Placing a Value on Resilience: Advocacy to Practice

"Resilience is an issue of the collective… It requires a collective case that considers value for whom and over what time period."

– Private sector interviewee

Introduction

Funding or investment decisions can deliver assets, networks, businesses, organisations, individuals or communities that make systems better able to resist, withstand and recover from natural hazard events without compromising their long-term prospects.

This poster shares early insights from the Resilience Valuation Initiative (RVI) research discovery process. To research how to better value resilience, RVI started with understanding what decisions organisations make related to resilience. We then considered why they want to value resilience and what they need from an approach to support valuation.

Who values resilience?

Individuals, organisations and communities make decisions every day that impact Australia's natural hazard and climate resilience. Anyone can value being resilient. Our working group identified professionals in their organisations who would benefit from placing a specified value on resilience. This includes: policy managers/makers, recovery officers, monitoring & evaluation specialists, senior executives, assurance & design teams, product & pricing specialists, financial advisors or investment committees, community planners and corporate reporting experts.

What we asked

This research explores why and how organisations can deploy resilience in investment decision-making.

- What assets, features and activities do you make decisions about?
- Who makes those decisions?
- What methods, data or tools do you use to aid specific investment decisions?
- What information do you use in current investment decision processes?
- What qualities and outputs do you need from a resilience valuation process?

What is resilience valuation?

Resilience valuation involves describing, measuring and analysing costs, risks, benefits and impacts of resilient assets and activities and how they perform. This informs and influences decision-making to deliver assets, systems and communities that are better able to resist, withstand and recover from natural hazard events without compromising their long-term prospects.

Why value resilience?

We found several themes around why individuals or organisations want to place a value on resilience.

- To better understand the impacts, costs and benefits of resilience. Each have their own processes and context. They balance different priorities, values, resource levels, stakeholder interests and mandates.
- To measure and communicate 'performance' on resilience. Many in the private property and public infrastructure sectors have experience with identifying and reporting on economic, social and environmental risks, impacts, costs and benefits of their projects. Industry standards or regulations, funding criteria requirements, pressures from stakeholders or strategic decisions made at the senior level are sample influencing factors.
- To demonstrate their leadership and establish a point of difference from peers and competitors.
- As a component of managing risk. From the top-down, the organisation articulates their understanding of future risks that they need to mitigate including direct damage, reputational and community risk implications for their business.

Methods:

We interviewed experts and practitioners with insights into current practices and related organisational processes around how to assess and value resilience assessment. They told us what they needed to put a value on resilience. We also engaged in a desktop review. We tested and refined and supplemented findings with feedback from the RVI working group.

A spectrum of resilience values

Without a consistent definition or standard for valuing resilience, individuals and organisations bring their own perspectives for how to value resilience. This includes a mix of quantitative and qualitative factors that they want to include.

Private Sector
- Understanding future cash flow, future capital costs
- Holistic ESG/sustainability considerations
- Standardised risk metrics
- Climate risk data, scenarios and adaptation plans
- Carbon strategy related risks (e.g., transitionary risks)
- Human capital metrics

Government
- Revenue impacts
- Stakeholder / funder needs
- Community impacts
- Total value over an asset's life
- Quantified risks, costs, benefits of resilient assets and places
- (intangible and tangible) and how they perform

Essential Services
- Increased revenue
- Tangible (e.g., avoided costs) and intangible costs and benefits
- Community service expectations and response (continuity of service)
- Consistent nationally applied standards

Independent Advisors
- Economic impact to society with indicators like GDP, productivity
- Social returns to society
- Environmental measurements
- Community trust relating to outcomes
- Return on investment
- Value chain risks
- Total cost of ownership over the life of an investment

What are some decisions that resilience valuation can inform?

- Funding evaluation criteria, including community projects
- Due diligence, identifying and managing financial impacts from risk to assets
- Asset valuations
- Insurance availability and pricing
- How or where to invest risk reduction, adaptation or resilience measures
- Prioritising policy and programs
- Expenditure planning, including investment portfolio strategies
- Organisational strategy and reporting

Conclusion: seeking common ground to value resilience

Even without coalescence around a shared definition, there were similarities across our cohort. We considered what organisations and individuals need to put a value on resilience and the practical implications of doing so.

- Investment decisions are a platform to uplift resilience practice. Resilience can be the driver for action; or as a factor it can be included in an existing decision or process.
- All sectors are looking for approaches that deliver the most value for their organisation and customers. We see this exemplified in ESG and sustainability approaches. These will be more effective when they incorporate resilience.
- We don't have a good understanding of resilience in existing assets. Using resilience valuation on these assets will help to inform future decisions like where to build and how to build.
- Differences in how we define resilience are more than semantics. They reflect larger underlying differences in the priorities of decision-makers. Promoting common understanding can enable decision-makers to better value resilience.
- Case studies of resilience applied in investment decision-making can support improvements in practice. But there are still gaps around evidence of outcomes, accessible approaches and guidance.
- There is increased appetite for collective efforts to build the tools and methodologies within the right context for valuing resilience.

Resilience Valuation Initiative:

The Resilience Valuation Initiative is a coalition seeking to advance an accepted process with enabling methodologies to better understand the value of a resilience-building asset, feature or activity.

Find out more: **resiliencevaluation.com.au**

Author contact:
Genevieve Neilson
genevieve.neilson@iag.com.au