THE STORY

Humanitarian assistance alone cannot address the poverty, risks and vulnerability than drive crises – other resources are required. Domestic resources, though often low, are vital to progress. Development assistance from international donors, although not consistently targeted to the most crisis-prone countries, can be critical too. Afghanistan – a long-term fragile state – aid constituted 68% of recorded international inflows. The Government of Afghanistan set up the Afghanistan Peace and Reintegration Programme in 2010, supported by the United Nations Development Programme, to engage Afghans of all backgrounds in reintegration efforts. Mohammad Akbar, a former combatant from a village in one of Afghanistan's northern provinces, turned in his weapons and now manages seven tube wells funded by the programme.

CREDIT

Sayeed Farhad Zaimal

8
CHAPTER

WHAT OTHER FINANCE MATTERS?

Both 2015 and 2016 are marked by a series of high-level events that will shape global strategies across the development and humanitarian spheres for years to come. It is essential that a coherent approach emerges from these various processes. Crisis, poverty and vulnerability are intimately interconnected: some 31% of people in extreme poverty live in countries that are both environmentally vulnerable and politically fragile. Nine of the twenty largest recipient countries of humanitarian assistance between 2004 and 2013 have more than a quarter of their population below the international $1.25 extreme poverty line.

Domestic public resources are the primary drivers of progress but domestic capacity is often low where vulnerability to crises is high, and problematic in conflict settings. Government expenditures in the largest recipient countries of humanitarian assistance in 2013 are just PPP$981 per person per year, compared with PPP$2,444 per person per year in other developing countries.

International resources therefore are also important, and they are growing: flows to the largest humanitarian recipients have more than tripled since 2000. But the distribution of such resources is not even and the largest recipients of humanitarian assistance receive a quite different mix of resources from other countries.

Resources that aim to address the drivers of fragility and vulnerability to natural hazards are not always well targeted. While significant amounts of official development assistance (ODA) for conflict, peace and security, for example, does go to some high-risk countries, such financing accounts for very small proportions of the total resources going to many other long-term fragile states. Similarly, the distribution of climate adaptation ODA only partly reflects the distribution of environmentally vulnerable countries and people, with conflict appearing to be a key inhibitor to such financing.

Better data can inform how such resources should come together to address crisis, risk and poverty systematically, and will be a key step towards a shared vision of sustainable, resilient development as well as sufficient and effective humanitarian response.

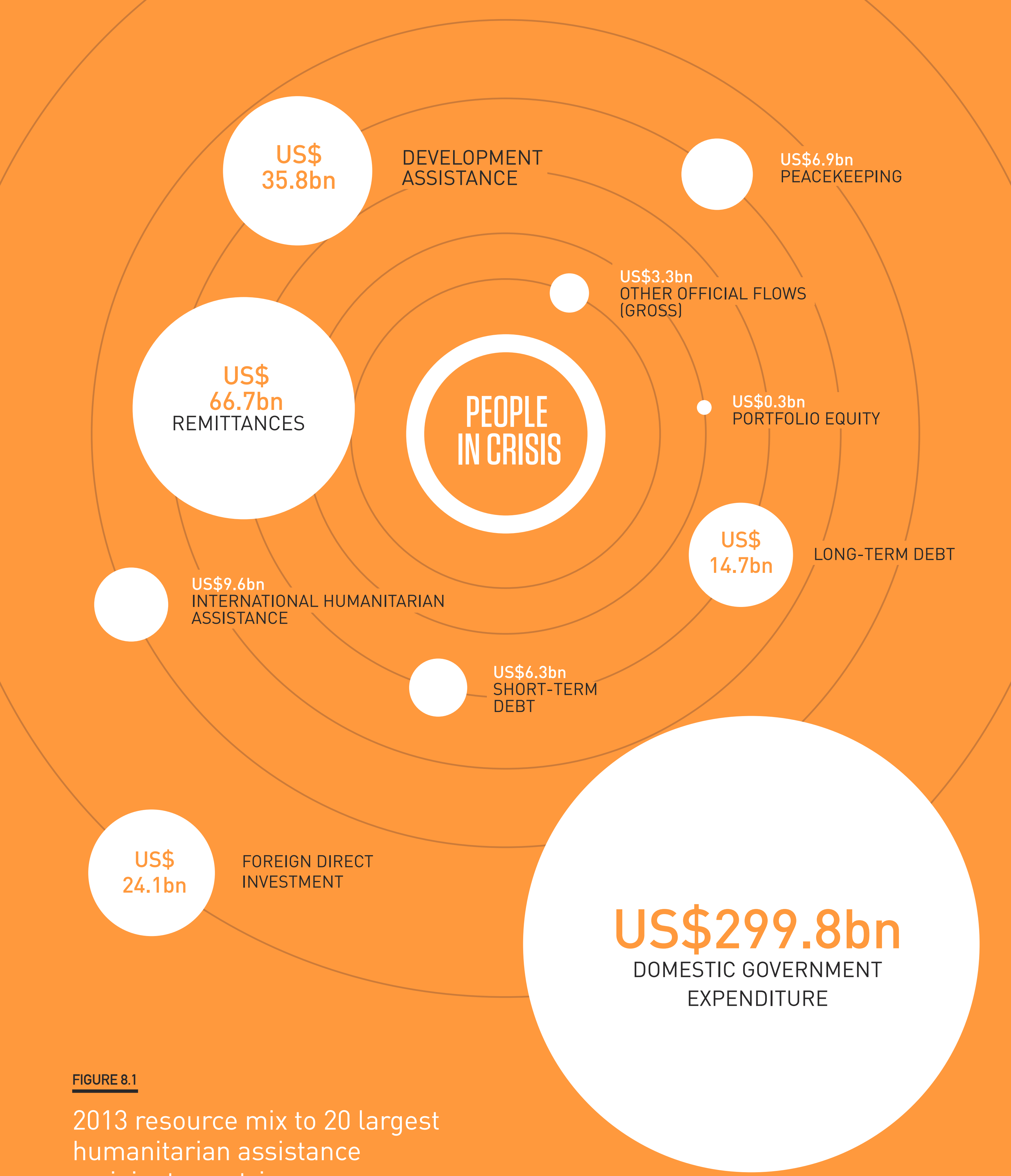


FIGURE 8.1

2013 resource mix to 20 largest humanitarian assistance recipient countries

Source: OECD DAC; UN OCHA FTS; UNCTAD, United Nations Conference on Trade and Development; UN Central Emergency Response Fund, UN CERF; World Bank; Stockholm International Peace Research Institute, SIPRI; International Monetary Fund World Economic Outlook, IMF WEO.
Note: Data in this graph refers to 20 largest humanitarian recipients 2013. Recipient data for some resource flows is not available and therefore is excluded from the graph and throughout the chapter unless otherwise stated.

The current mix of resources to large recipients of humanitarian assistance

With 93% of people in extreme poverty living in either politically fragile or environmentally vulnerable countries (see Chapter 1), the challenge of addressing poverty, vulnerability and crisis is one that requires a complex and dynamic mix of approaches, tailored to the context. Some 31% of people in extreme poverty live in countries that are both environmentally vulnerable and politically fragile. Humanitarian assistance may have a vital function in meeting the acute needs of the most vulnerable. But the wider challenge is a multi-faceted one that cannot be addressed through humanitarian approaches alone.

This is not just a question of better mobilising or linking relief to development funding. The post-2015 financing agenda presents a fundamental shift from an international-aid-driven focus under the Millennium Development Goals (MDGs) to the explicit recognition of the potential of multiple sources of finance. This includes public and private, domestic and international finance, and encompasses a broad range of actors across development, commercial, security and environmental sectors. The challenge facing the suite of high-level processes set for 2015 and 2016 is to determine how such resources should come together, working to their comparative advantages towards a shared vision of sustainable, resilient development.

Understanding the mix of resources available and how this differs from one context to another is the first fundamental step towards this. As Figures 8.2 and 8.3 show, there is a clear contrast in the resource mix between the group of countries receiving large volumes of international humanitarian assistance and other developing countries, although the countries within each of these groups all have different and dynamic needs and resource profiles.

For most countries, domestic public revenues and expenditures are the largest resource. An overview of the 20 largest recipients of international humanitarian assistance in 2013 shows that this group of countries is no exception. However, government expenditures are comparatively low, at PPP$981 per person per year, compared with PPP$2,444 per person per year in other developing countries.

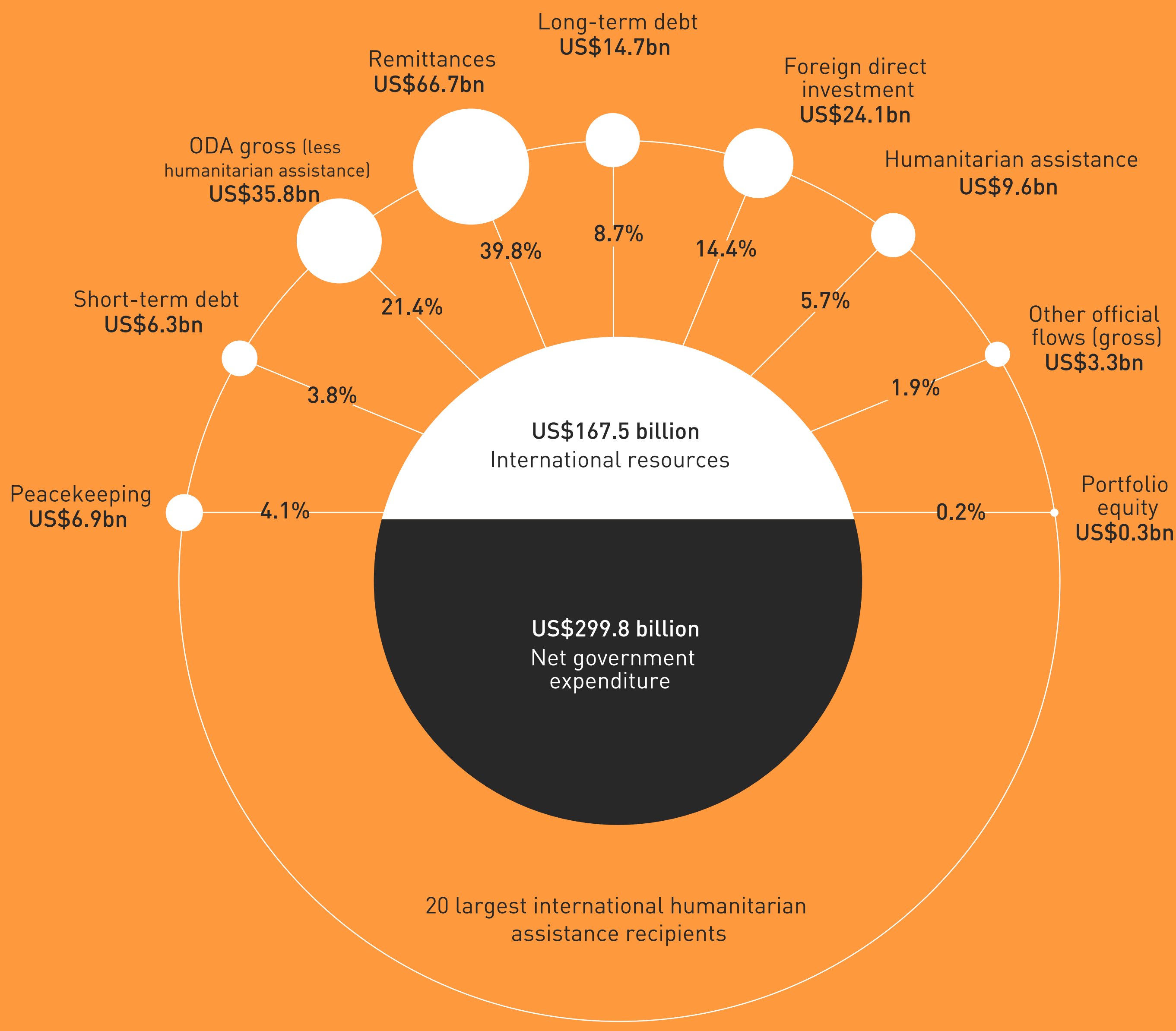
The mix of international inflows also differs substantially. In 2013 remittances constituted the largest proportion of inflows for the 20 largest humanitarian assistance recipients – some 40%, more than double the 17% of other developing countries. The Philippines (US$26.7 billion), Pakistan (US$14.6 billion) and Lebanon (US$7.6 billion) were the largest remittance recipients within the group.

ODA was the second largest inflow to this group of 20 countries, accounting for 21% of inflows, five times the 4.2% in other developing countries. For some countries proportions are substantially higher, such as Afghanistan (68%), Myanmar (67%) and Ethiopia (51%). Unsurprisingly, the share of humanitarian assistance (5.7%) and peacekeeping (4.1%) ODA is also much greater than in other countries (just 0.1% each).

Conversely, debt and commercial finance characterise the profile of international flows to other developing countries. Long- and short-term debt combined accounted for 45% of inflows to other developing countries compared with 13% to the top humanitarian recipients. Of these flows, over 80% went to just four of the top humanitarian recipients– Jordan, Lebanon, Pakistan and the Philippines. Similarly, foreign direct investment (FDI) as a proportion of resources going to large humanitarian recipients (14%) was just over half that of other developing countries (25%). The Philippines (US$3.9 billion), Sudan (US$3.1 billion), Iraq (US$2.9 billion), Lebanon (US$2.8 billion) and Myanmar (US$2.6 billion) were the largest recipients within the group, accounting for 63% of the total – much of which concerns large extractive industries.

FIGURE 8.2

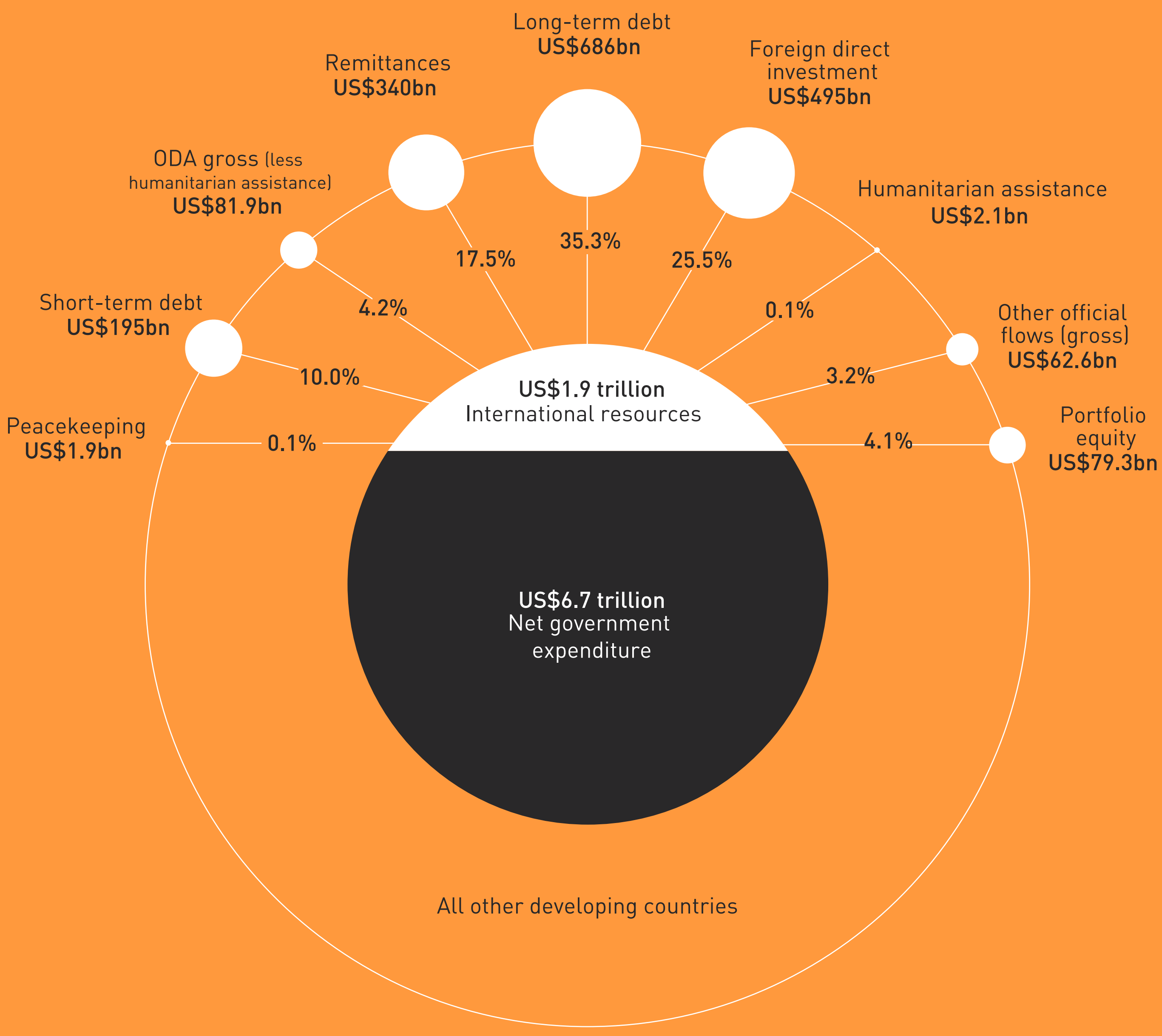
Resource mix to the 20 countries receiving most international humanitarian assistance, 2013



Source: Development Initiatives based on OECD DAC, UN OCHA FTS, UNCTAD, UN CERF, World Bank, IMF WEO and SIPRI data.
Note: Data in this graph refers to the largest 20 humanitarian recipients in 2013. Recipient data for some resource flows is not available and therefore is excluded from the graph and throughout the chapter unless otherwise stated.

FIGURE 8.3

Resource flows to all other developing countries, 2013



Source: Development Initiatives based on OECD DAC, UN OCHA FTS, UNCTAD, UN CERF, World Bank, IMF WEO and SIPRI data.

Vulnerability, poverty, crisis and domestic public resources

The data is clear: vulnerability, poverty and crisis are inextricably linked (see Chapter 1). Crises drive people into poverty and further undermine their ability to improve their wellbeing, while poverty erodes peoples' resilience to subsequent shocks. Nine of the twenty largest recipient countries of international humanitarian assistance between 2004 and 2013 have more than a quarter of their population below the international $1.25 extreme poverty line. Two of these twenty countries (Democratic Republic of Congo (DRC) and Haiti) have poverty rates of over 50%. And two countries (DRC and Burundi) of the three with the highest poverty rates in the world have received humanitarian assistance year on year on a long-term basis.

International humanitarian assistance is needed only when domestic resources are insufficient. In aggregate, government spending in countries requiring international humanitarian assistance is much lower than in other developing countries. In 2013 per capita government expenditure in the twenty largest humanitarian assistance recipients over the previous decade averaged PPP$1,140 – less than half of the PPP$2,466 average in other developing countries. Seven of the fifteen countries with the lowest levels of government spending per person are long-term recipients of humanitarian assistance. All seven have per capita expenditures under PPP$350 a year – less than PPP$1 per person per day.

As shown in Figure 8.4, crisis and high poverty levels often go hand-in-hand with low domestic spending. As Chapter 7 also notes, many long-term recipients of international humanitarian assistance are countries with extremely low levels of domestic resources and high levels of poverty. For example, the Central African Republic, a long-term recipient and currently a Level 3 emergency, records the lowest government expenditure per person in 2013 (PPP$78 per person – 3% of that spent by other developing countries) together with high poverty rates (57%). Similarly long-term recipients DRC and Burundi, with two of the three highest poverty rates, have per capita government expenditures under PPP$270 a year.

Increased government revenues and expenditure does not automatically result in improved resilience for the poorest and most crisis-affected people. For that to happen, what and who it is spent on is critical. Political decisions must be made to target investments that will benefit those most vulnerable to crisis – often those who are most marginalised within countries. The relevance of domestic resources also varies widely depending on the type of crisis – government expenditure may be crucial for people in natural-hazard settings and in refugee-hosting countries, but clearly will not benefit all civilians caught up in active civil wars.

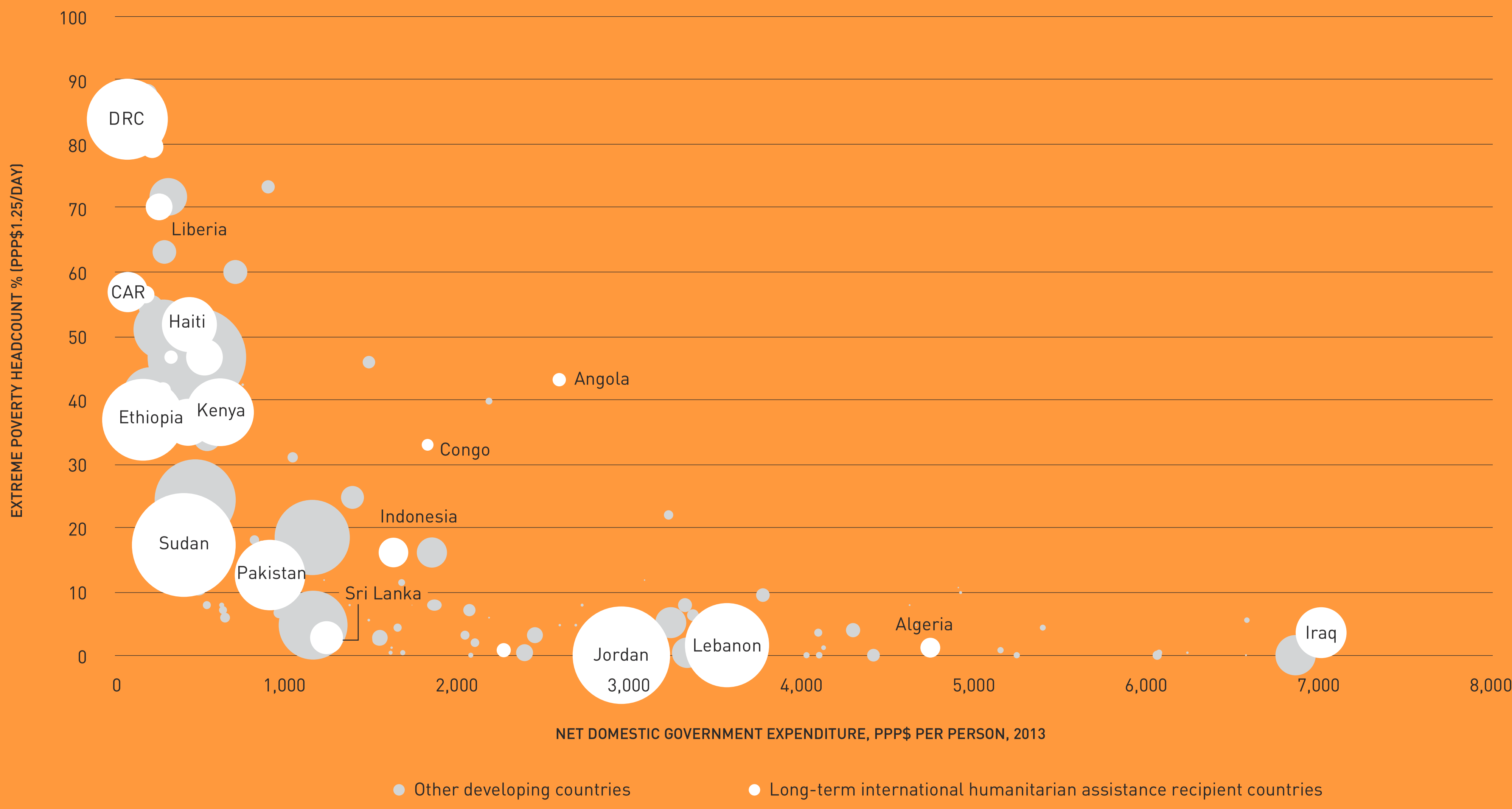
However, without increased and dedicated financial capacity, countries are unable to invest in disaster risk reduction or have the fiscal space to cope with certain shocks. Thus the UN Financing for Development process emphasises the need to mobilise domestic public resources as an overarching financing priority, while the 2015 Sendai Framework for Disaster Risk Reduction (DRR) squarely locates the central focus of investment in DRR for building resilience specifically with national governments.

DATA POVERTY: GOVERNMENT SPENDING

Government spending, or revenues, per person[1] can be used as a proxy for understanding the potential capacity of domestic public institutions – however, it captures total spending from government as a whole and does not indicate the volumes directed to crisis prevention and response or differentiate between the varying degrees of priority that different countries place on these. As Chapter 3 notes, although some governments are becoming more open and transparent in their finances,[2] detailed, comparable and current information on domestic humanitarian financial flows, for example from contingency or disaster funds, is difficult to access. In the case of Figure 8.4, 15 countries are excluded from the analysis due to the lack of current data even on overall government expenditure. Six of these – Cuba, Myanmar, Somalia, Syria, occupied Palestinian territory (oPt) and Korea DPR – are long-term recipients of humanitarian assistance.

FIGURE 8.4

Domestic government spending per person against poverty, showing countries receiving long-term international humanitarian assistance

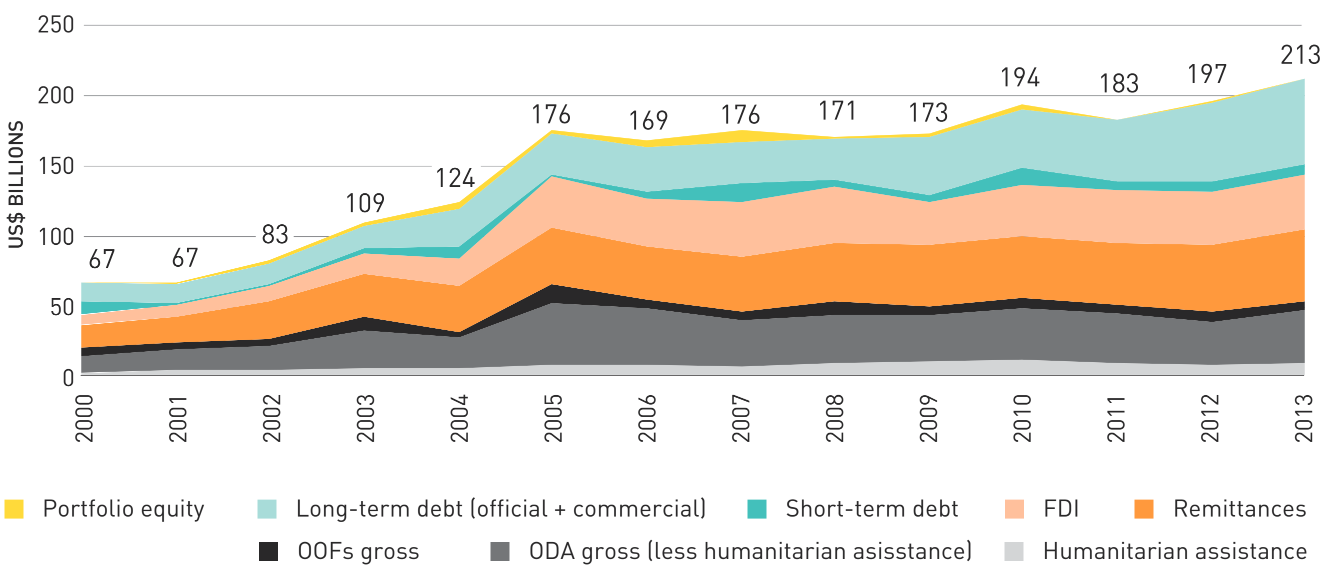


Source: Development Initiatives based on OECD DAC, UN OCHA FTS, UNCTAD, UN CERF, World Bank and IMF WEO data.
Notes: The bubble for each country is scaled by the amount of humanitarian assistance received in 2013; x-axis caps net government expenditure per person at PPP$8,000; 15 countries are excluded due to missing data, including six long-term humanitarian recipient countries. Extreme poverty refers to people living below the poverty line of PPP$1.25 a day in 2011.

International resources: trends and growth

FIGURE 8.5

Trends in resource flows to the 20 countries receiving most humanitarian assistance, 2000–2013



Source: Development Initiatives based on OECD DAC, UN OCHA FTS, UNCTAD, UN CERF, World Bank and IMF WEO data.
Note: Data in this chart is based on the largest 20 recipients of humanitarian assistance, 2004–2013.

Limited domestic finance in many crisis-affected countries (see Figure 8.4) means that international resources are vital, as Chapter 3 also explores. International resources are required in different volumes and configurations to respond to immediate needs and to invest in preventive and durable solutions.

Such international sources are multiple, spanning public, private and commercial finance – from loans from multilateral banks to governments, to remittances between households. In aggregate, such flows to the group of 20 countries receiving the largest amounts of international humanitarian assistance between 2004 and 2013 have more than tripled since 2000, reaching US$213 billion in 2013 (US$204 billion excluding international humanitarian assistance).

International humanitarian assistance is comparatively small but remains a vital source of assistance to such countries. It is quickly able to reach places and people that other resources cannot or do not. Although it has grown rapidly since 2000, increasing just under five-fold by 2013, it remains a small fraction of all international flows even to the group of largest recipients. It averaged 4.5% of the total over the period since 2000, a proportion that has fluctuated.

At the same time, the value of remittances – an immediate, flexible and often predictable source of finance that can reach households directly – to the 20 largest humanitarian recipient countries has tripled since 2000. Commercial FDI, with its potential for broad-based development through investments such as infrastructure, has increased more than five-fold over the period, while ODA, which can more directly target the poorest people, has more than tripled.

However, resources (including ODA) have not necessarily gone to the most vulnerable countries. While eight of the largest humanitarian recipients between 2004 and 2013 fall within the largest 20 recipients of ODA,[3] a further eight (Sudan, Lebanon, Zimbabwe, Syria, Chad, Somalia, South Sudan and Myanmar) are outside the largest 40 ODA recipients. This suggests that longer-term aid investments have not accompanied or followed on from humanitarian response (see also Chapter 7), particularly in fragile states. Sudan, the largest humanitarian recipient between 2004 and 2013 was only the 46th largest ODA recipient when humanitarian assistance is excluded.

FDI encompasses a range of investments including those that both boost economies and improve resilience and those that can bypass the poorest and aggravate natural and human hazards. It is also concentrated in a small number of recipient countries, notably Indonesia, which accounted for just under a third of FDI going to the largest humanitarian recipients. Resource-rich Iraq and Sudan also accounted for large proportions, concentrated in the extractive industry sector rather than other productive investments.

International resources per person

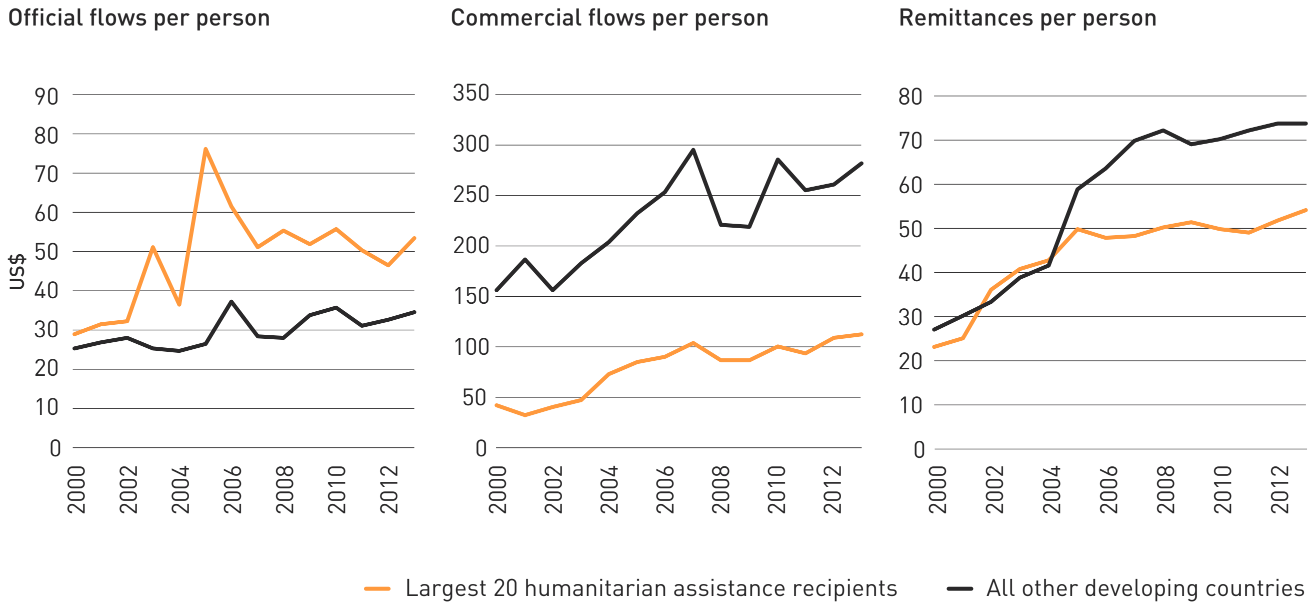
Volumes of international resources to the countries receiving most international humanitarian assistance have not kept pace with those in other developing countries – particularly when viewed on a per capita basis. In total, 2013 international resource flows were equivalent to US$224 per person for the largest humanitarian recipients, compared with US$392 per person for other developing countries. Thus, for many countries that have faced significant crises, domestic fiscal capacity has been limited while their ability to attract productive international investments has fallen behind those of other developing countries.

For many developing countries, commercial flows such as FDI, portfolio equity and lending by commercial creditors, account for the largest inflows. However, for the top 20 humanitarian assistance recipients they are less than half those in other developing countries in per capita terms, at US$116 and US$284 respectively. Excluding Indonesia, this falls to US$57 per person for the other 19 largest recipients of HA. Remittances, while constituting a significant proportion of international flows to the largest 20 recipients of international humanitarian assistance, are lower in volume than to other developing countries, at US$54 per person in 2013 compared to US$74 per person.

Flows of official finance (ODA, humanitarian assistance, other official flows and official long-term debt) to the largest recipients of humanitarian assistance, however, are significantly larger than to other developing countries in per person terms. From similar levels in 2000 at US$29 and US$25 respectively, official financing for the top recipients of international humanitarian assistance has grown more rapidly, rising to US$53 per person in 2013, compared with US$34 for other developing countries.

FIGURE 8.6

Official international flows per capita to the 20 countries receiving most humanitarian assistance and all other developing countries, 2000–2013

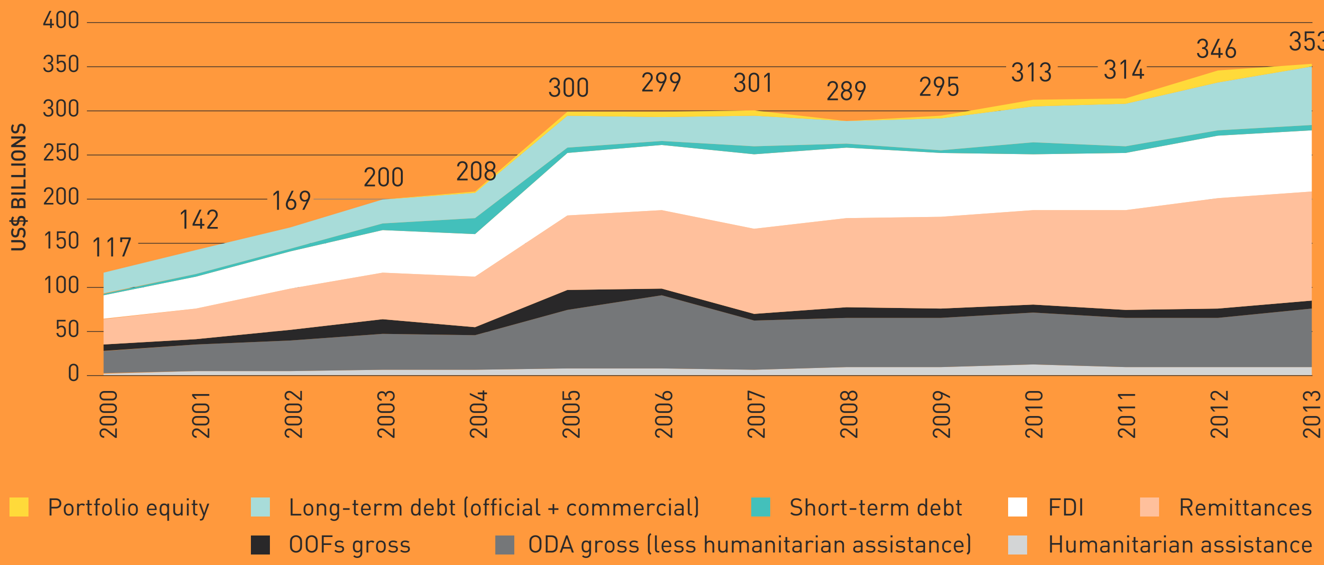


Source: Development Initiatives based on OECD DAC, UN OCHA FTS, UN CERF, IMF WEO and World Bank data.
Notes: Official flows comprised of ODA, other official flows, humanitarian assistance and official long-term debt. Data in this chart referring to top 20 humanitarian assistance recipients is based on the top 20 recipients of humanitarian assistance, 2004–2013. Commercial flows comprised of commercial long-term debt, short-term debt, FDI and portfolio equity. Data in this chart is based on the top 20 recipients of international humanitarian assistance, 2004–2013.

International resource flows to fragile and conflict-affected states

FIGURE 8.7

International resource flow trends to long-term fragile states, 2000–2013



Source: Development Initiatives based on FFP Fragile States Index, OECD DAC, UN OCHA FTS, UNCTAD, UN CERF, World Bank and IMF WEO data.
Notes: See Data & Guides for definition of long-term fragile states. Approved peacekeeping resources attributable to recipient countries that are long-term fragile states are not included in the chart as data is available only for 2013. However, 2013 peacekeeping to long-term fragile states stood at US$7 billion (82% of peacekeeping to developing countries).

There are many different drivers of risk and vulnerability that make a country 'fragile' – including conflict and civil unrest and weak state institutions – and the group of fragile states includes countries with very different levels of fragility. Fragility also means a lack of resilience to environmental as well as conflict-related shocks, resulting in complex crises.

The particular challenges faced by fragile and conflict-affected states, such as the development and monitoring of governance institutions, were not incorporated into the MDG framework, nor were the contexts of implementing existing MDGs in such countries considered. This lack of focus has, in part, led many fragile states to fall further behind in social and economic progress.[4] Fragile states, while often starting from a low base, score poorly across current MDG indicators and over one-third are 'seriously off target' on meeting MDG 1 of halving poverty rates.[5] Further, poverty is expected to become increasingly concentrated in such countries as their progress continues to fall behind.

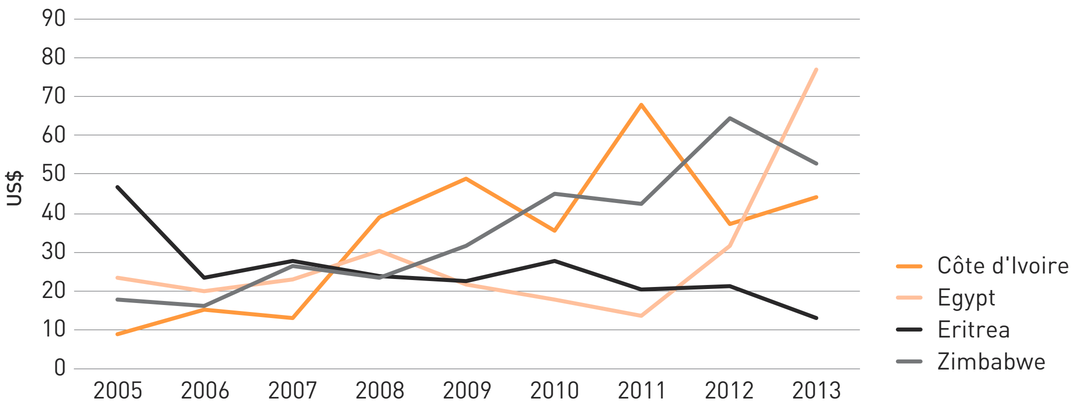
Conflict can reverse development gains achieved over decades. For example, countries experiencing major violence between 1981 and 2005 have extreme poverty rates 21 percentage points higher than more peaceful states.[6] But recent progress witnessed across a number of fragile states, such as Guinea and Timor-Leste, demonstrates that progress is achievable, even in challenging circumstances.

These challenges are now explicitly recognised in the new framework of the post-2015 sustainable development goals (SDGs), with justice, safe and peaceful societies and strong institutions recognised by the UN Secretary-General's Synthesis Report[7] as one of the six essential elements for meeting post-2015 goals. However, much work is needed to better implement the principles of the 2011 New Deal[8] and achieve tangible results. Capitalising on key development finance themes of the post-2015 agenda, more innovative and flexible uses of aid will be needed to support nationally led plans, help countries build domestic revenues and attract productive international finance.

Aggregate international resource flows to long-term fragile states may appear to have increased significantly since 2000, rising more than three-fold to US$353 billion, or US$228 per person, in 2013. However, much of this growth happened in the early 2000s and since 2005 growth has been slower, at an average 2% per year.

FIGURE 8.8

ODA per capita volatility to selected long-term fragile states, 2005–2013



Source: Development Initiatives based on FFP Fragile States Index, OECD DAC and World Bank.
Note: ODA excludes debt relief and humanitarian assistance.

In 2013, 56% of gross country allocable ODA (excluding humanitarian assistance) was allocated to long-term fragile states overall. However, distribution has been uneven, with large proportions going to a limited number of countries such as Afghanistan and Egypt. And despite the international focus on fragile states articulated through the New Deal in 2011, stagnating levels of aid globally mean that such attention has not translated into substantial increases in financing. Since 2010 the proportion of ODA to fragile states has fluctuated by only a few percentage points each year and 2013 proportions are almost the same as those before the New Deal in 2010.

Conversely, a number of other resources such as remittances have continued to grow. Remittances, accounting for the largest financial flow to long-term fragile states (35% of international flows in 2013) can play an important role during the immediate aftermath of crisis and in building resilience. However, remittances tend to be concentrated in countries such as Nigeria, Pakistan and Bangladesh with large and economically active diaspora populations. Similarly, FDI flows are concentrated in resource-rich countries such as Colombia (17% of total FDI to long-term fragile states during 2000–2013), Nigeria (12%) and Iran (6%).

The transition from conflict or political fragility to stability takes time; and investments in peace and security, strengthening institutions and governance require sustained commitment. The type and predictability of financing, as well as the complementarity of responses to immediate crisis and ongoing developmental support, are as crucial as overall volumes (see, for example, the use of non-humanitarian pooled funds in Chapter 5).

However, despite the counter-cyclical advantages of ODA, aid provided to fragile and conflict-affected states is often volatile and unpredictable. Across all 70 countries classified as fragile states in 2013, 36 experienced four or more aid shocks – a 15% or more fluctuation in aid from one year to the next – between 2005 and 2013. For some countries aid fluctuations are substantial. For example, the four long-term fragile states Côte d'Ivoire, Egypt, Eritrea and Zimbabwe have each experienced more than five shocks in the past eight years.

International resources to address conflict and insecurity

Humanitarian assistance can respond to the impacts of conflict and insecurity but it cannot deal with the causes: political stability, governance and effective institutions lie at heart of durable solutions. ODA can play a critical role in transitioning from a humanitarian response to conflict or fragility to a longer-term developmental focus.

A small proportion of security and peacekeeping expenditure can be reported as ODA under the heading of 'conflict, peace and security ODA' (CPS). This captures security and peacekeeping spending which has a development objective and does not involve direct military support and includes conflict resolution, landmine clearance and some security sector reform activities. However, this remains a controversial category and reporting practices vary by donor.

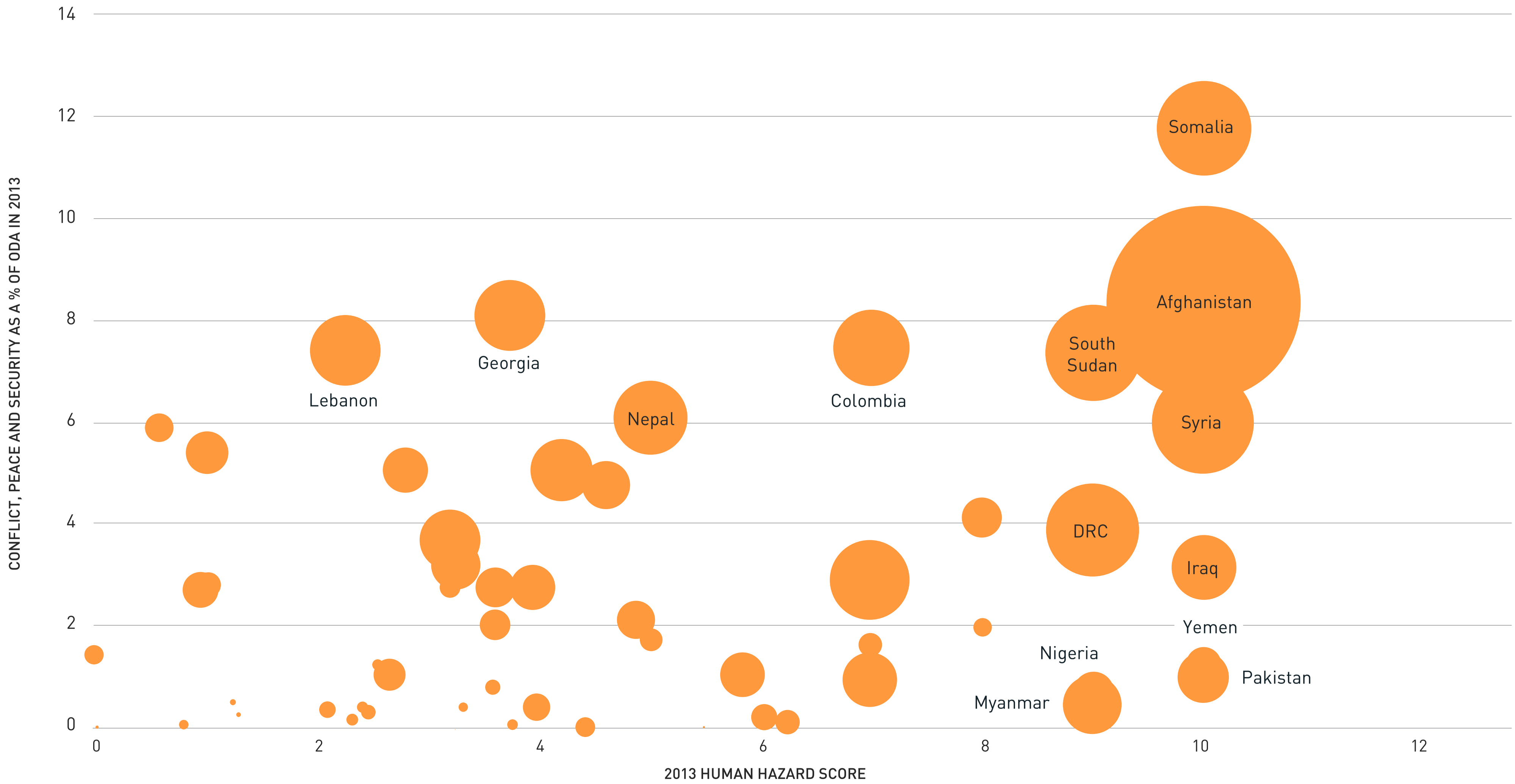
Aid supporting the Peacebuilding and Statebuilding Goals (PSGs) endorsed under the 2011 New Deal for Fragile States has tended to target countries most at risk of 'human hazards' according to the INFORM index, as seen in Figure 8.9. Larger volumes of conflict, peace and security spending, for example, have been disbursed to high-risk countries such as Afghanistan, Somalia and Syria, where such funding also constitutes large proportions of total ODA (8.4% and 11.8% for Afghanistan and Somalia respectively). However, for a number of long-term fragile states at high risk of conflict, such as Myanmar, Nigeria, Pakistan and Yemen, conflict, peace and security spending accounts for very small proportions of total ODA (0.5%, 0.73%, 1.0% and 1.3% respectively).

With just 2.5% of total ODA to fragile states spent on conflict, peace and security, overall proportions remain small.

Further, at just 2.5% of total ODA to fragile states spent on conflict, peace and security, overall proportions remain small. While more than double the proportion spent in other developing countries, such proportions are low compared with the need to engender security and rule of law. However, significantly more may be spent by donors outside of their ODA (see box on 118). Less than 0.5% of ODA, for example, was spent on security-system management and reform, falling even lower when Afghanistan and Iraq are discounted. Just 3.0% of ODA to fragile states went on legal and judicial development and legislatures and political parties, and only 5.6% on spending related to broader political processes.

FIGURE 8.9

Conflict, peace and security ODA spending to long-term fragile states against INFORM's human hazard score, 2013



Source: Development Initiatives based on OECD DAC CRS, FFP Fragile States Index and INFORM data.
Notes: The size of each bubble is scaled by the volume of CPS ODA in 2013. Higher scores on the x axis mean a greater likelihood of human hazard.

Peacekeeping

Spending on peacekeeping operations has grown rapidly since the early 2000s and, after a fall between 2011 and 2012, it grew in 2013 to a high of US$9.82 billion (marginally higher than the 2011 total of US$9.79 billion). Preliminary data suggests further growth in 2014: UN missions, which have historically accounted for the majority of total peacekeeping budgets, grew 46% from 2013, to US$8.5 billion.

This growth is partly attributable to increased spending on nine of 15 existing peacekeeping missions. Spending on some missions increased dramatically: the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (US$960 million increase between 2013 and 2014); the United Nations Multidimensional Integrated Stabilization Mission in Mali (US$530 million increase); and the United Nations Mission in the Republic of South Sudan (US$215 million increase). Spending on these existing missions combined increased by 22%. A new mission was established in 2014: the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic, with an estimated budget of US$629 million.

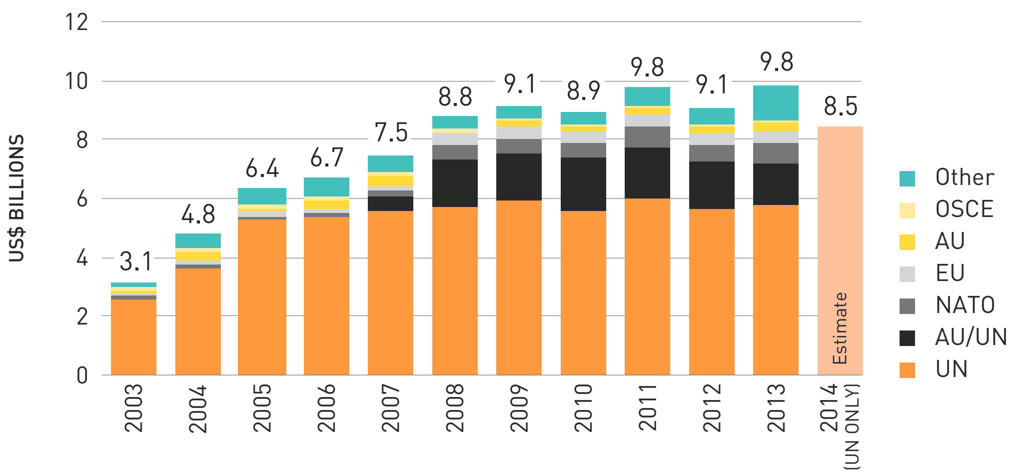
Between 2012 and 2013, spending on other specific peacekeeping missions increased, from US$0.5 billion in 2012 to US$1.2 billion, largely attributable to the French military Operation Sangaris in the Central African Republic (CAR) (costing US$130 million) and Serval in Mali (costing US$863 million). The cost of Operation Licorne in Côte d'Ivoire also increased by US$19 million between 2012 and 2013.

DATA POVERTY: SECURITY SPENDING

The volumes of ODA represented in Figures 8.9 and 8.10 do not represent the totality of investments in security in fragile and conflict-affected states: those reported as channelled in the form of ODA are likely to be a small proportion of the total. However, beyond that spent through ODA there are no international standards for monitoring security spending and data is scarce. As a global public good, better information on both international and national security spending in such countries is crucial. This would inform understanding of its impacts (both positive and negative) on the most vulnerable people, and help to improve understanding of both the opportunity costs and potential of such expenditure to work more effectively with other resources to build stability.

FIGURE 8.10

Peacekeeping budgets, 2003–2014

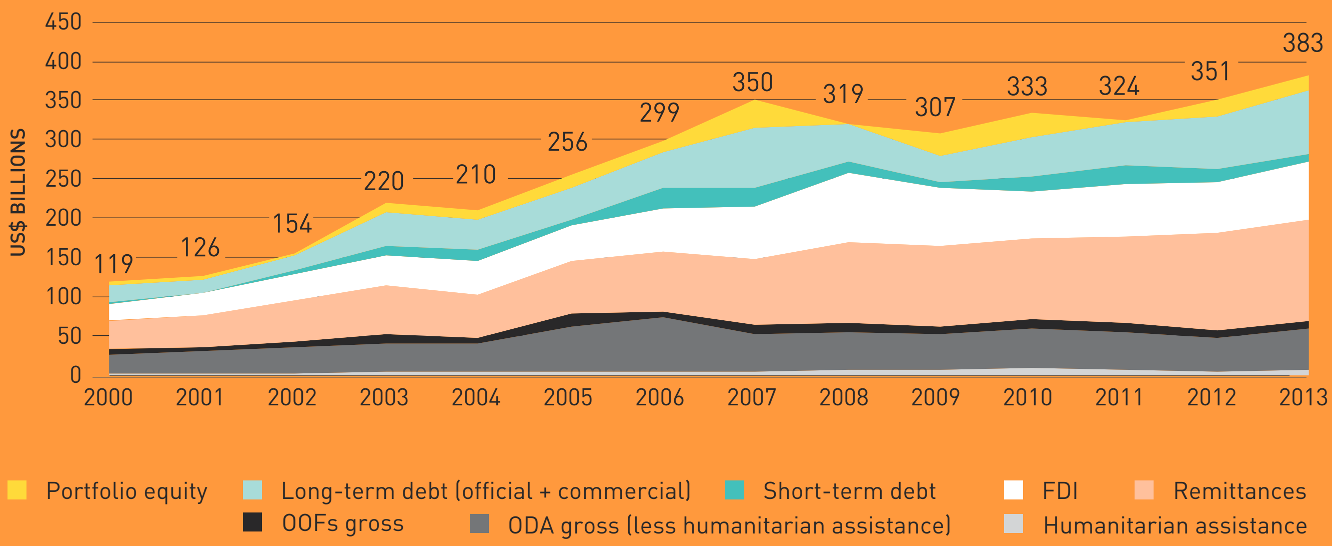


Source: Development Initiatives based on SIPRI and UN data.
Notes: Figures are peacekeeping budgets attributable to missions, including ECCAS, ECOWAS, OAS, CIS and other bilateral or independent peacekeeping missions, excluding the multinational force in Iraq (2003–2006). The 'UN' category includes political and observer missions; the UN 2014 figure is an estimate based on approved mission budgets. Data is in current prices. OSCE, Organization for Security and Co-operation in Europe.

International resources to environmentally vulnerable states

FIGURE 8.11

Trends in resources to environmentally vulnerable countries, 2000–2013



Source: Development Initiatives based on INFORM, OECD DAC, UN OCHA FTS, UNCTAD, World Bank and IMF WEO.
Note: For definition of environmentally vulnerable countries refer to Data & Guides.

Despite recognition of the importance of investing in disaster preparedness and risk reduction,[9] progress has been slow in the ten years since Hyogo.[10] Exposure to hazards has outpaced efforts to reduce vulnerability: more than 1.5 billion people were affected by disasters in the last decade, with women and children in environmentally vulnerable countries disproportionately affected.

With a new global deal agreed at Sendai, Japan[11] in 2015, ambition has been renewed and enhanced. Though lacking quantified targets, a series of goals to substantially reduce the impact of disasters has been agreed to enable progress to be monitored against clear development outcomes.

Tackling the drivers of vulnerability is an important priority in the Sendai framework, necessitating scaled-up investment, disaster risk mainstreaming, and improved coordination and risk governance among diverse actors. Investments in disaster risk management already come from a range of stakeholders and use of public–private risk-financing mechanisms is growing (see Chapter 7). However these innovative models are less feasible in contexts of protracted, conflict-related complex crises.[12] Given that 30 of the 38 environmentally vulnerable countries are also considered politically fragile (see Chapter 1), different models to implement risk investments are required in such contexts.

International and national public financing therefore remains crucial. However, data limitations (see Chapter 6) mean it is difficult to assess the present scale of such investments. Many countries are investing in disaster risk reduction (DRR) (see Chapters 3 and 6) but in-depth budgetary assessments will be needed to assess the impact of Sendai. Similarly, ODA investments in DRR lack a clear methodology to benchmark progress and outcomes.[13]

International resource flows to environmentally vulnerable countries have grown rapidly since 2000, rising three-fold to reach a total US$383 billion in 2013, or US$156 per person. Remittances, the largest resource flow to the group, grew from US$36 billion in 2000 to US$129 billion in 2013. However, these flows are concentrated in a few countries, with India accounting for 51% of remittances to the group as a whole.

Humanitarian assistance has fluctuated between 1% and 3% of total international resources to environmentally vulnerable countries every year between 2000 and 2013. The largest recipients of humanitarian assistance within the group during 2000 to 2013 were Sudan (16% of total), Afghanistan (10%) and Ethiopia (9.5%). ODA (excluding humanitarian assistance) to environmentally vulnerable countries more than doubled over the same period, rising from US$23 billion in 2000 to US$53 billion in 2013 (peaks in 2005 and 2006 are due to exceptional debt relief).

Climate adaptation financing

Climate finance presents a new opportunity to resource disaster risk reduction. While DRR and climate change adaptation have evolved separately they share many common goals and principles. Already, the small amount of climate finance going towards explicit DRR activities such as early warning systems is increasing.

Climate change is now a near certainty according to the fifth Intergovernmental Panel on Climate Change (IPCC). An increase in the frequency and intensity of climate events is set to increase the numbers of people living in poverty. One assessment for example estimates that by 2030 more than 325 million poor people will live in the 49 most affected countries.[14]

It is also certain that the impacts of climate change will not be distributed evenly. The effects will be mostly felt where people and places are most vulnerable and least resilient to these hazards. For example, according to the latest IPCC report, sub-Saharan Africa will be disproportionately affected, with the region potentially facing an aggregate 22% decline in agricultural yields by mid-century.[15] Further, the impacts of climate change are far from apolitical, nor set to be confined to neat, episodic 'natural' hazards. Maplecroft's 2015 Climate Change and Environmental Risk Atlas[16] identifies a combination of climate change vulnerability and food insecurity as escalating the risk of conflict across 32 countries, including Bangladesh, Ethiopia, India, Nigeria and the Philippines.

The links between climate, poverty, domestic capacity and conflict are already evident. For example, of the 20 countries in receipt of the most international humanitarian assistance between 2004 and 2013, six are also included in the bottom 20 countries of the University of Notre-Dame's Global Adaptation Index (ND-GAIN), which ranks 178 countries according to both vulnerability to climate change and capacity to cope with it. Of these 20 countries, over half had also experienced conflict in the last decade and all are considered fragile states.

Following the 2009 Copenhagen climate conference, international donors have reported funding US$35 billion in Fast Start Finance (more than the US$30 billion commitment)[17] for climate change support in developing countries between 2010 and 2012. Countries also committed to jointly mobilise US$100 billion a year by 2020 from both public and private sources to address the needs of developing countries. Public investments are channelled through a number of specific UN Framework Convention on Climate Change (UNFCCC) and multilateral climate funds, as well as a series of bilateral initiatives and activities. Cumulative approvals since 2002 through these channels for adaptation reached US$2.8 billion in 2014, with a significant boost following the UN Secretary-General's climate summit in September 2014. However, only US$277 million has been disbursed to date.

Bilateral ODA 'marked' by reporting donors as having a climate adaptation primary or significant purpose has also grown steadily, from US$8.5 billion in 2010 to US$10.8 billion in 2013 – a 27% rise in real terms over a period where overall bilateral sectoral commitments fell by 11%. Roughly two-thirds has gone to water and sanitation, agriculture and environmental policy sectors.

While volumes have increased, the targeting of such ODA to countries most vulnerable or least prepared for climate change has been mixed (Figure 8.12). Since 2010, 33% of bilateral country-allocable ODA marked as having climate adaptation as its primary objective has gone to least developed countries, lower than the 41% of bilateral ODA commitments over the period.

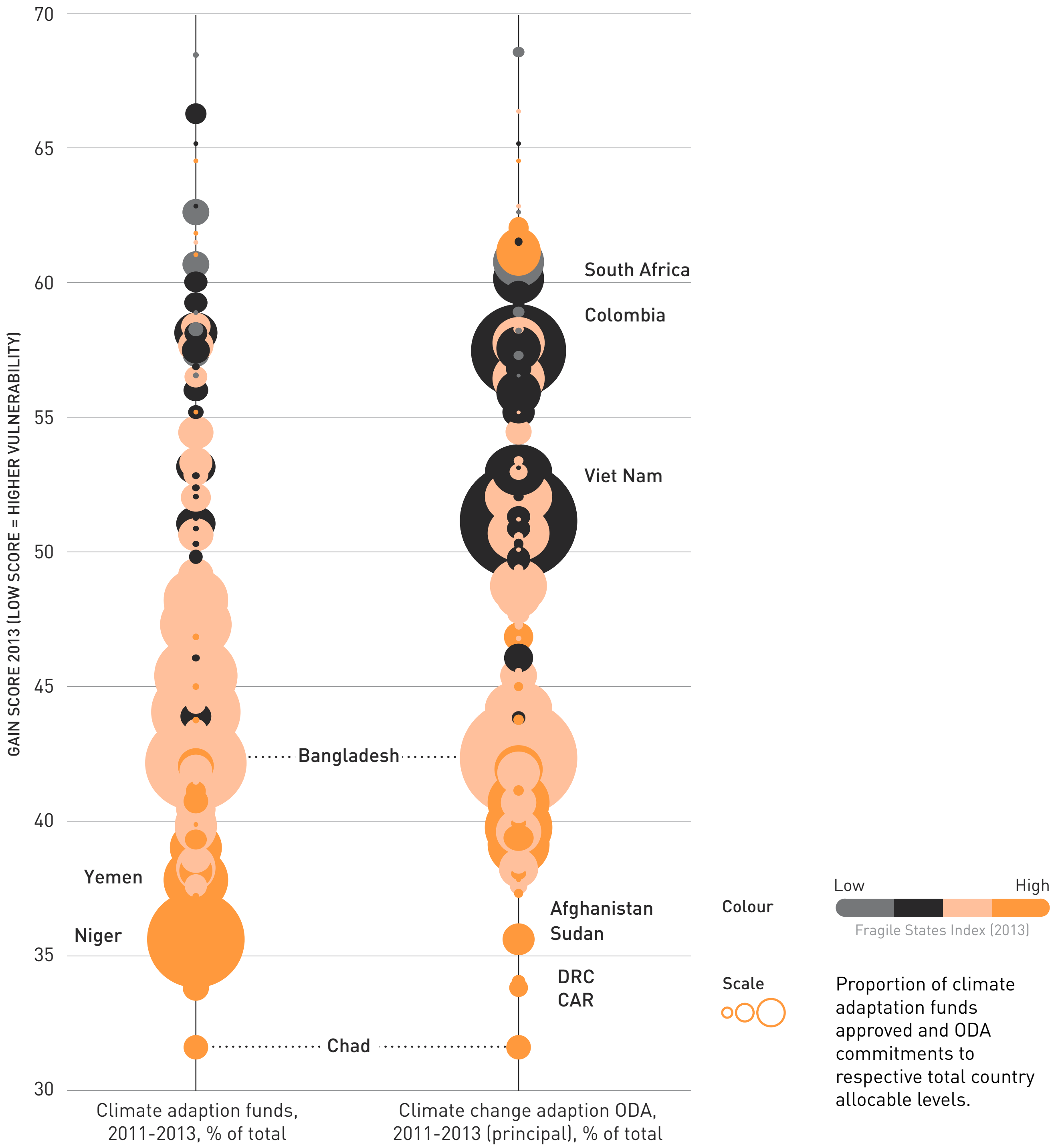
Vulnerable countries – defined by both their vulnerability to climate change and their ability to make adaptive investments – such as Bangladesh, Kenya and Ethiopia have been among the larger recipients of such ODA. However, less vulnerable countries, such as Viet Nam, South Africa, Colombia and Thailand have also received comparatively larger volumes. Conversely, many of the most vulnerable countries are among the smallest recipients of adaptation-driven ODA. Sub-Saharan, conflict-affected countries such as DRC, CAR, Liberia and Eritrea constitute the bulk of such countries, typically with high existing levels of poverty and among the lowest per capita domestic expenditures in the developing world.

Adaptation channelled through specific climate funds such as those established under the UNFCCC and the Kyoto Protocol, while accounting for smaller recorded volumes, better target more vulnerable counties. As seen in Figure 8.12, larger proportions of such funds are allocated to countries facing greater risk from and with lower capacities to manage climate change. However, even here, finance often fails to reach the most vulnerable conflict-affected countries such as DRC and Chad.

For adaptation finance to target the most vulnerable people, sub-national assessments are required (see box on data poverty in Chapter 1). However, the systems necessary to target and monitor the impacts of finance are not sufficiently developed. Many domestic governments have conducted national vulnerability assessments to identify their most vulnerable communities and ecosystems but do not have the capacity to monitor the delivery of adaptation finance at local level. Thus, as with the challenges faced in allocating ODA, it is difficult to assess whether such financing is going to where it is most needed and what impact it is having.

FIGURE 8.12

How climate-specific adaptation funds and ODA marked as adaptation target climate change vulnerability



Source: University of Notre Dame Global Adaptation Index (ND-GAIN); OECD DAC; Climate Funds Update; FFP Fragile States Index.
Notes: Climate funds include: The Least Developed Countries Fund, the Special Climate Change Fund, the Adaptation Fund, the Pilot Program on Climate Resilience of the Climate Investment Funds and the Adaptation for Smallholder Agriculture Program. Funds data and ODA data reported through separate mechanism. Some climate fund data may also be reported as ODA. ODA refers to activities where climate change adaptation is marked as its principal objective.