8
CHAPTER

WHAT OTHER RESOURCES ARE IMPORTANT?

While humanitarian assistance constitutes just 3% of international resource flows to the top humanitarian recipients, it retains a critical and unique function. It is intended to impartially and independently reach those who are in most acute need – and who are often beyond the reach of other resources. However, those worst affected by humanitarian crises are the most vulnerable: people facing poverty, insecurity and marginalisation. This means it is vital that all resources – public, private, domestic, international – are used coherently to improve the lives of these crisis-affected people in the long and the short term.

This chapter compares resource flows to the top recipients of humanitarian assistance against developing countries more broadly and finds some notable differences. For many major humanitarian assistance recipients, per capita government expenditure – a measure of a government's capacity to meet the needs of its people and manage challenges – is low, with little prospect for growth. This accords greater importance to international resources.

Official development assistance (ODA) represents more than twice the proportion of international resources for top humanitarian recipients than for other developing countries. Peacekeeping is seven times the proportion: in conflict-affected states, peacekeeping missions represent a significant source of international expenditure. Conversely, private investment constitutes a much lower proportion of international resource flows, and much of this is captured by a limited group of countries. Climate financing and new risk financing products exemplify areas where both private and public resources have a role to play in building resilience and reducing risk – but currently have limited application in crisis-affected countries. Remittances constitute an average 21% of international resources for the largest humanitarian recipients. But their significance varies widely between countries – in Pakistan, for example, they account for 66% of incoming international resources.

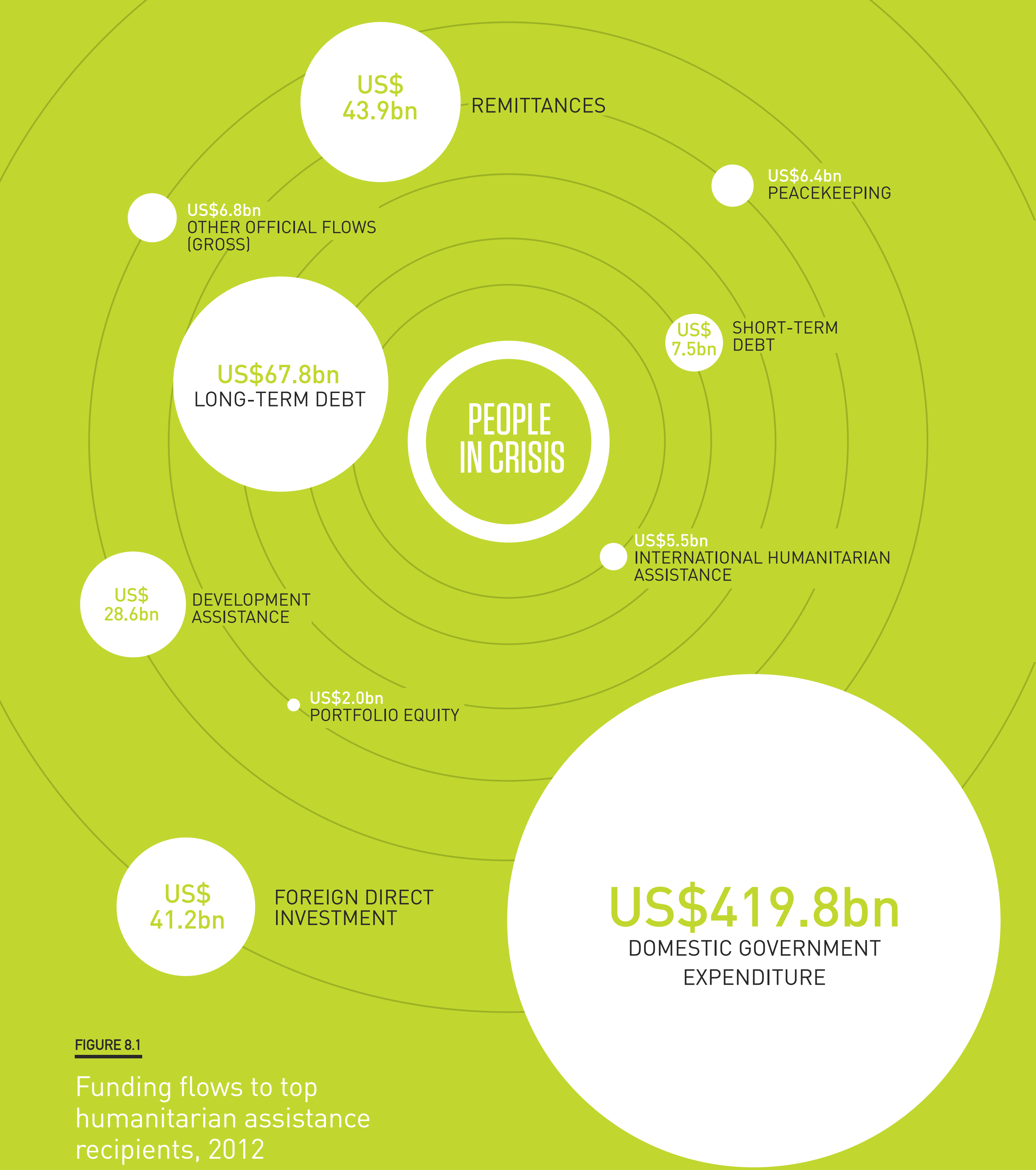


FIGURE 8.1

Funding flows to top humanitarian assistance recipients, 2012

Source: Development Initiatives based on IMF World Economic Outlook (WEO), OECD DAC, UN OCHA FTS, World Bank, UNCTAD and SIPRI data
Notes: Recipient data for some flows, such as private development assistance from NGOs, is not available and is therefore excluded from this analysis. Data in this graph and throughout the chapter includes 17 of the top 20 recipients between 2003 and 2012. Due to data limitations, West Bank & Gaza Strip, Somalia and Syria have been excluded from the analysis. Negative values for short-term debt and portfolio equity have been changed to zero.

Resources available to countries in crisis

Of the top 20 recipients of humanitarian assistance over 2003–2012, seventeen have comparable data across a range of other financial resources.[1] Comparing this group to developing countries as a whole reveals substantial differences in the scale and range of resources available.

Domestic government expenditure is by far the largest resource available to developing countries – US$6.4 trillion on aggregate in 2012. But in the top humanitarian assistance recipients, domestic expenditure per person is extremely low, averaging PPP$1,190 (when adjusted for purchasing power parity) across the group. This is just over half the PPP$2,170 average for all developing countries and just 7% of the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) average of PPP$16,920.

Among the ten largest humanitarian assistance recipients, six have extremely low domestic spending levels: Democratic Republic of Congo (DRC) (PPP$88 per person in 2012, just 4% of the all developing country average); Ethiopia (PPP$206, 9%); Haiti (PPP$433, 20%); Sudan (PPP$457, 21%); Afghanistan (PPP$471, 22%); and Pakistan (PPP$939, 43%).

DATA POVERTY: OTHER RESOURCES

Data on resource flows beyond ODA can be poor – and for some recipients, and often those most affected by crises, such as South Sudan, Somalia and the West Bank & Gaza Strip, data is minimal. There is an equal paucity of data on poverty (see Chapter 7).

While national data may be poor, sub-national data is usually completely absent. This is particularly problematic for regional and local crises within countries or in border regions, and makes it extremely difficult to target resources effectively.

> In the top recipient countries of humanitarian assistance, domestic spending per person is half of the average in developing countries – and just 7% of that in DAC member countries.

Domestic resources in most – but not all – crisis-affected countries look likely to remain stagnant with little prospect of government expenditure rising to required levels. They are trapped in a vicious circle of low income growth, which limits the potential for raising tax revenues.

These domestic limitations mean international flows are much more important for crisis-affected countries – equivalent to approximately 50% of domestic government spending available to the top humanitarian recipients, compared to the 30% developing country average.

Within these international flows to the group of top humanitarian recipients, ODA (excluding humanitarian assistance) notably accounts for more than double the proportion of international flows (14%) than for the developing country average (5%). It is the largest international resource flow for Afghanistan (75%), Kenya (49%), and Ethiopia (39%) and accounts for over one-quarter of international flows into Uganda (33%), DRC (30%), Iraq (28%) and Haiti (25%).

The proportion of humanitarian assistance to the top humanitarian recipients is six times higher than to developing countries more widely, and peacekeeping is seven times higher to the top humanitarian recipients. Although humanitarian assistance still only accounts for around 3% of total international resources to this group, it remains critical to meet needs that other resources do not. Of the top 20 humanitarian assistance recipients between 2003 and 2012, nine received over 5% of their international inflows in the form of humanitarian assistance in 2012, the highest being Chad.

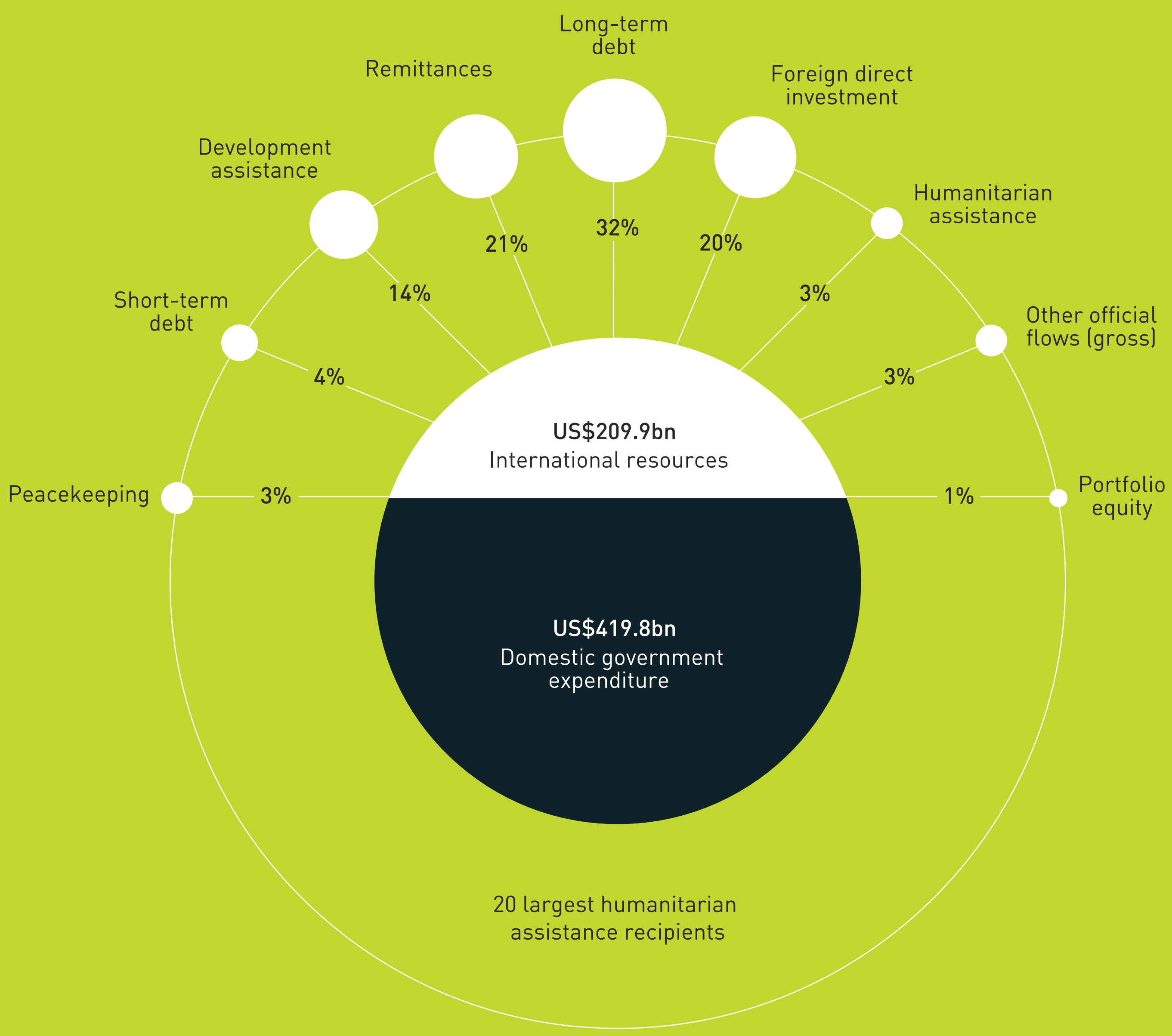
Debt was notably the largest single international resource flow to the group, in 2012: short and long-term debt combined accounted for 36% of international resources ($75.3 billion). However, three quarters of this was driven by one large emerging economy, Indonesia: debt accounted for 62% of its total resource inflows that year.

Remittances and foreign direct investment (FDI) are also significant, each accounting for over US$40 billion of inflows to the largest humanitarian recipients. Remittances account for 21% of total inflows (US$43.9 billion) and are the largest single international resource for Pakistan (66% of all international flows), Sri Lanka (51%), Jordan (43%), Haiti (39%) and Lebanon (38%).

FDI reached US$41.2 billion for the group of largest humanitarian recipient countries in 2012. This accounts for 20% of all international flows to these countries, a notably lower proportion than the 26% for developing countries. However, it accounted for more than half of inflows for Myanmar (67%) and Iraq (59%) and large proportions for DRC (41%) and Sudan (40%). All four are resource-rich countries and FDI is attracted by their large extractive industries.

FIGURE 8.2

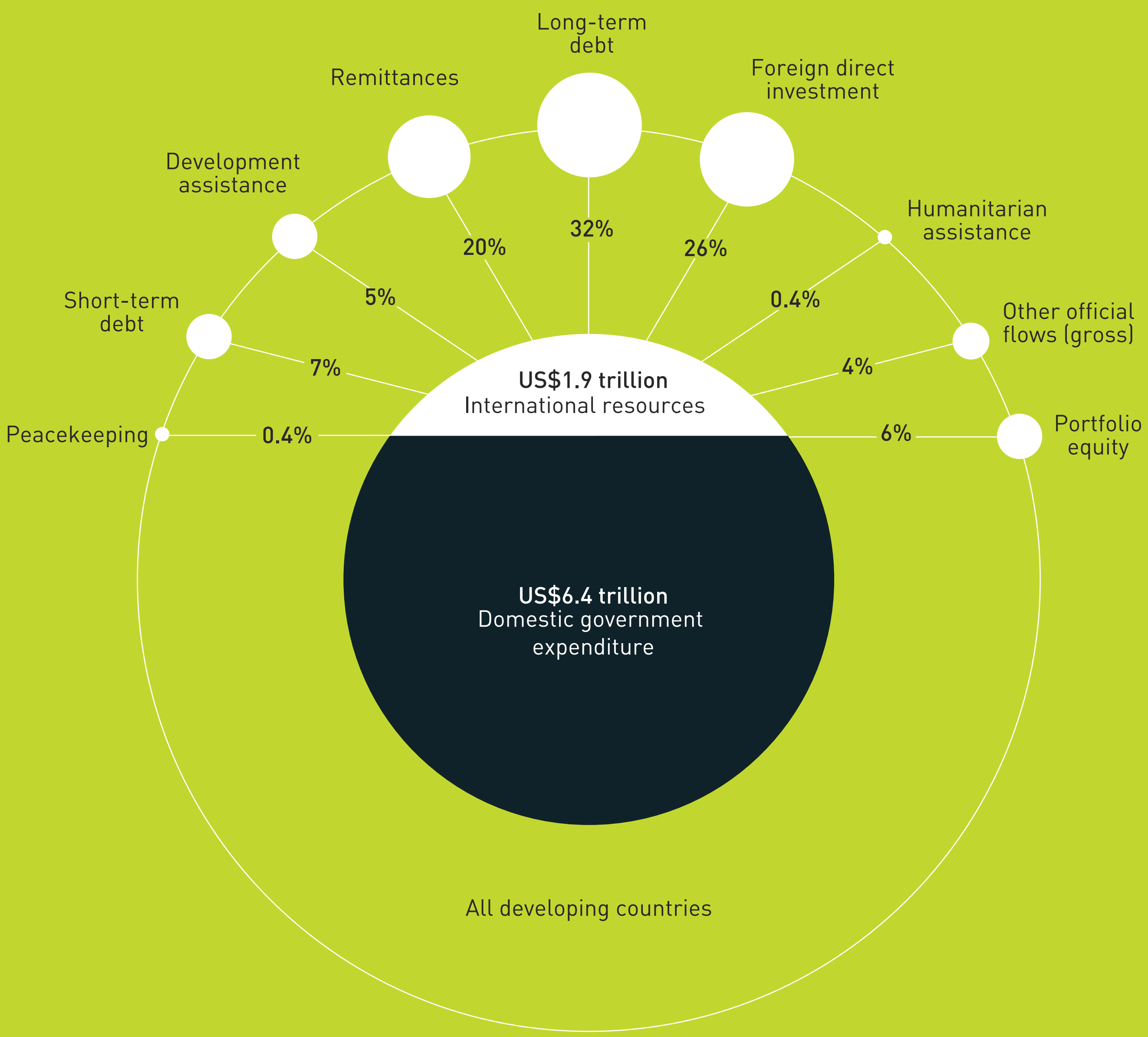
2012 resource mix for the top 20 recipients of humanitarian assistance, 2003–2012



Source: Development Initiatives based on IMF WEO, OECD DAC, UN OCHA FTS, World Bank, UNCTAD and SIPRI data
Notes: Figures are based on 2012 funding flows for 17 of the top 20 recipients of humanitarian assistance between 2003 and 2012. Humanitarian assistance is GHA's international humanitarian assistance figure. Development assistance is total ODA minus official humanitarian assistance. Negative values for short-term debt and portfolio equity have been changed to zero.

FIGURE 8.3

2012 resource mix for all developing countries, 2003–2012



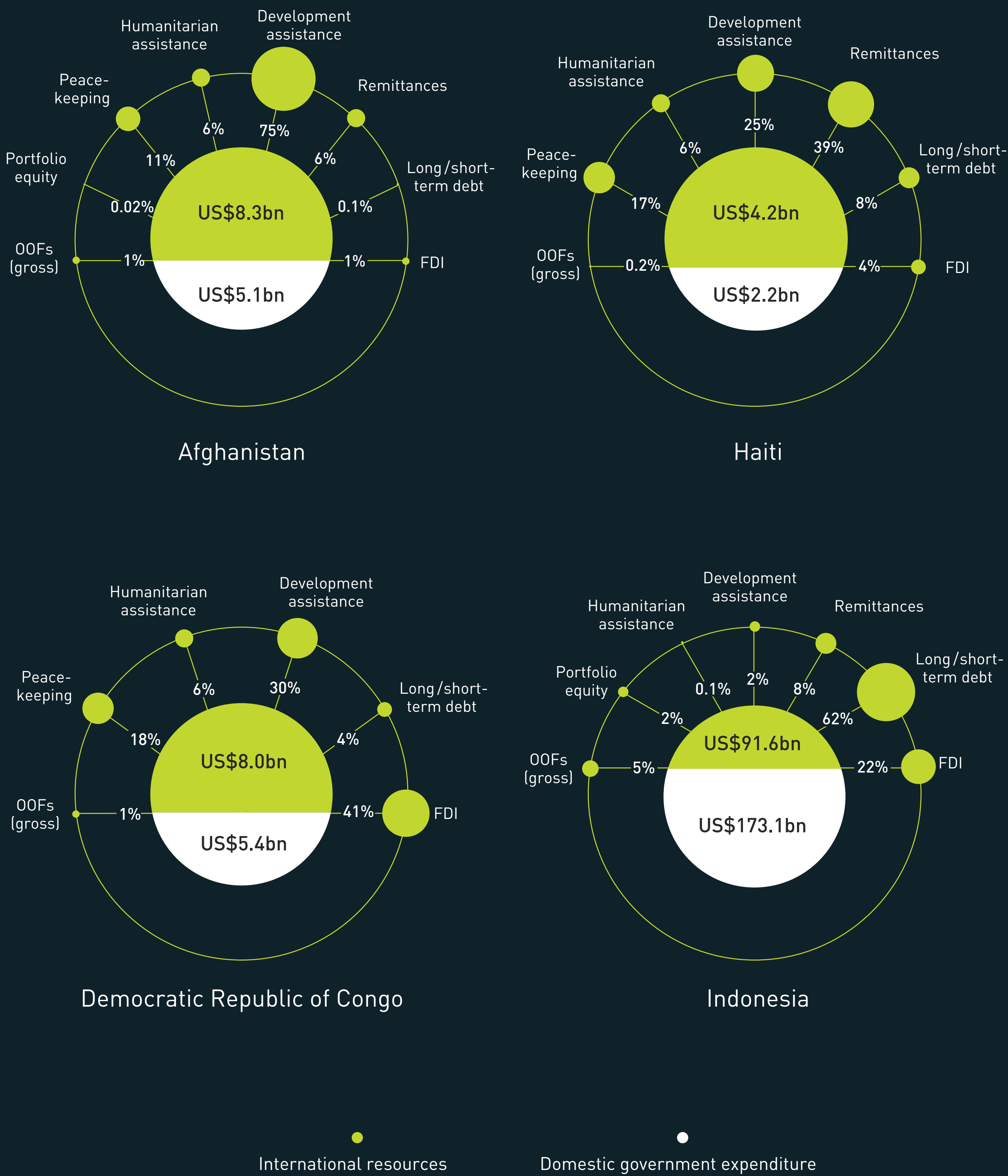
Source: Development Initiatives based on IMF WEO, OECD DAC, UN OCHA FTS, World Bank, UNCTAD and SIPRI data
Note: Figures are based on 2012 funding flows for 17 of the top 20 recipients of humanitarian assistance between 2003 and 2012. Negative values for short-term debt and portfolio equity have been changed to zero.

FIGURE 8.4

2012 resource mix for top humanitarian recipients, 2003–2012

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

Notes: Humanitarian assistance is GHA's international humanitarian assistance figure. Development assistance is total ODA minus official humanitarian assistance.


Humanitarian assistance
Development assistance
Peace-keeping
Remittances
Portfolio equity
Long/short-term debt
OOFs (gross)
FDI
6%
75%
11%
6%
0.02%
0.1%
1%
1%
US$8.3bn
US$5.1bn
Afghanistan
Development assistance
Humanitarian assistance
Remittances
Peace-keeping
Long/short-term debt
OOFs (gross)
FDI
25%
6%
39%
17%
8%
0.2%
4%
US$4.2bn
US$2.2bn
Haiti
Humanitarian assistance
Development assistance
Peace-keeping
Long/short-term debt
OOFs (gross)
FDI
6%
30%
18%
4%
1%
41%
US$8.0bn
US$5.4bn
Democratic Republic of Congo
Development assistance
Humanitarian assistance
Remittances
Portfolio equity
Long/short-term debt
OOFs (gross)
FDI
0.1%
2%
8%
2%
62%
5%
22%
US$91.6bn
US$173.1bn
Indonesia
International resources
Domestic government expenditure

Remittances

Remittances play an important but often overlooked role in the international humanitarian resourcing ecosystem. As a means of financing that reaches households relatively directly (with the only intermediary being the money transfer system), remittances represent an immediate, flexible and often predictable source of income. As such, they can support people and local economies to build resilience and preparedness, meet basic needs during a crisis and recover and rebuild afterwards.

Globally, the exact value of remittances to developing countries through both formal and informal channels is unknown. The World Bank estimates that remittances received by developing countries through formal channels reached US$379 billion in 2012, a real increase of 169% since 2000. In the top 20 humanitarian recipients, reported remittances through formal channels amounted to US$43.9 billion in 2012 – over one-fifth of international inflows to these countries.

The significance of remittances in relation to other international flows varies between countries. For Pakistan, Sri Lanka, Jordan, Haiti and Lebanon, remittances are the largest single international resource (see Figure 8.4). While the World Bank does not collect remittance data for Somalia, the Food and Agriculture Organization (FAO) estimates that remittances to Somalia amount to at least US$1.2 billion per year – double the amount of international humanitarian assistance received by Somalia in 2012 (US$627 million).[2] International concern was raised in 2013 when measures taken to counteract terrorism financing and money-laundering jeopardised major formal money transfer channels to Somalia from the UK.[3]

Remittances to the Philippines have more than trebled over the past decade, reaching US$23.4 billion in 2012.[4] The number of Filipinos living abroad rose by 3.1 million between 2000 and 2012.[5] Globally, the Philippines is now the third largest recipient of remittances, after India and China.[6]

The Central Bank of the Philippines reported US$6.7 billion of remittances in the three months following Typhoon Haiyan – nearly 10 times more than the US$709 million of international humanitarian assistance reported to UN Office for the Coordination of Humanitarian Affairs (OCHA's) Financial Tracking Service (FTS) for the Philippines in the same period.

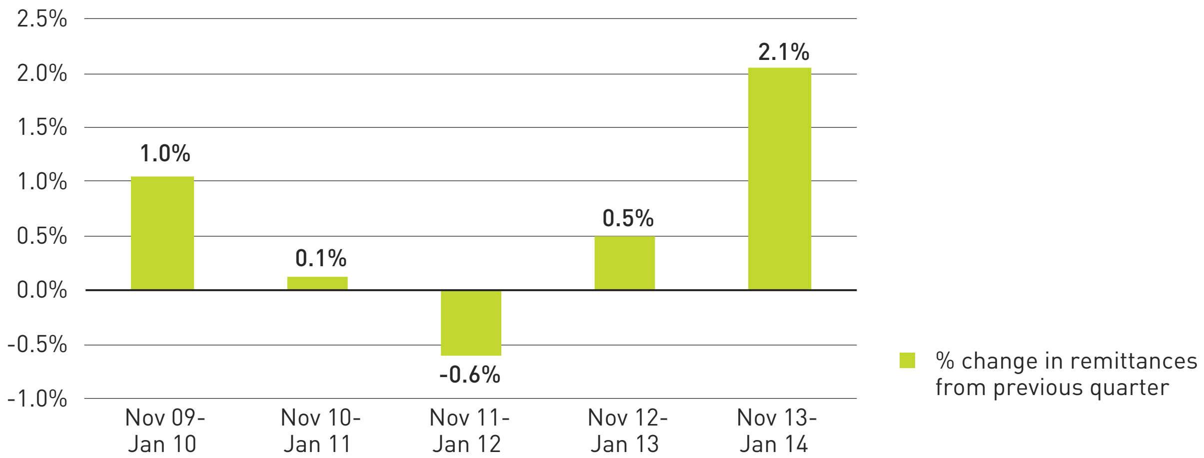
These remittances were of course not all prompted by or directed to the typhoon response. But the volume was 2.1% higher than the total in the previous three months and a larger increase than observed in previous years. In recognition of the importance of this flow, financial services companies such as Western Union reduced or waived remittance fees for a specific period in the aftermath of the typhoon.

DATA POVERTY: REMITTANCES

Global data on remittances is collected by the World Bank's Development Prospects Group, which covers annual remittance inflows for 170 countries and monthly information for 20 countries. However, global data on remittances does not exist for several crisis-affected countries. This includes the top four recipients of humanitarian assistance in 2012 (Syria, South Sudan, West Bank & Gaza Strip and Somalia) and seven of the top 20 recipients of humanitarian assistance between 2003 and 2012. Monthly data is available for only two of these countries – Pakistan and Kenya.

FIGURE 8.5

Percentage change in remittances to the Philippines from previous quarter, November to January, 2009–2014



Source: The Central Bank of the Philippines (Bangko Sentral Ng Pilipinas)

Official development assistance

Official development assistance (ODA) is the only international flow explicitly aimed at the economic development and welfare of developing countries. Under the Millennium Development Goals (MDGs), governments united around specific poverty and deprivation objectives backed by financial commitments. By 2013, two years from the 2015 MDG deadlines, ODA reached US$135 billion. This represents an average of 0.3% of donor countries' gross national income (GNI), against the 0.7% commitment made by a number of donors.

Increasing numbers of countries are providing international development assistance. Some former aid recipients are now aid donors, such as South Korea, whose development cooperation has tripled over the last decade, while current aid recipients like India and China are also donors.

ODA and ODA-like flows from donors outside the OECD DAC members group increased to an estimated US$14.3 billion in 2012, equivalent to 10% of total global development cooperation. Levels also appear to have grown at twice the rate of ODA from OECD DAC donors over the last decade – though this is partly due to better reporting, including from the 17 non-DAC donors that now report to the OECD DAC. Donors that do not report to the OECD DAC use and report on their own definitions of official development cooperation - making direct comparison with ODA problematic.

ODA plays an important role for crisis-affected countries. It represents 14% of all international resource flows to the largest recipients of humanitarian assistance – more than double the proportion going to developing countries overall, even when humanitarian assistance is excluded (see Figure 8.2). And for some countries, it is particularly significant: ODA represents 75% of Afghanistan's international resource flows, 49% of Kenya's and 39% of Ethiopia's.

REDEFINING ODA

While ODA can be provided in many forms, the OECD DAC has strict eligibility criteria for what can and cannot be included: it must have as its primary objective the economic development and welfare of a defined group of developing countries; it must be concessional through the provision of grants or 'soft' loans; and certain activities, including military aid, peacekeeping operations and anti-terrorism cannot be counted. Funding from non-government donors, such as philanthropic foundations or public contributions to non-governmental organisations, cannot be considered as ODA.

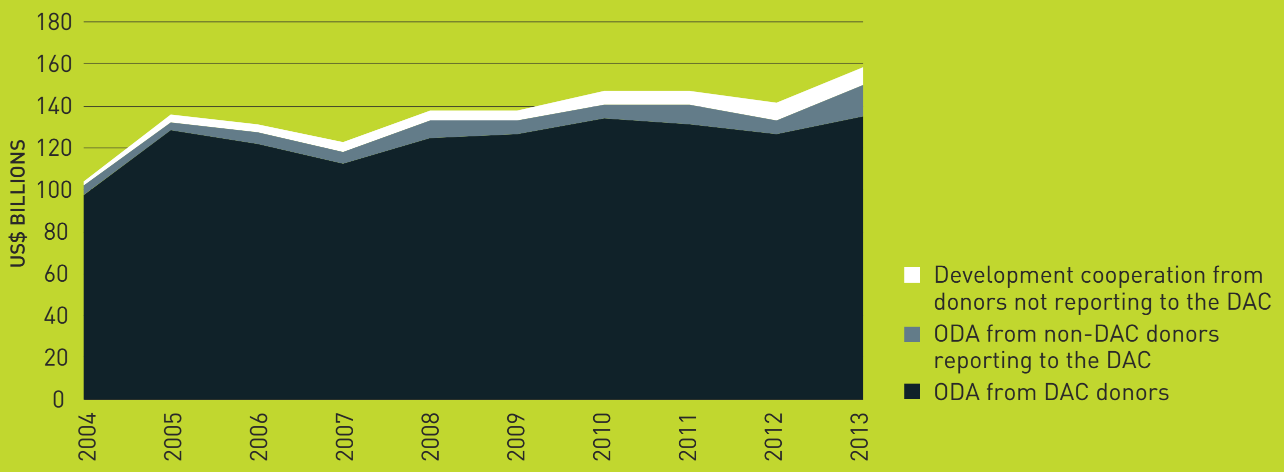
In December 2012, the DAC High-Level Meeting set out an agenda to modernise the ODA definition in an attempt to make it more relevant to a post-2015 development finance agenda. It recognised that some of the rules defining the eligibility criteria (such as how concessionality is defined) have become outdated. It also recognised that government support outside the ODA definition may have beneficial outcomes. The agenda thus attempts to recognise the wider official effort, measured both in terms of costs to donors and benefits to recipients, while maintaining a core definition of ODA that allows donors to be fairly assessed and held to account. Final recommendations are due to be adopted by OECD DAC ministers in December 2014.

Central to this may be a focus on the stated purpose of ODA. Redefining this away from economic growth and welfare to an explicit attention on people in poverty, such as the global bottom 20%, could address a number of concerns. It ensures, for example, that a focus on poverty eradication, whether direct through bilateral assistance or by supporting global public goods, is maintained. And by requiring a demonstrable focus on poor people, the debate can shift from a focus on what types of resources qualify as ODA to how they best are used.

As a proportion of ODA, humanitarian assistance from OECD DAC donors has remained consistent at around 10% over the last decade, fluctuating only by one percentage point over the period. The relationship between this humanitarian assistance and other ODA is important, as Chapter 7 has shown. Harnessing development assistance to address people's underlying risks and vulnerabilities, including chronic poverty, is crucial for breaking the cycle of crisis.

FIGURE 8.6

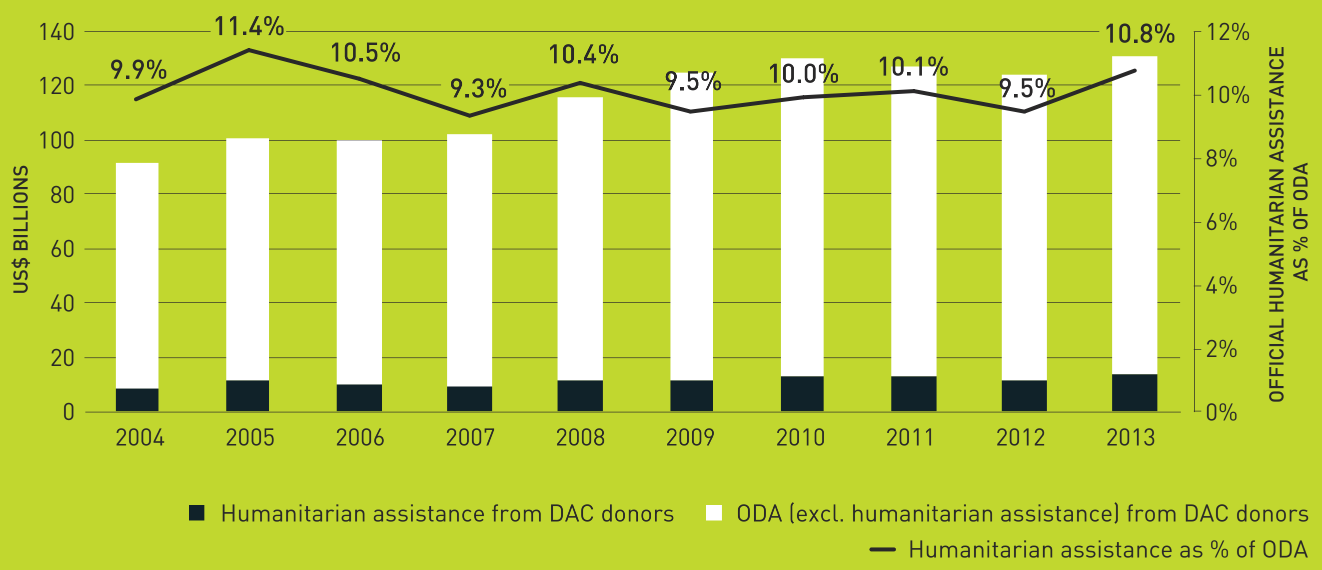
ODA and development cooperation flows from OECD DAC and non-DAC donors, 2004–2013



Source: Development Initiatives based on OECD DAC data and national development cooperation data for those countries not reporting to the DAC[6]

FIGURE 8.7

Official humanitarian assistance as a share of ODA from OECD DAC donors, 2004–2013

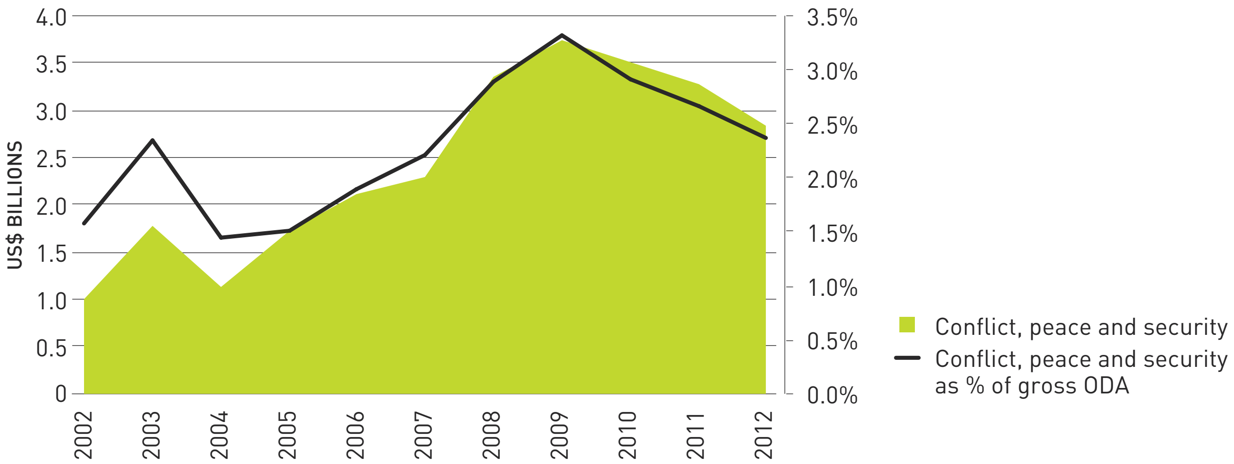


Source: Development Initiatives based on OECD DAC data
Note: 2013 data is partial and preliminary

Development expenditure on conflict, peace and security

FIGURE 8.8

Bilateral ODA from OECD DAC donors to conflict, peace and security, 2002–2012



Source: Development Initiatives based on OECD DAC CRS data

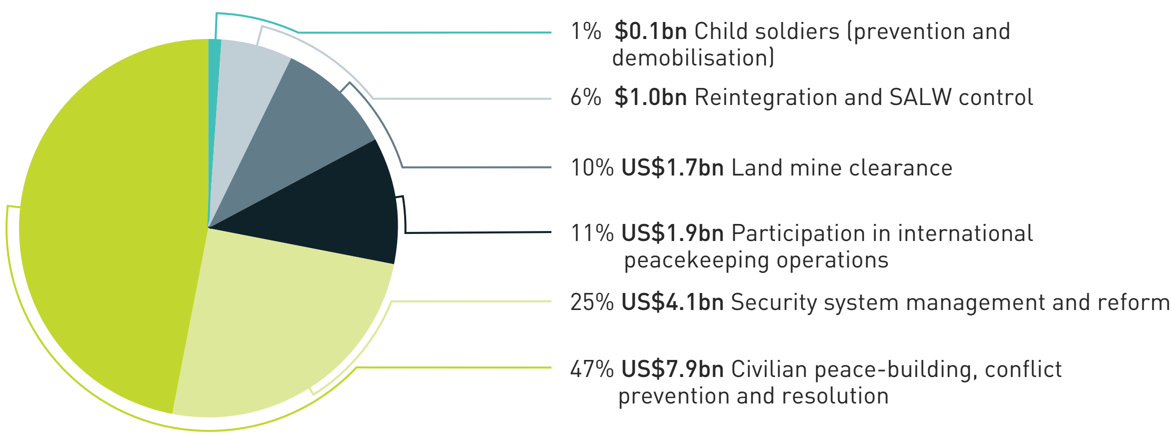
A small proportion of security and peacekeeping expenditure can currently be counted as ODA, if it has a development objective and does not involve direct military support.[7] This includes funding for peace-building and conflict resolution, for landmine clearance and for some security sector reform activities.

The percentage of gross ODA reported as allocated to conflict, peace and security has declined to 2.4% (US$2.8 billion) from a peak of 3.3% (US$3.7 billion) of overall ODA in 2009. However, the scope of this ODA category is controversial and fluctuations may be a result of reporting decisions by donors, as well as of changes in actual expenditure.

Between 2008 and 2012, civilian peace-building, conflict prevention and resolution accounted for the largest share of ODA from within the category of conflict, peace and security spending (47%). Landmine clearance accounted for 10%. According to the Landmine and Cluster Munition Monitor, in 2013, 59 states and four other areas were mine-affected, causing direct casualties as well as limiting land-based livelihoods.[8] The smallest share (1% or US$0.1billion) went towards the prevention or demobilisation of child soldiers. A 2014 UN report documented cases of child soldiers in eight national armies and 51 armed groups including in Syria, Iraq, Nigeria and South Sudan.[9]

FIGURE 8.9

Bilateral ODA from OECD DAC donors to conflict, peace and security, 2008–2012



Source: Development Initiatives based on OECD DAC CRS data
Notes: Post-conflict peace building code (15230) was changed to participation in international peacekeeping operations in 2010. SALW = small arms and light weapons

Peacekeeping

Global military and security expenditure in 2012 was an estimated US$1.8 trillion, or 2.5% of global gross domestic product (GDP). This expenditure encompassed a vast range of objectives, activities (military and non-military) actors (state and non-state), and of course had a vast range of impacts on civilians. Against this, an estimated US$212 billion was spent worldwide by states on multilateral peacekeeping and foreign military interventions in developing countries in 2011.[10] Of this, US$197 billion was spent in Afghanistan and Iraq.

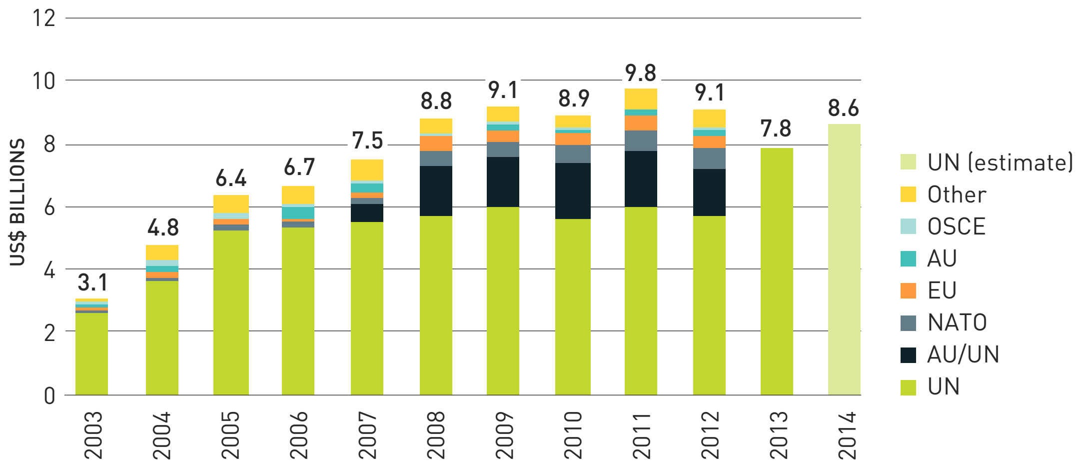
In 2012, the latest year for which comprehensive data is available, spending on multilateral peacekeeping missions was US$9.1 billion, US$5.7 billion of which was on UN missions. During the same year, government contributions to humanitarian assistance totalled US$13.2 billion.

However, available data since 2012 indicates that the global peacekeeping figure may rise in 2013 and 2014, reflecting a rise in the number as well as the cost of peacekeeping missions. In 2013, the UN deployed a peacekeeping mission to Mali (MINUSMA) with a 2013–2014 budget of US$602 million, and, in 2014, to the Central African Republic (MINUSCA) with estimated costs of US$313 million for the year.[11]

The 2013–2014 UN peacekeeping budget was set at just over US$7.8 billion, and the 2014–2015 budget estimated at US$8.6 billion, to cover 16 peacekeeping missions with just under 120,000 personnel. The largest of these missions is in Democratic Republic of Congo (DRC), with over 25,000 personnel and a 2013–2014 budget of US$1.5 billion.[12] By way of comparison, DRC received US$464 million in humanitarian assistance in 2012.

FIGURE 8.10

Cost of multilateral peacekeeping operations, 2003–2014



Source: Development Initiatives based on SIPRI and UN data
Notes: Includes ECCAS, OAS, ECOWAS missions as well as bilateral or independent missions such as the Swiss/Swedish on the Korean border. Iraq multinational force has been left out. UN figure includes political and observer missions. For 2013 only full figures for UN operations are available, and for 2014 only estimates for UN operations.

The NATO-led International Security Assistance Force (ISAF) in Afghanistan is the largest of the NATO peacekeeping missions, with estimated costs of US$601 million (excluding troop-contributing country costs). ISAF expenditure peaked in 2011 with a surge in troops but mission costs decreased in 2012 and 2013 as troops and assets were progressively withdrawn and donors shifted attention to support the Afghan National Security Forces, in preparation for the complete withdrawal of international troops in 2014.[13]

The share of peacekeeping costs from other bodies fluctuates since, when new conflicts break out, regional bodies are often among the first to respond. For example, the International Support Mission to Mali, organised by the Economic Community of West African States was re-hatted as the UN-led MINUSMA.

Each multilateral body has a different financing system for peacekeeping. For UN missions, expenses are distributed among UN member states according to a scale of assessment that apportions a specific percentage share of the costs to each state based on their relative wealth and ability to contribute (resulting in the United States (US) contributing by far the largest share, followed by Japan, France, Germany, the United Kingdom (UK) and China). States can also make voluntary contributions to particular peace operations, but these account for a very small proportion of peacekeeping funds – 0.08% for 2013–2014.[14]

In 2012, global military and security expenditure was an estimated US$1.8 trillion. Spending on multilateral peacekeeping was US$9.1 billion.

While the majority of funding for peacekeeping comes from developed countries, the majority of peacekeeping troops come from developing countries. The largest troop-contributing countries to UN missions are Bangladesh, India, Pakistan, Ethiopia and Rwanda. They also contribute other personnel: for example, at end of June 2014, in addition to just over 7,000 peacekeeping soldiers, Bangladesh was contributing 65 military experts and just under 1,700 police.[15]

In focus: Public and private support in risk financing

For crisis-prone communities, financial preparedness against risks is preferable to a reliance on post-crisis assistance – allowing people greater resilience and control in the face of disaster. It can reduce the impacts of a disaster as well as create incentives to further reduce risk and bring greater confidence to invest – bringing potential to stimulate economic growth and reduce poverty.

Such financial preparedness requires multiple sources and instruments because ODA and humanitarian assistance are not always sufficiently resourced, nor best placed to support these initiatives. In certain contexts, complementary approaches can come from the increasing range of market-mediated financial and insurance products, for which there is growing demand and political commitment. Extending risk financing (such as savings, reserves and credit facilities) and risk transfer products (such as insurance or catastrophe bonds) to developing countries is now feasible on a scale unthinkable 10 years ago due to developments in the products and payment distribution, as well as technical innovation in measuring and modelling risk.

Financial preparedness is a core element of a comprehensive approach to risk management. It involves identifying exposure to and the financial consequences of risk, then putting in place strategies to reduce risks and manage residual risk (that which cannot be practically or cost-effectively reduced).

Managing residual risk typically involves a layered set of options to directly manage and meet the financial cost of the most frequent and low-impact risks (such as sickness) through a combination o f savings or reserves and access to credit. For less frequent but potentially high-impact risks (such as droughts or floods), against which it might not be feasible to retain sufficient reserves, the cost of meeting post-disaster financing can be met through insurance, risk pooling and catastrophe bonds, effectively 'transferring' the cost to others – such as the private sector. Paying premiums spreads the cost of risk over time, while combining the premiums across multiple fee-payers spreads the risk itself across space.

Risk financing involves taking measures to ensure that adequate funds are directly available to meet financial needs should a disaster occur. Such financing can be established internally through the accumulation of funds set aside for future use or obtained externally through prearranged credit facilities. The banking sector, capital markets and international lending institutions are all sources of risk financing.

Risk transfer involves shifting of the cost of risks to others who, in exchange for a premium, provide compensation when a disaster occurs, ensuring any financing gap that might emerge is partially or fully bridged. Risk transfer may be obtained through insurance policies or capital market instruments such as catastrophe bonds. The insurance and reinsurance sectors are the main sources of risk transfer, although capital markets provide an alternative source. The pay-outs of risk transfer instruments may be calculated on the basis of an assessment of actual losses sustained (indemnity-based), or a pre-agreed payment based on the occurrence of a particular trigger, such as reduced rainfall over a defined period of time (parametric and index-lined insurance). The advantage of the latter is that assessments are not necessary, so expediting pay-outs and reducing administrative costs.[16]

Risk financing and risk transfer requires the expertise, technological and financial capacity of a broad range of actors across public and private sectors and civil society. The role of donors and other international actors is typically catalytic, providing seed-funding to test and scale up initiatives. They can also support domestic governments to develop their own sovereign risk financing strategies and invest in public goods to build understanding of risk and demand for risk financing and enable markets to function better.

The 'enabling' conditions for risk financing and risk transfer to function effectively and sustainably may require significant and sustained investments over many years, and in specific contexts. This means that in practice they have limitations: risk financing and transfer mechanisms have largely focused on providing financial preparedness against natural disaster risks and are not likely to be feasible in protracted, conflict-related humanitarian crises. In such instances, internationally financed humanitarian preparedness and response will remain critical to meeting the needs of people at risk of crisis.

But as outlined in Chapter 9, even where risk-financing and risk-transfer models are not possible, more 'risk-informed' humanitarian action, which invests in preparedness and responds to early indicators of a deteriorating situation, would confer some of the benefits of better financial preparedness for disasters. These include a more timely and cost-effective response, improved humanitarian outcomes and protection of livelihoods.

FIGURE 8.11

Financial risk management strategies and partnerships supporting finance at individual/community level.

Macro level: The enabling environment
Policy, legislation, market regulation, consumer protection, sovereign risk financing, national social protection schemes

Meso level: Support infrastructure
Financial services, insurance markets, information technology providers, distribution networks (social protection schemes, mobile money networks)

Micro level: Interface

- Commercial, mutual and informal insurers
- Agents
- Brokers and intermediaries
- Education
- Demand

Risk retention:
(savings, reserves, access to credit

Risk reduction:
(safety standards, risk awareness, physical protection

Risk transfer:
(insurance, risk pooling, risk bonds

Source: Development Initiatives based on Forum for Agricultural Risk Management in Development and Lloyd's 360° Risk Insight and the Microinsurance Centre[17,18]

RISK FINANCING AND RISK TRANSFER IN ACTION: THE R4 RURAL RESILIENCE INITIATIVE, ETHIOPIA

The R4 Rural Resilience Initiative (R4) is a strategic partnership between Oxfam America and the UN World Food Programme, initiated in 2010. It provides a combination of risk management strategies including improved resource management (risk reduction), insurance (risk transfer), microcredit (prudent risk-taking) and savings (risk reserves).

The initiative complements the existing government-led productive safety net programme (PSNP) and uses the PSNP's local infrastructure and targeting mechanisms to identify and access clients. Client farmers receive automatic pay-outs in the event of seasonal droughts, triggered when certain climate thresholds are breached. The pay-outs should enable farmers to purchase seeds and inputs to replant the following season and avoid selling assets. Access to credit is also provided through partnership with a micro-finance institution, which uses the insurance as collateral, providing farmers with capital to make productive investments.

In 2013, over 20,000 farmers purchased insurance in Tigray and Amhara. Around 80% of Tigray's newly enrolled farmers purchased their insurance premiums with a combination of cash (10% of the premium) and labour. Farmers who paid for insurance premiums with their labour contributed to risk reduction activities in their communities, including improved irrigation capabilities and soil management practice.

Climate financing and disaster risk reduction

The fifth Intergovernmental Panel on Climate Change report[19] concluded in 2013 that human-induced climate change was a near certainty. Climatic unpredictability, a key driver of crisis and entrenched poverty, is projected to become exacerbated through climate change, with both more intense and more frequent events.

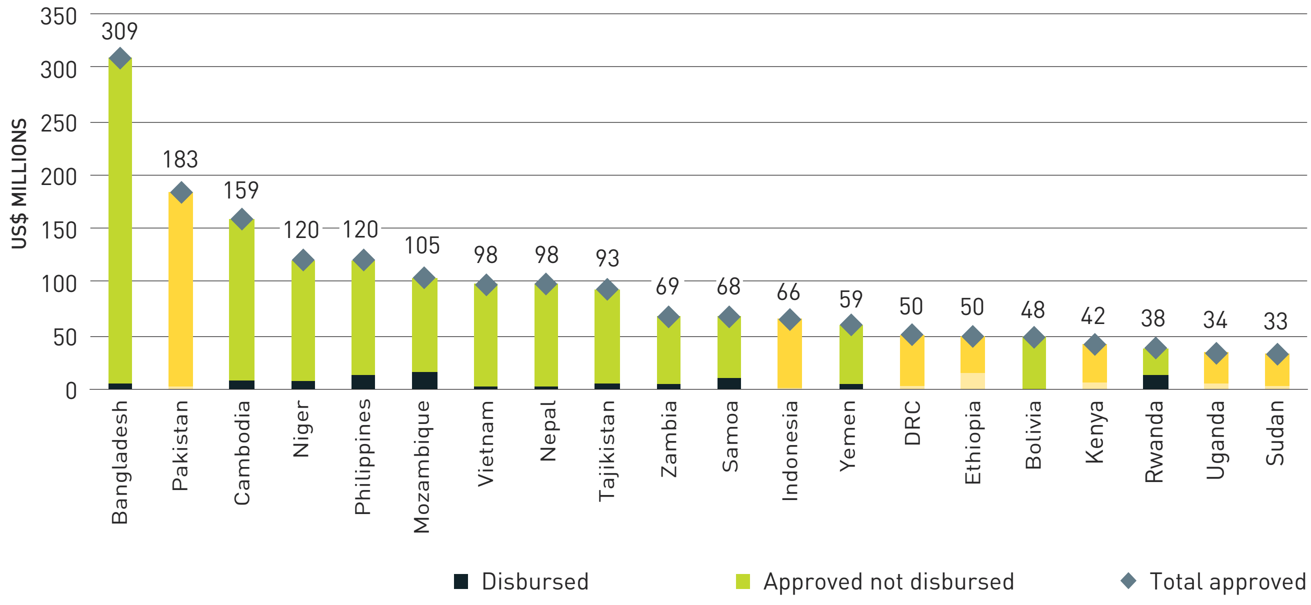
Extreme events alone do not cause disasters: the greatest effects of climate change are felt where people and populations are most vulnerable and least resilient to these hazards. More intense events are set to have an impact on greater numbers of people in the future, while shorter intervals between disasters will leave even less time for people to recover and build up assets, exacerbating vulnerability to the next wave.

As described in Chapter 7, long-term humanitarian crisis, chronic poverty and limited domestic capacity to respond occur in the same places, challenging humanitarian and development communities to invest in building resilience and in addressing the chronic poverty, risks and vulnerabilities that cause crises to recur and become entrenched.

Many countries regularly receiving humanitarian assistance are also highly vulnerable to current and anticipated climate risks. For example, 9 of the top 20 recipients of humanitarian assistance between 2003 and 2012 (Afghanistan, Zimbabwe, Iraq, Chad, Sudan, DRC, Ethiopia, Myanmar and Haiti), are in the bottom 20 countries ranked in the University of Notre Dame's Global Adaptation Index (ND-GAIN), which ranks 177 countries according to both vulnerability to, and ability to cope with, climate change.[20] Most of these countries have been affected by conflict in recent years, highlighting the fact that many 'natural disasters' are in fact complex emergencies.

FIGURE 8.12

Top 20 recipients of approved climate adaptation funds, 2003–2013



Source: Climate Funds Update
Note: The countries highlighted in yellow are top 20 humanitarian recipients, 2003–2012.

To address the challenges faced by developing countries, the 16th Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in November 2010 saw developed countries committing to jointly mobilising US$100 billion a year by 2020. Climate change finance constitutes a range of public and private flows directed at initiatives to either mitigate the exacerbation of climate change or to minimise the impacts of climate change through adaptation. The majority of climate change flows come from the private sector, which contributed 62% of the estimated US$359 billion total in 2012.[21]

Investments in climate mitigation account for the vast majority of climate change finance flows, with much of this going to China and other emerging economies. By contrast, funding for adaptation in developing countries accounts for just an estimated 6% of all climate change financing to date, of which the majority has been channelled towards capacity-building.

An aggregate US$537 million of adaptation finance was approved between 2003 and 2013 for the top 20 recipients of humanitarian assistance, accounting for 19% of all such country-specific funding. However, only US$63 million has so far been disbursed in this period.

Only one of the top twenty humanitarian recipients, Pakistan, is among the top 10 recipients of approved climate adaptation funding in this period. A further six (Ethiopia, DRC, Indonesia, Kenya, Uganda and Sudan) are between 11th and 20th largest recipients of climate adaptation funding. Afghanistan, Iraq and Zimbabwe are all among the bottom five countries on the ND-GAIN and receive very small amounts of approved climate adaptation financing – US$14 million, US$ 0.1 million and US$7 million respectively.

Nine of out the top 20 recipient countries of humanitarian assistance are in the bottom 20 of the GAIN climate change vulnerability index. Most of these nine were also conflict-affected.