

CAREC Disaster Risk Engagement Event
Istanbul, 28 – 30 November 2022

14:00pm-14:40pm (Manila time), 30 November 2022 (Day 3)

Opening Remarks – Junkyu Lee,
Chief Finance Sector Group,
Sustainable Development and Climate Change Department,
Asian Development Bank

Distinguished participants from CAREC countries, development partners, and colleagues, ladies and gentlemen,

Good morning from Manila!

I am pleased to join you virtually in Istanbul and open the third and last day of this CAREC Disaster Risk Engagement Event.

I have heard that you have been working very hard over the past two days and I hope you have been able to ask all questions related to the analytical work done so far under this technical assistance project and started concrete discussion on potential solutions for developing a disaster and infectious disease risk financing framework for the CAREC region that includes a risk transfer mechanism.

The CAREC region is highly vulnerable region to the impact of disaster and climate change – whether it's historically tragic levels of flooding in Pakistan or devastating drought in the People's Republic of China, or recent earthquake events in Uzbekistan, Tajikistan and Afghanistan. And as we know from the latest climate science, the adverse impacts from climate change are projected to be worse going forward.

ADB has long recognized its critical role in combating climate change and its consequences on the region's economic development and growth. ADB has committed to ensure that at least 75% of ADB's operations, by number of projects, will feature climate adaptation and mitigation initiatives by 2030 and to align all its operations with the goals of the Paris Agreement by mid-2025. Just last year, the bank elevated its ambition to 100 billion dollars in cumulative climate finance from its own resources by 2030.

The finance sector has an important role to play in ADB's ambition to be the Climate Bank of Asia. The development of the finance sector in the Asia and Pacific region still lags substantially behind that of developed economies. Also, even as DMCs in the region cope with ensuring financial stability in the post-COVID-19 period, the tasks ahead for them are daunting such as financial inclusion and access (especially for micro, small, and medium-sized enterprises) while creating an enabling environment for digitalization of finance. Capital markets also need to be developed and their institutional investor base to be built up. These are critical to raise the needed funds that will enable the DMCs to build quality infrastructure, mitigate and adapt to climate change, and address disaster and pandemic risks, among others.

These current challenges also create opportunities to substantially achieve finance sector development. ADB is recalibrating its finance sector operations approach by incorporating new agendas, including the SDGs, the Paris Agreement on climate change, quality infrastructure as

an asset class, and disaster and climate risks. The structure and content of its portfolio aims at scaling up climate finance projects and initiatives.

Finance sector development contributes to climate change mitigation and adaptation as appropriate risk assessments and forecasts, methodologies, as well as innovative risk transfer solutions are used to foster a decarbonized and financially resilient society. In particular:

- The development and use of diverse innovative green financial approaches and instruments, including, for example, green bonds, sustainability linked bonds, ESG - environment, -social, and -governance bonds, and green banks.
- The financing of sustainable agricultural supply and value chain financing as well as blue financing through a blended finance Platform, SME Blue Impact Asia, amongst else also promoting greenhouse-gas absorption and sequestration projects.
- The transition to net-zero will take time and, meanwhile, the frequency as well as the severity of disaster events due to natural hazards and climate change are steadily increasing. Risk informed investments in resilient infrastructure as well as Disaster Risk Financing becomes even more important:
 - For instance, climate change is causing the glaciers in Hindu Kush-Himalayan region to melt at an alarming rate. The insurance industry's risk management expertise will support i) risk assessments for informed decision making into resilient infrastructure investment, ii) enhance the sustainability of investment into resilient infrastructure, fragile ecosystem and vulnerable communities de-risking , and iii) mobilize private sector disaster and climate risk financing.
 - The Disaster and Climate Risk Transfer Facility that is being developed under this technical assistant project in the CAREC region will help to enhance physical and financial resilience for fiscal budget, public and private assets, SMEs and farmers and the most vulnerable exposed to climate change.

In this sense, setting up a disaster risk transfer facility for earthquake and flood as well as an infectious disease risk financing framework is an important element to contribute to macroeconomic stability, public health resilience, and more effective disaster risk management.

This Engagement Event has provided you with the opportunity to learn from other regions that have the experience to set up regional Disaster Risk Financing solutions and you have been able to test tools that can be further developed and help you in your own decision-making process.

Today your active contribution will be required to discuss concrete options of risk transfer structures to the capital market for earthquake, flood, infectious disease risk in the context of a risk management framework.

I would like to thank my colleagues Ms. Lyaziza Sabyrova, Director, Regional Cooperation and Operations Coordination Division, Ms. Rie Hiraoka, Director Social Sector Division, from the Central West Asia Regional Department, Mr. Patrick Osewe, Chief Health Sector Group, and their teams for having helped us to organize this important Engagement Event.

Also, I would like to like to reiterate our deep appreciation to:

- the Government of Mexico, the African Risk Capacity (ARC) and the Caribbean Catastrophe Risk Insurance Facility (CCRIF) for their support and preparedness to share with the CAREC member countries their experience in setting up regional disaster risk management and financing solutions, and
- all Development Partners, the United Nations Development Program (UNDP), the United Nations Office for Disaster Risk Reduction (UNDRR), the World Bank, the World Health Organization (WHO), the European Center for Disease Prevention and Control (ECDC) and The Global Fund for their collaboration and in coordinating the initiatives in the CAREC region.
- the WTW team leading the consultant consortium for their technical expertise and support.

Last but not least, I would like to thank all of you who have actively participated physically and virtually, and I wish you an interesting and successful last day of this Engagement Event paving the way for a positive outcome of this project!

Thank you! (Word count: 1037, about 10 minutes)