5. Out of money: underfunded emergencies

It takes more than money to ensure that the people most left behind are identified, reached and included. But leaving no one behind demands financial resources, and inadequate financial resources mean people are left behind.

There is a clear gap between humanitarian need and available funding. It is not a new financing gap – it has long been the subject of analysis, advocacy and action. But now, as the volumes of known international humanitarian assistance have reached record levels, so have the demands made on it. The data suggests that while we may be reaching peak aid,[1] we have not reached peak need.

At the heart of the problem is a twin dilemma: how, in a resource-constrained world, to honour the principle of needs-based assistance in reaction to crises? And how at the same time to invest in a progressive model that pre-empts and reduces those very needs? This principle, of responding to needs wherever they are found, and to the greatest needs, that "all persons affected by disasters are entitled to receive assistance, consistent with their needs and priorities" (IFRC, 2013) is entrenched not only in humanitarian principles and the Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief, but also in the Good Humanitarian Donorship Principles (GHD, 2003) and in the policies of most major donors (Dalrymple and Smith, 2015). Beyond the humanitarian imperative, the UN Secretary-General's Agenda for Humanity (UNGA, 2016) also called on donors to end need and shift the balance from a needs-based model to a risk-based one. Yet limits to funding mean compromise on realizing these principles and ambitions. It means making choices, deliberate and unconscious, about where finite funding is or is not spent, with the result that certain people in certain places do not have certain needs met.

This chapter looks at those situations which are 'out of money' and what this means for leaving no one behind in humanitarian response. It looks at how, in a world where resources will always be stretched, can crises be financed differently – to mitigate inequities and diminish the need for international humanitarian action. It looks through the lens of formal international humanitarian aid, on the premise that this is the resource of last resort for people left behind by domestic and informal resources. But it examines

1. According to the *Global Humanitarian Assistance Report 2018*, growth in international humanitarian assistance has slowed for the last two years (2015–2017) with just a 0.4% rise from government donors (as opposed to private) from 2016–2017.

this in a world where the sources of assistance are changing and the lines between donor and recipient are shifting.

Policy and analysis on humanitarian financing has proliferated recently, particularly following the 2016 World Humanitarian Summit and the agreement of the Grand Bargain on humanitarian financing. There is no shortage of critiques, recommendations and activities, being pursued with varying degrees of political and technical momentum – including innovative instruments, improved efficiencies and investments in localization.

This chapter does not seek to summarize or cover all these live and well-documented issues or examine underfunding to all kinds of crises everywhere. Instead it concentrates on funding for crises with a disaster dimension, including complex emergencies, asking which responses are out of money, what are the causes, what are the consequences for affected populations, and what solutions can be found? It focuses on three types of crises that often experience underfunding: small rapid-onset disasters, larger slow-onset disasters and long-term complex emergencies. As with all humanitarian typologies, the categories are neater than the realities and there is overlap and concurrence – but there are also distinctions in the problems and solutions.

5.1 Which responses are underfunded and why?

There is clear consensus that funding gaps and uneven allocation means that certain crises are particularly 'out of favour' or 'out of money' – and yet there is no clear yardstick against which to measure neglect or underfunding. There are no comparable and comprehensive measures of humanitarian need or the financial cost of response, nor indeed of the domestic and international resources that go to meet these (High Level Panel, 2016). Crises have been identified as 'forgotten', 'neglected' and 'underfunded' since the 1990s and the methodologies for doing so have become increasingly sophisticated – but being designed for certain decision-making or advocacy purposes they have different methods and metrics. They are also top down, and evidence suggests that people affected by crises have a very different view of whether funding meets their needs. For example, surveys of affected people in Afghanistan, Haiti and Lebanon reveal negative scores on the relevance and targeting of aid (Ground Truth Solutions, 2017).

Shortfalls against the requirements set out in humanitarian appeals are the most commonly cited indicator of underfunding – though an inherently flawed one. In 2017, UN-coordinated appeals[2] saw only 60% of their total requirements met, leaving a 10.1 billion US dollars funding gap – one which manifests unequally with an 115% funding gap between the best- and least-funded appeals. Yet although these appeals are the largest collective financial requests for humanitarian response, their limitations as a comprehensive measure of the 'humanitarian financing gap' are widely recognized. Their purpose is not to represent all needs and there are also persistent questions regarding the basis of the financial requirements that they do present – questions of assessment accuracy, of costing variations and of absorption capacity – which may in part undermine donor trust and exacerbate underfunding (see inter alia Darcy et al 2013, High Level Panel, 2016, Obrecht, 2017).

The International Federation of Red Cross and Red Crescent Societies (IFRC) also issues appeals for funding for responses to major emergencies beyond the scope and resources of their National Societies' action plans. As IFRC-only appeals (rather than the multi-agency UN-coordinated appeals), their requirements are on a much smaller scale (just 79 million US dollars in 2017, compared with the 25.2 billion US dollars of the UN-coordinated appeals). Again, though illustrative, the level of underfunding of these appeals is an imperfect indicator of the gap between needs and financial contributions. Unlike the UN-coordinated appeals, the scale of ambition of the response and hence the size of the appeal can be revised downwards when funding prospects are slim, so levels of actual unmet need may indeed be greater.

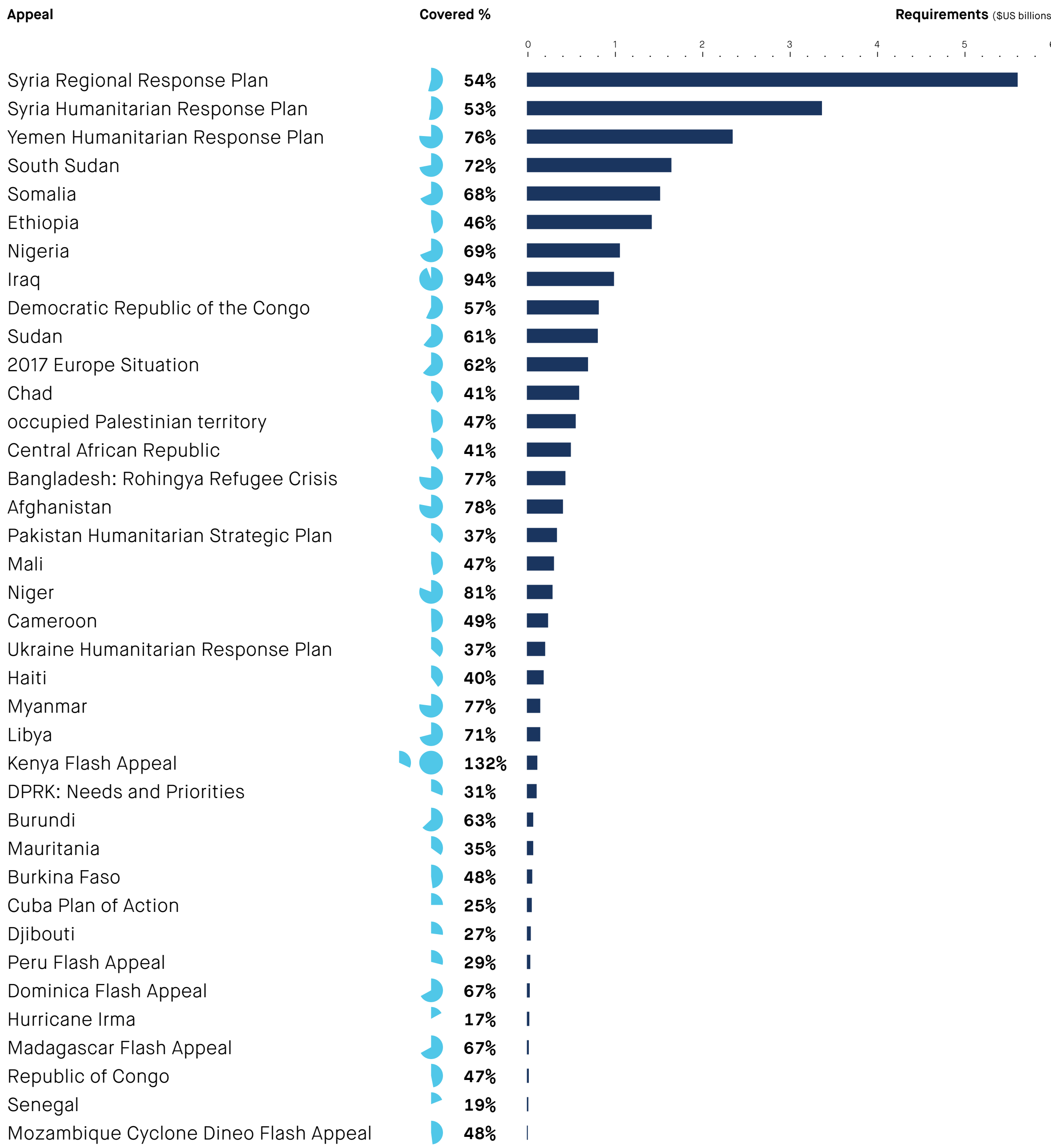
Bearing in mind their limitations, what do these appeals' shortfalls reveal about which crises are currently and persistently most 'out of money'? All except one of the 40 UN-coordinated appeals in 2017 was to some degree underfunded – but the levels of coverage ranged from 94% (for the Iraq Humanitarian Response Plan (HRP) to just 17% (for Hurricane Irma). Analysis reveals neither a predictable pattern in underfunding nor a clear single determinant of what prompts greater underfunding. Geography, crisis type, duration of need, income of the affected state or the size of requirements do not alone correlate to more or less funding.

There is no consistent correlation between the size of the UN appeal and the level of underfunding: for example, the two largest appeals (the 5.6 billion dollar Syria Regional Response Plan (RRP) and the 3.4 billion dollar Syria HRP) and the smallest appeal (the US 10 million dollar Mozambique flash appeal) were all around 50% funded. But the worst-covered appeals were all among the smallest – suggesting there may be a heuristic at work that equates lower requirements to lower priority: all the UN-coordinated appeals which were less than a third (33%) funded were in the 13 smallest appeals – with requirements of less than 114 million US dollars. Responses to 'flash appeals' for rapid-onset or escalating emergencies were erratic: the 120 million US dollars flash appeal for the 2017 drought in Kenya (a lower middle-income country with strong donor ties) was 131.6% funded, while the flash appeal requesting 39 million US dollars to respond to floods in Peru (an upper middle-income country and a less familiar aid recipient) was less than 29% funded.

Unlike the UN-coordinated appeals, the requirements of 19 IFRC appeals in 2017 were in aggregate nearly three-quarters funded (72%). But, like the UN-coordinated appeals, there was a wide gap between the best and worst-funded appeals. Three appeals – for responses to Hurricane Irma in St Kitts, Antigua and Cuba – were over 100% funded, whereas the appeal to respond to population movement in Sudan was only 6% funded. Only three appeals were less than 50% funded – for population movements in the Democratic Republic of the Congo (DRC) and Sudan and for Tropical Storm Tembin in the Philippines.

2. 'UN-coordinated appeals' is used here to cover the humanitarian response plans, refugee response plans and flash appeals coordinated by the OCHA-led system, bearing in mind their titles have changed over the past decade.

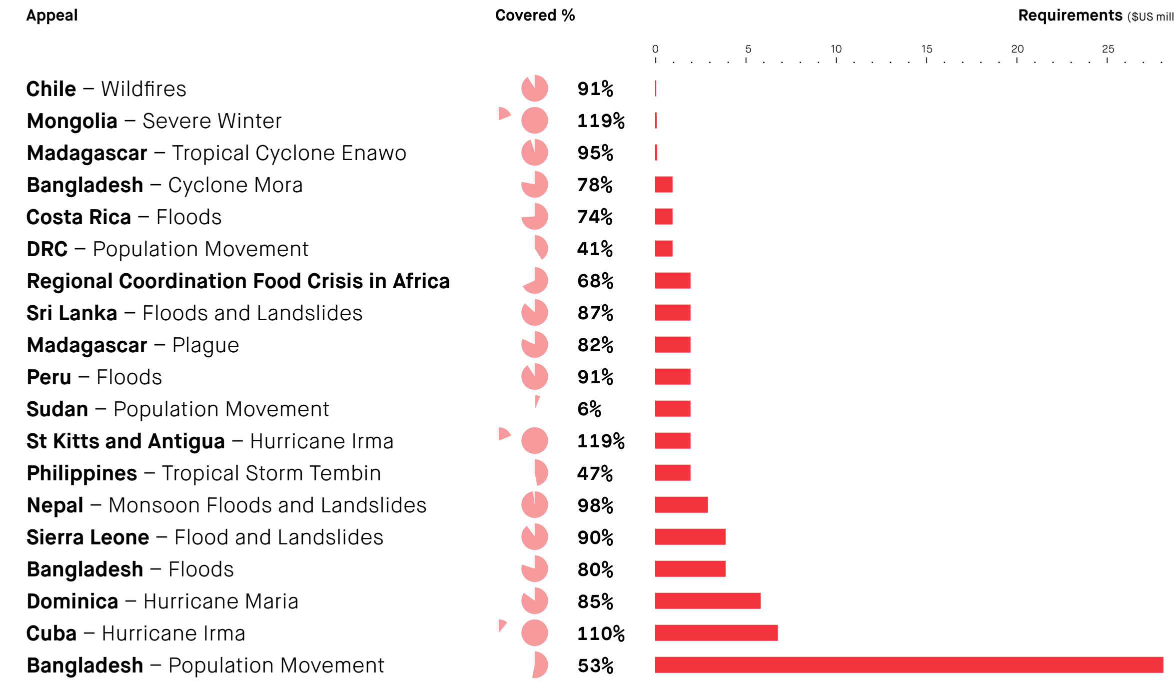
Fig. 5.1 Funding coverage of UN-coordinated appeals, 2017



Notes: Coverage values correct as of 23 May 2018. DPRK: Democratic People's Republic of Korea.

Source: UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS)

Fig. 5.2 Funding coverage of IFRC appeals, 2017



Notes: Data is in current prices.

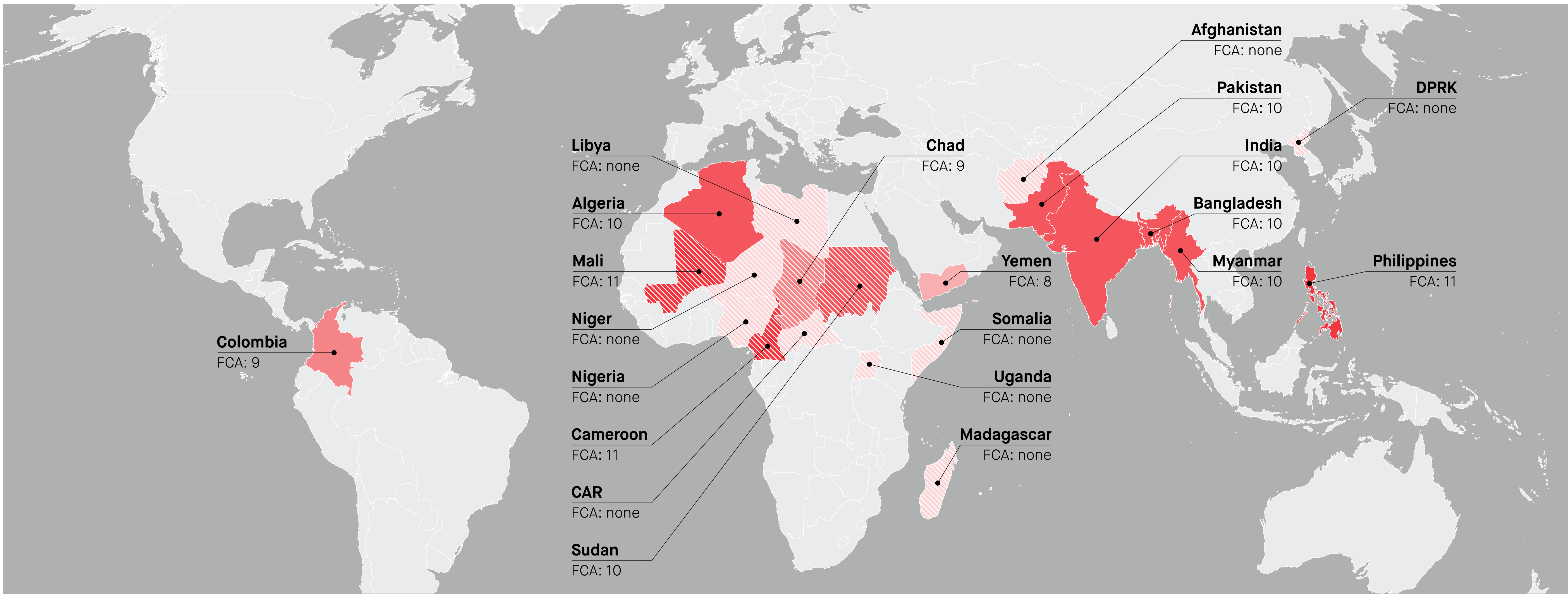
Source: IFRC *Emergency Appeals 2017*

Directorate-General of European Civil Protection and Humanitarian Aid Operations (ECHO) and the UN use more complex measures to inform their efforts to identify and counterbalance the worst incidences of underfunding. ECHO's Forgotten Crisis Assessment (FCA) uses a composite methodology including field assessments, levels of humanitarian and development aid, vulnerability scores and media coverage, to develop a list which guides, though does not prescribe, the annual allocation of 15–20% of ECHO funding to 'forgotten' crises (ECHO, 2008). Underfunding of UN-coordinated appeals is not a criterion and indeed half the countries listed as experiencing the most forgotten crises in 2017/2018, including several in South and Central America, did not have such an appeal. This 2017/2018 list was the longest since the FCA began – identifying 20 forgotten crises.

The UN-administered Central Emergency Response Fund (CERF) identifies a list of crises for grant allocations from its underfunded emergency (UFE) window twice a year. Its approach "addresses critical humanitarian need and helps draw attention to funding gaps and to places where donor interest may have waned" and is based on a sophisticated process which includes weighted scores in the composite CERF Index for Risk and Vulnerability, and in levels of underfunded requirements (CERF, 2018).

Five countries appear on both the FCA and UFE lists in 2017 – three of which were affected by the Sahel regional crisis: Chad, Niger and Mali. Together with Sudan and Cameroon, all five were complex emergencies, experiencing a mix of conflict, and slow and rapid-onset weather-related events creating recurrent and chronic food insecurity and health emergencies. Although listed by country, both the FCA designations and UFE allocations consider specific subnational crises and manifestations of need. The ECHO assessment guidance to its country representatives explicitly recognises that "forgotten crises affect only small pockets of populations where the overall country information may not demonstrate 'minority' humanitarian needs" (ECHO, 2016).

Fig. 5.3 Countries with forgotten or underfunded crises, 2017



Forgotten Crisis Assessment level (FCA) with 'more forgotten' given a higher mark, 2016/2017:

none 8 9 10 11

CERF underfunded emergency allocations, 2017

Notes: Chart shows only crises covered by ECHO FCA or CERF UFE allocations in 2017, not those experiencing 'neglect' or underfunding by other criteria. ECHO's Forgotten Crisis Assessment index (FCA) is based on a composite score derived from several indicators. Those scoring 8 and above appear in its annual list of forgotten crises. The higher the score, the more 'forgotten' the crisis.

Sources: ECHO Forgotten Crisis Assessment 2017–2018, CERF Underfunded Emergency Window allocations, 2017.

5.1.1 What are the impacts for affected people?

How this 'forgottenness' or underfunding translates into unmet needs, who is consequently left and how, is inevitably hard to know. As other chapters show, there is often an evidence gap around the consequences of what humanitarian agencies *do not* do. If an agency is unable to resource an operation, it will be unlikely to resource evaluating the full impact of its absence on affected people. Programmes tend to be evaluated 'on their own terms' against their objectives, in other words in terms of what they delivered, rather than what they did not and "as a result, the implications of underfunding – an issue of continuing and growing significance – are poorly reflected" (Darcy, 2016). Arguably, the humanitarian sector is used to reporting on outputs but ill equipped to "define outcomes clearly, quantify and measure them". So, if understanding the outcomes of *funded* work is a challenge for the sector, understanding the consequences of *unfunded* work is all the more so.

There is however, some reporting of what humanitarian agencies are unable to deliver when funds are stretched, and some agencies and appeal reviews document the consequences of underfunding for meeting target population numbers (see inter alia UNHCR, 2017b). A review of funding by sector for the appeals also gives some indication of which kinds of needs are deprioritized when funding is tight. Only food security, nutrition and the smaller mine action and coordination sectors have been consistently more than 50% funded over the past three years. Early recovery and emergency shelter tend to be least funded (averaging less than a third funded) along with agriculture, education and protection.

Sector coverage varies between different underfunded contexts. For example, in 2017, in the Democratic People's Republic of Korea (DPRK), nutrition was 67% funded while health and food security were 12% and 11% respectively; in Haiti, food security was 73% funded while health just 6%. Such percentages belie further variations in what each dollar can buy – the costs of operations and food and non-food items depend on many factors including markets, access and variations in agencies' costing models. Underfunding can itself also mean that operations can become more expensive: without economies of scale the unit cost of provision goes up (Stoddard et al, 2017a). The lower the funding, the fewer people each dollar can reach – and the more people left behind.

Box 5.1 Implications of underfunding in the forgotten crisis in Ukraine[3]

The continued hostilities in Eastern Ukraine are affecting an estimated 4.4 million people. Despite continued need, the UN-coordinated appeal for Ukraine was only 35% funded in 2017 (OCHA FTS),[4] scored extremely low on CERF's Index for Risk and Vulnerability analysis (CERF, 2017), and was, for the first time, designated a 'forgotten crisis' by ECHO. Agencies responding in Ukraine attribute this underfunding and 'donor fatigue' to several factors including: diminished international attention as the intensity of the violence has reduced, restricted access to the non-government-controlled areas, a donor emphasis on institutional reforms rather than humanitarian needs, and – until recently – limited advocacy to raise awareness. Other analysis has pointed to lack of agency presence, high legal barriers and perceptions of aid diversion (Barbelet, 2017).

The lack of funding combined with persistent insecurity meant that less than half (47%) of the total population targeted for assistance in Ukraine was reached – and less than a quarter of people targeted in the non-government-controlled areas. Levels of moderate and severe food insecurity have doubled while the Food Security and Livelihoods sector was only 28% funded. Underfunding to the shelter/non-food items sector (9% funded in 2017) now raises concerns for preparedness for Ukraine's harsh winter. Ukraine has high rates of HIV and tuberculosis, and cuts in state provision combined with international aid shortfalls have affected the health infrastructure, meaning lack of treatment and a rise in infectious diseases including polio.

Responding agencies cite the importance of coordination to prioritize and optimize the use of limited funds to bridge gaps and meet needs. ICRC is able to make use of its own reserves to funds its operations, and the IFRC draws on a localized response that uses Ukrainian Red Cross Society branches and volunteers to maintain services for the people most in need. At the same time, for the government-controlled areas, some humanitarian agencies are engaging with development donors to resource early recovery activities and promote sustainable investments in basic infrastructure for the most vulnerable people.

3. Based on interviews with Ukraine representatives for IFRC, ICRC, ECHO and People in Need, May 2018.
4. The IFRC and ICRC appeals were better funded, at 89% and 70% respectively, potentially due to their much lower requirements and ability to access affected populations.

5.1.2 Why is this happening?

At a time when there is more international humanitarian funding (Development Initiatives, 2018) and more access to timely information than ever before, why are we seeing more underfunded appeals and more forgotten crises? This is of course one side of the story, elsewhere we are seeing greater investments from domestic governments and regional organizations in addressing crises without recourse to appeals for aid and a rise in South–South cooperation including in the Association of Southeast Asian Nations (ASEAN) and the African Union. But from the viewpoint of the international humanitarian sector, it appears that the finite funding available from bilateral government donors, from whom the bulk of international humanitarian aid traditionally comes, is pulled in too many directions and dominated by a few major donors and crises (Development Initiatives, 2018). *Neglect* or underfunding is therefore a consequence of *select* (IFRC, 2006) – the prioritization decisions of donors and responders. It is the inevitable inequity that comes from a post hoc international funding model with limited financial and political capital (Binder et al, 2013).

Behavioural economics and political economy studies have revealed how even the most straightforward decision-making is far from a rational, linear translation of evidence into action. For donors, the difficulties of prioritization decisions, often made in the heat of crisis and the glare of political scrutiny, are influenced and compounded by other factors, incentives and biases (see inter alia Obrecht, 2017; de Geoffroy, et al 2015; Darcy et al, 2013). While these may differ for philanthropists and private sector donors, where other social, reputational and commercial factors are at play, for the major bilateral donors they include tensions between the principled approach of meeting the most severe needs and the utilitarian approach of reaching the most people as well as the following factors:

- **Out of the headlines:** the level of international media profile has a bearing on levels of funding, providing a public incentive for action – the so-called CNN effect – an understanding that drives advocacy and fundraising efforts. Over a decade ago the *World Disasters Report* showed a close correlation between media exposure, appeal coverage and aid per person (IFRC, 2006). It is still a critical factor that drives the way appeals seek media attention and is reflected by ECHO's FCA (ECHO, 2008) and other forgotten crisis indices (see for example NRC (2017a) and CARE International (2018)) using measures of below average media coverage in their analyses.

- **Out of favour:** many donors choose a strategic set of countries to focus their sustained interventions and these are often informed by historical ties, geopolitics and national interest, bureaucratic capacity as well as need (see inter alia Drummond et al, 2017; Dalrymple and Smith, 2015). Countries including DPRK and Ukraine may thus fall 'out of favour' outside these. Proximity also plays a part – evident in funding from European donors to the European migration crisis (IFRC, 2015b), and the tendency of Gulf donors to fund within the region (Development Initiatives, 2017b). Counter-terrorism and security concerns can be both a motivation for directing increased aid and a constraint in delivering it. The political relationship with the authorities of the crisis-affected country can also be key in creating an enabling environment for timely assistance, on the donor side influenced by trust and ties, and on the recipient government side, in declaring an emergency and calling for international assistance (Bailey, 2012).

- **Out of information:** informed decision-making needs current, comparable and granular information about risks and needs, analytical capacity to discern priorities, and financial clarity to assess costs. Smaller donors with limited field presence and analytical capacity to generate, seek or process the available information may take their cue from larger donors, causing a "herding" effect around certain crises (Binder et al, 2013). Even for the larger donors, gaps in available assessments of need, and a lack of trust in the stated requirements (Darcy et al, 2013) can deter funding allocations and perpetuate preferential funding pathways. And as seen in the 'out of sight' and 'out of scope' chapters, forgotten crises tend to focus only on the known needs – there may be other crises where responders are not even seeking funding.

- **Out of sync:** in the absence of a global forum for information-sharing, funding coordination and donor 'division of labour' (Poole, 2015), individual donors' selective decisions accumulate into global-level inequities. A multilateral system predicated on bilateral decisions by international donors, whose political incentives are oriented to retaining control and profile of what they fund (Clarke and Dercon, 2016, Hillier 2017, Mowjee et al 2018) is bound to result in fragmentation. There is also a certain Western donor centricity – a lack of awareness, information and coordination with other sources of funding beyond those from international humanitarian donors and their growing roles in preparing and responding to crises typified in the Ebola outbreak and Typhoon Haiyan responses. This includes investments by national governments of countries affected by disasters, as well as from private sources and development financing.

The persistent inequities that the current funding model causes have not gone unnoticed and unaddressed by donors or agencies. Many donors have policy commitments to funding neglected emergencies (Dalrymple and Smith, 2015), most notably ECHO's forgotten crisis commitments. Some seek to protect the impartiality of their allocation decisions with matrices informed by measures of risk, vulnerability and severity, as well as investing in unearmarked, pooled funds to enable agencies to flexibly respond to needs. As well as bilateral funding to identified emergencies, other counterbalances have been built into the international humanitarian funding system to even up the financing picture. UN agencies, the IFRC and international non-governmental organizations (INGOs) have all developed funds tailored to addressing underfunded or off-the-radar crises.

Critical as these are, they are short-term contingency measures to fill selected gaps, rather than a systemic rebalancing of the way that humanitarian crises are financed. After all, allocations from the IFRC's Disaster Relief Emergency Fund (DREF), the INGO-run Start Fund and the CERF UFE together amounted to 174 million US dollars in 2017 – minimal compared with the UN-coordinated appeals shortfall of 10.9 billion US dollars. This systemic rebalancing demands not just a different way of approaching humanitarian allocations 'ex-post' (after a crisis happens) in response to needs, but a greater commitment from others to invest 'ex-ante' (before a crisis) in reducing risks and vulnerabilities. There is a growing body of evidence and a growing toolkit of domestic, regional and international financing that form part of the solution. This chapter examines how these do, and could, apply to avoid and address the out-of-money problem in three types of crisis: small rapid-onset, slow-onset and chronic complex emergencies.

5.2 Off the radar, rapid-onset crises

Major rapid-onset disasters tend to succeed at attracting significant international humanitarian funding as the responses to the Indian Ocean tsunami, Nepal earthquake and Typhoon Haiyan attest. There are exceptions and volume clearly does not equate to timeliness and effectiveness (Hanley et al, 2014) But what of small-scale disasters – which have severe impacts for affected populations but do not trigger international appeals or generate major headlines?

Responses to these disasters may be out of money for multiple reasons – because they are beyond the means or reach of domestic resources and because international funding is too stretched, too inflexible or too slow to react. Poor timing is often the critical problem, not only being too slow to respond to needs after the event (ex-post) as is the frequent criticism of humanitarian funding, but also failing to adequately invest ahead of time (ex-ante) to build resilience, reduce risk and prevent predictable impacts of often predictable events.

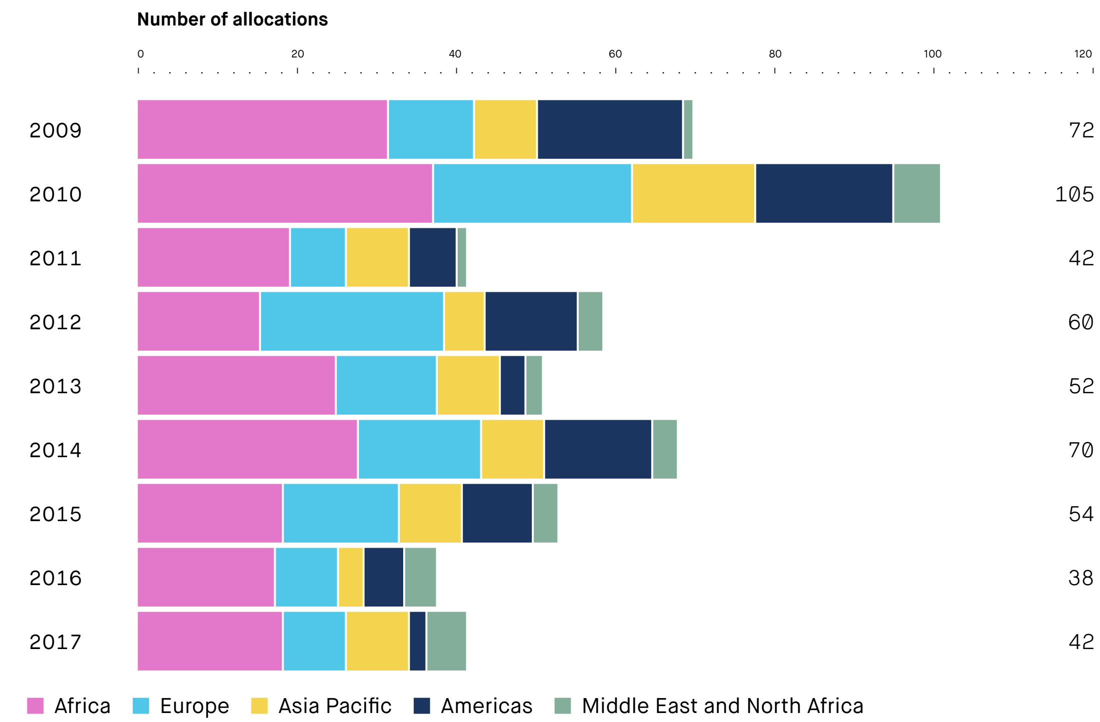
5.2.1 Which small rapid-onset crises are out of money and what are the impacts?

In a changing climate, the frequency and intensity of small-scale weather-related disasters is increasing. Many of these floods, landslides and storms occur in places where adequate risk reduction, preparedness and response infrastructures from national and local governments are in place and a disaster does not become a crisis. The Hyogo and Sendai Frameworks clearly locate this responsibility with domestic governments and many, particularly in Asia and the Americas have upped the scale and architecture of their investments, necessitating a change in the role and nature of international support.

But in many contexts, changing patterns of events exceed the coping capacities of households and of authorities. Mapping these underfunded localized crises and quantifying their funding gaps is difficult – being "off the radar" they lack even an appeal yardstick. The IFRC and the Start Network of INGOs therefore rely on the in-country presence of their National Societies or members to raise the alert for small to medium emergencies for which time-critical assistance is lacking. The allocations from their rapid response funds can give an indicative picture of where some of these funding gaps occur and for what emergencies, albeit one framed by the scale of the funds and presence of their delivery organizations.

Since 2009, the IFRC's DREF fund has responded with grant allocations to over 500 sudden-onset disasters and emergencies that are not covered by an international IFRC appeal or for which support from other national or international actors is not foreseen (IFRC, 2012). More than half of these allocations were for hydro-meteorological disasters, dominated by floods – with 44% of DREF allocations, the most common trigger of IFRC operations overall. Responses to emergencies in Africa dominated, while those to the Americas were not only the smallest but also declined – reflecting the relative needs (mainly for small and medium-scale disasters) as well as growing domestic capacity in many countries in the region. DREF allocations also appear to fill gaps that are off the radar for the UN-coordinated appeal system and where there is no appeal. Of the 36 countries receiving DREF allocations in 2017, only 8 had UN-coordinated appeals, and of these 3 were less than 50% funded.

Fig. 5.4 Allocations for sudden-onset crises from the IFRC's DREF by region, 2009–2017



Notes: Countries are grouped by IFRC regions.
Sources: IFRC GO

The impacts on affected populations of lack of funding for those off-the-radar rapid-onset disasters are often invisible to international agencies – where there is no international support, the impact of its absence is not evaluated. As the DREF and Start Fund operate as grants rather than appeals, there are no shortfalls to record. The experience of underfunded appeals for similarly sudden-onset, but larger-scale, disasters may give some clues. In the UN-coordinated 'flash appeals' for disasters, early recovery and protection tend to be underfunded. When IFRC appeals face significant underfunding, the ambitions of programmes can be scaled back, and requirements revised downwards. In the appeal for the Peru floods in 2017, for example, this meant scaling back the number of provinces in the operation and reducing people targeted for assistance by 15,000.

Box 5.2 Underfunded shelter needs in Bangladesh[5]

2017/18 has been a very busy year for Bangladesh Red Crescent Society, responding to three ongoing humanitarian responses, including the Population Movement

5. Information shared by the Global Shelter Cluster.

Operation precipitated by the influx of displaced populations from Rakhine State, Myanmar. Before this, in the 2017 floods in Bangladesh, repeated experience of underfunding prompted the Humanitarian Country Team to issue a request for funding that was lower than real needs and focus the requirements according to the scale of anticipated funding. The emergency shelter request for the Bangladesh floods was therefore only 3 million US dollars – an amount that did not cover all needs (estimated to be in the region of 5 million US dollars) but was still only two-thirds met. As shelter underpins other sectors, such as water, sanitation and hygiene, health, livelihoods and protection, its underfunding had implications for the wider humanitarian response as well as threatening to reverse gains in development and disaster risk reduction. Particularly 'left behind' were the *char* communities – people living on the shifting islands in the country's major river systems. These are some of the poorest and most marginalized communities in the country for whom specialized support in shelter and settlements could have made a substantial difference, but who were not effectively reached due to lack of funding.

5.2.2 What are the solutions?

Ensuring swift and appropriate assistance to small and rapid-onset disasters should be the low-hanging fruit of fixing crisis financing – at least compared with protracted complex emergencies. These are often predictable and recurrent events, and the case is clear (see inter alia Clarke and Dercon, 2016) for a systemic shift of approach: a shift from trying to fundraise after the event to ensuring that the resources are in place before to deal with the risk, prepare for and face the immediate impacts of a disaster. This is supported by commitments in the Sendai Framework for Disaster Risk Reduction, the Sustainable Development Goals (SDGs), and from the World Humanitarian Summit. The shift from ex-post to ex-ante goes hand in hand with a shift in perspective from international to local ownership, and from humanitarian aid to development and climate cooperation. It involves smarter investments in pre-financing as well as more agile reactive financing wherever this is still needed.

Investing in pre-financing

Managing risk and being financially well prepared to face it involves a 'layered' approach with different mechanisms in place according to the probability and scale of impact of the event (see Poole, 2014; Hillier, 2018). These high-frequency, smaller-scale crises should be primarily managed through emergency reserves or contingency funds held by national governments where possible and supported by international donors only where necessary. In the Philippines, for example, local authorities are required by law to invest 5% of their revenues into a disaster management fund, of which 30% goes into a Quick Response Fund to react to the urgent impact of disasters, and the rest into risk reduction and preparedness. In many crisis-affected countries where incomes are rising, the role of international donors is shifting from humanitarian provider to technical supporter.

International investment in disaster risk reduction (DRR) is still critical to support many environmentally vulnerable countries with lower incomes but is also woefully out of money. Funding for DRR is not well tracked with the limited portion reported by OECD Development Assistance Committee (DAC) donors accounting for just 525 million US dollars in 2016, or 0.5% of official development assistance (ODA). Increasing DRR funding and spending it appropriately and effectively demands partnerships from local, national, regional and international providers, both public and private.

Box 5.3 Private investment for collaborative approaches to DRR

The Zurich Flood Resilience Alliance is a long-term collaboration that brings together IFRC, NGO, academic and private sector experts in risk and resilience, working initially in nine countries (Mexico, Peru, Haiti, Afghanistan, Bangladesh, Nepal, Indonesia, Timor-Leste and the US) and reaching more than 200,000 people. The first phase of the programme (2013–2017), supported with around CHF 37 million (37.4 million US dollars[6]) in funding from the Z Zurich Foundation (Zurich Insurance Group's community investment foundation), has used the collective skills and experience of the members to develop a new approach to DRR programming – encouraging funding of the process, not just the predetermined interventions. The programme has subsequently been extended to a second phase (2018–2023) with a further CHF 20 million (20.2 million US dollars) investment that aims to use community experience and research capability to encourage more and smarter investments in pre-event flood resilience building. By acting collectively, the alliance has developed a practical approach that can be adopted by others and encourages this to happen.

For weather-related events that may outstrip risk reduction and resilience efforts in environmentally vulnerable communities, forecasting can be used as a trigger to release pre-agreed funds before, rather than compete for attention after, an event – saving lives, time and money. A clear action plan can be tied to this, so decisions about roles and responsibilities – of local, national and international implementers – are formally agreed ahead of time, increasing efficiency and effectiveness. This is the premise of the forecast-based financing models developed and tested over the past decade. The art, science and politics of forecasting are difficult and developing but this bias to action is generating learning and improvements. It has been successfully implemented by the IFRC including in Bangladesh, Peru and Mozambique and is being supported by a new DREF funding mechanism for forecast-based action.

Improving ex-post financing

Where small-scale disasters hit people who are not covered by these ex-ante arrangements, agile reactive humanitarian assistance may still be needed. In rapid-onset crises, timing is critical – funding that is too late to meet immediate needs and prevent their escalation can be as ineffectual as no funding at all. Slow funding is a common refrain

6. Currency conversion (here and later in paragraph) as of 31 July 2018 using xe.com.

in evaluations of disaster response (see inter alia ALNAP, 2015b). Although many donors have rapid response mechanisms, as one study notes, "the primary modes of funding have not yet proved efficient for rapid response" (Stoddard et al, 2017b). The efficiency commitments set out in the Grand Bargain including reducing the level of earmarking of funds and channelling more funding directly to local responders should support change. So too will continuing to speed up the pass-through of funds between agencies, which prevents funding arriving in time to meet urgent needs (Stoddard et al, 2017a). Progress on these fronts, however, is slow (Metcalfe-Hough et al, 2018).

Specific global humanitarian funds to respond to the problem of slow and inadequate funding for these crisis, in particular the DREF and the Start Fund[7] therefore continue to provide an important corrective and an efficient way for donors to channel funds to subnational crises which would be below the threshold for crisis-specific bilateral grants or thresholds for ex-ante pay-outs. But these are designed for rapid response to the most urgent needs and jump-start the response, so are limited in scale and duration to meet most acute needs, fill immediate gaps, and jump-start a response. Without sufficient follow-on funding from international bilateral and pooled funds, or domestic investments, recovery may be curtailed and resilience may not be built for future events.

5.3 Slow-onset disasters

Unlike sudden storms or earthquakes, droughts, famines and some health-related crises unfold gradually, as slow-onset emergencies (OCHA, 2011a). In theory this should give donors plenty of advance warning to intervene early and head off the worst impacts. In practice however, a failure to notice or to heed the signs means underfunding at the critical moment for intervention, and thus avoidable unmet needs.

Mobilizing sufficient funding before the impacts of a crisis become catastrophic is problematic in a needs-based, appeals-based funding model. Funding to respond to early warning signs can compete with funding for acute needs as donors prioritize between current severity and future severity (Stoddard et al, 2017a). The balance of political and accountability incentives tends to be weighted towards inaction rather than early action (see inter alia Bailey, 2013 ; Clarke and Dercon, 2016; Hillier, 2017).

5.3.1 Which slow-onset crises are/have been out of money and what are the impacts?

Appeals-based calls for funding for slow-onset disasters are notoriously unreliable. Ahead of the 2010–2012 Horn of Africa famine, funding from international donors increased somewhat after the 2010 UN-coordinated appeal flagged early signs, but only substantially scaled

7. DREF and Start Fund are designed to respond to these smaller scale and "off the radar" emergencies.

up after the declaration of famine in 2011. The slow financing in this case was arguably in part due to the appeals failing to anticipate and request enough funding early enough. By contrast, appeals for funding for the Somalia food crisis in 2017, as part of the call for funding for the so-called four famines (Nigeria, South Sudan, Yemen and Somalia), were quick to state the imperative for urgent action but were criticized for perpetuating a simplistic, hyperbolic and post hoc approach to funding complex and predictable crises (Bennett, 2017). By the end of the year, all these high profile appeals still suffered significant shortfalls, but were relatively well funded, with between two-thirds and three-quarters of their requirements met. However, that same year, appeals for funding to food-insecure countries in West Africa were all only between a third and half funded.

The 2015–2016 El Niño and La Niña-related disasters[8] highlighted the inequities in funding patterns. The El Niño pledging conference in Geneva in April 2016 clearly anticipated the impacts and called for funding to enable early action across 13 countries, yet while the levels of funding for responses in East Africa were relatively high and ramped up ahead of the conference, in Southern Africa and the Pacific funding for the responses were much lower and slower (Hillier, 2017; Mowjee et al, 2018).

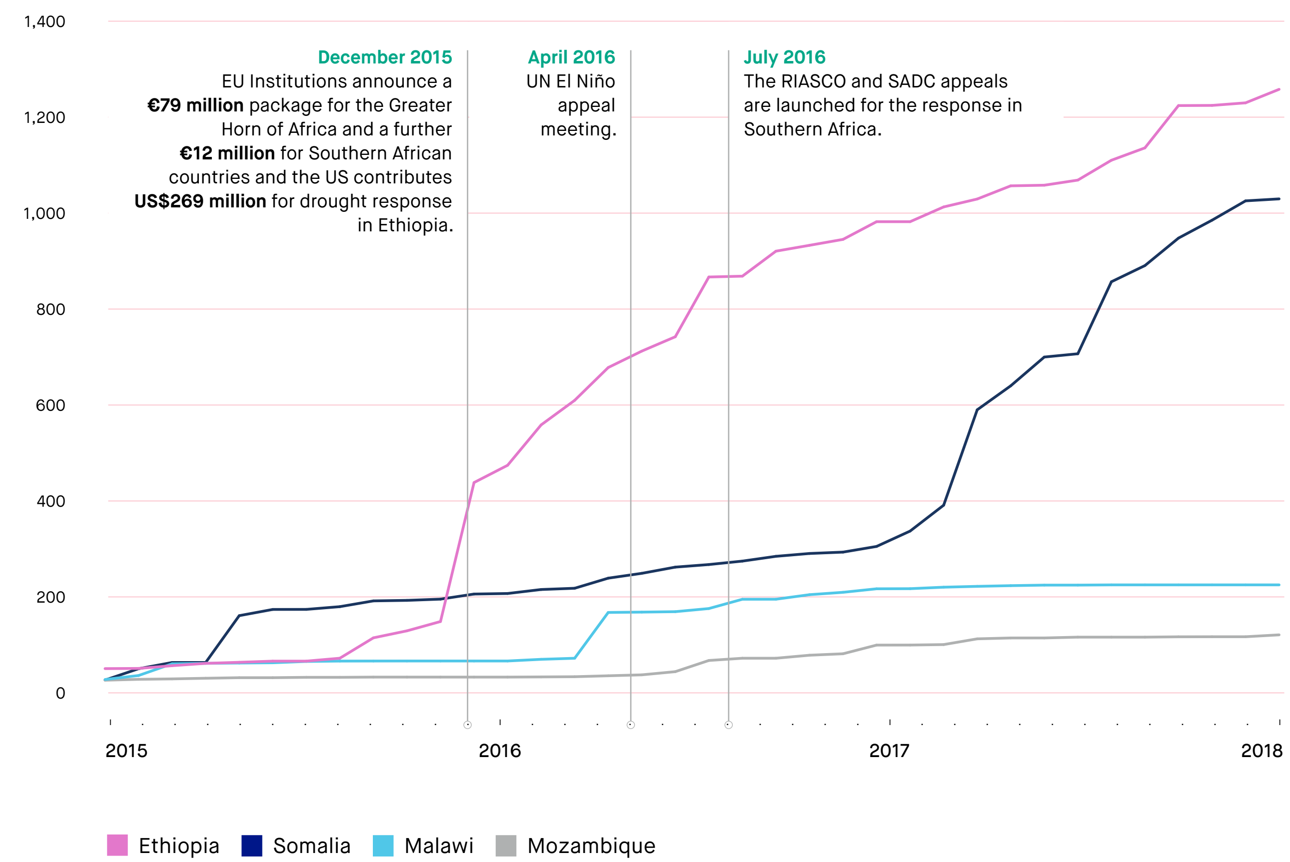
Mauritania, 2018

Droughts and famines unfold gradually, as slow-onset emergencies. Jonaba in Magta Lajar in Southern Mauritania has been affected by severe drought since 2017 with disastrous consequences for agriculture and livestock. This has resulted in serious food insecurity, however calls for funding for slow-onset crises such as this are notoriously unreliable.

©Moustapha Diallo

8. The 2014–2016 El Niño event was a warming of parts of the Pacific Ocean that significantly affected weather patterns in many countries – manifesting in droughts, flooding, cyclones and hurricanes including in Africa, Central America, Southeast Asia and the Pacific Islands. The counterpart La Niña event resulted from cooling of parts of the ocean, also altering weather patterns in many countries in Africa, the Americas and Asia. Currency conversion as of 6 August 2018 using xe.com .

Fig. 5.5 Levels of funding to four countries covered by the 2016 El Niño appeals



Notes: FTS derived figures quoted here differ from those in the appeal summary documents (for Regional Inter-agency Standing Committee (RIASCO) and Southern African Development Community (SADC) appeals) to highlight the funding for the response to El Niño. This analysis only includes funding with a decision date between 1 January 2015 and 31 January 2017. Data is in constant 2016 prices. Decision dates sometimes reflect the date reported to FTS so may not be an accurate representation of donor disbursement.

Source: OCHA FTS

The human cost of insufficient or delayed response for such slow-onset disasters is well documented, especially in the wake of the "system-wide failure" (Darcy, 2012) of the 2010–2012 Horn of Africa famine, in which nearly 260,000 people (half of them under five years old) were estimated to have died in Somalia alone due to famine and food insecurity. The sector-wide reflection that followed generated further evaluations and models on how a lack of early action can cost money, livelihoods and lives. A four-country study found that early funding could prevent 15% of household food deficits (Cabot Venton et al, 2012). Early action in Ethiopia ahead of the worst effects of El Niño in 2015–2016 could have saved an estimated 1 billion US dollars (Cabot Venton, 2016).

5.3.2 What are the solutions?

Shifting from late and unreliable crisis-mode financing to early and predictable anticipatory funding for these slow-onset crises is of course not simple. It demands technical sophistication, political will and close attention to what works for affected populations. None of these can be done quickly, but there appears to be movement from all angles. As with sudden-onset emergencies, the answers lie not in ever-greater volumes of humanitarian assistance nor in a single financing model but in a well-timed, layered approach which includes agile early funding, and support for risk management measures of the governments of crisis-affected countries. With this in mind, initiatives including the World Bank's Pandemic Emergency Facility and the Start Fund's Drought Financing Facility seek to combine multiple risk and response tools in a single adaptable package. There are complementary roles for national and local authorities, regional bodies, multilateral development banks, bilateral donors and humanitarian agencies. Timely data on all relevant financing flows through their various instruments will be critical to understanding where the gaps remain.

Agile and early funding

Some donors have modelled good practice in agile and flexible funding to respond to forecasts and early warning signs of droughts. The US and Sweden used crisis modifiers[9] to redirect development grants for the Ethiopia drought response in 2016 (Stoddard et al, 2017a). And flexible funding allowed agencies including the World Food Programme to procure and pre-position supplies in Somalia and Kenya on a 'no regrets' basis, and then repurpose these when flooding was not as severe as anticipated (Tozier de la Potiere, 2018).

Pooled funds have also created anticipation windows to enable agile use of contingency funds. Leading the way in this was the Start Fund's, which is linked to a multi-stakeholder initiative to improve forecasting (FOREWARN). As already seen, the DREF now has a Forecast-based Action Window for weather-related events, and the CERF fund is now actively exploring options for an anticipation window, catalysed by a review of its role in the 2015–2016 El Niño response (Mowjee et al, 2018).

International funding should complement and support domestic investments. Shock responsive social protection systems are critical. Again, the response to the early warning signs of 2015–2016 El Niño is telling. While Kenya successfully scaled up its Hunger Safety Net Programme to increase pay-outs to vulnerable groups, the schemes in Malawi, Zambia and Ethiopia were unable to do so, despite donor interest (Tozier de la Potiere, 2017). Longer-term technical and financial investments from domestic authorities, supported where required by regional and international development donors, are needed to enable adaptability and ensure inclusiveness.

9. A crisis modifier is a mechanism that allows a portion of funding for a development programming to be accessed to anticipate or respond to signs of humanitarian crisis. Some donors including DFID, USAID and Sida have developed and deployed variations of crisis modifiers.

Box 5.4 Beyond charity – the transformative power of zakat in humanitarian crises

The IFRC's Innovative Finance portfolio includes working with National Societies to explore Islamic social financing instruments to fill both humanitarian and development financing gaps. A Kenya Red Cross pilot project in one of the poorest districts in Kenya has demonstrated how zakat[10] can support people according to need – regardless of their faith and geographic location.

At its peak, the 2017 drought in Kenya left around 2.7 million people in need of international assistance. In early 2017, facing the prospect of growing funding difficulties for appeals, IFRC approached the Zakat Council of the Malaysian State of Perlis, an organization with a track record of using Islamic social financing instruments.

The council contributed 1.2 million US dollars of zakat which the IFRC allocated to the county of Kitui, highlighted by Red Cross forecasting to be one of the most severely drought-affected areas in Kenya. The funding supported a Kenya Red Cross programme that simultaneously tackled needs for water access and cash crops – including repair and installation of pumps and boreholes, and seed distribution. As a result, over 1 million people gained sustainable access to clean water and crops, which in turn created health, livelihoods and education opportunities. The harvest of the 'green grams' crops yielded 20 million US dollars in returns for the Kitui households – critically, this enabled them to pay back the costs of the seeds they had received so the funds could then be reinvested in neighbouring Garissa county.

This pilot was transformative in three ways: it showcased the potential not only for zakat to meet people's needs directly but also to empower recipients to 'pay it forward' to others in need, it supported longer-term resilience and sustainable impact as well as emergency response, and it showed the effective application of forecast-based financing, with models predicting the most vulnerable counties and the most appropriate crops to grow there. Valuable learning has been gained from the pilot, to continue to improve and sustain the outcome for the Kitui households and develop similar approaches in other contexts.

Source: IFRC, 2018a

Transferring risk

Weather index insurance is receiving significant attention and investment and can, for certain risks, be a useful tool in the ex-ante financing kit. Options range from the micro (household level) to the meso (community level) and the macro (state and regional), each appropriate to meet particular kinds of risks for certain groups of people. The G20 InsuResilience Global Partnership builds on a G7 initiative that aimed to see 400 million people benefitting from insurance by 2020. Germany and the World Bank are directing substantial resources to insurance, as is the UK where the Department for International Development (DFID) is establishing a new Centre for Global Disaster Prevention, a multi-sector multidisciplinary insurance-focused hub to provide investments and offer technical support to risk-prone developing countries to navigate the actuarial small print of insurance options.

The momentum is building around these products and approaches, but experts also sound a note of constructive caution. The "peak hype" (Hillier, 2018) on technical insurance product models needs to translate into informed decisions for the most effective set of approaches for communities facing specific risks. New initiatives must be applied with care, integrated well into wider risk planning and monitored with rigour to ensure people are not left behind. Many risks are uninsurable, or insurable at premiums that may be unaffordable or divert scarce resources away from saving into contingency funds. The probabilistic and often privately owned risk modelling on which ex-ante products are based also needs to be open and to relate to the lived experience of the people most vulnerable to the impacts of disasters, especially in some of the world's most fragile situations.

10. Zakat is an annual donation traditionally set at 2.5% of a Muslim's wealth, and seen as a religious obligation or tax under Islam. Some Islamic countries have centralized, state-sponsored collections, while many allow varying degrees of compulsion and discretion in collecting and organizing zakat funds.

5.4 Chronic and complex emergencies

Rapid and slow-onset disasters do not occur in isolation, and risks do not become humanitarian crises without critical underlying vulnerabilities and political failings. A lack of rainfall may be a weather event, but food insecurity and famine are not. Analysis shows that disasters hit the poorest people hardest (Hallegate et al, 2017) and that poverty, environmental vulnerability and political fragility significantly overlap (Development Initiatives, 2017b).

Many countries experience ongoing food insecurity, recurrent disasters and epidemics in the context of long-term complex emergencies including conflict and displacement – but these situations are often prone to funding fatigue. These are classic out-of-the-headlines and forgotten crises, where high levels of short-term humanitarian financing cannot be sustained in the face of chronic needs, where long-term development donors are ill-adapted to invest and where both are constrained by perceived financial risks.

5.4.1 Which large disaster-affected chronic crises are out of money and what are the impacts?

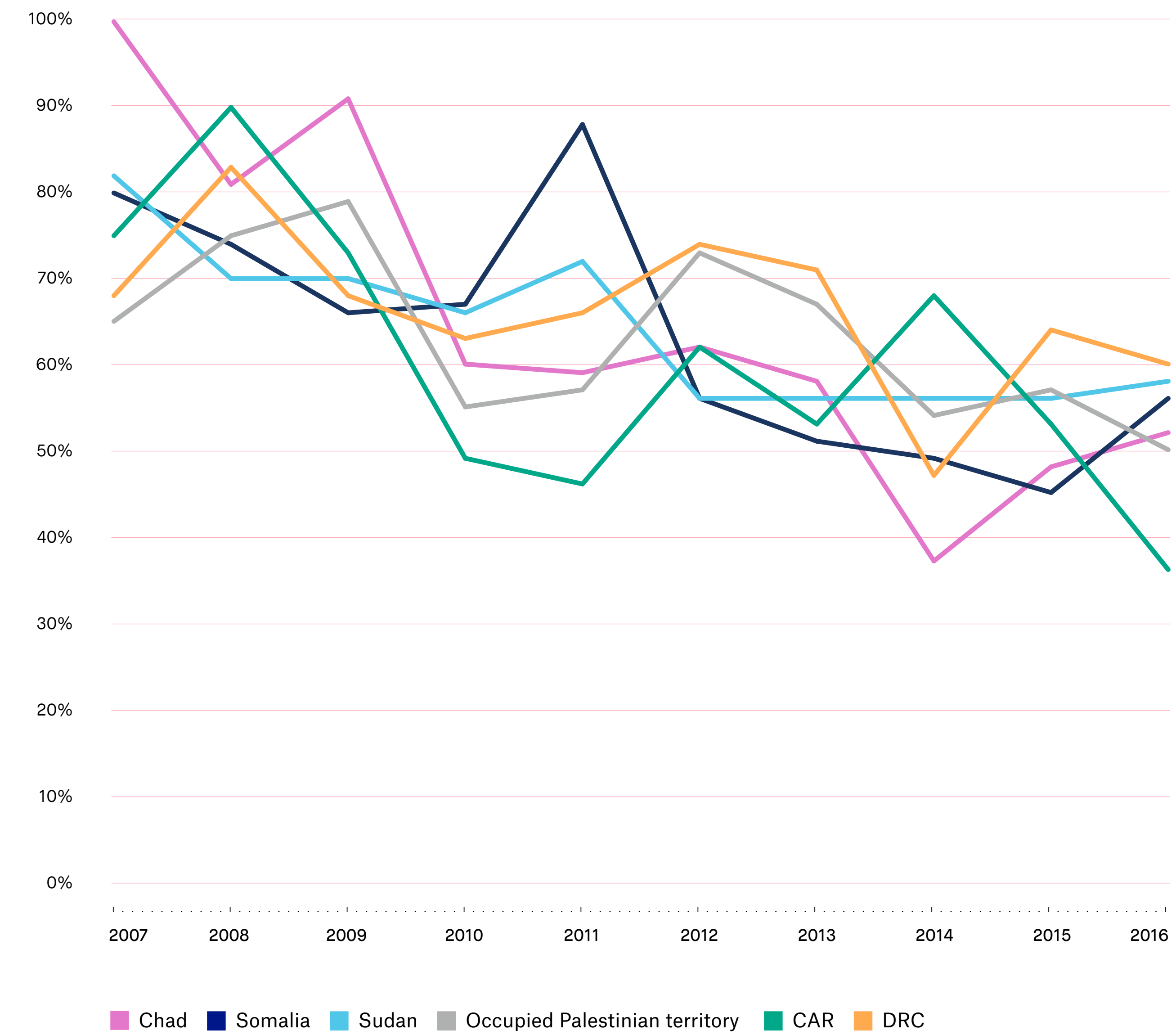
Most humanitarian assistance flows to countries that are medium to long-term recipients (Development Initiatives, 2017b) and most appeals are issued repeatedly for the same countries, rather than as one-offs. Six countries have had UN-coordinated appeals every year for at least the past decade: the Central African Republic (CAR), Chad, DRC, occupied Palestinian territory, Somalia and Sudan. Of course, as seen already, the appeals are an imperfect proxy of chronic need and other countries may have experienced decade-long protracted or recurrent widespread or subnational pockets of humanitarian crisis, but for political reasons have not been the subjects of appeals (Ethiopia, DPRK). However, for these six countries, the patterns in underfunding are instructive and support the concerns of humanitarian funding fatigue for long-term complex crises.

All six of these countries have seen a decline in their funding levels over the past decade. Although there may have been fluctuations in response to spikes in needs and awareness, all had a bigger funding gap for their appeals in 2017 than in 2007 (see Figure 5.6). For Chad and CAR, this fluctuation was dramatic, with funding levels approximately halving. In 2017, all except occupied Palestinian territory were included in the list of CERF UFE allocations or short-listed countries and had been repeatedly so in recent years.

While a narrative of a protracted crisis may suggest a homogenous country-wide situation, in reality although underlying issues and insecurities may be protracted, these could be seen as a series of dynamic, rapidly changing and acute subnational crises: a 'dynamic gridlock' (Obrecht, 2018). So as new escalations of conflict, new waves of displacement or new weather events occur on top of chronic vulnerability, there will be pockets of underfunded needs in the emergency where stretched and projectized funds are not able to respond. This is reflected in the fact that the five UFE recipients also received grants from the CERF's rapid response window – designed to support time-critical needs in sudden-onset and rapidly deteriorating situations.

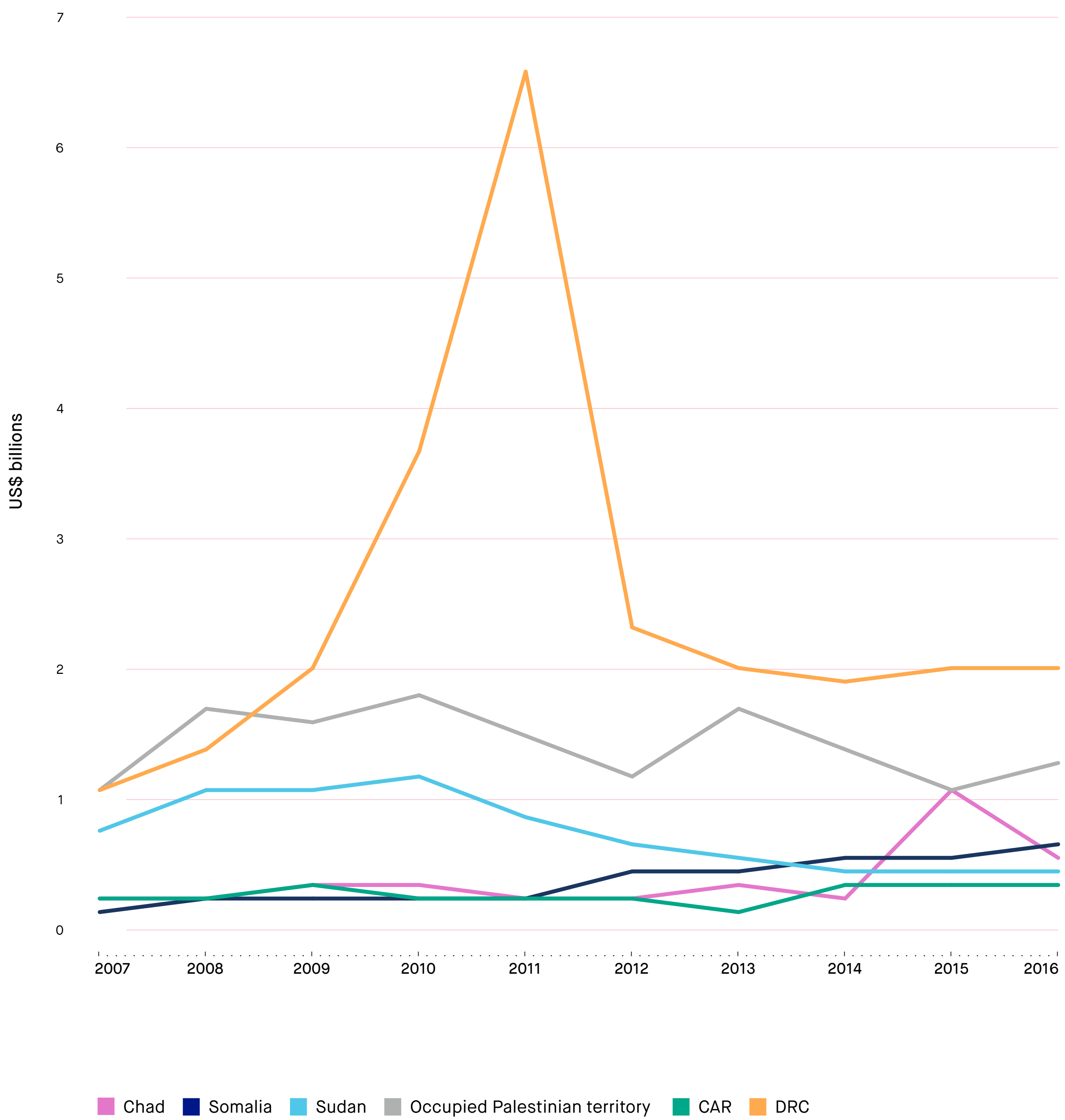
Five of the six countries are in sub-Saharan Africa and had very low levels of human development, according to UN Development Programme's Human Development Index, as well as high levels of fragility and susceptibility to floods and droughts. All these necessitate longer-term investments – in development, peacebuilding and climate funding. Yet, while humanitarian coverage declined, international development assistance did not rise to the challenge of supporting longer-term solutions (see Figure 5.7). Except for DRC, all experienced very modest and volatile increases (apart from Sudan's decrease which may be explained by South Sudan's independence in 2011). The humanitarian financing gap is, in many ways, a symptom of a development financing gap.

Fig. 5.6 Levels of requirements met in countries with appeals every year, 2007–2016



Source: OCHA FTS

Fig. 5.7 Non-humanitarian ODA to countries with appeals every year, 2007–2016



Notes: ODA data in constant 2016 prices. Peak in ODA for DRC in 2010–2011 was due to debt relief; if only 'transferred' ODA were shown, then DRC would remain under 2 billion US dollars.

Source: OECD DAC

Lack of development financing manifests in stubborn indicators of low human development and persistent calls for humanitarian funding to meet both chronic and acute needs. The human consequences of shortfalls of humanitarian funding – how many people are being left behind by emergency assistance – are evident in some of the reviews of the UN-coordinated humanitarian response plans. In CAR, for example, by mid-2017 it meant that less than a third of the over 30,000 children identified in the response plan received assistance for severe malnutrition, and less than half of the 750,000 people targeted for emergency water provision were reached. It also meant that agencies had limited ability to reach all affected areas or respond to new events (OCHA, 2017d).

The low volumes and short time frames of funding may mean not only unmet needs, but also inappropriately met needs. Piecemeal funding can lead to a focus on basic programming, and limit scope for the complex and adaptive programming needed to respond to multifaceted and changing needs. This is especially true in highly insecure settings (Stoddard et al, 2017b). The result, in some settings, can be an entrenchment of assistance provision which affected people feel is not relevant to their real needs (Ground Truth Solutions, 2017).

Box 5.5 Consequences of underfunding in the Sahel

The Sahel region is chronically affected by overlapping hazards including recurrent droughts, floods and epidemics, as well as political fragility, armed conflict and protracted and new waves of displacement. An estimated 24 million people are considered in need of humanitarian assistance in 2018. Combined, the UN-coordinated appeals for the eight countries in the region[11] requested 2.7 billion US dollars for 2018, but current progress and past record suggest there will be significant shortfalls (OCHA, 2017g).

Mauritania is facing its worst food insecurity situation in five years, due to drought – by mid-2018 an estimated 14% of the population were projected to be facing severe food insecurity (phase 3 or 4) raising fears of a food crisis comparable to that of 2011–2012. Mauritania also hosts many Malian refugees. Funding has not been of a level to meet the scale of current and imminent needs. The 2017 UN-coordinated appeal for Mauritania was nearly two-thirds underfunded (65% of requirements not met) and by mid-July 2018 the 2018 appeal was 58% underfunded. Humanitarian agencies have adapted their response to the limited means through an extreme and detailed prioritization process to identify the most acute needs at the most local level.

Chad also faces a combination of crises including food insecurity worsened by floods and droughts, as well as displacement and economic downturn. An estimated 30% of Chad's population were in need of humanitarian assistance in 2018 (OCHA, 2018b). The high food insecurity levels were expected to double over the lean season, with severe acute and global acute malnutrition levels already well beyond the emergency threshold. High poverty levels worsened by a severe economic downturn limit communities' access to basic services and ability to support displaced people,

11. The eight countries included in the 2018 Sahel appeal are Burkina Faso, Chad, Cameroon, Mali, Mauritania, Niger, Nigeria and Senegal.

including the largest population movements seen in the past five years, arriving from CAR. The 59% underfunding of the 2017 appeal meant that food rations were halved, food assistance was interrupted for several months, and children with moderate acute malnutrition were untreated and risked severe malnutrition. Capacity to assist new refugees from CAR in 2018 was also compromised. Allocations from the CERF Rapid Response window and the DREF helped to meet the most urgent needs while longer-term solutions were pursued.

What are the solutions?

These chronic multidimensional crises need a sustained multidimensional financing response – one which sees smarter use and mobilization of humanitarian funds, better linked to longer-term development and peacebuilding action to address underlying vulnerabilities and ensure no one is left behind.

Smarter humanitarian assistance

In the immediate term, as explored earlier, the ECHO FCA and CERF UFE window have important counter-balancing roles to play in identifying these situations and either encouraging or providing stop-gap funding to meet the most urgent needs. In 2017, the CERF allocated 145 million US dollars from its UFE window and over the past decade two-thirds of its allocations went to crises in sub-Saharan Africa. Country-based pooled funds are also important in directing limited funds to meet the most underfunded pockets of need, or new demands.

Many organizations are seeking alternative ways to mobilize more funding to meet long-term needs, including through private funds. Many National Red Cross and Red Crescent Societies generate income through a range of activities enabling sustainable localized response not just in wealthier countries but also in countries with high levels of poverty and displacement such as Côte D'Ivoire. As demonstrated by the IFRC in Kenya (see Box 5.4) the potential of Islamic social financing, already the source of substantial community-based and national charitable giving, is being actively explored as a complementary source of financing for humanitarian as well as development action. Also, one of a wave of new 'innovative financing' initiatives, ICRC's new Humanitarian Impact Bond aims to use social investment from the private sector to leverage donor funding to establish rehabilitation centres in three conflict-affected countries including DRC. While in its early days and limited in scope, this offers a new economic model of responding to add to the financing toolkit.

Critical as stop-gaps and alternative income may be, multi-year funding has to be the bedrock of humanitarian response in multi-year crises. The need to move away from single-year funding tied to annual calendars has been long stated and reiterated in Grand Bargain commitments. This will not solve the problem of underfunding for chronic crises and indeed needs to be well communicated to donors to ensure that multi-year is not understood as non-urgent. But more sustained, predictable and flexible funding has the potential to enable both savings (Cabot Venton and Sida, 2017) and adaptiveness to meet new dimensions of a crisis (Obrecht, 2018) if accompanied by careful response design and changes to entrenched short-term ways of working at the crisis level (FAO et al, 2017).

A new way of working for humanitarian–development–peacebuilding coherence

Whether it is multi-year and well-funded or not, emergency funding cannot address the poverty and security issues at the heart of these chronic complex crises. Some new initiatives have emerged to address this old problem, including EU pilots to work at the humanitarian–development nexus,[12] the UN–World Bank Humanitarian-Development-Peace Initiative and new compacts and financing instruments to meet the long-term needs of refugee populations and their host communities. Clear as the logic may be, these have evidently raised deep controversies – about humanitarian principles, about coordination practicalities, and about scope for community participation.

Many of these initiatives fall under the banner of the 'New Way of Working' – a multi-stakeholder approach spearheaded by UN agencies and the World Bank following the World Humanitarian Summit. This intends to bring together the aims of humanitarian action with the SDG goals of leaving no one behind, working towards "collective outcomes" over a three-to-five-year period – for example a joint humanitarian–development goal of a measurable increase in access to education. The emphasis is on context specificity, tailoring the outcomes and actions according to close analysis of the situation, and on comparative advantage of the respective national and international agencies. Country and regional plans are emerging, bringing together humanitarian and development country frameworks from the World Bank and UN including for the Sahel region and for Mauritania, Chad and CAR (OCHA, 2017f).

A shift in ways of funding is critical to this shift in ways of working: strategic, operational and financing plans have to be developed hand in hand. Rather than a single blueprint, it will take diversified tools and a layering of short, medium and long-term investments with backing from development donors, World Bank and other multi-lateral development banks (ICVA, 2017). In Sudan, for example, a phased and sequenced approach was recommended, with the first phase for immediate action including better connecting the multiple existing pooled and joint financing instruments under the strategic guidance of a single high-level SDG partnership platform (OECD and UNDP, 2017).

It appears to be too early to tell the extent to which this new momentum for coherent approaches will result in a sustained increase in development funding for these chronic needs: development financing is reported on a slower time frame than humanitarian and the pay-outs from complex mechanisms are notoriously hard to track. Presently, trends show a growth in humanitarian rather than development funding as a share of aid to fragile states (OECD, 2018), but the increased World Bank crisis financing portfolio, and record IDA18 14 billion US dollars for fragility, conflict and violence might give grounds for hope that this trend will be reversed. Long-term, transparent and coherent reporting and analysis of these investments will be crucial to see if funding flows match strategic commitments to collective outcomes. Without such a development scale-up there is risk of over-extending the already-stretched humanitarian mandate and creating "moral hazard" (FAO et al, 2017) of further diverting scarce emergency resources from severe to chronic need.

12. The six countries for EU pilot approaches to operationalizing the humanitarian–development nexus are Chad, Iraq, Myanmar, Nigeria, Somalia and Sudan.

5.5 Towards smart financing: conclusions and recommendations

The money question has always attracted much interest. Since the World Humanitarian Summit, there has been a new surge of interest, innovation and activity. The challenge now is not only to make sure the scale of financing keeps pace, but that these innovations and activities add up to a coherent and equitable approach: that in the focus on specifics, the global overview and unifying idea is not lost – that populations facing crisis are not left behind because they are forgotten, underfunded or out of money.

Individual donors may face a "tragedy of choice" (Berlin cited in Binder et al, 2013) as decisions will inevitably favour some needs over others, but collectively the sector needs to intelligently compensate for this. This has to involve the sector writ large, all those responsible for and involved with financing for risk, response and resilience to crises, starting with local and national capacities, and supported by regional and international technical and financial resources where needed. The solutions lie in recalibrating from a mainly ex-post sector built on "medieval financial principles" of "begging bowls and benefactors" (Clarke and Dercon, 2016) to a predictable model that emphasizes ex-ante financing and can also respond coherently to meeting immediate and longer-term needs. This prescription is not new, and evidently not simple – political incentives may militate against it, but human imperatives demand it.

The global dynamics of humanitarian action are changing. Climate change and conflict are entrenching, intensifying and shifting patterns of risk and need. Volumes of formal international humanitarian aid are stagnating and continuing to come from a small, familiar group of donors. But at the same time, economic power and ownership of solutions is rising elsewhere, including from multi-lateral development banks and in many disaster-affected countries such as Mexico, the Philippines and Indonesia, and in regional bodies such as ASEAN and the African Union. So, for the international humanitarian sector, leaving no one behind also means letting go (Bennett, 2016a) so that it can complement and focus where most needed. In some contexts, it may mean more tightly redrawing the boundaries of international humanitarian assistance, and more clearly supporting and demanding that government and development policies address the risks and needs of the people most vulnerable to crises (Poole, 2015).

As seen in this chapter, the systemic shift needed to tackle the out-of-money problem is built on many specific inputs, which might be grouped under three areas – a human-centred anticipatory model, a cooperative, last-resort needs-based model, and a collective responsibility for resilience. The degree to which they can be successfully operationalized demands not just technical know-how but a concerted realignment of political incentives – something that, in the face of rising populism and declining multilateralism, poses significant challenges.

5.5.1 A human-centred anticipatory model

— Moving towards a human-centred anticipatory model requires an **improved understanding and assessment of risk and investment in tools and programmes** that not only seek to reduce risk but also ensure ex-ante financial readiness when a disaster hits. As case studies from Kenya to Peru show, a layered approach that supports local and national contingency planning is essential.

— It is **vital that technical models do not inadvertently leave people behind by failing to take local realities, contextual suitability and structural causes into account.** Acquired learning and experience, including from affected communities, should be used to improve these risk, forecast and anticipation-based tools, tailor their application and help evaluate their effectiveness.

5.5.2 A cooperative, last-resort needs-based model

— A cooperative, last-resort needs-based model would mean **increasing the predictability of international humanitarian funding for the crises where an ex-post response is still required.** This includes honouring commitments to flexible, multi-year funding and supporting pooled funds – but can also learn much from ex-ante models, where roles and responsibilities are clear from the outset. An intentional division of labour between donors, based on clarity of priorities, shared decision-making tools and robust common metrics of need, could encourage collaboration rather than fragmentation. As explored in the 'out of scope' recommendations, common tools could help to assess relative needs and priorities between as well as within crises.

— Supporting such informed decision-making involves rebuilding trust in the costing models and better evidencing and communicating the consequences of underfunding. It might also require rethinking the UN-coordinated appeals system, **moving away from a model that unintentionally pitches successive crisis-specific pledging conferences against each other towards one that encourages considered cooperation.**

5.5.3 A collective responsibility for resilience

— A collective responsibility for resilience requires **investing in the long-term to address the poverty and vulnerability that cause and perpetuate crises and mean that people are left behind.** The principles of context-specific, multi-faceted action towards collective outcomes need to be translated into accountable action.

— **As part of this collective responsibility, delineating the role of international humanitarian financing will be important to ensure that the overstretch of scarce resources is eased, rather than exacerbated.** Adequate development, climate and peacebuilding resources must be channelled to crisis-affected settings. All these crisis-financing investments need to be transparently tracked – not just for accountability but to help identify gaps, inform complementarity and underpin monitoring of their relative effectiveness.

Iraq, 2017

Civilians flee west Mosul as fighting between Iraqi forces and ISIS militants intensifies.

©Tommy Trenchard/IFRC