Options for increasing the effectiveness of development assistance for disaster risk reduction under the post 2015 Hyogo Framework for Action

A Concept Paper
April 2013

1. Introduction
Disaster losses, driven by climate change, rapid urban growth, degraded ecosystems, poorly planned public and private investment, and weak governance are increasingly recognized as a serious threat to *sustainable development*. Catastrophies can wipe out decades of growth. Over the last 20 years, it is conservatively estimated that disasters have killed 1.3 million people, adversely affected 4.4 billion people, and resulted in economic losses in excess of $2 trillion. In the coming decades, billions of dollars will be invested in public and private infrastructure in low and middle income countries, much of which will be in hazard-prone areas. Growing exposure to climate change and poorly planned urban growth will dramatically increase disaster risks. Few countries have the tools and risk governance structures to manage and mitigate the escalating economic and social impacts of natural hazards. These challenges are likely to pose a significant threat to the next generation of development goals.

2. Patterns in development assistance for DRR under the HFA 2005-2015
While an upward trend in overseas development assistance (ODA) for DDR is observable, the vast majority of funding for DRR and DRM in countries at risk is sourced from domestic public revenue. Preliminary studies in eight countries in Asia and Latin America[1] indicate that international assistance is dwarfed by allocations from national and sub-national public and private investment. For example, Indonesia allocated US$1.1 billion for disaster risk management in 2012 alone, with approximately 80% of this on disaster mitigation and prevention. This compares with the estimated US$3.7 billion invested by donors worldwide in DRR since 2000.

The majority of the overseas development assistance for DRR has been drawn from humanitarian budgets and has been highly concentrated on a few *post-disaster* recovery and reconstruction projects. In 2005, over 75 % ($8 in every $10) of development assistance for DRR was invested in just 4 countries – Pakistan, India, Indonesia and Bangladesh. In fact, 63% of total DDR funding went on just two post-disaster reconstruction projects: US$116m (32%) for a World Bank-financed reconstruction project in Pakistan which focussed on seismic-resistant house construction, and US$110m (31%) for a project also financed by the World Bank to build sustainable disaster management capacity as part of the Gujarat recovery programme[2].

There has also been a proliferation of small scale DRR projects. For example, 64 projects were funded in Indonesia by 13 different donors totalling US$20.65m between 2006 and 2010. The transactions costs on these projects for the Government of Indonesia were

[1] "Exploring Existing Methodologies for Allocating and Tracking Disaster Risk Reduction in National Public Investment" Gordon 2013
[2] Disaster Risk Reduction: spending where it should count" Kellets and Sparks March 2012

considerable.

Other channels for DRR financing under the HFA have included multilateral assistance, with many donors investing through the Global Facility for Disaster Reduction and Recovery (GFDRR), as well as bilateral assistance to partner countries, including stand-alone DRR/DRM projects and sectoral risk management programmes. In addition, a few DRR investments have also been financed through climate change adaptation/ mitigation and environmental projects – although these agendas (and funding streams) have evolved fairly independently. Few donors systematically assess risk as part of their bilateral development assistance, and only a few provide technical assistance to help partner governments to reduce or manage disaster risk. As a consequence, not only is the benefit of some ODA investments potentially wiped out by disasters, but some actually also increase vulnerabilities to disasters, for example by encouraging settlement and livelihoods in hazardous locations[3].

3. Have donors fulfilled their commitments under the HFA?

In his address to the World Conference on Disaster Reduction in Kobe in 2005, the Emergency Relief Coordinator, Jan Egeland, proposed that "a minimum of 10% of the billions now spent on disaster relief should be earmarked for disaster risk reduction". This built upon the commitment made by the UK Secretary of State for International Development, Hilary Benn, in December 2004 "to increase funding from DFID to international efforts to reduce disaster risk and to allocate 10% of funding provided by DFID in response to each natural disaster to *prepare for and mitigate the impact of future disasters"*.[4]

Humanitarian donors are expected to "prevent, prepare for, mitigate and respond to humanitarian crises" (GHD principle 8). In practice, this means working with Governments to anticipate disasters, reduce exposure to risks, strengthen the resilience of vulnerable communities, and strengthen national (and international) response capacity and leadership.[5] According to a recent (contested) study[6], two donors – Japan and Republic of Korea – are reported to have met Jan Egeland's "voluntary target", spending more than 10% of their humanitarian budgets on DRR between 2006-2010. Six more – Australia, Austria, Canada, France, Germany and the UK – are said to have allocated between 6-8%, and a further six - Belgium, the EU, Ireland New Zealand, Portugal and Spain – reportedly allocated around 5%. Some donors – such as Finland, Sweden, Switzerland, Denmark and the US – are reported to have spent less that 5%. Regardless of grouping, few can report coherently on the *impact* of their humanitarian spend on DRR.

Under the HFA, donors also committed to "mainstream disaster risk reduction measures appropriately into multilateral and bilateral *development assistance* programmes including those related to poverty reduction, natural resource management, urban development and adaption to climate change."

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[3] Managing Climate Risk Integrating Adaptation into World Bank Group Operations, August 2006, World Bank Group.
[4] Speech given by Hilary Benn to the Humanitarian Policy Group at ODI, 15 December 2004
[5] HFA, para 34 c)
[6] Aid Investments in DRR: from rhetoric to action – Dan Sparks (October 2012) Global Humanitarian Assistance

At the Global Platform for Disaster Risk Reduction in 2009, Member States agreed to strive towards investing 1% of their national development budgets (including ODA) on reducing disaster risks. Since then, the magnitude of economic losses has propelled the issue of disaster risk management up the international political agenda. DRR was one of eight topics featured in the Rio+20 agenda, and was discussed by Finance Ministers at the G-20 meeting in Los Cabos, Mexico in 2012. Disaster risk reduction has also been discussed at successive COPs, and was referenced explicitly in the Cancun Adaptation Framework[7]. It also featured as part of the drive for effective development cooperation at the fourth High Level Forum on Aid Effectiveness in Busan[8]. These provide a firm policy framework for DRR investments which promote equitable and sustainable development. According to the OECD DAC, a growing number of donors, including Sweden, Denmark, New Zealand, Australia and the UK are promoting joined up approached between humanitarian and development funding to ensure a longer term strategic approach to managing disaster risks. Some have published new policy statements on DRR and sustainable development. For example:

- **Australia** is widely acknowledged as a lead donor and potential role model in disaster risk reduction. In 2009, AusAID revised its disaster risk reduction policy and began to systematically integrate DRR into climate change and environmental aspect of AusAID programs. AusAID investment in DRR has increased substantially since 2009, with Aus$111million spent in 2011-2012 from both humanitarian and development budgets. In 2012, Australia exceeded the 1% development budget target, investing 2.3% of its ODA in disaster risk reduction.

- The OECD DAC Peer Review of Finland 2012 noted that "**Finland** has made great progress in the area of DRR and resilience, and now has one of the most comprehensive approaches to DRR in the OECD/DAC". This new approach to DRR was developed in response to the 2009 Evaluation Report of Finnish Aid for Natural Disasters and Climate Change, which recommended that the Finnish Ministry of Foreign Affairs address DRR as a cross-cutting issue to (i) protect development investments from disasters, (ii) ensure that disaster relief projects are managed in a development manner, and (iii) ensure that development, relief and rehabilitation projects do not *increase* people's vulnerability to disasters".[9]

- In October 2012, the EU adopted a policy on *resilience*: ***"The EU Approach to Resilience: Learning from Food Security Crises"***, as a means of framing the EU's approach to integrating DRR and CCA in a number of its humanitarian and development instruments. The EU is in the process of elaborating a Commission Staff Working Document on DRR, to guide implementation of the EU strategy for supporting disaster risk reduction in developing countries.

- The **US** launched new ***Policy and Program Guidance 'Building Resilience to Recurrent Crisis'*** in December 2012. The Policy aims to institutionalize coherent cooperation between development and humanitarian actors. USAID intends to issue

[7] FCCC/CP/2010/7/Add.1, para 14 e)
[8] Busan Outcome Document – para. 27
[9] OECD DAC Peer Review 2012, page 83

more detailed operational, programming guidance and tools to inform implementation of this policy.

- The **UK Government's Humanitarian Policy** (September 2011) acknowledges that the right combination of humanitarian, development and political action can reduce loss of life and suffering, in the long term reducing the need for humanitarian aid. The new Policy responds to the Humanitarian Emergency Response Review (March 2011) which identified the need to work with nations to make them resilient to disasters.

- OECD DAC commends the **Government of Germany** for playing a leading role in mainstreaming DRR through its own ODA instruments, and actively promoting DRR on the international stage[10]

The question is, are these statements of intention translating into practice? The OECD DAC, in their collection of lessons learnt from DAC Peer Reviews, repeatedly highlight the fact that programming and funding streams have *not* been adjusted to ensure sustained risk reduction before, during and after a natural disaster. A cursory review of data suggests that despite policy advances, donors have not yet been able to "mainstream DRR measures" and complement humanitarian spend on preparedness and response with longer term investments in risk reduction and resilience.

4. A review of experiences and lessons learnt

The Government of Canada will host a donor round table in Geneva on 13 *September 2013* to share lessons and experiences of DRR financing under the Hyogo Framework for Action using humanitarian, development, climate change, environment and budget support instruments. The Round Table will enable donors to contribute, as a distinct stakeholder group, to the consultation process for the post 2015 framework for disaster risk reduction (HFA II). Questions that will be addressed include:

- How have donors *funded* disaster risk reduction, management, preparedness, and response under the HFA framework? What have been the main sources of funds for DRR – humanitarian or development? Multilateral, regional or country allocations? Have these sources of funds increased since 2005?

- Has *policy dialogue at the global level* at Busan, Rio or through the COP processes (particularly Cancun) helped national governments to mainstream DRR as a policy issue, to undertake comprehensive risk mapping, to translate disaster risk management policies into action, and to establish clear accountabilities in-country? Have donors provided funding for these actions?

- Where donors have been successful in integrating disaster risk management elements within sectoral development programme such as food security, agriculture, land use planning, health (pandemic preparedness) and education, how was this achieved and what does it look like?

[10] OECD DAC Peer Review, p.15

- What has been the experience of integrating disaster risk with climate risk, and what have been the implications for policy dialogue and funding?

- Is disaster risk reduction being incorporated as a key element of support for community and national resilience in the face of climatic, food security, health and other risks?

- As donors seek to maximise value for money in development assistance, are there examples of where DRR has been presented as integral to optimising return on investment (maximising impact)?

- Have the efforts to promote and measure DRR in development assistance – being led by OECD and the World Bank (Disaster Aid Tracking Initiative) – proved useful?

5. Prospects for more efficient use of in-country resources – and development assistance - for DRR under HFA 2

Under the post 2015 framework for disaster risk reduction (HFA 2), governments need clarity and predictability on how they might be able to leverage ODA financing and technical assistance for DRR. It is hoped that under HFA 2, donors will restructure their cooperation for DRR, channelling funds through a wider range of development instruments, and in so doing ensure disaster risk is assessed as part of public investment programming. The aim under HFA 2 is to:

- ➢ secure greater political commitment to disaster risk reduction, including prevention, risk reduction, preparedness, risk management, mitigation and response actions in all sectors and across the relief-development divide.

- ➢ make explicit the links between DRR, community resilience and sustainable development – particularly in the post 2015 development agenda.

- ➢ demonstrate the potential *impact* of investments in DRR within the context of participatory, rights-based and sustainable development strategies.

- ➢ incorporate DRR investment within efforts to reinforce *individual, household, community and societal resilience* in the face of climatic and other shocks.

- ➢ make explicit the fundamental relationship between managing risk and a sustainable return on investment in sectoral financing.

In short, there is a need for a new vision of how donors can support partners to reduce disaster risk and enhance the impact of a second generation *Hyogo Framework for Action.*

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