMEs) on the whole. Fundings were made available with priorities on related activities focused on the overall development of Human Capital in Malaysia. Such funds were set up with strategic collaboration with various other Government Agencies and Departments, Financial Institutions and Non-Governmental Organizations (NGOs) in Malaysia.

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