

Global Assessment Report
on Disaster Risk Reduction



Overcoming Trade and Development
Limitations associated to Climate Change and
Disaster Risks

*A Policy Paper on Basic proposals for an
Initiative focused on highly vulnerable, trade limited
and food insecure developing countries*

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ACRONYMS

AFT	Aid for Trade
CC	Climate Change
CCA	Climate Change Adaptation
CONFRAME	Conceptual framework on development and vulnerability
CRIF	Catastrophic Risk Insurance Facility (within the World Bank)
DRM	Disaster Risk Management
DRR	Disaster Risk Reduction
EC	European Commission
FAO	UN Food and Alimentation Organization
GAR	Global Assessment Report
GDP	Gross Domestic Product
GEF	Global Environmental Fund
GFDRR	World Bank's Global Facility for Disaster Reduction and Recovery
HFA	Hyogo Framework for Action
IFAD	International Fund for Agriculture Development
IGO	International Intergovernmental Organization
INSYST	Risk and Development Indicators System of the UNISDR
IPCC	Intergovernmental Panel on Climate Change
ISDR	International Strategy for Disaster Reduction of the UN System
ITC	International Trade Centre, Coalition of WTO and UNCTAD
LDC	Least Developed Country
LLDC	Land Locked Developing Country
MCII	Munich Climate-Insurance Initiative
MEA	Multilateral Environmental Agreements
NAPA	National Adaptation Programme of Action
NGO	Nongovernmental organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PRSP	Poverty Reduction Strategy Paper
SHD	Sustainable Human Development
SIDS	Small island developing states
UNCTAD	UN Conference on Trade and Development
UNDAF	UN Development Assistance Framework
UNDESA	UN Department of economic and social Affairs
UNDP	UN Development Programme
UNECA	UN Economic Commission for Africa
UNECLAC	UN Economic Commission for Latin-America and the Caribbean
UNEP	UN Environmental Programme
UNEP FI	UN Environmental Programme Finance Initiative
UNESCWA	UN Economic and Social Commission for Western Asia
UNFCCC	UN Framework Convention on Climate Change
UNHABITAT	UN Human Settlements Programme
UNESCAP	UN Economic and Social Commission for Asia and the Pacific
UNISDR	UN International Strategy for Disaster Reduction
UNIDO	UN Industrial Development Organization
UN-OHRLLS	Office of the UN High Representative for the LDCs, LLDCs and SIDS
WB	World Bank
WMO	World Meteorological Organization
WTO	World Trade Organization

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EXECUTIVE SUMMARY

This paper summarizes the results and proposals produced by research undertaken by the UN ISDR for the 2011 Global Assessment Report on Risks (GAR 2011) related to the links existing between natural hazard risks, over-all resilience of countries, and restrictions for trade and development.¹

Outcomes of the original research include having identified two clusters of highly vulnerable and extremely trade-limited countries. Extensive evidence suggests that many countries in these groups may be caught in “Lack of Resilience Traps” involving frequent disasters, a reduced possibility to accumulate economic, human and institutional assets in international trade and productive sectors, and a limited resilience that reduces their chances for recovery and for development at large.

Based on these findings, a proposal is made to conduct an Initiative for integrated policy interventions in countries of these groups, consisting of simultaneously tackling limitations in various sectors and transferring risks to increase economic resilience, plus mainstreaming disaster risk reduction in development strategies. A *platform strategy* is proposed to concerned governments, donors and international entities, that would be agreed to start implementing the Initiative.

Finally, recommendations are made to National Governments of the countries involved, to Donors in the Development field, and to International Organizations concerned, aimed at initiating a preparatory process of the Initiative, consisting of pilot projects in various countries that would help fine tuning the appropriate policy combinations.

¹ Extensive information on the results of the research can be found in Corrales and Miquilena “Overcoming Sustainable Development Limitations of Highly Vulnerable Developing Countries: Basic proposals on an Initiative for coordinated development support in disaster risk reduction, trade capacity building and climate change adaptation”. Final Report on Objectives 1-1 and 1-2. UN ISDR, Geneva, March, 2011.

INTRODUCTION

Natural hazards can generate elevated losses in human development, like hurting poor people and causing sharp increases in poverty, as well as partially destroy the capacities in economic sectors and institutions, reducing their prospects for future wellbeing. In the case of hydro meteorological hazards, the overlapping of recurrent localized or regional patterns with the mounting global tendencies of climate change are increasing the probability of concurrence and accumulation of natural hazard impacts.

Disasters may destroy preexisting capacities and affect the functioning and outcomes of key development-related processes, including markets, production, infrastructures and ecosystem services. In sum, natural hazards involve serious risks of causing countries' stagnation or deviations from their sustainable human development (SHD) paths, the degree of which will depend on the magnitude of the impacts concerned and the countries' capacities to recover, i.e. their over-all resilience. Therefore, the efficacy of disaster risk reduction (DRR) depends on having a holistic comprehension of the relevant collection of hazards, vulnerability factors and development-related processes involved.

Given the above commented relationships and current trends, keeping under acceptable limits the deviations that countries may suffer from their SHD paths due to natural hazard risks, entails incorporating DRR and Climate Change Adaptation (CCA) as core practices in development policy in general, and in policies in trade and production in particular. It also implies that focusing on risks of natural hazards alone and ignoring the potential systemic effects of other risks may not be the appropriate framework for DRR in a development perspective.

An important outcome of recent research conducted by the UN ISDR along the above commented lines consists of having assessed the situations of two groups of developing countries and LDCs that congregate weaknesses to cope with disaster risk and low over-all economic resilience; decreasing trade competitiveness and mounting exposure to trade shocks; food insecurity and high expected climate change impacts. This paper presents the findings of this research and proposes an Initiative aimed at supporting countries in these groups to overcome the vicious circles they seem to live.

A summary of the conclusions drawn from the research may be structured around three ideas. The first is that responding to the development limitations of these countries requires a deeper and more integrated cooperation from the international community; the second is that this enhanced cooperation seems feasible on the basis of a shared *platform strategy*, in which specific although complementary and harmonised roles are played by the international agencies; and the third is that risk transfer through innovative mechanisms may create external sources for economic resilience, thus helping these countries to escape their traps.

Chapter 1 of the paper briefly presents the conceptual and methodological approach of the research undertaken, while Chapter 2 discusses its main findings. Chapter 3 outlines the proposal in the form of a *platform strategy*, and Chapter 4 summarises recommendations to governments of the countries concerned, international agencies and donors on initiating its implementation.

1. THE CONCEPTUAL AND ANALYTICAL APPROACH

Maintaining the development paths of countries implies constantly accumulating endogenous capacities; minimizing the risks of disasters, climate change impacts and exogenous economic shocks; and creating the conditions for rapid recovery from these events.

The international community also has to make decisions involving priorities on development support, including for addressing risks to development in developing countries and LDCs. One important case on disaster risk reduction, treated in this policy paper, involves deciding on how to optimize the support to highly vulnerable countries living “Lack of Resilience Traps” (LORT), i.e. living vicious circles in which severe economic losses from disasters or exogenous shocks and decreasing or stagnating economic resilience hamper the possibility of accumulation of endogenous capacities, which in turn inhibits development achievements consequently hindering the building of needed resilience.

This chapter introduces the conceptual and analytical approach used in assessing the circumstances of countries that seem to be living “Lack of Resilience Traps”, and in conceiving a proposal to help these countries overcome their situations.

1.1 Risks and development: a brief conceptual overture

The abilities of countries to maintain a sustainable human development (SHD) course over time depend on their accumulation of endogenous capacities in the form of *institutions*, *knowledge* and *capital assets* (economic, human, natural and relational capital). In fact, in order not to deviate from their development paths, countries must permanently innovate and increase capacities in their key development-related processes: production of goods and services and insertion in the world economy; intervention on nature; and social consumption.

Setbacks in endogenous capacities -that might provoke countries’ deviations from their SHD paths- may originate in unrelieved deterioration or in sudden destruction of capacities in specific sectors. An example of unmitigated deterioration of capacities related to natural hazards could be the reduction of agricultural productivity resulting from climate change effects that are not addressed with appropriate CCA. Examples of sudden destruction are the multiple incidents normally associated to exogenous economic shocks and disasters.

The complexity and potentially cumulative character of risks

In addition to being characterized by uncertainty, risks associated to natural hazards tend to grow in complexity; may potentially concur with other risks; and their negative impacts can in some cases be cumulative. As a consequence, the dimensions of risks faced by developing countries and LDCs are mounting; the impacts of hazards on their endogenous capacities have a propensity to multiply and to become composite and widespread; and the chances for these countries to deviate from their SHD paths are growing.²

² The main reasons contributing to explaining these trends are four: a) the growing openness of countries and the amplified contacts characterizing globalization imply escalating the number of interactions that can generate or influence hazards; b) urban concentration, population growth and migrations reinforce the context in which hazards are expected to manifest, favoring the concurrence and simultaneity of risks; c) the overlapping of recurrent localized or regional hydro-meteorological patterns with the mounting global tendencies of climate change are increasing the probability of concurrence and accumulation of impacts of natural hazards; and d) in the past quarter of a century, deregulation and reduction of the

1.2 New challenges for Disaster Risk Reduction in developing countries

As a consequence of the above commented trends and situations, developing countries face new challenges in their quest for simultaneously improving security for the majority, closing the gaps with developed countries and eradicating poverty.

DRR policies in a perspective of development and poverty eradication

In the current context of economic globalization and global climate change, responding to the challenges of security and insertion in the global economy implies mainstreaming DRR and CCA in development strategies and in trade and development policies; simultaneously increasing productivity, diversifying towards higher value-added exports and multiple markets; and adjusting economic specializations in line with a sound CCA strategy.

Eradicating poverty implies addressing the exclusion of part of the population from opportunities for increasing their capacities and influencing society's decisions, as poverty results from members of society being deprived of effective opportunities to accumulate *human and economic capital*, and/or from the *institutional frameworks* been too rigid and missing the necessary equity and justice focus.

Therefore, a SHD-framed, poverty-driven strategy for DRR in the present context should not be limited to or focused only on alleviating the situation of the poor or promoting risk reduction and favouring the creation of resilience in poor communities. The links between policies for disaster risk reduction and poverty eradication must not be limited to the final impacts of disasters on the poor but be extended to the development-related processes that may become sources of poverty increase in case of disastrous events.³

Addressing the situations of “Lack of resilience traps” in highly vulnerable countries

When a developing country with limited rates of capacities creation faces frequent disasters and is unable to rapidly recover, it may enter in a Poverty Trap that we refer to as a “Lack of resilience trap” (LORT), a cyclic course of feedback loops between: a) recurrent events that further damage already limited endogenous capacities in the key processes; b) very slow development course due to the chronic insufficiency of such capacities; c) unremitting poverty; and d) a resulting inability to create the needed resilience to face risks and to address recovery in the next cycle.

In cases like this, DRR interventions alone are clearly not enough to help the countries liberating from the traps, neither are loose international supports in Aid for Trade (AFT) and Climate Change Adaptation (CCA). Examining ways for integrated policy interventions at country level, coupled to more coordinated inter-agency collaboration internationally, are the logical response to situations involving “Lack of Resilience Traps”.

influence of national government policies has been the rule in developing countries. As a direct consequence, risks may increase -or the effect of risk management policies may be impaired- through a reduction of the power and quality of institutions formally in charge of regulating, implementing or supervising the creation of endogenous capacities and the reduction of vulnerability factors.

³ Impacts of disasters and exogenous economic shocks are not restricted to direct effects on the population and their habitat, but they extend to affecting endogenous capacities in multiple development-related processes; i.e. to damaging the means that societies have to generate wellbeing and development at large. As a consequence, these events not only hurt poor people in the short run, but may also slow the pace of a country's human development in general and reduce its chances of escaping poverty in the long run.

1.3 The studies supporting the proposal

The proposal made in this paper is supported on studies that were carried out in three stages.

- The first stage consisted of a series of analyses that led to the identification of two groups of countries living extreme development limitations, and to assessing their weaknesses;
- The second was based on the findings of the first, and consisted of exploring policies in diverse areas relevant to the situations to be addressed, and
- The third comprised developing basic guidelines for a *platform strategy* to coordinate development assistance for the countries, in which the policies could be combined and diverse international agencies could participate.

Identifying groups of countries apparently living “Lack of Resilience Traps”

In a first step, the studies of stage 1 identified 63 developing countries and LDCs in two groups of countries living high or very high vulnerability to natural hazards and extreme trade limitations simultaneously. One of the groups additionally suffers from food insecurity.

Finally, stage 1 concluded identifying 45 countries within the above mentioned 63 that may be experiencing vicious circles in which severe disaster losses and decreasing or stagnating economic resilience hamper the possibility of accumulation of endogenous capacities, which in turn inhibits development achievements consequently hindering the building of needed resilience. The presence of “lack of resilience traps” is asserted by the studies as highly probable for 36 of these countries, and is depicted as likely for the remaining 9.

Exploring policies

The second stage in the sequence of studies comprised examining ways for policy interventions at country level, aimed at addressing the situations of countries apparently living “Lack of Resilience Traps”.

Part of the mentioned examination consisted of understanding the strategies being currently undertaken by the main international agencies in five policy areas: disaster risk reduction (DRR); climate change adaptation (CCA); trade and productive sector development including Aid for Trade (AFT); food security; and risk transfer and insurances. The outcome of this step was drawing conclusions that might inform the *platform strategy* of the Initiative to be conceived in the third step.

Conceiving the proposal for a *platform strategy*

The characteristics and limitations identified for the countries and the conclusions reached on the five policy domains were used as inputs for the last phase of the studies. The proposal for a *platform strategy* aims at incentivising cooperation among national entities and stronger coordination of the international agencies. It intends maximizing synergies of the entities towards sustainable human development (SHD) goals, focusing on building resilience, creating trade and production capacities, and implementing DRR and CCA in the countries concerned.

2. MAIN FINDINGS

Research undertaken by the UN ISDR for the 2011 Global Assessment Report (GAR 2011), as already mentioned in prior sections of this paper, has led to identifying two groups of developing countries and LDCs that seem to be caught in vicious circles involving high exposure to risks, lack of resilience and extreme restrictions for trade and development.

2.1 *The association between vulnerability to natural hazard risks and trade limitations*

Two main findings resulted from the studies made on the associations between the level of vulnerability to natural hazard risks and the trade limitations suffered by developing countries. The first is that countries with very high vulnerabilities tend to also be severely restricted to benefit from international trade. The second is that a large number of the highly vulnerable and severely restricted countries are also subject to food insecurity.

The first part of the analyses categorized developing countries and LDCs in vulnerability classes, and identified in each class those suffering severe limitations to positively insert in global trade.⁴ Table 2.1 below summarizes these results showing how the proportion of countries living extreme trade limitations (ETL) climbs steeply with vulnerability.

Table 2.1: Trade and development limitations of developing countries associated to their vulnerability to natural hazard risks

COUNTRY CLASSES ACCORDING TO VULNERABILITY TO NATURAL HAZARDS RISKS			ILLUSTRATIONS ON DEVELOPMENT LIMITATIONS ASSOCIATED TO EACH VULNERABILITY CLASS	
Short Vulnerability Characterisation		Number of Countries in the Class	ETL: Developing Countries with Extreme Trade Limitations	Low Income Countries
I+II	Very Low + Low	33	8(24%)	4 (13 %)
III	Moderate	36	14 (39%)	12 (33%)
IV+V	High + Very High	88	63 (72%)	53 (60%)

⁴ All developing countries and LDCs were organized in five vulnerability classes (Class I very low and Class V very high vulnerability), making use of indicators on fragility and economic resilience: a) economic losses relative to GDP and/or to Capital Stock, indicators for losses of economic capital, were used to proxy fragility; and b) net savings per capita, an indicator for economic capital accumulation, was used as proxy for economic resilience. Countries in each vulnerability class were considered living "Extreme Limitations to benefit from International Trade" if at least one of the two following conditions were fulfilled: c) the value of its Revealed Competitiveness (an indicator for *relational capital* expressing market share of world exports) fell below 0,16% and simultaneously the geographical concentration of its exports (an indicator for *relational capital* expressing their exposure to trade shocks) fell within the worst 50% of all countries in the world; or d) its Revealed Competitiveness fell below 0,10% of world exports.

Actually, almost all countries in Vulnerability Class V (see Table 2.2 below) suffer extreme trade limitations.

Table 2.2: Developing countries organised by vulnerability classes and countries in each class suffering extreme trade limitations (ETL) (1)

Short Vulnerability Characterization of the Class		Developing Countries and LDCs in the Vulnerability Class	VLE: Countries in the Class showing Very Low Exports Market Share, and High Exposure to Trade Shocks	ETL: Extremely Trade Limited Countries; belonging to the VLE Group and showing per capita exports below the median of the world
I	Very Low	(15) Bahrain; Congo, Republic of; Hong Kong; Iraq; Kuwait; Libyan Arab Jamahiriya; Macau; Malaysia; Netherland Antilles; Oman; Qatar; Saudi Arabia; Singapore; Trinidad and Tobago; United Arab Emirates	0	0
II	Low	(18) Albania; Botswana; Bulgaria; Cameroon; Congo, Democratic Republic of; Cote D'Ivoire; Egypt; Jordan; New Caledonia; Panama; Russian Federation; South Africa; South Korea; Tanzania; Togo; Tunisia; Uruguay; Venezuela	(10/59%) Albania; Botswana; Cameroon; Congo, Democratic Republic of; Cote D'Ivoire; Egypt; Jordan; Panama; Tanzania; Togo	(8/44%) Albania; Cameroon; Congo, Democratic Republic of; Cote D'Ivoire; Egypt; Panama; Tanzania; Togo
III	Moderate	(36) Antigua and Barbuda; Argentina; Bahamas; Barbados; Belarus; Benin; Bhutan; Brazil; Burkina Faso; Central African Republic; Chile; Colombia; Ethiopia; Indonesia; Kazakhstan; Kenya; Mexico; Morocco; Namibia; Niger; Nigeria; North Korea; Paraguay; Peru; Seychelles; Sudan; Suriname; Syria; Thailand; Turkey; Turkemistan; Uganda; Ukraine; Uzbekistan; Yemen; Zambia	(17/47%) Belarus; Benin; Bhutan; Burkina Faso; Central African Republic; Kenya; Morocco; Namibia; Niger; Paraguay; Sudan; Suriname; Syria; Turkemistan; Uganda; Yemen; Zambia	(14/39%) Benin; Bhutan; Burkina Faso; Central African Republic; Kenya; Morocco; Namibia; Niger; Paraguay; Sudan; Syria; Uganda; Yemen; Zambia
IV	High	(33) Algeria; Azerbaijan; Brunei-Darussalam; Burundi; Cape Verde; China; Costa Rica; Cuba; Djibouti; Dominican Republic; Eritrea; Fiji; French Polynesia; Gabon; Ghana; Guadeloupe; Guam; India; Iran; Jamaica; Lebanon; Liberia; Maldives; Martinique; Mauritius; Myanmar; Papua-New Guinea; Philippines; Romania; St Kitts & Nevis; Sierra Leone; Solomon Islands; Somalia	(26/79%) Azerbaijan; Brunei-Darussalam; Burundi; Cape Verde; Costa Rica; Cuba; Djibouti; Dominican Republic; Eritrea; Fiji; French Polynesia; Gabon; Ghana; Guadeloupe; Guam; Jamaica; Liberia; Maldives; Martinique; Mauritius; Myanmar; Papua-New Guinea; Saint Kitts and Nevis; Sierra Leone; Solomon Islands; Somalia	(17/52%) Azerbaijan; Burundi; Cape Verde; Cuba; Djibouti; Eritrea; Ghana; Guadeloupe; Guam; Jamaica; Liberia; Maldives; Myanmar; Papua-New Guinea; Sierra Leone; Solomon Islands; Somalia
V	Very High	(55) Afghanistan; Angola; Anguilla; Armenia; Bangladesh; Belize; Bermuda; Bolivia; Bosnia Herzegovina; Cambodia; Chad; Comoros; Dominica; Ecuador; El Salvador; Equatorial Guinea; Gambia; Georgia; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; Kiribati; Kyrgyzstan; Lao, Peoples Democratic Republic; Lesotho; Macedonia; Madagascar; Malawi; Mali; Mauritania; Micronesia; Moldova; Mongolia; Mozambique; Nepal; Nicaragua; Pakistan; Rwanda; St Lucia; St Vincent & The Grenadines; Samoa; Sao Tome and Principe; Senegal; Sri Lanka; Swaziland; Tajikistan; Tonga; Tuvalu; Vanuatu; Vietnam; Zimbabwe	(53/96%) Afghanistan; Angola; Anguilla; Armenia; Bangladesh; Belize; Bermuda; Bolivia; Bosnia Herzegovina; Cambodia; Chad; Comoros; Dominica; Ecuador; El Salvador; Equatorial Guinea; Gambia; Georgia; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; Kiribati; Kyrgyzstan; Lao, Peoples Democratic Republic; Lesotho; Macedonia; Madagascar; Malawi; Mali; Mauritania; Micronesia; Moldova; Mongolia; Mozambique; Nepal; Nicaragua; Rwanda; St Lucia; St Vincent & The Grenadines; Samoa; Sao Tome and Principe; Senegal; Sri Lanka; Swaziland; Tajikistan; Tonga; Tuvalu; Vanuatu; Zimbabwe	(46/84%) Afghanistan; Anguilla; Armenia; Bangladesh; Bolivia; Bosnia Herzegovina; Cambodia; Chad; Comoros; Ecuador; El Salvador; Equatorial Guinea; Gambia; Georgia; Grenada; Guatemala; Guinea; Guinea-Bissau; Haiti; Honduras; Kiribati; Kyrgyzstan; Lao, Peoples Democratic Republic; Lesotho; Madagascar; Malawi; Mali; Mauritania; Micronesia; Moldova; Mongolia; Mozambique; Nepal; Nicaragua; Rwanda; St Lucia; St Vincent & The Grenadines; Samoa; Sao Tome and Principe; Senegal; Swaziland; Tajikistan; Tonga; Tuvalu; Vanuatu; Zimbabwe

(1) Source: Corrales and Miquilena (2010a)

Food insecurity is an additional development limitation suffered by countries with high or very high vulnerability to natural hazards. Table 1.3 below shows the results of having intersected the lists of extremely trade-limited countries (Table 2.2) and the list of food insecure countries prepared by the Food Policy Research Institute.⁵

Table 2.3: Extremely trade-limited countries additionally suffering food insecurity, organised according to vulnerability classes

Short Vulnerability Characterization		ETL: Countries in the Vulnerability Classes suffering Extreme Trade Limitations	ETL Countries in the Vulnerability Classes suffering High or Very High Food Insecurity	Countries in the Vulnerability Classes severely suffering one (only one) of the two limitations	
				Extreme Trade Limitations	Food Insecurity
I	Very Low	0	0		
II	Low	(10) Albania; Botswana; Cameroon; Congo, Democratic Republic of; Cote D'Ivoire; Egypt; Jordan; Panama; Tanzania; Togo	(5) Cameroon; Congo, Democratic Republic of; Cote d'Ivoire; Tanzania; Togo	(3) Albania; Egypt; Panama	0
III	Moderate	(17) Belarus; Benin; Bhutan; Burkina Faso; Central African Republic; Kenya; Morocco; Namibia; Niger; Paraguay; Sudan; Suriname; Syria; Turkemistan; Uganda; Yemen; Zambia	(7) Burkina Faso; Central African Republic; Kenya; Niger; Uganda; Yemen; Zambia	(7) Benin; Bhutan; Morocco; Namibia; Paraguay; Sudan; Syria	(2) Ethiopia; Peru
IV	High	(26) Azerbaijan; Brunei-Darussalam; Burundi; Cape Verde; Costa Rica; Cuba; Djibouti; Dominican Republic; Eritrea; Fiji; French Polynesia; Gabon; Ghana; Guadeloupe; Guam; Jamaica; Liberia; Maldives; Martinique; Mauritius; Myanmar; Papua-New Guinea; Saint Kitts and Nevis; Sierra Leone; Solomon Islands; Somalia	(7) Azerbaijan; Burundi; Cuba; Djibouti; Eritrea; Liberia; Sierra Leone	(10) Cape Verde; Ghana; Guadeloupe; Guam; Jamaica; Maldives; Myanmar; Papua-New Guinea; Solomon Islands; Somalia	0
V	Very High	(53) Afghanistan; Angola; Anguilla; Armenia; Bangladesh; Belize; Bermuda; Bolivia; Bosnia Herzegovina; Cambodia; Chad; Comoros; Dominica; Ecuador; El Salvador; Equatorial Guinea; Gambia; Georgia; Grenada; Guatemala; Guinea; Guinea-Bissau; Guyana; Haiti; Honduras; Kiribati; Kyrgyzstan; Lao, Peoples Democratic Republic; Lesotho; Macedonia; Madagascar; Malawi; Mali; Mauritania; Micronesia; Moldova; Mongolia; Mozambique; Nepal; Nicaragua; Rwanda; St Lucia; St Vincent & The Grenadines; Samoa; Sao Tome and Principe; Senegal; Sri Lanka; Swaziland; Tajikistan; Tonga; Tuvalu; Vanuatu; Zimbabwe	(24) Afghanistan; Armenia; Bangladesh; Bolivia; Cambodia; Chad; Comoros; El Salvador; Gambia; Georgia; Guinea; Guinea-Bissau; Haiti; Honduras; Lesotho; Madagascar; Malawi; Mali; Mongolia; Mozambique; Nepal; Nicaragua; Rwanda; Tajikistan	(22) Anguilla; Bosnia Herzegovina; Ecuador; Equatorial Guinea; Grenada; Guatemala; Kiribati; Kyrgyzstan; Lao, Peoples Democratic Republic; Macedonia; Mauritania; Micronesia; Moldova; St Lucia; St Vincent & The Grenadines; Samoa; Sao Tome and Principe; Senegal; Swaziland; Tonga; Tuvalu; Vanuatu; Zimbabwe	0

Orange coloured cells in Table 2.3 enfold 32 countries that live at the same time high or very high vulnerability to natural hazard risks and extreme trade limitations. Red coloured cells include the 31 countries that simultaneously face high or very high vulnerability to natural hazard risks, extreme trade limitations and food insecurity.

⁵ After having assessed various studies available, the list prepared by the Food Policy Research Institute was chosen. International Food Policy Research Institute (2000)

2.2 Composite development restrictions: countries in clusters

Figure 2.1 summarises the amalgamation of restrictions suffered by all countries in vulnerability classes IV and V. It shows four clusters of countries (A, B, C and D), grouped according to the diverse combinations of limitations.

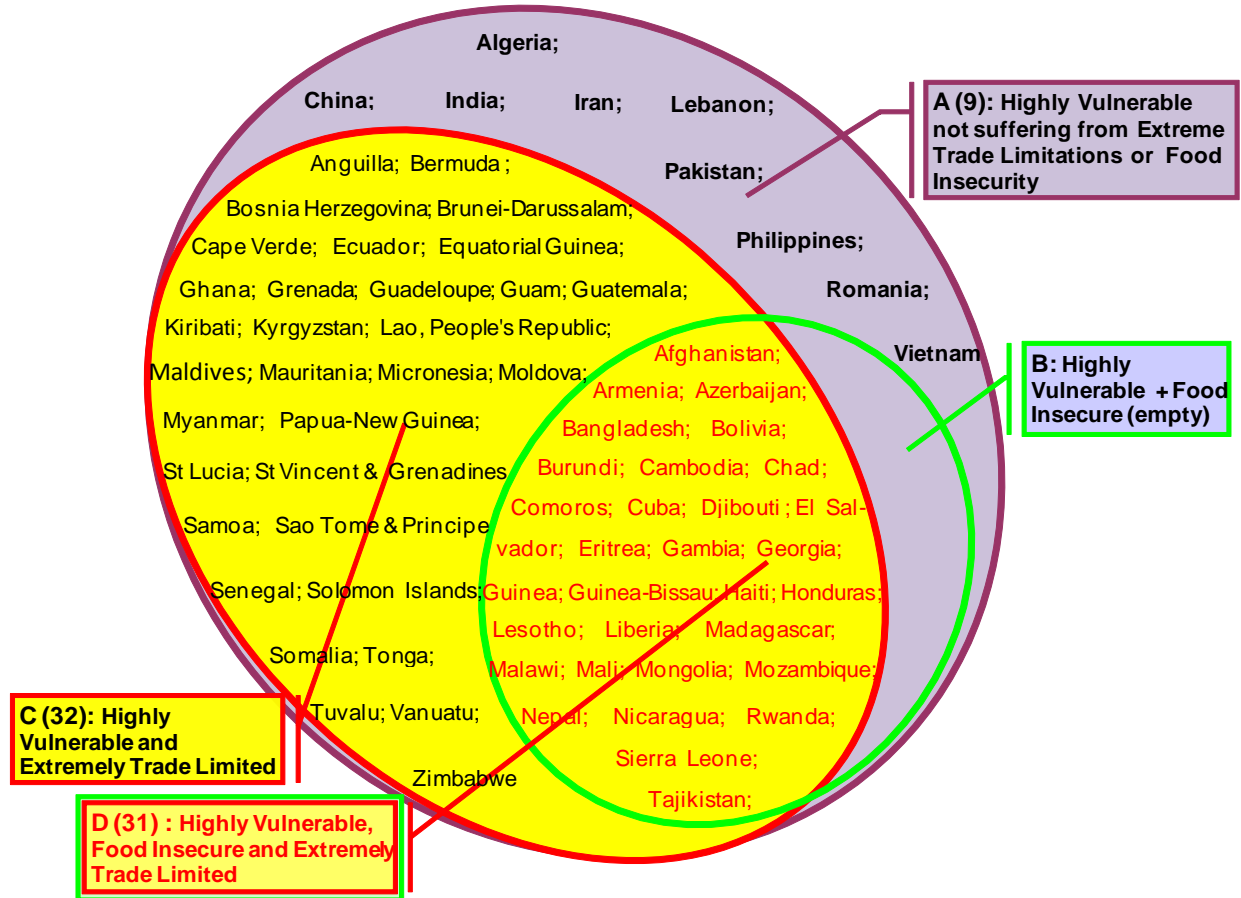


Fig. 2.1 : Developing Countries in Vulnerability Classes IV and V organized in Clusters according to Trade Limitations and Food Insecurity

It is clear from the graph above that the vast majority of countries with high or very high vulnerability to natural hazards (classes IV and V) also experience extreme trade limitations. Only 9 countries (Algeria, China, India, Iran, Lebanon, Pakistan, Philippines, Romania and Vietnam) are the exception. Additionally, all countries suffering from food insecurity are at the same time severely trade restricted (The space for Cluster B is empty).

Expected impacts of climate change were studied for all countries in figure 2.1, considering three factors: expected reduction in agriculture productivity, sea level rise and scarcity of fresh water. Almost all countries in cluster D (high or very high vulnerability, food insecurity and extreme trade limitations) are classified in the worst two quartiles of all

countries according to expected reductions in agricultural productivity.⁶ In cluster C, all SIDs are highly affected by sea level rise, and almost all African countries are highly affected by fresh water scarcity, coasts flooding and other extreme weather-related events.

2.3 Conclusions on development limitations of the clusters studied

A general conclusion may be drawn on clusters C and D after considering criteria on disaster risk; trade competitiveness and trade shock exposure; food insecurity and expected climate change impacts together: their development gaps relative to the rest of the world are negatively widening, the conditions of their insertion in the world economy are worsening, and their over-all economic resilience, i.e. their economic capacity to cope with and recover from disasters have been aggravating in the last thirty years. This is an ominous conclusion in fact.

Box 2.1 below summarises judgements supporting the commented conclusion, based on comparing clusters C and D with two other groups of countries used as “benchmarks” (the OECD member countries, and the “Consistently progressing Developing Countries”⁷) Indicators considered cover development achievements, rates of capital accumulation, vulnerability to natural hazard risks, and the conditions of the countries’ insertion in the global economy.⁸

Box 2.1: Summary of judgements on the progress of Clusters C and D over 30 years, in terms of development achievements, risks and insertion in the global economy

On over-all development achievements

- The income gaps between countries in clusters C and D and both the OECD and the consistently progressing countries have widened.
- For the last 15 years, Human Development Indices of clusters C-D have moved on parallel lines, i.e. their relative differences have not changed. The differences respect to OECD countries are slowly decreasing.

On disasters costs and economic resilience

- Using the quotient of standardised per capita gross capital formation to economic losses as an indicator for the relative capacities to address losses, the capacities of clusters C and D would be 50% and 10% of the OECD’s capacities respectively.

⁶ Only 5 countries in cluster D are apparently exempted from the high and very high CC impact list based on the reduction of agricultural productivity: Guinea, Guinea-Bissau, Liberia, Mozambique and Tajikistan. However, the UN OHRLLS (UN OHRLLS, 2009)) in its study on the impact of CC on LDCs and SIDS, considers Guinea, Guinea-Bissau, Liberia and Mozambique among the most impacted by other CC influences, particularly fresh water scarcity and extreme weather-related events.

⁷ The per capita GDP of 31 developing countries has been steadily converging towards the average of OECD countries since 1990. 19 countries out of this group have also improved their production structures and have surmounted a minimal threshold in socioeconomic terms. The 19 countries are: Chile; China; Costa Rica; Dominican Republic; Hong Kong; India; Indonesia; Jordan; Korea; Malaysia; Mauritius; Peru; Singapore; Sri Lanka; Taiwan; Thailand; Trinidad and Tobago; Tunisia and the United Arab Emirates.

⁸ Eight indicators are used in the table and graphs to illustrate how clusters C and D have progressed over the past 30 years, in terms of disaster impacts and development. The table uses per capita GDP, a measure for economic achievements of development; per capita Net Savings (PCNS), a gauge for economic resilience; revealed competitiveness (global exports market share), an indicator for the depth of the insertion in the international markets; and economic losses caused by disasters. The graphs use several additional indicators on development achievements, capital accumulation and trade & production.

Box 2.1: Summary of judgements on the progress of Clusters C and D over 30 years, in terms of development achievements, risks and insertion in the global economy

On conditions of insertion in the world economy

The conditions of insertion in the global economy have been going in reverse since the 1970's, and may worsen in the future, as a consequence of various facts:

- Revealed competitiveness (world market shares of exports) has been steadily deteriorating. Clusters C and D have reduced in 34,75% and 50,46% respectively the already negligible market share of world exports they had at the end of the 1970's.
- Value added in exports is declining in relation to trade partners, a cause for further deterioration in net trade revenues, as OECD and the rest of the economies are increasing the knowledge-content goods in their export mix;
- Exposure to exogenous trade shocks has increased as a consequence of reaching insufficient indices of export diversification and maintaining a high dependency on natural resource-based exports; and
- Productive sectors must be adapted to climate change, a task involving a great challenge itself.

An overall conclusion drawn from the findings discussed is that tackling the severe lack of resilience and the complexity of the limitations suffered by countries in clusters C and D requires an integrated response. A response is needed in which risks, on one hand, and trade and production development, on the other, are addressed in an integrated manner, pursuing a common strategy; and mechanisms for risks transfer are widely implemented.

However, one of the features of the trap in which these countries are caught is that they lack the necessary institutional capacities to implement the kind of interventions needed, unless they receive coordinated support from the international community. Their ways out from the traps are not assured by just “unleashing market forces” or by receiving multiple but diffuse international supports

A succinct image of the development-related characteristics of the two clusters and the two benchmarks are given by Table 2.4 and the graphs in figures 2.2 and 2.3 below.

As seen in Table 2.4 below, the recorded costs of disasters for clusters C and D have steeply increased (270% and 780% increase in 30 years respectively)⁹ while their per capita savings - indicators for overall economic resilience- have decreased. Although the registered costs of disaster losses per capita have also augmented in the two benchmark groups (518% for the group of “consistently progressing developing countries” and 472% for the OECD), the increases experimented by the latter's net savings have alleviated the effect of costs in the OECD countries, and have nullified the effect in the “consistently progressing developing countries”.

Figure 2.2 shows the variation of the per capita disaster losses and net savings, and the quotient of these indicators relative to OECD since 1979 (OECD=1.0). Clusters C and D have approximately maintained their position relative to OECD countries at average levels of 0.5 and 0.1 respectively. This means that their corresponding relative capacities to

⁹ Figures relative to increase in economic losses of disasters incorporate the effect of having improved the quality and coverage of data for such losses in the last 20 years

withstand and recover from the kind of disasters faced are equivalent to 50% and 10% of the OECD countries' relative capacities.

Table 2.4 : Thirty years of progress in trade and development achievements, resilience building and disaster impacts in Clusters C and D

Clusters of countries		Per Capita GDP Geary-Khamis 1990 USD					% Global Exports Market Share (2)			X: Per capita Net Savings (Const. 2000 USD)			Y: Per capita Dis. Eco Losses (Const 2000 USD)			X/Y Quotient relative to OECD (OECD=1,0)		
		Absolute Value		Relative to OECD (OECD=1,0)														
		1978	2007	1978	2007	1978-2007 Chge. (1)	1978	2007	1978-2007 Sh. Chge	1979	2007	1978-2007 % Incr.	1979	2007	1978-2007 % Incr.	1979	2007	1979-2007 Chge
Clusters of countries subject to analysis																		
C	Vulnerable and extr. trade limited, not food insecure	1.611	2.596	0,11	0,10	-0,01	0,78	0,20	-0,58	175,43	167,2	-4,68	1,74	6,45	270,29	0,41	0,54	0,13
D	Vulnerable, extremely trade limited and food insecure	986	1.391	0,07	0,06	-0,01	0,80	0,12	-0,68	48,31	44,12	-8,67	0,59	5,20	780,45	0,33	0,18	-0,15
Groups of countries used as Benchmarks																		
	Consistently progressing developing countries	1.150	3.977	0,09	0,19	0,10	6,90	20,50	13,60	70,83	376,7	431,8	0,84	5,18	518,42	0,34	1,50	1,16
	Developed Countries	14.374	24.950	1,00	1,00	0,00	52,27	54,50	2,23	2257,17	2.540	12,53	9,20	52,57	471,76	1,00	1,00	0,00

(1) Refers to percent points variation between years 1978 and 2007, For instance, a variation of 7,94 in the per capita GDP relative to OECD countries of Cluster A means that the relative GDP per capita in 1978 was equivalent to 8% of the per capita of OECD countries. (2) Refers to exports of goods. (3) 10 year moving average

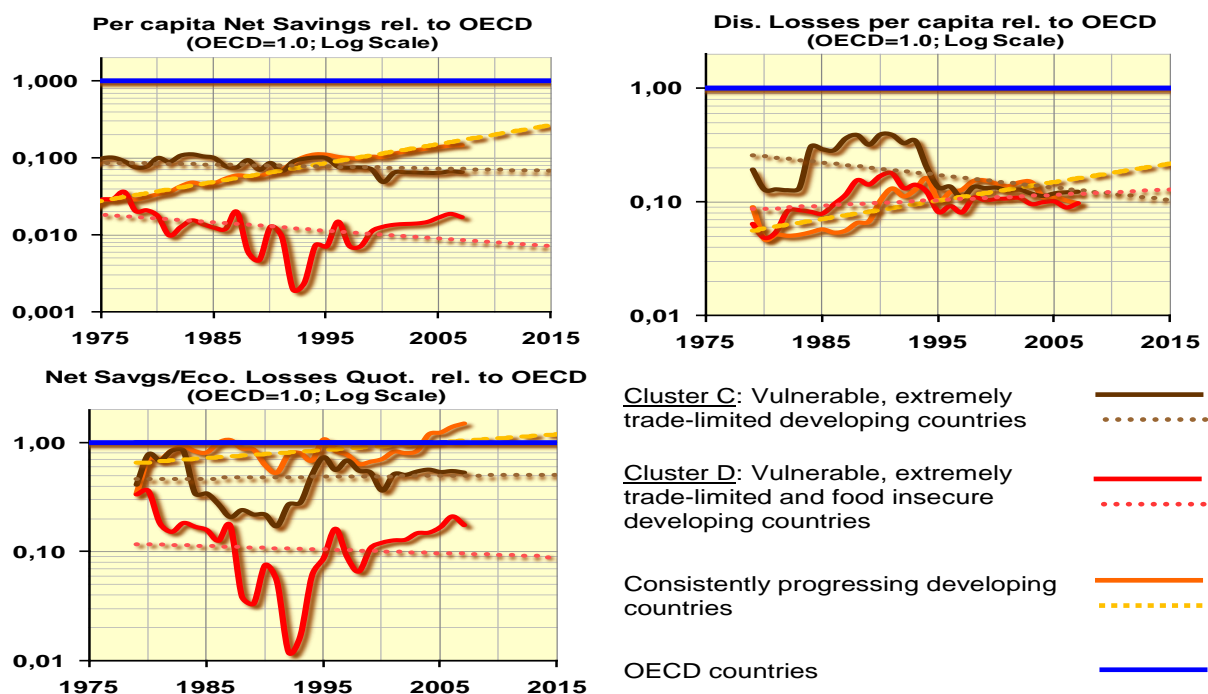


Fig. 2.2: Indicators of the relative impact of disasters and economic resilience in clusters C and D

In terms of revealed competitiveness (market share of world exports) countries in clusters C and D have reduced in 74% and 85% respectively the already minimal market share they had at the end of the 70's. Coherent with these losses, the income gaps between the same countries and developed economies have widened. The sign of the difference in per capita GDP has reversed with respect to the “consistently progressing developing countries”, as a consequence of the latter having increased its per capita GDP relative to OECD from 9% to 19%.

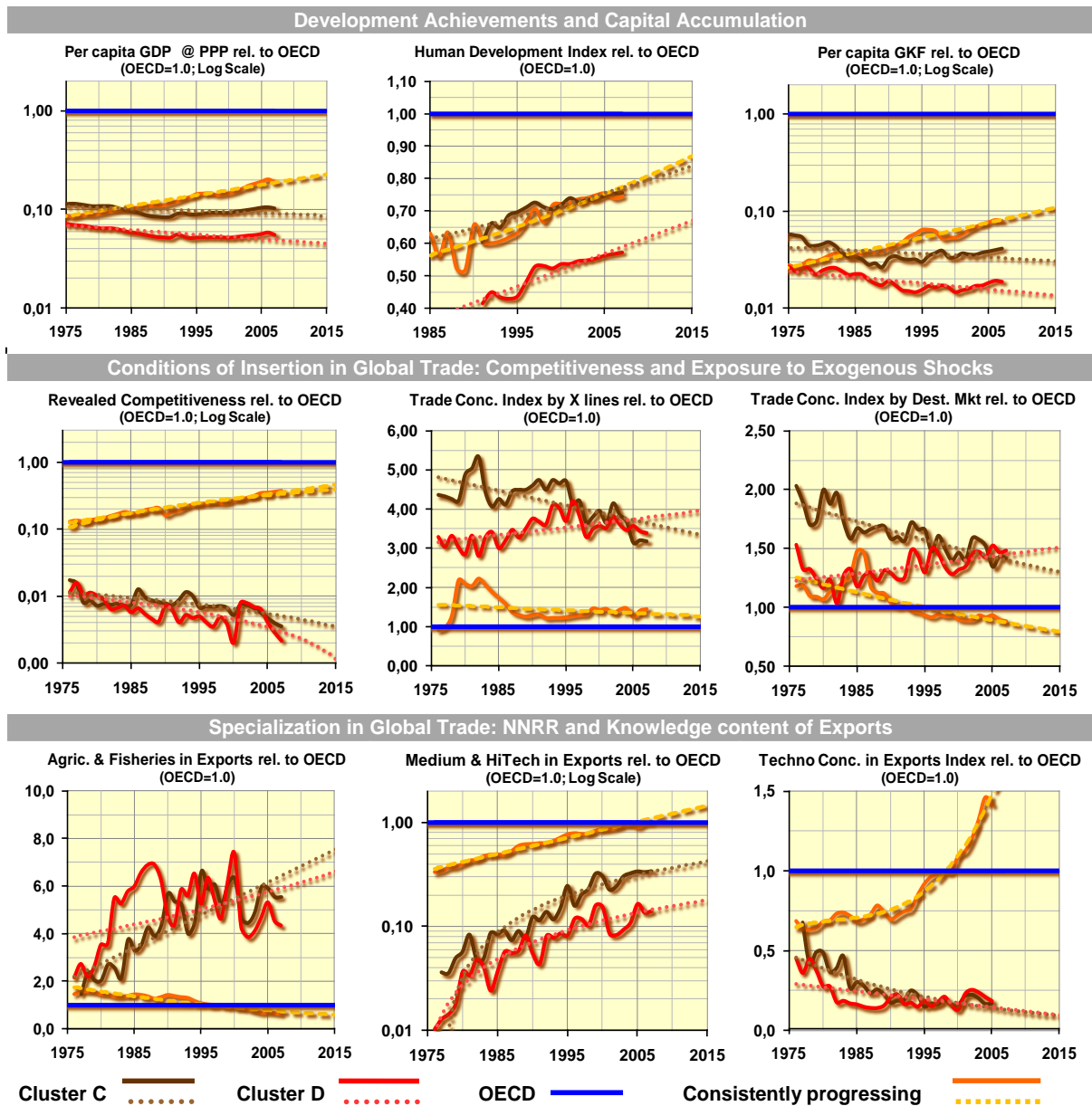


Figure 2.3: Progress of the Trade and Development processes in clusters C and D

In terms of income, savings and exports market share, Cluster D's levels in 2007 were much worse than C's due to an even poorer over-all economic performance over the last 30 years.

2.4 A priority group: countries apparently living poverty traps due to lack of resilience

Poverty Trap is a self-perpetuating condition where an economy suffers from persistent underdevelopment (Matsuyama, 2006) because it is caught in a vicious cycle ultimately explained by the lack of capital per person, including six major kinds of capital: human capital, business capital, infrastructure, natural capital, public institutional capital, and knowledge capital (Sachs et al, 2004). Frequent disasters that year after year destroy assets in vulnerable economies may prevent capital accumulation beyond the minimum necessary to benefit from increasing returns, and lead these countries to insurmountable poverty traps.

45 out of the 63 countries living high vulnerability and extreme trade limitations may be experiencing “lack of resilience traps” in which severe disaster losses and decreasing or stagnating economic resilience hamper the possibility of accumulation of endogenous capacities, which in turn inhibits development achievements consequently hindering the building of needed resilience.

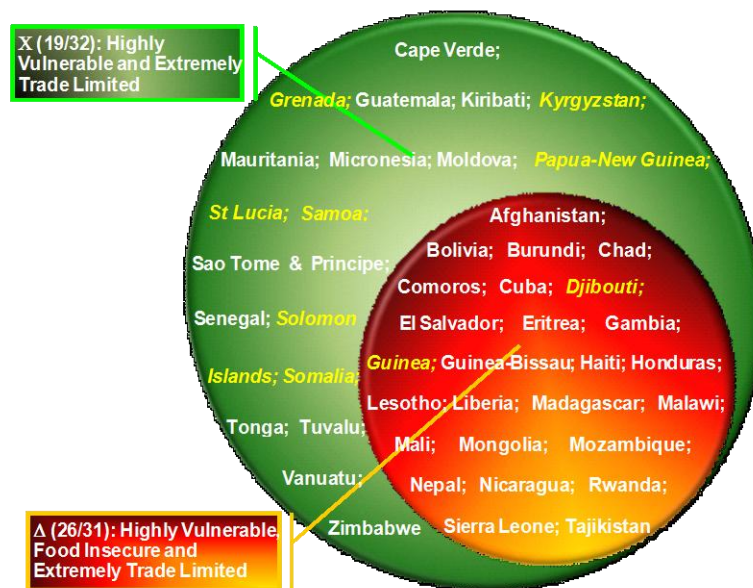


Fig. 2.4 : Developing Countries probably living “Lack of Resilience Traps” in the highest Vulnerability Classes (Classes IV & V) organized according to Trade Limitations and Food Insecurity

The presence of “Lack of resilience traps” is asserted by the studies as highly probable for the 36 countries whose names are shown in white letters in Figure 2.4 above, and is depicted as likely for the 9 countries in yellow letters. Finally, Figure 2.5 below compares the behaviour of the group of 26 highly vulnerable, extremely trade limited and food insecure countries¹⁰ in the inner circle Δ of figure 2.4, with the two benchmark groups (OECD and consistently progressing developing countries).

¹⁰ Afghanistan, Bolivia, Burundi, Chad, Comoros, Cuba, Djibouti, El Salvador, Eritrea, Gambia, Guinea, Guinea-Bissau, Haiti, Honduras, Lesotho, Liberia, Madagascar, Malawi, Mali, Mongolia, Mozambique, Nepal, Nicaragua, Rwanda, Sierra Leone and Tajikistan.

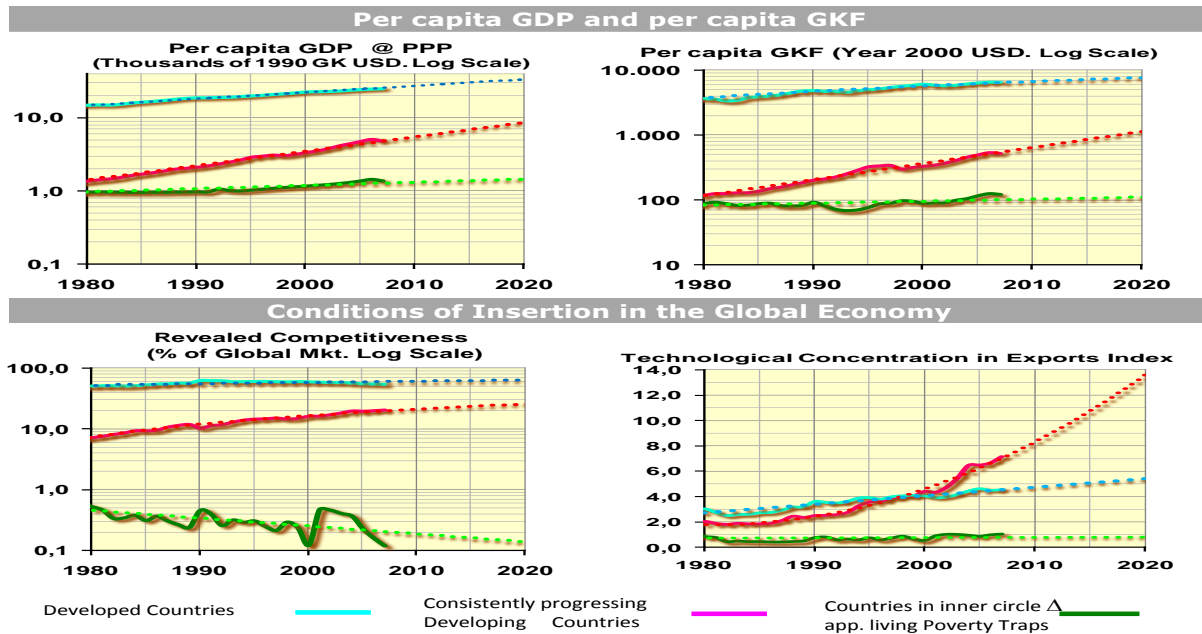


Fig. 2.5: Progress of development achievements and endogenous capacities in a group of countries from Clusters C and D apparently living Poverty Traps

Indicators used in the comparison are per capita GDP; per capita capital formation, revealed competitiveness, and knowledge incorporated in goods exports.¹¹ It is clear in the figure how all the indicators for the group of consistently progressing developing countries improve since the 1980s, while the same indicators for the group of countries probably living poverty traps decrease or remain stagnant for more than 25 years, which could be a sign of chronic stagnation.

¹¹ The technological concentration in export index in this case is calculated as the quotient between medium & high technology exports and primary (agriculture and fisheries) exports.

3. AN INITIATIVE TO ADDRESS THE LACK OF RESILIENCE TRAPS

Chapter 2 of this paper discussed the characteristics and development limitations shared by the groups of highly vulnerable and extremely trade-limited countries singled in the studies, which seem to be caught in “Lack of Resilience Traps”.

As a response to this situation, a basic policy approach is suggested here, to start solving the traps: implementing coordinated policy interventions to mainstream DRR and CCA and simultaneously tackle limitations in various sectors, and transferring risks to increase economic resilience using exogenous sources. Harmonised support from the international community in the various areas of intervention is essential to contribute developing countries’ institutional capabilities necessary for implementation.

This chapter proposes the main lines for an Initiative based on country-level coordinated policy interventions by governments, coupled to external support integrating actions from several international agencies. The goal of the proposal is not defining a new and independent programme of the international entities, but to outline the *platform strategy* of an Initiative for coordinated action that concerned governments, donors and international entities could agree to conduct in countries that apparently live “Lack of Resilience Traps”.

The main inputs used in conceiving the proposed *platform strategy* are the findings and conclusions from chapter 2 and the results of an exploratory analysis of the strategies and practices currently followed by the leading international entities in five policy domains: disaster risk reduction (DRR), climate change adaptation (CCA), trade and productive sector development, food security, and natural hazards-related insurances.¹²

Section 3.1 of this chapter synthesises the guidelines suggested for the *platform strategy*, i.e. the most relevant strategic components of the Initiative. The *platform strategy* would be an umbrella for relevant sectoral and cross-sectoral policies of the countries, as well as for the coordinated and harmonised international cooperation. Section 3.2 develops the sectoral and cross-sectoral interventions that would provide the skeleton of the Initiative, and section 3.3 preliminarily maps possible institutional partnerships and explores shared priorities for the Initiative’s implementation. Finally, Section 3.4 provides suggestions for immediate action in the direction of initiating implementation. Appendix

3.1 A synopsis of the suggested platform strategy

Three main ideas determine the logics of the *framework strategy*. The first is that the final aim of the responses is favouring the attainment of the economic, social and environmental goals of sustainable human development, and not just preventing and addressing disaster impacts. As a consequence, the second idea is that the diverse limitations are treated as lack of endogenous capacities for development, either for trade and production or for reducing exposures to risks, building resilience or enhancing adaptive aptitudes. The third idea is that

¹² In the DRR realm the exploration on policies and programmes included the Hyogo Framework for Action (HFA), the UN International Strategy for Disaster Risk Reduction (ISDR), the United Nations Development Programme (UNDP) and the World Bank’s Global Facility for Disaster Reduction and Recovery (GFDRR). In relation to CCA, policies and practice of the UN Framework Convention on Climate Change (UNFCCC) and the Global Environmental Fund (GEF) were studied. Policies and programmes studied on agriculture and food security included those of the UN Food and Alimentation Organization (FAO) and the Comprehensive Framework for Action (CFA); and the proposals made by the High Level Task Force on the Global Food Crisis (HLTF). Finally, regarding risk transfer and insurance, various recent trends and mechanisms were studied, including the Munich Climate Insurance Initiative and the Insurance Working Group of the UNEP Finance Initiative (UNEP FI).

climate change adaptation (CCA) and disaster risk reduction (DRR) play the role of cross-cutting organisers of the Initiative.

There are four major reasons for establishing DRR and CCA as the cross-cutting organisers of the *platform strategy*, and for suggesting a deeper mutual coherence of their actions:

- Reduction of natural hazard risks cannot be considered a sector, but has to be mainstreamed in all sectors, as risks originate in the development-related activities of all of them;
- Climate change will intensely influence these countries' capacities for production and trade as well as the frequency and magnitude of the extreme events they face;
- With respect to hydro meteorological hazards, DRR is *per se* a strategy for CCA which may be mainstreamed in all sectors. However, in the institutional reality of many countries, DRR and CCA interventions are implemented through independent national organizations; and
- Converging actions have started already in knowledge creation and policy designs for joint initiatives between the DRR and CCA communities, as well as between the trade and disasters and the trade and climate change agencies and practitioners.

Figure 3.1 below provides a schematic diagram of the suggested *platform strategy*, showing in five logic levels from left to right (levels A through E), the main components involved.

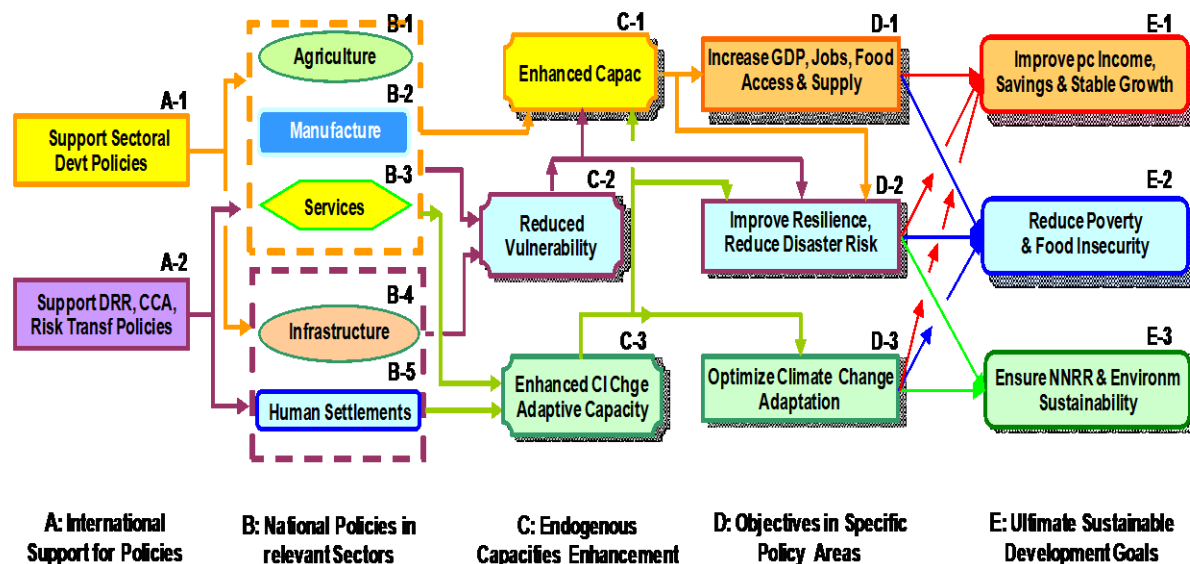


Figure 3.1: Simplified logic relations in the *platform strategy*

In short terms, the strategy consists of providing countries with international support (level A, far left in the diagram) to implement coordinated policies in various sectors nationally (level B, five main sectors), aimed at enhancing endogenous capacities in various domains (level C), i.e. creating economic, social and institutional capacities for development (C-1),

including climate change adaptive capacity (C-3), plus increasing resilience and reducing vulnerability factors simultaneously (C-2), to help breaking the traps.

The enhancement of capacities that would result from the integrated interventions would optimise the achievement of the individual policy objectives (level D) in a harmonised manner, maximising their contributions to the common over-all goals of sustainable human development (level E).

The international support for policies involves technical cooperation and financial assistance, as shown in the two blocks in Fig 3.1: A-1 support to sectoral development policies in trade & production for agriculture, manufacture, tourism and other services, and A-2 support to cross-sectoral, risk-related policies in developing risk transfer mechanisms (insurance and others), and mainstreaming disaster risk reduction and climate change adaptation in all the sectors.

The logic diagram in Figure 3.1 shows how the three enhancements of capacities resulting from the integrated interventions (i.e. capacities in trade and production C1, reduction of disaster vulnerability factors C2, and improvement of climate change adaptive capacities C3), positively influence the attainment of trade and production objectives including food security (D-1) and the building of resilience and overall disaster risk reduction objectives (D-2).

3.2 Interventions to be supported by international agencies

The various international supports for policies (Blocks A-1 and A-2 in Fig 3.1), have been preliminarily conceived in four specialised lines associated to five sectors as shown in the matrix of Table 3.1. Numbers and dotted rectangles in the matrix convey a preliminary idea on the four “sub programmes” in which the international supports could be organised to act as catalysts of the diverse sectoral policies and to help mainstreaming the cross-sectoral, risk-related issues.¹³

The selection of the five sectors shown in the rows of the table responds to the limitations that the target countries suffer, according to the findings of chapter 2: trade and productive sector restrictions, including lack of value addition in manufacture or services; food insecurity; vulnerability of infrastructures and human settlements to natural hazard risks; climate change impacts and needs for adaptation. However, only those sectors actually relevant for development, trade or risks in a particular country would be included in the proposals for intervention in that country.

The columns in the table convey information about the engagement proposed for the international agencies in the *platform strategy*.

- Support to sectoral development policies (A-1) implies providing direct technical cooperation and financial assistance in the planning, implementation and follow-up phases of development policies in trade and productive sectors, including agriculture, manufacturing and services, which would be defined by national strategies in each country.

¹³ Colours in the cells of the table represent the relative importance that the specific international support (in the column) may have for the sector (in the row). Darker colours symbolize higher relative importance.

- Support to cross-sectoral, risk-related policies (A-2) involves offering technical cooperation and financial assistance for the mainstreaming of disaster risk reduction, climate change adaptation and risk transfer in sectors. Two different lines are identified in this case: DRR and CCA mainstreaming in the five sectors; and developing risk transfer mechanisms (insurance and others) for applications in the specific sectors.

Table 3.1: Illustration on components of an Initiative for Integrated actions by the International Entities

Economic and Social Sectors targeted for coordinated international support		A-1: International Support to Trade and Productive Sector Development	A-2: International Support to Cross-Cutting, Risk-Associated Policies	
			Disaster Risk Reduction and Climate Change Adaptation	Risk Transfer/ Insurances
AGRICULTURE & FOOD SECURITY (Incl. Rural Devt)	Local Markets & Food Security	1		
	International Market			
MANUFACTURE (Diversification, Value Chains)	Local Market SMEs			
	International Market			
VALUE ADDED SERVICES (Diversification)	Tourism	2	3	4
	Knowledge Content Services			
INFRASTRUCTURE & LOGISTICS	Logistics & Trade Facilities			
	General Infrastructure			
HUMAN SETTLEMENTS & URBAN DEVELOPMENT	Social Capital/Resilience			
	Planning, Standards, Control			

Box 3.1 below synthesises the objectives suggested for each sub programme, and boxes in the Appendix offer preliminary recommendations on guidelines for each of them. These suggestions should be discussed among concerned governments, donors, international entities and other actors who would be eventually invited to participate in the Initiative. In any national project, sub programmes 3 and 4 (cross-sectoral) should support the implementation of sub programmes 1 and 2 (sectoral).

Box 3.1: Synthesis of the objectives of the four Sub Programmes

Sub programme 1: Agriculture and food security

The objective of this sub programme would be to provide technical and financial assistance to beneficiary countries, to help them improving their agricultural production and trade, overcoming food insecurity and establishing resilient food systems, in the framework of climate change adaptation (CCA) and disaster risk reduction (DRR). Two strategies have been recommended to this purpose (see Appendix). The first is suggested for agricultural trade and production development in general (in all countries in the programme), while the second is particularly applicable to countries suffering high or very high food insecurity.

Sub programme 2: Trade and productive sector development in manufacture and service sectors

The objective of this sub programme would be to provide technical and financial assistance to beneficiary countries, to help them overcoming their limitations for trade diversification and trade development, particularly in the manufacturing and service sectors, in the framework of climate change adaptation (CCA) and disaster risk reduction (DRR). Developing competitive advantages and increasing job creation under sustainable environmental conditions are the main goals within the trade and productive sector development perspective. Three main guidelines for action have been recommended (see Appendix), referred to trade and productive sector development in the context of CCA; infrastructure and human settlements; and integrated funding.

Sub programme 3: DRR and CCA

The objective of this sub programme would be to provide technical and financial assistance to beneficiary countries, to help them mainstreaming CCA and DRR in productive sectors in general. Three general guidelines have been recommended for the integrated institutionalization and the mainstreaming of DRR and CCA in the Initiative (see Appendix), and more precise technical recommendations have been made on CCA (see Appendix).

Sub programme 4: Risk transfer-Insurance

The objective of the sixth sub programme would be to provide technical and financial assistance to help creating risk transfer mechanisms and increasing economic resilience in case of extreme events, through traditional insurance structures and new financial instruments. Three complementary lines of work are suggested (see Appendix): risk-reducing insurance programmes; insurance for micro entrepreneurs and low-income households; and risk-pooling facilities to benefit from efficient risk transfer mechanisms, optimal pricing from reinsurance and economies of scale.

3.3 Preliminarily mapping eventual priorities and institutional partnerships

Previous sections in this paper have proposed the main lines of a *platform strategy*, including four sub programmes for its implementation. These sub programmes would be catalysers of the cooperation among international agencies in the five sectors targeted in the countries.

In examining the policies of international agencies, as well as the specialised literature for issues relevant to the countries concerned (e.g. agriculture and food security; tourism; human settlements in coastal areas; disasters insurance), many coincidences are found on approaches to reduce risks, to address adaptation to climate change, or to improve competitiveness. These coincidences have been exploited in preparing the proposals of this chapter and the draft guidelines for the sub programmes in the appendices.

However, even if the various international interventions are implemented on a common *platform strategy*, or if many measures are useful in different perspectives, in each country

the Initiative would respond to the specific development limitations, risks and needs of the country. For this reason, the particular country's development strategy should be the frame for the agenda to be implemented by the sub programmes in each case.

Many countries in the groups under study have already prepared national development strategies or similar plans with the assistance of international entities, under various programmes such as the PRSPs, the NAPAs, ISDR, CCA and AFT, among others. In these cases, there is no need to start from zero in order to initiate the kind of international cooperation suggested, but to use the existing plans with the inclusion of the lines of intervention considered in the Initiative that might be missing or deserving adjustment.

Ideas that should be discussed and agreed among eventual partners to establish concrete bases for implementation include, among others, the following:

- Discussing and agreeing a *platform strategy* for the Initiative, including the basic sub programmes and the respective leading agencies;
- Establishing criteria to define the country (ies) for pilot project (s). Options would include countries where the agencies to be involved have successfully implemented (or are currently implementing) projects in the fields; countries that already have action plans (e.g. DRR plans, NAPAs, PRSPs); countries whose institutional settings are favourable to such experiences;
- Selecting the countries in which the first group of pilots would be implemented, and proceed to defining plans of operation based on adapting existing plans to the idea of harmonisation; and
- Establishing goals for each pilot project, and criteria for monitoring and assessing success and progress.

Table 3.2 below shows preliminary ideas on agencies that could play the roles of leaders of the sub programmes, as well as lists of agencies currently acting in the various fields. Rows in the table are organized by areas of intervention according to the four sub programmes introduced in section 3.2, while columns show the cooperation activities that agencies normally carry on.

In DRR and CCA, the most active international agencies are the UNISDR and the UNFCCC. The World Bank and the regional development banks are active in financing initiatives in all the above mentioned fields and the GEF and the WB GFDRR have special focus in CCA and DRR respectively. The most active entities offering technical cooperation in the human settlements and infrastructure development areas are the UN Development Programme (UNDP), UN-Habitat and FAO (rural development and infrastructures).

Table 3.2: International agencies currently active in the areas of intervention proposed for the Initiative

Intersections (Areas of Intervention)	Leading Agencies	Agencies according to supports provided	
		Providing Financial Assistance	Providing Technical Assistance
1 Agricultural Trade and Production Devt & Food Security	FAO	WB; IFAD, AFT donors, Regional Devt Banks; Natl Devt Agenc from OECD and EU countries; EC-FSTP;	FAO, IFAD, WFP, WTO, ITC, UNCTAD, Natl Devt Agencies from OECD Countries; EC DG Development; UNFCCC; UNDP; UN Eco Comissions ECA, ECLAC, ESCAP, ESCWA
2 Trade & Production Devt in Manufacture & V-A Services	ITC, UNIDO, UNWTO		WTO, ITC, UNIDO; UNWTO; WTTC; UNCTAD; Natl Devt Ag from OECD Countries; EC DG Devt; UNFCCC; UNDP; UN DESA; UN Eco Comissions ECA, ECLAC, ESCAP, ESCWA
3 DRR & CCA mainstreaming in all relevant sectors	UNDP, UNFCCC, UNISDR	GEF, GEF Trust Fund; SCCF; LDC Fund; WB GFDRR; Regional Devt Banks; Natl Devt Agenc OECD countries; EC-FSTP;	UN ISDR; UNFCCC; UNDP; UNEP; UNWMO; UNHabitat; Natl Devt Agencies from OECD Countries; EC DG Development; UN Eco Comissions ECA, ECLAC, ESCAP, ESCWA
4 Risk Transfer-Insurance Mechanisms	UNEP-FI, MCII, WB	UNEP-FI, MCII, WB GFDRR	UNEP-FI; MCII; WBGFDRR; Reg. Devt Banks;

The UN Conference on Trade and Development (UNCTAD), the World Trade Organization (WTO) and the International Trade Centre (ITC) provide assistance in trade and productive sector development including trade-related logistics. FAO and the World Bank are active in the agricultural sector. The UN Industrial Development Organization (UNIDO) also cooperates in the fields of manufacturing and the UN World Tourism Organization UNWTO in the tourism sector.

The UN Regional Economic Commissions ECA, ESCAP, ESCWA and ECLAC cover technical assistance and capacity building activities in all the fields mentioned.

4. RECOMMENDATIONS TO NATIONAL GOVERNMENTS, DONORS AND INTERNATIONAL AGENCIES

The possibilities of highly vulnerable and severely trade-limited developing countries avoiding or escaping the “Lack of Resilience Traps” seem to be extremely limited unless they address in a coordinated manner, pursuing a common strategy, trade and production development policies, risks prevention and mitigation, and risk transfer mechanisms. However, coordinated support from the international community is needed to help these countries in the implementation and in the creation of institutional capacities currently missing.

Based on the findings commented in Chapter 2 and the proposals made in Chapter 3, this final chapter presents recommendations to governments, donors and international agencies aiming at making the proposed Initiative feasible. The recommendations are organized around three main lines of action: integrating DRR and CCA in development-related policies; working together in agreeing a platform strategy; and conducting pilot projects in selected countries.

4.1 Integrating DRR and CCA in development-related policies

Based on the mandates by the Hyogo Framework for Action (HFA), various organizations participating in the ISDR system and the ISDR Secretariat in particular, have insisted for long time on the need to mainstream DRR in development policies and programmes, including those related to human settlements, infrastructures, agriculture and rural development. Efforts have also been made by the ISDR and the UNFCCC to start harmonising their policy guidelines as well as their actions in the field. In parallel, researchers, practitioners and NGOs in the trade and development fields have made proposals on how trade and climate change-related policies and financing instruments should complement each other. Unfortunately, effective progress on these lines has been meagre at country level so far.

The need for achieving real progress along the commented lines must be considered qualitatively different in countries belonging to the two clusters that simultaneously face high vulnerability to natural hazards, severe trade restrictions and/or food insecurity. The majority of these countries are caught in “Lack of Resilience Traps” and their prospects for development are beyond doubt compromised unless the commented integration is implemented.

Four concrete recommendations are made in this direction:

- a. To all international agencies (IGOs) working on development: To effectively integrate in their policies and methods, as cross cutting issues at national and international level, DRR and CCA;
- b. To UN specialised agencies in development areas, as well as to the ITC and the WTO: To provide support to countries in integrating DRR and CCA in their own trade and development processes, particularly in countries suffering high vulnerability to natural hazards and extreme limitations for trade;

- c. To International Agencies (IGOs) and NGOs dealing with CCA issues: To intensify ongoing efforts to integrate the disciplines of CCA and DRR with respect to all hydro meteorological hazards;
- d. To international donors supporting development-related aid programmes, including those associated with trade (AFT), agriculture, tourism, value added services and productive sector development in general: To consider initiatives aiming at mainstreaming CCA and DRR in development processes part of their own development agendas, and to promote the incorporation of initiatives of the kind in the Aid for Trade programmes they support;

4.2 Working together to agree on a platform strategy for the Initiative

Preliminary guidelines on a *platform strategy* for the Initiative have been proposed to serve as inputs to a discussion from which hopefully an agreement among international agencies and donors should emerge. Two recommendations are made to promote and facilitate this process:

- a. To the ISDR, UNDP, UNFCCC, UNEP, FAO and WBGFDRR: To constitute an initial group to promote the Initiative among IGOs dedicated to development, including the organization of workshops aimed at discussing and eventually agreeing the platform strategy;
- b. To specialised agencies of the UN, international donors and governments from the countries concerned: To actively participate in the technical workshops mentioned under “a” and to eventually contribute to implementing agreements;

4.3 Conducting pilot projects

Pilot projects are necessary to test methods and channels for international cooperation and country-level implementation in the direction proposed for the Initiative. Three recommendations are made in this direction:

- a. To the ISDR, UNDP, UNFCCC, UNEP, FAO, WBGFDRR and international donors: To agree on criteria to select the country (ies) for pilot project (s), to make an initial screening of countries, and to prepare initial costs and budget estimates for implementation;
- b. To countries eventually involved: To provide facilities to conduct the preparatory activities, and to actively participate in the implementation of the pilots; and
- c. To international donors: To provide financial support for pre-investment and implementation of the pilot projects.

The selection of countries in which pilot projects could be implemented should respond to diverse criteria.

One decisive factor to be considered is that countries’ indicators should show evidence of the vicious circles characterising “Lack of Resilience Traps”. Appendix A-6 presents the example of three highly vulnerable Central American countries suffering severe trade restrictions and food insecurity, illustrating the use of indicators from the UNISDR Indicators System (INSYST) to assess their risk and development situations.

Two additional criteria are economic geography and institutional setting; i.e. pilot projects should consider countries having similar hazards and productive sector characteristics, including institutional organization, so that lessons learnt from these experiences may be complemented and hopefully generalised for “families of situations”.

Finally, a highly important criterion is the existence of cooperation projects and strategy proposals from the agencies in the countries, as well as the existence of national development strategies, CCA policy proposals and DRR programmes. Experiences already carried on may simplify the preparatory work to be conducted and facilitate the coordination of efforts for the initiation of the pilot projects.

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APPENDICES

Appendix A-1: Ideas on General Guidelines for the Platform Strategy on Agriculture and Food Security¹⁴

The following ideas are proposed for initiating a discussion among donors, international agencies and governments, aiming at agreeing on a set of Guidelines for the Platform Strategy on Agriculture and Food Security. These ideas are coherent with the proposals on objectives and scope of the Initiative, and result from the study of policies and strategies currently in use by international organizations.

Agricultural trade and production development in general

For all countries in the Initiative, agricultural trade and production development should be fostered focusing on three main objectives: smallholder farmer-led food availability growth; diversification of food processing, markets and consumption; and harnessing untapped agricultural export potential through appropriate diversification and technological upgrading.

- Improving the enabling policy framework, supporting development of producer organizations and stimulating public/private investment in agriculture;
- Removing artificial constraints to domestic trade throughout the food chain in order to link small farmers to markets and ensure sustained access to competitive, transparent and private sector-led markets for food produce and quality inputs;
- Providing productivity enhancing safety nets through -interalia- reducing post-harvest crop losses and improving village-level stocks, rehabilitating rural and agricultural infrastructure, improving animal health services, and providing access of smallholders and other food chain actors to financial and risk management instruments;
- Implementing CCA and DRR for agriculture in general, to provide farmers with more choices of crops that are resistant to the changing climate and improved livestock and fisheries breeding and farming techniques, including DRR particularly suited to fishing operations; and
- Ensuring secure access to and better management of natural resources, including land, water, and biodiversity; as well as water management and agronomic research on erosion control and soil conservation measures, agroforestry and forestry techniques, forest fire management, improved irrigation systems, and development of drought, flood and saline tolerant crops;

Food security

In countries facing food insecurity, a second strategy should be integrated within the general agricultural development line of attack. In broad terms, it would consist of supporting food security and rural livelihood sustainability, including through:

- In the rural *milieu*, promoting not only agriculture productivity growth, but also resource access, land tenure, returns to labour and education; and looking beyond farming to incorporate off-farm income opportunities;
- Addressing the urban dimensions of food insecurity in terms of availability and access, market development, and access to basic services;
- Effectively incorporating food security objectives into national and sub national strategies for development and poverty reduction; and
- Strengthening capacity to design and implement social protection policies in order to move towards more efficient programmes including alternatives to unconditional assistance (social protection systems targeted on vulnerable groups), improvement of quality and diversity of foods, and linking assistance to programmes on human settlements development and basic social services to build resilience to future shocks.

¹⁴ Source: Corrales and Miquilena, 2010a

Appendix A-2: Ideas on General Guidelines for the Platform Strategy on Trade, Production and Infrastructure Development¹⁵

The following ideas are proposed for initiating a discussion among donors, international agencies and governments, aiming at agreeing on a set of Guidelines for the Platform Strategy on Trade, Production and Infrastructure Development. These ideas are coherent with the proposals on objectives and scope of the Initiative, and result from the study of policies and strategies currently in use by international organizations. Three groups of ideas below would serve as inputs in the design and implementation of the Initiative.

On trade and productive sector development

Initial recommendations for implementing the Initiative in this area consist of a strategy aimed at improving the country's insertion in the global economy in the context of CCA and DRR, based on:

- Supporting agricultural diversification and promoting the reduction of export dependence from natural resources-based activities;
- Implementing CCA measures for agriculture, including DRR, water management and agronomic research; erosion control and soil conservation measures, agroforestry and forestry techniques, improved irrigation systems and the development of new crops and grazing areas;
- Liberalizing trade and foreign investment, promoting competition and supporting a competitiveness and private sector development framework, and developing efficient logistics and trade facilitation;
- Fostering the creation of linkages between exporters (agro-industry, tourism, manufacture) and local SMEs, production chains and clusters;
- Fostering diversification of tourism products particularly in the case of SIDs and coastal countries, as well as the development of knowledge-content services; and
- Strengthening the negotiating capacities to obtain better market access for their goods and services including international tourism, and flexible rules to implement supply-side policies.

On Infrastructure and human settlements

Main recommendations in this area refer to:

- Evaluating existing infrastructure, particularly energy, water and transportation, with special attention to trade-related facilities, from the perspective of vulnerability and resilience, and establishing a programme for priority investment aimed at creating needed backup facilities; and
- Institutionalizing Coastal zones management including: discouraging permanent shoreline stabilization; better land use management as well as better town planning and the decrease of subsidies to develop sensitive coastal lands; coral and mangrove forests monitoring and restoration, improving coastal defences through set-back areas and vegetation buffers.

On integrated funding

Given the scarcity of resources for development aid at global level, this integration would highly benefit countries in the Initiative as it would make the joint use of funds from AFT, CCA and DRR practically feasible. Aid for Trade (AFT) and CCA financing, may help build the supply-side capacity and the economic resilience that highly vulnerable and trade-limited countries need. To make CCA financing and AFT complementary and mutually reinforcing, both beneficiaries and donors need to recognize and specify the trade impacts of NAPAs projects and the climate change implications of aid for trade projects. Moreover, in the case of LDCs, both NAPAs and PRSPs should be closely linked when designed, funded and implemented.

¹⁵ Source: Corrales and Miquilena, 2010a

Appendix A-3: Ideas on General Guidelines for the Platform Strategy on Integrating DRR and CCA¹⁶

The following ideas are proposed for initiating a discussion among donors, international agencies and governments, aiming at agreeing on a set of Guidelines for the Platform Strategy on ways for integrating DRR and CCA. These ideas are coherent with the proposals on objectives and scope of the Initiative, and result from the study of policies and strategies currently in use by international organizations.

As a general conclusion of the study of experiences, it can be said that little progress has been attained up to now in mainstreaming the two policies in development plans. Although policies for DRR and CCA carry a great potential for supporting developing countries to reduce their limitations for sustainable human development, and the benefits of linking DRR and CCA have already been acknowledged by the scientific and also the humanitarian and development international communities, they will commence to be practically useful once they are incorporated in development plans and programmes, which is not the case for the poorer countries so far.

Regarding DRR, only a few countries have really progressed in mainstreaming it in national planning, or in sectoral programmes for agriculture, or in human settlements and urban development planning and monitoring at local level. In relation to CCA, according to the UNFCCC, “there has been little work to integrate adaptation into development plans or within existing poverty alleviation frameworks of developing countries”(UNFCCC 2007b, 2007c).

Far from representing an insurmountable obstacle, these conclusions express an opportunity for an initiative like the one proposed in this study, if it is based on a strategy that practically integrates CCA and DRR, both in the international assistance and in the institutional setting for each national strategy. Recommendations deriving from the analysis apply to the whole Initiative. However, sub programmes focused on infrastructure and productive sectors, constitute the main centres of attention for the suggestions below:

- Operationalizing DRR and CCA in an integrated manner, to effectively mainstream their practices in all activities that may contribute to enhancing resilience or reducing exposure and fragility in human settlements and productive sectors: disaster prevention; preparation for addressing hazards and coping with disastrous events; attention, including relief; and reconstruction;
- Prioritizing the mainstreaming of DRR and CCA in four main fields: a) Development Planning, including investment programming in the most relevant sectors; b) Knowledge development, research on climate-related hazards and R&D; c) Design and enforcement of codes and standards for land use planning and urbanization, as well as for infrastructure and building development; and d) Education, communication and culture
- Revising the roles of development planning-related agencies, environmental and civil defense entities in the coordination and supervision of the cross-sectoral mainstreaming processes. It is necessary that institutions in charge of these functions are vested with the necessary power to exert pressure on state organizations and private sector; and
- Building on the experience of the particular countries in focusing on their own strategic sectors as vehicles for mainstreaming.

¹⁶ Source: Corrales and Miquilena, 2010a

Appendix A-5: Ideas on General Guidelines for the Platform Strategy on Risk Transfer-Insurance¹⁷

The following ideas are proposed for initiating a discussion among donors, international agencies and governments, aiming at agreeing on a set of Guidelines for the Platform Strategy on Risk Transfer and insurance. These ideas are coherent with the proposals on objectives and scope of the Initiative, and result from the study of policies and strategies currently in use by international organizations. Two main ideas are proposed for initiating the discussions that should lead to the preparation of the Initiative under study.

The first is that collaboration between the insurance industry and the public sector should be used to promote risk reduction through awareness raising and risk education:

- Enabling conditions and regulation of insurance programmes through legislation, financial oversight and monitoring;
- Direct financing of risk reduction measures;
- Risk reduction as a prerequisite for insurance.

The second is that if appropriately embedded among risk reduction measures and with the right incentives, insurance has important potential to reduce disaster risk and advance adaptation if implemented along with DRR measures. Making progress in building economic resilience in disaster-prone countries also requires that the international community give much greater attention to large-scale investment in disaster prevention and mitigation and adopt a more consistently multilateral approach to financing such investments (UNDESA, 2008; Warner et al 2009).

Conceiving and implementing insurance programmes that promote risk reduction

- Careful planning and accurately pricing risk considering the undertaking of DRR measures by policy holders;
- Legislation, financial oversight and monitoring, to incentivize insurers to assume direct financing of DRR measures and a longer term focus on risk reduction;
- Government regulation and supervision to guarantee insurer solvency, licensing and insurance distribution;
- Raising community risk awareness; investing in the gathering and dissemination of risk information;
- Creating unique insurance solutions within the above described framework that offer manageable premium payments and cater specifically for economic activities in the productive sectors (e.g. agriculture for exports, the tourism sector)

Facilitating access to insurance by micro entrepreneurs and low-income households.

- Microfinancing for safer housing, for diversifying incomes from agriculture and sharecropping to more disaster-proof activities and mobile assets, and for rapid credit to promote fast recovery immediately after a disaster;
- Index-based micro-insurance providing micro entrepreneurs and low-income families with financial coverage for climate risks

Promoting regional or multi-country risk pooling facilities.

- Using a portion of donor-funded capital to assist in the establishment of the facilities; and
- Tying insurance premiums to the risk profiles of individual countries, and using parametric cover (linked to triggers) to enable immediate claims payments.

¹⁷ Source: Corrales and Miquilena, 2010a

APPENDIX A-6: AN ILLUSTRATION ON THE USE OF INDICATORS FROM INSYST IN ASSESSING THE RISK AND DEVELOPMENT SITUATION OF DEVELOPING COUNTRIES¹⁸

A group of three countries from Central America (El Salvador, Honduras and Nicaragua) has been selected to illustrate what very probably is a situation of “Lack of Resilience Trap”. For this purpose, the figure below shows the performance of the Central American group as compared to two other groups of countries used as benchmarks: OECD members (developed countries), and a group of 19 “consistently progressing developing countries”.¹⁹

Six indicators are used in the comparative assessment: two on development achievements; one on disaster costs; and three on endogenous capacities, of which one refers to economic resilience and two to trade and production. The values of indicators in all the graphs are expressed in relative terms to the OECD. I.e., the indicators have been standardized by means of dividing their values by the corresponding value of the OECD as a group, from which OECD values equal 1,0 in all cases.

It is evident from the graphs - except for the Human Development Index (HDI) - that since the 1980s the Central American Group is deteriorating its relative position respect to the two benchmark groups in all the indicators on development achievements and endogenous capacities, while the “consistently progressing” group improves its situation in each one of them.²⁰

In terms of disaster costs and net savings (an indicator for overall economic resilience), the situation since the 1980s is that the relative per capita costs of the Central American Group approaches 5,0 in average, while its relative per capita net saving approaches 0,04. In short terms, the relative situation of Central America in terms of costs/resilience seems to be 125 times as bad as the OECD’s !!!.

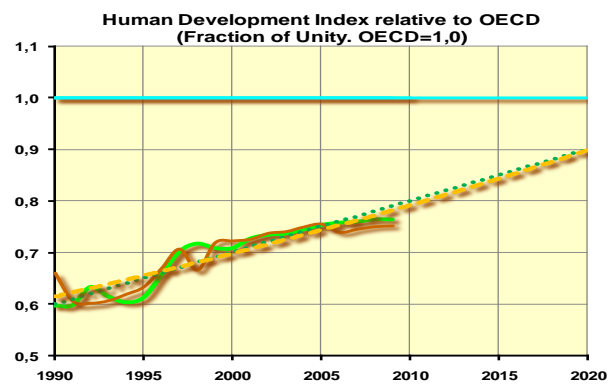
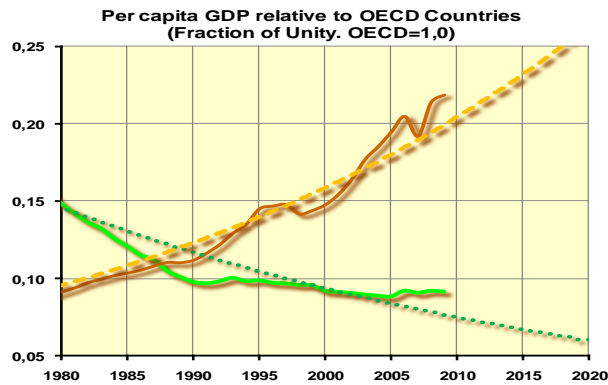
In conclusion, since the 1980s at least, the group integrated by El Salvador, Honduras and Nicaragua, seems to be living a “Lack of Resilience Trap”. The situation of these countries deserves been assessed in greater detail by the international community, in order to start providing an integrated support that help them recover the SHD path that they have obviously lost.

¹⁸ Source: Corrales and Miquilena, 2010b

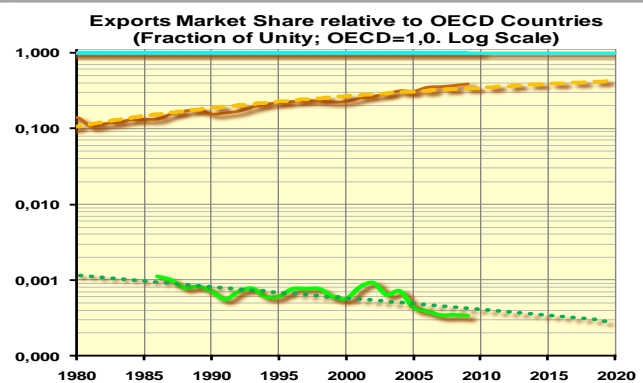
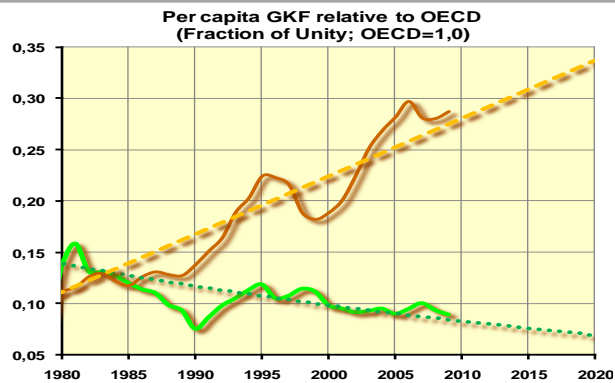
¹⁹ The percapita GDP of 31 developing countries has been steadily converging towards the average of OECD countries since 1990. 19 countries out of this group have also improved their production structures and have surmounted a minimal threshold in socioeconomic terms. The 19 countries are: Chile; China; Costa Rica; Dominican Republic; Hong Kong; India; Indonesia; Jordan; Korea; Malaysia; Mauritius; Peru; Singapore; Sri Lanka; Taiwan; Thailand; Trinidad and Tobago; Tunisia and the United Arab Emirates. See Appendix I for details.

²⁰ All graphs on endogenous capacities, development achievements and vulnerability indicators are based on processing information from INSYST (Baritto, 2010)

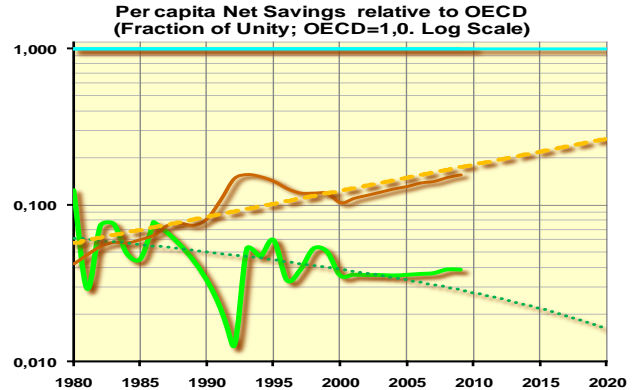
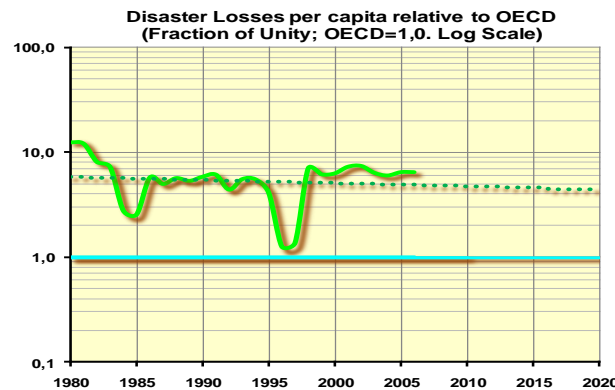
Development Achievements: Per capita GDP and Human Development Index



Production, Trade & Endogenous Capacities: Capital Formation and Mkt Share



Risks & Endogenous Capacities: Costs of Disasters and Net Savings



Developed Countries



Consistently progressing
Developing Countries



El Salvador, Honduras
and Nicaragua



Development achievements, risks and endogenous capacities in countries probably living
"resilience traps"