The Addis Ababa Action Agenda and the Caribbean

The issue of global financing for development is a critical theme in the international development agenda with the most recent United Nations (UN) meeting being the Third International Conference on Financing for Development (FfD), which was held in July in Addis Ababa, Ethiopia. The meeting which precedes the convening of the UN Sustainable Development Summit, this September in New York, as well as the UN Conference on Climate Change this December in Paris, extensively emphasized the differentiated needs of individual nations in the development agenda, and more specific country categories, such as Small Island Developing States (SIDS). The Action Agenda builds on the outcomes of two previous Financing for Development conferences, in Monterrey, Mexico, and in Doha, Qatar. Unlike the 2002 Monterrey Consensus and the 2008 Doha Declaration which both emanated from the previous FfD conferences and paid particular attention to world trade and the global economic crisis, the Action Agenda placed emphasis on ensuring financing for the environmental resilience of societies worldwide through the achievement of the 17 post-2015 Sustainable Development Goals (SDGs).

The meeting further highlighted the inadequate amount of global funding that is allocated to Disaster Risk Reduction (DRR), an issue of particular pertinence to the region. It is well accepted that there has been limited allocations by developed countries to development finance on a global scale over the last two and a half decades. This instability is reflected in the repeated calls made through the Monterrey Consensus and the Doha Declaration; these declarations called for developed countries to achieve the target of 0.7 per cent of Gross National Product as Official Development Assistance (ODA) to developing countries – a target established in 1970 that only a few countries have achieved to date. Historically, ODA funds dedicated to disaster risk reduction account for a tiny fraction of development assistance. A 2015 report by the UN Development Programme (UNDP) and the Overseas Development Institute (ODI) further shows that out of the $3.03 trillion spent in development assistance between 1991 and 2010, just under 13 per cent was earmarked for disaster-related issues, of which only $13.6 billion was allocated specifically to DRR, accounting for approximately 0.4 per cent of the total development assistance for that period. More specifically for the region, the Global Facility for Disaster Reduction and Recovery (GFDRR) together with the ODI, indicate that only 4 per cent of total global DRR financing was allocated to the West Indian countries over the same period, that is, $31.4 million in total or $1.57 million a year, while the largest volume of funding, 23.3 per cent, was allocated to China and Indonesia alone. Notwithstanding the small portion of funds allocated to the islands, Colombia and Mexico, both mainland upper-middle-income countries of the Greater Caribbean Region, are found among the top ten recipients of DRR financing for the period 1991-2010, receiving over $1 billion combined. In light of this context of disproportionate financing in the international arena, the Addis Ababa Action Agenda, while reiterating the importance of meeting ODA commitments, aims to mobilise $100 billion per year by 2020 towards the needs of developing countries, underscoring the importance of diverse sources of funding.

With the issue of climate change being one of the most pressing topics on the current agenda for the international development community, finance for adaptation to climate change presents a growing source of DRR funds. The Climate Policy Initiative (CPI) reveals that in 2013, 91 per cent of the total US$331 billion in global climate flows was allocated to mitigation efforts. A large portion of the finance mobilised, however, represents private sector resources at commercial rates as opposed to ODA, with the majority of total climate financing originating and being invested in the same country. In this regard, the Addis Ababa Action Agenda has taken on board the UNFCCC Green Climate Fund's target to strike a "50:50 balance between mitigation and adaptation," with at least half of its adaptation financing to be allocated to highly vulnerable countries, including SIDS. Moreover, the Agenda integrates the approach taken by the newly-adopted Sendai Framework for Disaster Risk Reduction 2015-2030 to strengthen disaster resilient public and private investments. It highlighted several financial tools such as blended finance and public-private partnerships as other significant sources of DRR funding through resilient infrastructure development. In this context, the UNDP estimates that US$6 trillion will be spent on future infrastructural projects until the year 2030, emphasizing the importance of incorporating DRR into land, housing and planning investments at the national and local levels.

Another critical matter raised in Addis Ababa was what constitutes the right balance between concessional loans, foreign aid, and taxes. Notwithstanding the recommitment of the developed countries to achieve the target of 0.7 per cent of gross national income for official development assistance, a significant aspect of the Agenda was the theme of domestic resource mobilisation. Public revenue accounts for less than 15 per cent of GDP in many poor countries compared to an average of 34 per cent in rich countries, highlighting the difficulty poorer countries face in mobilising finance. Countries agreed to an array of measures aimed at widening the internal revenue base, improving tax collection, and combating tax evasion and illicit financial flows. Counter-intuitively, this suggests that developing countries will need greater governance structures rather than less as they must bear the brunt of advancement themselves, considering that less than one per cent of aid goes towards tax systems. In light of this, the Greater Caribbean finds itself in a peculiar position as on average, tax take accounts for approximately 25 per cent of GDP, but ignores a significant informal economy.

The Addis Ababa Action Agenda, by and large, is an ambitious one for the international development community, centred on promoting sustainable development; yet it shines the spotlight on the yawing financial gap in the global area of Disaster Risk Reduction. Further, the Agenda begs a deeper examination of the issue of financing DRR in the Greater Caribbean, given that progress reports on the Hyogo Framework for Action (HFA) conclude that Caribbean countries have generally designated little funding to the areas of risk reduction and prevention. The Agenda ultimately highlights that Disaster Risk Reduction should be viewed as a long-term investment hinged on prevention, and developing resilience. It is an issue that the Caribbean should be taking heed of given our inherent vulnerabilities; referencing the need to integrate risk reduction into both financial and development policies, as climate change and rapid urbanization increases the number of people and assets in danger from hazards.

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