



WHERE IT MATTERS MOST

Smart climate financing
for the hardest hit people

Acknowledgements

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Cover photo: Mozambique, 2019. A boy working on the construction of a small hut on Matemo island. The Red Cross distributed shelter kits to vulnerable families on the island. Doing so has been a logistical challenge. The kits, which include tools, jerry cans, buckets, soap, mosquito nets, were shipped in from Pemba and then carried to shore by local volunteers.

Contact us:

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Address: Chemin des Crêts 17, Petit-Saconnex, 1209 Geneva, Switzerland

Postal address: P.O. Box 303, 1211 Geneva 19, Switzerland

T +41 (0)22 730 42 22 | **F** +41 (0)22 730 42 00 | **E** secretariat@ifrc.org | **W** [ifrc.org](https://www.ifrc.org)

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Kenya 2022 Scolastica Esekon, 44, is a widow with eight children. The draught has hit her family hard. "The men have gone from the village with the herds, in search of pasture. Some even commit suicide when the animals die," she says. She has started kitchen farming and does manual labour to earn some money to buy food. The water project has helped a lot because now she does not have to walk far to get water at night after work. "It can be dangerous because we have a national park nearby and there are animals." © Esa Salminen / IFRC



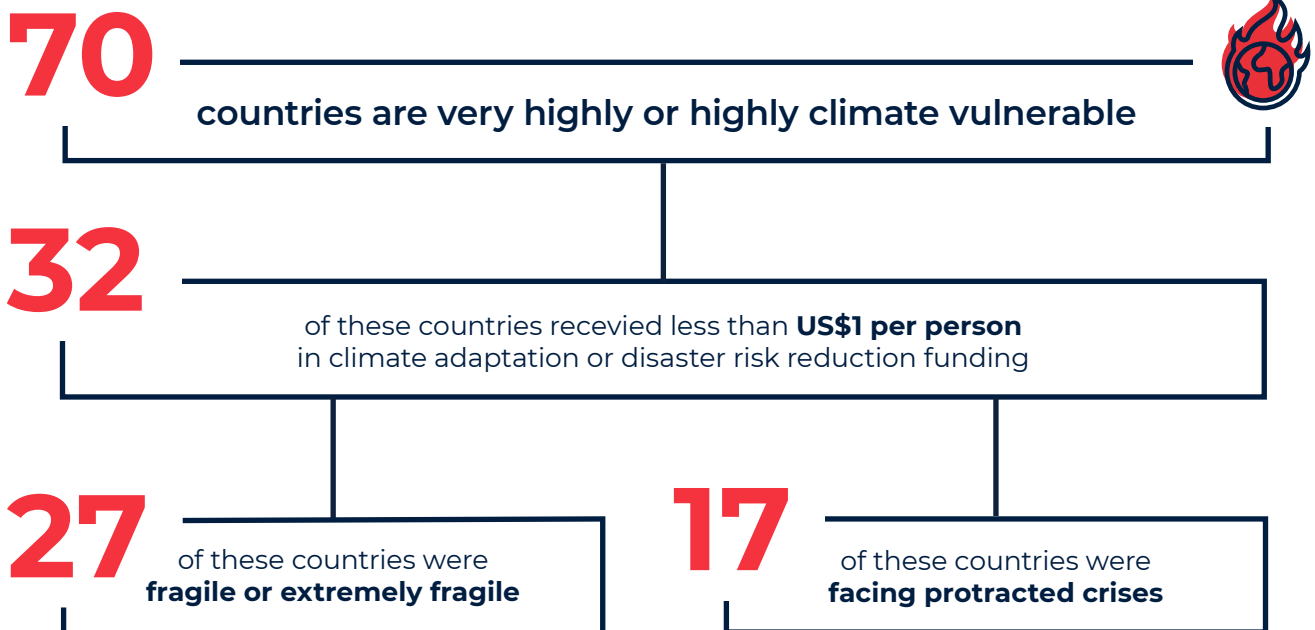
EXECUTIVE SUMMARY

The findings of the Intergovernmental Panel on Climate Change (IPCC) are clear: the humanitarian impacts from climate change will become more severe, frequent and widespread. These impacts are not just a future problem; they are already felt by communities around the world. Nor are they short or simple shocks; climate-related disasters collide with and compound other chronic causes of crisis – including extreme poverty, protracted insecurity, social and economic marginalisation – so, the most vulnerable people are the hardest hit by climate change.

Global leaders have promised to increase the amount of climate finance and ensure it supports the most vulnerable to adapt and prepare for these impacts. Honouring these commitments could drastically reduce the numbers of people who are pushed into extreme humanitarian need in the coming decades. Yet current financing for disaster risk reduction (DRR) and adaptation is not only falling short of the volumes needed but also failing to reach the most vulnerable countries and communities.

Based on the latest analysis of where, how and why this financing is missing the mark, we set out a vision for a smart, risk-informed and locally led approach to making the money count for those hit hardest by climate change. To achieve this, urgent action is needed to prioritise the most vulnerable. This requires collective effort by all involved in mobilising, governing and spending money for addressing climate risks. Global leaders and domestic authorities, donors and fund managers, and humanitarian, development and disaster risk actors must all step up and work together.

By 2050 climate change could mean **200 million people** per year will need humanitarian aid to survive due to climate and weather-related disasters. This will cost at least **US\$29 billion** in humanitarian aid.



Key findings

Our findings are based on: evidence from new and original analyses of the latest climate and DRR financing data; a review of established scientific and practice-based publications; and learnings from National Red Cross and Red Crescent Societies' work with disaster-affected communities around the world.¹ **At a time when increasing disasters demand an urgent shift in approach and economic strains make it important that funds are spent wisely, our research finds that, despite good intentions and evidence of potential, the current state of climate finance is far from achieving its vision.**

The human and financial cost of disasters could double by 2050

If the world fails to invest adequately in adaptation and DRR, **by 2050, 200 million people per year will need humanitarian aid to survive due to climate and weather-related disasters.**² **This is nearly double the yearly number over the last decade, and it will cost at least US\$29 billion to a humanitarian system that is already struggling to meet more than half its financial needs.** This is not a distant prospect – the toll is climbing and is projected to reach over 140 million per year in this decade. However, with concerted upfront action, including investment in disaster risk reduction (DRR) and climate change adaptation (CCA), this toll could be reduced and we could see the need for emergency aid fall significantly, instead of rise.

Certain contexts are particularly vulnerable to climate risks

No country is immune to the climate crisis and all need to invest in adaptation and DRR. However, some are more vulnerable than others: they experience a combination of greater exposure to extreme climate and weather events, higher susceptibility to disasters, and lower capacity to adapt. Using multi-dimensional vulnerability and risk indices,³ we identified 70 very highly or highly vulnerable countries. More than half (37) of these 70 countries were facing existing humanitarian crises that were usually complex and protracted, and 26 were facing protracted crises that had been ongoing for at least five years.⁴

There is currently a clear pattern of misalignment between need and funding

On average, countries that are **highly or very highly vulnerable to climate change received less than a quarter of the adaptation funding per person** than went to low or very low vulnerability countries, and less than a thirtieth of the amount per person of DRR funding. Thirty-two countries that were classed as either highly vulnerable or very highly vulnerable received less than US\$1 per person in CCA and DRR funding.

Most of the most neglected countries are those experiencing protracted crises or fragility

Although climate vulnerability often coincides with and compounds protracted crisis and fragility, CCA and DRR funding tends to neglect rather than prioritise these complex contexts. Of the 32 very highly vulnerable or highly vulnerable countries that received **less than US\$1** of either CCA and of DRR per person, 17 were suffering from protracted crisis and 27 were fragile or extremely fragile.⁵

1 Elements that remain relevant have been drawn from the IFRC's World Disasters Report 2020, though updated with more recent data.

2 Note that this estimate is only the humanitarian cost of specifically climate and weather-related disasters. It excludes both existing non-climate-related crises and the accelerating/compounding effects of climate change on future non-climate-related crises.

3 Our analysis used a combination of the Notre Dame Global Adaptation Initiative (ND-GAIN) and INFORM indexes – see methodology section.

4 Protracted crisis countries are those with five or more consecutive years of UN-coordinated appeals.

5 Fragility is based on social, human, political and economic fragility dimensions of the OECD States of Fragility 2022 framework.

Funding is not reaching the local communities at the sharp end of climate change

Only an estimated **10% of funding is granted to the local level** as donors and funds instead favour large-scale national infrastructure projects that may miss the mark for local communities. Poor financial tracking means that most funding cannot be followed from donors to even see if or how it reaches the hardest-hit people, let alone see whether they have a say in how it is spent. Over 80 governments and organisations have now signed up to the Principles for Locally Led Adaptation, but sustained effort is needed to turn these commitments into action.

Smart predictable financing is the exception not the norm

Financing for averting, minimising and addressing the impacts of climate change is dysfunctionally fragmented; disaster risk, climate adaptation, and humanitarian and development investments occupy different realms instead of pulling together for a common purpose. To best support the most climate-vulnerable people, coherent 'layered' financing plans are needed to ensure that the right funds are readily available in the right places and at the right time for the different stages, severity and frequency of disasters. The default should be agreed roles, responsibilities and resources upfront based on good information about risk, and using it to act as quickly as possible. Yet, currently **pre-arranged financing is only estimated to account for between 1 and 3% of total crisis spend**.

Summary of recommendations

Target CCA and DRR funds to the most vulnerable

Prioritise the most vulnerable and commit to accountable funding allocation: develop and share robust frameworks to identify and prioritise the most vulnerable and be accountable for allocating funds based on risk and need.

Remove barriers to the provision of funds where they are needed: tailor regulatory requirements to enhance access to predictable funds that address barriers, particularly in crisis-affected and fragile contexts.

Ensure funds reach the local level: invest in locally led adaptation and enable local actors to access funding, harnessing the expertise of affected people.

Take forward a joined-up and outcome-driven approach to funding

Unite fragmented financing around a common purpose: climate, development and humanitarian funds need to work together to address the risks and effects of climate change. This must involve rethinking what success look like – reframing results around outcomes for populations, rather than the scale of the programme.

Fund early and predictable action: scale up funding to be pre-positioned to act before a disaster hits its peak, joining up anticipatory action initiatives, to manage the shocks that cannot be avoided through CCA and DRR investments.

INTRODUCTION

The cost of failing to act

Human-induced climate change has had disastrous impacts, and the most vulnerable people and systems are disproportionately affected.⁶ These impacts include extreme weather events but they are not short or simple shocks; an increasing number of countries face multiple climate threats at once, compounding other chronic crises and deep socio-economic pressures.⁷

The Intergovernmental Panel on Climate Change (IPCC)⁸ is clear that while these impacts will become more severe, frequent and widespread, they are not just a future problem; massive losses and costly damages⁹ are already felt by communities around the world. The IPCC also states that with every increment of global warming, losses and damages will increase. In the year since global leaders came together in Glasgow for COP26, these impacts have been escalating. For example, the record-breaking monsoon rainfall that led to severe flooding in Pakistan from June to August 2022 has affected 33 million people, caused nearly 1,500 fatalities, destroyed or damaged over 1.7 million homes and ruined over 1.2 million hectares of land in Sindh province alone.¹⁰ The extreme rainfall was linked to climate change, but the devastating impacts were worsened by the lack of development and investment in risk reduction and adaptation, which left vulnerable populations exposed and unprotected.¹¹

Action is needed. If current patterns continue, the world is on a pathway to exceed 1.5 degrees Celsius of heating and likely to exceed 2 degrees Celsius.¹² The updated national targets put forward by governments at COP26 in November 2021 will at most limit the temperature rise to 2.4 degrees Celsius.¹³ Urgent and deep emissions cuts are required to mitigate this pathway and keep the planet below 1.5 degrees Celsius of heating – but even with such action, many of the impacts of climate change are already irreversible.¹⁴ There is therefore an urgent need to support people, communities and countries to adapt and prepare if they are to withstand disasters now and into the second half of the century when climate impacts will accelerate.¹⁵ Stepping up action on climate change adaptation (CCA) and disaster risk reduction (DRR) is crucial to minimise unavoidable losses and damages.

However, the world is failing to take the necessary action; it is not stepping up to either invest adequately in DRR and CCA or support the development required to underpin these. Instead it is waiting until millions of people are hit by disasters that push them to the edge of survival and into need of emergency aid.

Without concerted action, the costs of disasters – in terms of lives and money – are predicted to rise. The International Federation of Red Cross and Red Crescent Societies' (IFRC) research has found that the 'cost of doing nothing'¹⁶ to prepare for disasters is not only unconscionable in terms of human suffering but also likely to be unfeasible in terms of financing (see Figure 1). Our updated analysis indicates that by 2050, without urgent and sustained action, an estimated 200 million people every year could find themselves in need of international humanitarian aid to survive due to climate-related disasters. That is nearly double the estimated average 110 million people per year over the previous decade (2010–2019). This is not a distant prospect – the toll is climbing now and is projected to reach over 140 million a year in this decade (2020–2029). If no action is taken to support communities to adapt to the impacts of climate change, the funding requirements for climate-related disasters could balloon to nearly US\$29 billion per year. This is a likely under-estimate as the cost of response is likely to

6 IPCC, 2022

7 Peters, 2019

8 IPCC, 2022

9 IPCC defines small-letter 'losses and damages' as (observed) impacts and (projected) risks from climate change. Capitalised 'Loss and Damage' refers to the political debates under the UNFCCC following the establishment of the Warsaw Mechanism on Loss and Damage in 2013.

10 OCHA, 2022

11 World Weather Attribution, 2022

12 IPCC Working Group 3, 2022. Current policies in Nationally Determined Contributions are projected to put the world on a trajectory to 2.4-2.7 degrees Celsius of heating. <https://climateactiontracker.org/climate-target-update-tracker-2022/>

13 CAT Climate Target Update Tracker. <https://climateactiontracker.org/climate-target-update-tracker-2022/>

14 IPCC, 2022

15 Estrada and Botzen, 2021, cited in UNEP, 2021

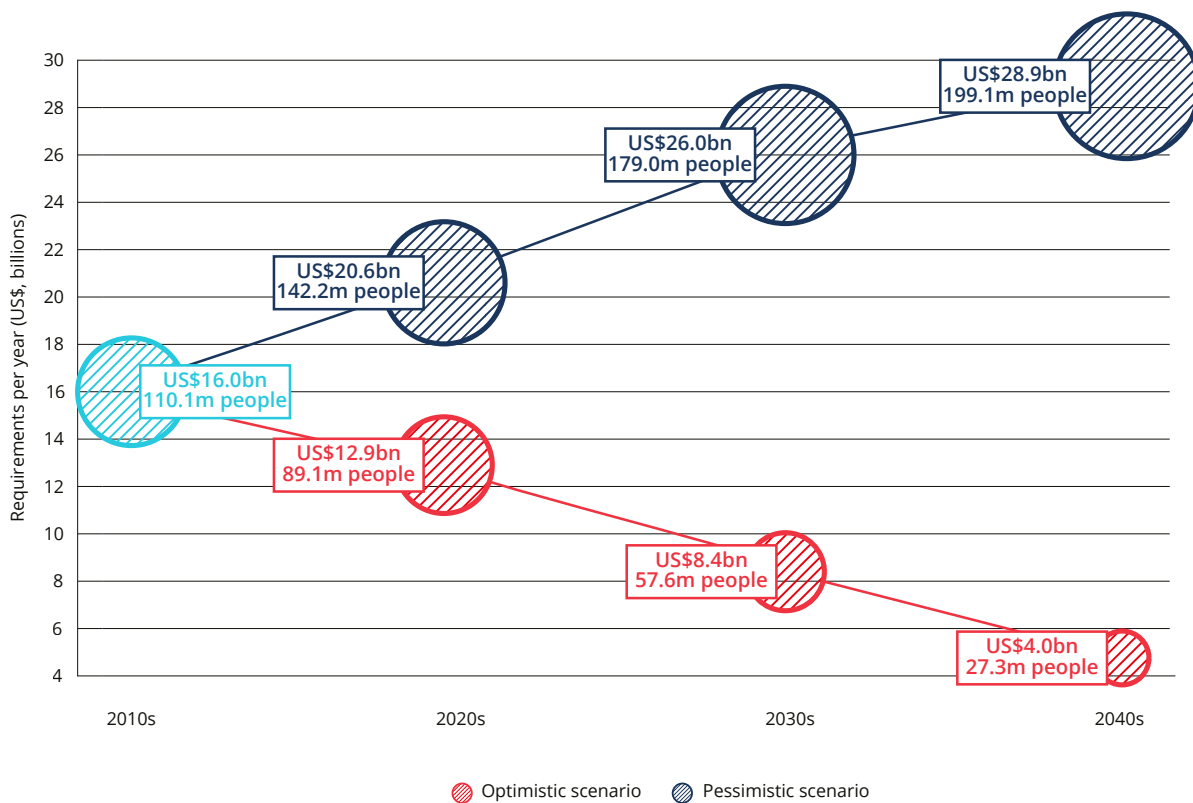
16 IFRC, 2019

increase if resource scarcity pushes up inflation and successive shocks continue to erode the capacity of national economies to cope.

The international humanitarian system is already struggling to keep pace with current crises. In 2021, the UN-coordinated appeals only received 53% of the funding required,¹⁷ leaving millions of people unsupported and humanitarian organisations facing impossible decisions between limiting the populations they reached or cutting support packages below minimum levels.¹⁸ IFRC appeals faced similar levels of underfunding.¹⁹

But with smart and concerted action to prepare and adapt, this mounting humanitarian toll could be reversed. A humanitarian response will remain an important last resort for addressing unavowed and unavoidable losses and damages, but if the international community stands by its commitments to support the most at-risk countries and communities to adapt to and prepare for the impacts of climate change, then fewer people will need life-saving disaster response. This will demand substantive policy and funding shifts to reduce long-term vulnerability and exposure, improve anticipation and early warning, and rebuild and repair with the next emergency in mind.²⁰ Under this optimistic – but possible – scenario of global solidarity, just over 27 million people might require emergency aid by the decade ending 2050 – an eighth of the number that will be in need if there is no action to prepare, adapt and build resilience. Furthermore, the cost to the overstretched humanitarian system will also be far lower: less than a seventh of the cost of doing nothing.

Figure 1 The human and financial cost of doing nothing versus the benefits of taking action



Sources: EM-DAT, OCHA FTS, World Bank and IFRC (2019)

Notes: Figures are estimated annual averages (avg.) for each decade. See methodology section for further details.

17 Figures from OCHA FTS, downloaded 19/09/2022: <https://fts.unocha.org/appeals/overview/2021>

18 ALNAP, 2022

19 Current IFRC appeal requirements are US\$1.8 billion, but coverage of IFRC appeals is low, currently 51.2%. IFRC Disaster Response and Preparedness. <https://go.ifrc.org/>

20 IFRC, 2019

The commitment to fund

Investing upfront in CCA and DRR makes moral sense because it saves lives and prevents suffering, but it also makes financial sense because it saves money compared to costly late action.²¹ Most of the costs of adapting and responding to disasters are currently borne directly by people and communities, and also by domestic authorities and businesses in countries experiencing the greatest impacts of climate change.²² For example, in Bangladesh households spend almost US\$2 billion a year on CCA and disaster recovery – more than double government spending and 12 times international spending.²³

But in most countries where disaster risks are highest, there are limited domestic funds to address them. Where governments have limited fiscal room, tough choices are made between post-disaster recovery and building preparedness for future shocks, creating a vicious cycle of vulnerability. International support is clearly needed.

According to the collective commitments agreed by all countries in the UN Framework Convention on Climate Change (UNFCCC) based on “common but differentiated responsibility and respective capabilities”,²⁴ money should be transferred from countries that have the most wealth and most responsibility for climate change to those that have least of both.²⁵ It should also, in accordance with commitments under the Paris Agreement, flow to where vulnerability to climate change is highest and the capacity to adapt is lowest.²⁶

This briefing note looks at how international funding for CCA and disaster risk reduction is continuing to fall short of these obligations, particularly for the countries and communities that are most vulnerable to the effects of disasters. It explains what stands in the way of getting enough funding to the right places and sets out what global leaders need to do now to provide the smart funding to reduce the humanitarian toll of disasters in the critical coming decades.

The adaptation financing gap

Signing up to the Paris Agreement in 2016, developed countries agreed to mobilise at least US\$100 billion of climate finance for developing countries each year until 2025.²⁷ Yet, year on year they have fallen short of delivering on this promise. Funding has slowed since 2018 and targets were again missed in 2021 and look set to be missed once more in 2022.²⁸ Finance for fossil fuels was still thousands of times greater than finance for tackling climate change.²⁹

This climate financing was imbalanced as well as insufficient. Despite commitments to balance global investments in mitigation with funding to support adaptation to the impacts of climate change, latest estimates suggest that only around a fifth of international public climate finance was directed to adaptation.³⁰

21 The Global Commission on Adaptation has also suggested benefit–cost ratios of adaptation investments ranging from 2:1 to 10:1 depending on the context (GCA, 2019) yielding a ‘triple dividend’ of avoided losses, increased innovation and societal and environmental benefits (Tanner et al, 2018).

22 Putting a single figure on this web of formal and informal contributions – including ministry spending, private sector investments, individual remittances and much more – is not yet possible. Understanding domestic contributions remains hard. It can in some cases exceed international flows but budget data is only available on a case-by-case basis for a few countries: in Ghana, 2% of the total annual budget was climate adaptation relevant in 2014–2017; 3% in Antigua and Barbuda; and 8% in Kenya/Pakistan (Watson and Schalatek, 2020). However the constricting fiscal space as a result of the Covid-19 pandemic and the global economic situation might have caused countries to cut their climate finance budgets (Caldwell, Alayza and Larsen, 2021).

23 Eskander and Steele, 2020

24 UN, 1992: UNFCCC article 3, paragraph 1; and article 4 paragraph 1.

25 Pauw et al, 2015; Resch et al, 2017; UN, 1992

26 See articles 9.4 and 11.1, Paris Agreement.

27 The Paris Agreement reaffirms the commitment by developed countries to mobilise US\$100 billion a year in climate finance by 2020. This level should continue to be mobilised up to 2025, before which a new commitment of at least the same amount should be agreed for future years.

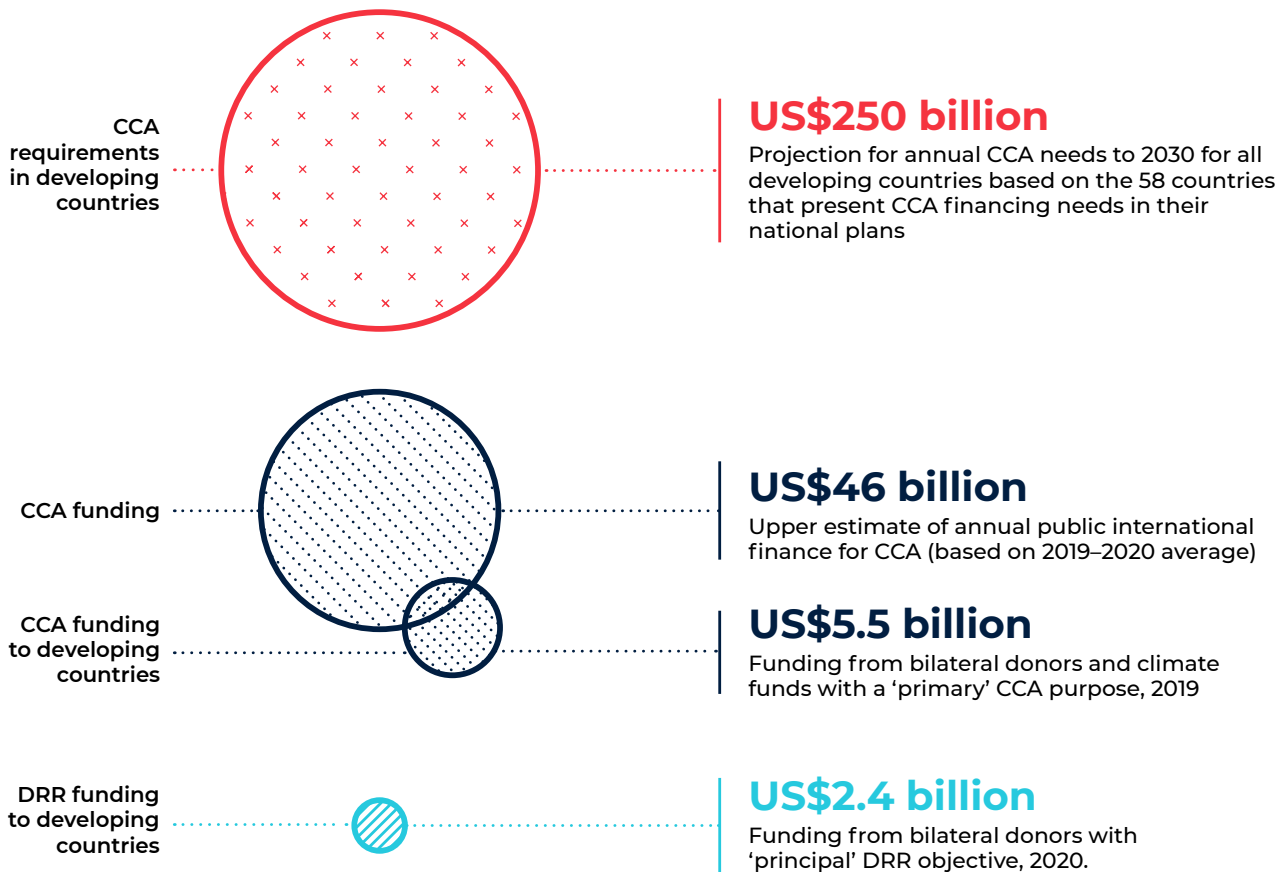
28 Wilkinson and Flasbarth, 2021

29 IPCC, 2022. In 2021, the International Monetary Fund (IMF) estimated that global fossil fuel subsidies stood at about US\$6 trillion (Reuters, 2021).

30 OECD, 2022a

The global total of public spending on CCA – including both developed and developing countries – reached an estimated US\$46 billion in 2019–2020. But this is less than a fifth of what is required each year by developing countries alone (see Figure 2). This adaptation gap has widened in recent years and looks set to grow ever wider; as the planet continues to heat, the costs of adapting are projected to double in the decades to 2050³¹ to reach 10 times the current funding levels. At COP26, developed countries recognised the severity of this underfunding and promised to at least double their collective effort from 2019 levels by 2025, signalling their commitment with major new contributions to the global Adaptation Fund and Least Developed Countries Fund.³² It remains to be seen whether they will meet this new target.

Figure 2 Key figures in financing for climate change adaptation (CCA) and disaster risk reduction (DRR)



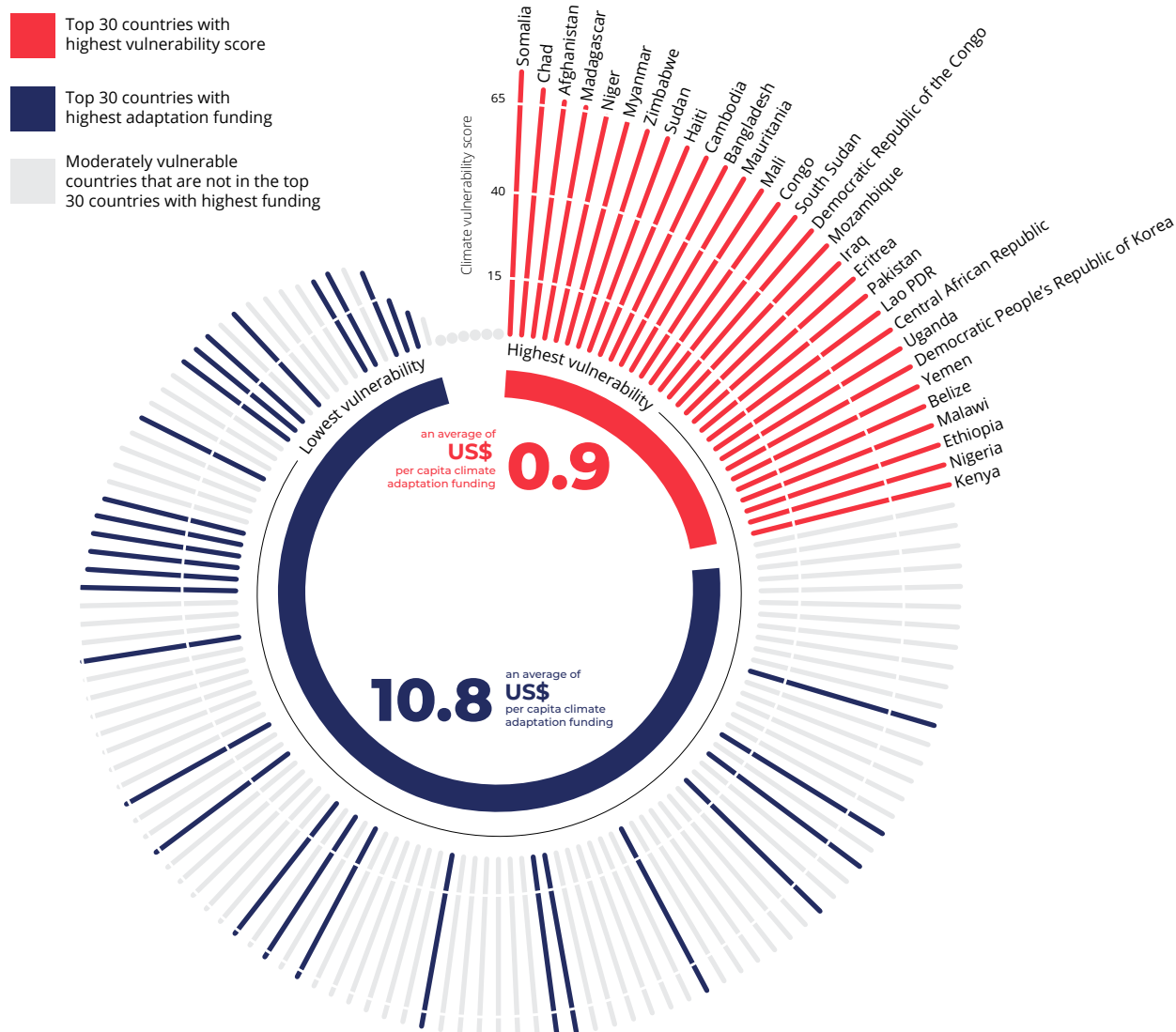
Sources: Figure on CCA requirements is from UNEP, 2021, based on Chapagain et al, 2020. Estimate of adaptation funding is from Buchner, 2021. Figure for funding to developing countries is from UNEP, 2021 based on OECD DAC, 2021. Figure for DRR funding represents funding for DRR in 2020, according to analysis by Development Initiatives of OECD DAC data.

Notes: Figures are derived from different sources that have different methodologies and are therefore not directly comparable. All figures are for the latest year of available data and analysis. CCA funding estimates include all tracked global public funding for this purpose, not only that directed to developing countries, and includes funding with a 'significant' as well as a 'principal' CCA objective. DRR estimates are for bilateral funds with a 'principal' DRR objective only. DRR estimates are based on purpose code, marker and keyword analysis.

31 UNEP, 2021

32 IFRC, 2022a. The Adaptation Fund received US\$350 million, the highest single mobilisation to the Fund and more than three times the previous highest collective mobilisation. The Least Developed Countries Fund received US\$600 million.

GETTING FUNDING TO THE MOST VULNERABLE COUNTRIES



Note: Climate vulnerability is calculated from the ND-GAIN (climate change vulnerability) and INFORM (climate and weather-related disaster risk) indexes based on available data. All of these countries are vulnerable, but the red are the most vulnerable within the vulnerable countries group.

The state of funding to vulnerable countries

There is international agreement that funding for adaptation and risk reduction should be targeted to the countries that are most vulnerable to the effects of climate change and disasters. This commitment is clearly written into the Climate Change Framework and agreements and into the objectives of global climate funds (including the Green Climate Fund and the Adaptation Fund³³) and the Sendai Framework for Disaster Risk Reduction.³⁴

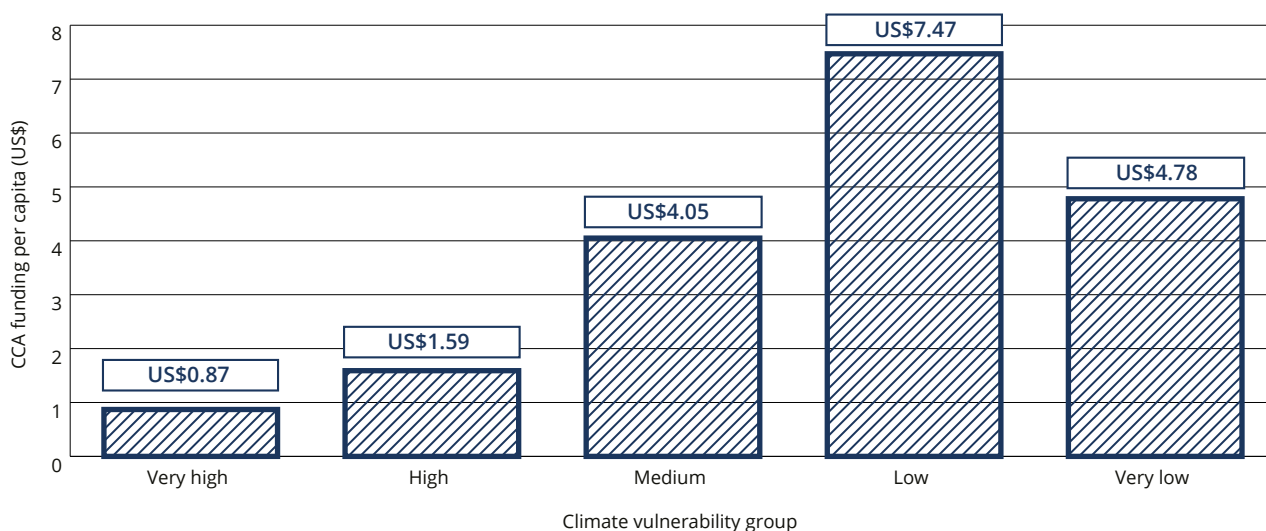
33 For example, the Green Climate Fund states that it aims for geographic balance, with special attention to particularly vulnerable countries including least developed countries and small island developing states, with half of its adaptation resources reserved for these. The Adaptation Fund states that it aims to pay special attention to the most vulnerable countries.

34 UN, 2015. The Sendai Agreement notes the importance of international support, paying particular attention to countries with higher vulnerability and risk levels.

So, how well are these intentions and commitments being met – are the most vulnerable or high-risk countries being prioritised? This is easier asked than answered, firstly because there is no consensus about which countries should be considered the most vulnerable, and secondly because of gaps and complications in reporting where the money goes. Vulnerable countries are those with a combination of high exposure to risks and low capacity to manage them, but there is no agreement on how to measure this and therefore how to prioritise. For DRR, the Sendai Framework lists a wide range of categories that “might warrant particular attention”. For climate finance, the Paris Agreement highlights least developed countries and the small island developing states (SIDS) that are highly exposed to climate change, which poses an existential threat for them. But the broad and non-exhaustive concept of vulnerability in the Paris Agreement leaves much room for interpretation in the prioritisation of funds; for example, the Green Climate Fund explicitly sets aside half its resources for least developed countries and SIDS, but the Adaptation Fund does not.

IFRC’s own analysis looks at a specific set of countries that score highly on a combination of two internationally recognised climate vulnerability and disaster risk indices.³⁵ (While this yields categories of vulnerable countries, we recognise that it fails to account for countries that face existential climate threats as this is not fully integrated into these indices on other indicators of risk and vulnerability. This should therefore be seen as indicative only.) According to this combined vulnerability analysis, five countries were very highly vulnerable and 65 were highly vulnerable. Counting the CCA funding to these countries, factoring in their population size, shows a clear pattern of misaligned funding: on average, highly or very highly vulnerable countries received less than a quarter of the amount per person that went to low or very low vulnerability countries (see Figure 3).

Figure 3 Average climate change adaptation (CCA) funding per capita to developing countries by vulnerability group, 2020



Sources: OECD DAC, ND-GAIN, INFORM Index and UN DESA

Notes: Vulnerability groupings are based on ND-GAIN (climate change vulnerability) and INFORM (disaster risk). The INFORM component includes weather-related hazards, vulnerability and coping capacity. Funding totals are group per capita averages.

None of the 30 most vulnerable countries were among the 30 highest recipients of CCA funding per capita. Only two out of the 20 countries receiving the most CCA funding per capita were highly vulnerable according to our analysis, and none of them were very highly vulnerable.

³⁵ The INFORM index for risk management, which identifies countries at risk of humanitarian crisis and disaster, and the ND-GAIN Country Index, which summarises a country’s vulnerability to climate change and other global challenges in combination with its readiness to improve resilience.

Philippines 2022 Arthur Manlangit, cash grant beneficiary of Philippine Red Cross and International Federation of Red Cross and Red Crescent Societies, stands near his destroyed house due to Typhoon Rai. © Lisa Marie David



Somalia was ranked highest for climate vulnerability but ranked only 65th for CCA funding in 2020. In 2022, extreme droughts have brought the country to the brink of famine – a situation that is widely agreed to have been avoidable if warnings and promises to invest in prevention and preparedness had been heeded.³⁶ Somalia received less than a dollar per person in CCA each year, and Central African Republic received less than two cents. By contrast, other countries, such as Dominica, received US\$55 per person.

Most of the countries missing out on climate funding are experiencing wider and overlapping risks and crises. As recent global events have shown, risks and crises do not occur in isolation – the confluence of the Covid-19 pandemic, the war in Ukraine and climate-related fires, floods and droughts has served as a stark reminder to the world of the ways that simultaneous shocks can produce cascading and complex crises. This is not news for the vast majority of people facing humanitarian crises – an estimated 80% of international humanitarian aid is directed to countries that are facing multiple combinations of conflict, disaster, displacement or disease.³⁷

Over half (37 out of 70) of highly or very highly climate vulnerable countries were also experiencing a humanitarian crisis. The majority of these were facing protracted crises; 26 had required humanitarian support for at least five years in a row, and 13 for at least 10 consecutive years. Yet CCA and DRR funding tends to largely avoid these countries instead of prioritising them; nearly three quarters (19 out of 26) of highly or very highly vulnerable countries facing protracted humanitarian crises received less than US\$1 per person in CCA funding. None of them were among the top 25 recipients of CCA or DRR funding (Figure 4).

Figure 4 Average climate change adaptation (CCA) and disaster risk reduction (DRR) funding per capita to developing countries with high and very high climate vulnerability facing protracted humanitarian crisis, 2020



Sources: OECD DAC, ND-GAIN, INFORM Index, UN DESA, UN OCHA, UN HCR and IFRC

Notes: Years of consecutive crisis as identified by UN-coordinated appeal or IFRC Emergency Appeal. Vulnerability groupings are based on ND-GAIN (climate change vulnerability) and INFORM (disaster risk). The INFORM component includes weather-related hazards, vulnerability and coping capacity. Funding totals are per capita averages, and DRR excludes Covid-19 related flows.

The majority (79%) of countries experiencing protracted crisis are also classed as fragile contexts. This overlap is unsurprising given that fragility is, by definition, the ‘combination of exposure to risk and insufficient coping capacities of state, systems and communities to manage, absorb or mitigate those risks’.³⁸ Shocks become crises

36 See Four steps to help avoid future famines in Somalia, 2022. <https://www.thenewhumanitarian.org/opinion/2022/09/12/famine-Somalia-drought-aid-lessons>

37 ALNAP, 2022

38 OECD, 2022b

because they exceed a society's ability to cope, and as those shocks become cyclical or protracted they further erode coping capacity, perpetuating a deepening spiral of crises. So, those countries facing high levels of fragility and climate vulnerability are among those in greatest need of CCA and DRR financing to enable them to escape this spiral.

Yet, the analysis shows that countries that are facing fragility tend to miss out – only one of the twenty top recipient countries was classified as fragile and none were classified as extremely fragile.³⁹

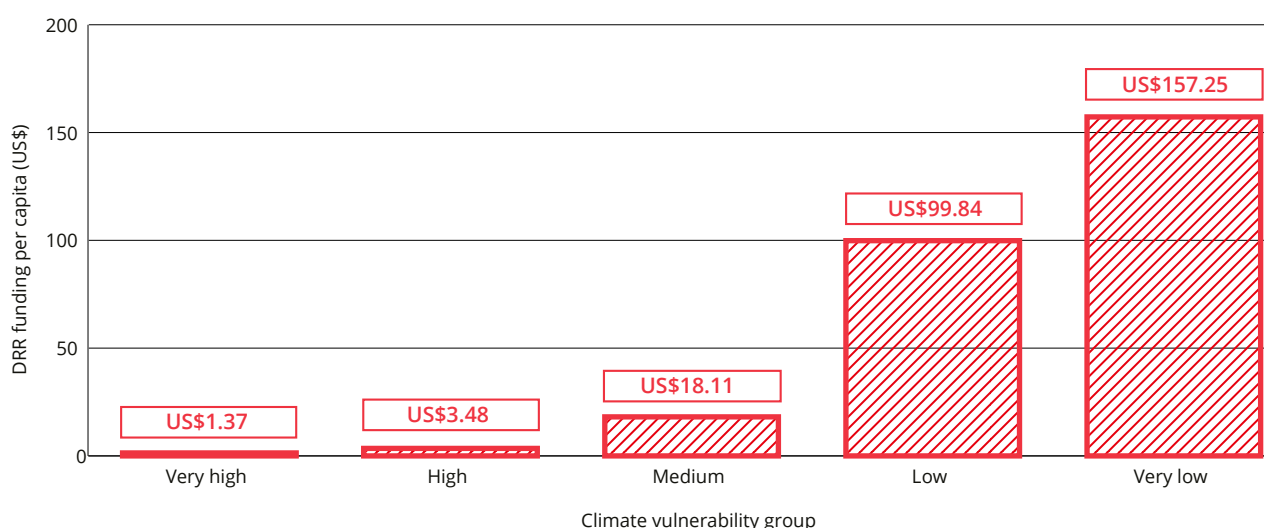
Often, this extreme fragility is linked to conflict – and conflict can worsen the impacts of climate change by making people more vulnerable to disasters and less able to adapt.⁴⁰ Of the 43 very highly vulnerable or highly vulnerable countries that received less than US\$1 dollar of CCA per person, 34 were fragile or extremely fragile, and over half (18) of these were experiencing active conflict.⁴¹

New analysis of international aid for DRR reveals an even starker mismatch between the levels of vulnerability and the amounts of funding per capita: countries with high or very high vulnerability received on average less than a thirtieth of the amount to low or very low vulnerability countries. None of the countries classed as very highly vulnerable received more than US\$4 per person; in comparison the highest recipients (which were less vulnerable) received between US\$170 and US\$580 per person.

Again, fragility is a common factor; of the 43 highly or very highly vulnerable countries that received less than a dollar per person in DRR funding, 34 were classed as fragile or extremely fragile contexts. Chad, which is both very highly vulnerable to climate change and extremely fragile received around 50 cents per person. Eritrea, also both highly climate vulnerable and extremely fragile, received nothing.⁴²

The countries that miss out on DRR funding are also likely to miss out on CCA funding – around three quarters (32 of 43) of the vulnerable or highly vulnerable countries that received less than a dollar per person of DRR funding also received less than a dollar of CCA funding. The vast majority (27 of 32) of these doubly funding-forgotten countries were fragile or extremely fragile, and half (16 of 32) were experiencing protracted crisis.

Figure 5 Average disaster risk reduction (DRR) funding per capita to developing countries by vulnerability group, 2020



Sources: Development Initiatives, OECD DAC, ND-GAIN, INFORM Index and UN DESA

Notes: DRR funding is calculated through purpose code, marker and keyword analysis. Vulnerability groupings are based on ND-GAIN (climate change vulnerability) and INFORM (disaster risk). The INFORM component includes weather-related hazards, vulnerability and coping capacity. Funding totals are group per capita averages and exclude Covid-19-related flows.

39 Cao et al, 2021

40 Cao et al, 2021

41 Based on the Heidelberg Institute for International Conflict Research's definition of 'high intensity conflict' in 2021.

42 According to our analysis of DRR funding, no funds were directed to projects or recipients in Eritrea.

The barriers to more equitable funding

Funding fails to prioritise the most vulnerable countries for many reasons. Donor preferences are a familiar factor: historical, political and trade ties have long influenced where bilateral aid goes, even when it claims to be based on need.⁴³ And political incentives and disincentives extend to not only where funding goes but also when and for what; hard-wired biases can favour acting after a crisis rather than investing in reducing risk⁴⁴ and short-term thinking or the ‘tragedy of the horizon’⁴⁵ results in both under-allocation and misallocation.

Concerns about aid effectiveness also steer spending. Donors have to weigh up allocating funds to the places that are most vulnerable against allocating to where programming opportunities are greatest. This is a trade-off between investing finite funds in the places where a difference most needs to be made or in the places where they can make the most apparent difference. Pressures to reduce transaction costs and show quick results often favour large-scale, ‘shovel-ready’ investments in low-risk contexts.⁴⁶ This is the opposite of the risk-tolerant, context-specific and long-haul approaches needed in fragile and crisis-affected settings. Indeed, analysis has shown that underfunding in these high-risk countries can create ‘blind spots’ where ill-designed and rushed adaptation interventions cause more harm than good.⁴⁷ Making the additional investments to go the ‘last mile’ to reach the most vulnerable communities is necessary if donors are to live up to their principles to ‘leave no one behind’, and it is also necessary to ensure that their aid is most effectively spent.

Countries where governments are willing to take action but do not have strong institutions or financial track records miss out because they are less able to prove that they are ‘ready’ to receive and use international funds – in other words, donors see them as being too financially risky. In many of the most vulnerable countries, the lack of ‘readiness’ of national institutions feeds into a loop of exclusion and underinvestment. Of the 30 countries deemed ‘least ready’,⁴⁸ 29 were fragile or extremely fragile contexts and 13 were experiencing active conflict. So, the countries that need it most find themselves unable to access funding; they cannot reach the stringent criteria to be eligible to apply, meet high fiduciary standards or carry the administrative burden of donors’ and funds’ many heavy and unaligned requirements.⁴⁹

Absorption capacity also constrains funding. Designing and creating a ready-to-fund pipeline of effective adaptation programming, in consultation with national and local stakeholders, can take years, even for well-resourced countries. Adaptation approaches tend to be incremental; in other words, they presuppose countries that have the basic systems and infrastructures to adapt – for example, drainage systems – and institutions that can be supported to manage these. But many highly vulnerable countries lack these pre-conditions: they require climate-informed development to build infrastructures and institutions in the first place, rather than adaptation-specific funding to upgrade them for a changing climate. But, as many of the most vulnerable countries are fragile and affected by conflict or other crises, they also miss out on such long-term development investment, instead receiving short-term cycles of humanitarian funding. The terms of adaptation funding also matter; around a third of CCA finance is in the form of loans, ruling them out for countries already experiencing high levels of poverty and indebtedness.⁵⁰

43 Bermeo, 2017; IFRC, 2018

44 Clarke and Dercon, 2016; IFRC, 2018

45 A phrase coined by Mark Carney, former Governor of the Bank of England, to sum up the tragic irony that by the time climate change is a defining factor for financial stability, it could already be too late. Carney cited in GCA, 2019

46 ICAI, 2014; Soanes et al, 2017

47 Cao et al, 2021, conclude that the lack of funding can result in poorly designed adaptation programmes that aggravate and trigger grievances and conflict situations, causing unintended harm, and prevent adaptation finance from reaching those who are arguably most in need of support.

48 According to the ND-GAIN readiness index downloaded September 2022. <https://gain-new.crc.nd.edu/ranking/readiness>

49 ICRC, 2020; Nasir et al, 2017

50 UNEP, 2021. According to this analysis, only 64% of adaptation financing in 2019 was in the form of grants, with loans constituting nearly all the remainder. Development Initiatives (2022) finds that over one third (38%) of funding from multilateral climate funds is in the form of loans. Fragile countries, however, receive most of their finance from multilateral climate funds (90%) in the form of grants.

What has changed and what still needs to change?

If governments, donors and funds are to live up to their intentions to prioritise the most vulnerable countries, they need to have clear allocation criteria so that they can be held to account for this. That means openly sharing frameworks for defining vulnerability and investing in compiling the best possible methods for understanding which countries are at highest short- and longer-term risk of the effects of climate change. This also requires an open discussion about directing financing to fragile and crisis-affected contexts – how to work with state institutions where this is possible, and how to work around them where it is not. This open prioritisation does not mean a zero-sum-game where funding is diverted from lower vulnerability countries that still face severe climate risks – or from those facing existential climate risk that score better on other dimensions of vulnerability. It also does not mean that all donors should target the same countries, but there should be rational, evidence-based means for coordinating to ensure that none of the most vulnerable fall through the gaps.

This must go hand in hand with better tracking of funds so that the gaps can be well identified and filled. Since the Organisation for Economic Co-operation and Development (OECD) introduced a DRR marker into its aid reporting in 2017, the proportion of contributions using the marker has increased year on year.⁵¹ Donors should continue this positive trend and use the data to support better allocations.⁵² There is also a marker to track climate funding, including CCA funding, but although there has been over a decade of reporting against this ‘Rio marker’,⁵³ there are still major question marks about whether donors are reporting the real value of their contributions.⁵⁴ Clearer and more rigorous reporting of quantities of funding must be accompanied by evidence of the quality of that funding. The UN Framework on Climate Change sets out 10 criteria for quality climate funding, which are as relevant as ever. These include prioritising the most vulnerable countries and improving their access to funds. They also include making sure that support is predictable, scaled up, sustainable, and additional to existing aid contributions.⁵⁵

Crisis and fragility are not an inconvenient ‘externality’ in DRR and adaptation⁵⁶ but an integral part of climate vulnerability, as experience in Mali, Central African Republic, Iraq and Yemen clearly shows.⁵⁷ Donors need to build this into their thinking about allocations and find ways to adapt their blanket eligibility and compliance rules, in dialogue with entities in vulnerable countries. Readiness should be seen as reciprocal and risk should be shared; as well as requiring and supporting recipients to be more ready to receive their funds, donors must find ways to become more ready and agile to fund in these difficult settings. Instead of simply expecting recipients to meet their risk-averse compliance rules, donors need to engage with those who do not meet these rules to understand and manage the financial and operational risks they face.

Donors do recognise this ‘readiness’ gap and the major global climate funds do have provisions that are designed to help to bridge it.⁵⁸ But, although the Green Climate Fund’s Readiness Program should help countries to access its funding, less than a quarter of this has been allocated to fragile or conflict-affected countries.⁵⁹ The Adaptation Fund has made efforts to support readiness and has contributed to readiness packages in fragile states including

51 Analysis by Development Initiatives of DRR funding reported to the DAC shows an increase of over 65% between 2018 and 2020. It is likely that a large part of this is due to better reporting.

52 Being able to better track which resources are going where is not only important for accountability and decision-making but can also help to steer donor choices. As the OECD explained in its recent creation of a DRR marker in aid reporting, pulling DRR out as an objective to be tracked across all allocations – rather than just a subcategory of emergency aid – can provide “an incentive for donors to mainstream DRR into development assistance, and to promote the idea that DRR is a development priority, not just a humanitarian one” (OECD, 2017).

53 The Rio marker for ODA to support climate change was introduced in 2009.

54 Roberts et al, 2021; Atteridge and Savvidou, 2020; Savvidou et al, 2021; UNEP, 2021; Buchner et al, 2019; Carty and Le Compte, 2018. This includes greater clarity of and adherence to common reporting standards including on showing the concessionality of loans and reporting them at grant-equivalent values, and of agreeing the value of a programme’s climate component. Presently these appear to be subjectively and divergently applied by donors.

55 The UN Framework Convention on Climate Change sets out 10 criteria for climate finance albeit with broad, non-official definitions (Pauw et al, 2015). These are: adequate, predictable, sustainable, scaled up, new and additional, provided with improved access, balanced allocation between adaptation and mitigation, prioritised to the most vulnerable developing countries, mobilised by developed countries, and transparent. Many of these qualities resonate with commitments on humanitarian aid, set out in the principles of good humanitarian donorship and in the Grand Bargain on Humanitarian Financing, including that it should be transparent, flexible, multi-year and localised.

56 Peters, 2019

57 ICRC, 2020

58 More broadly, the importance and impact of capacity strengthening has been evidenced by the IFRC network through longitudinal investments in National Society Development, which have led to strengthened capacities for locally led, principled humanitarian action to reach significantly more vulnerable people (IFRC, 2021).

59 Cao et al, 2021



Pakistan 2022 The Pakistan Red Crescent was among the first to provide humanitarian assistance to flood-affected families throughout the country. Hundreds of volunteers helped flood-affected communities to relocate to safer places. Emergency response teams conducted rapid field assessments and coordinated with other stakeholders. © Fatih İşçi

Cote d'Ivoire and Mozambique,⁶⁰ but these are not big or long-term enough to overcome the barriers to access on their own.⁶¹ Supporting readiness is also a responsibility for the international organisations that act as the go-betweens for climate finance. The Adaptation Fund has a 50% quota on how much can be accessed by international intermediaries, but this is not the case for other donors.⁶² For example, over 80% of funding from the Green Climate Fund goes via international organisations that have built the trust and know-how to navigate the onerous (and often anglophone) application processes. Under their accreditation rules, these intermediaries should be supporting national entities to access financing directly, but there is little evidence that this has been happening.⁶³

Efforts are underway to support more national bodies in vulnerable countries to access international funds. IFRC is part of these efforts, for example in the Pacific region it has supported National Societies to access funding from the Green Climate Fund for Climate Information and Early Warning Systems projects through accredited agencies. The UN-managed Local Climate Adaptation Living (LoCAL) Facility is working to support entities in vulnerable countries to become accredited to receive global climate funds and to generate funding proposals including to the Adaptation Fund.⁶⁴ This includes support to Niger (a very highly vulnerable country that only received US\$1 per person in CCA funding in 2020) and Cambodia (a highly vulnerable country that only received 90 cents). This of course does not fundamentally alter the power dynamics of risk sharing between funder and recipient, but it at least begins to open up access.

Badly designed adaptation interventions can be worse than none at all – so, because it can take several years to design a fundable pipeline of effective and inclusive projects in places that are fragile or where conflict risk is high and existing infrastructure is low, readiness support needs to be substantial and sustained. And importantly donors' very conception of readiness requires rethinking – instead of expecting local actors to rise to rigid benchmarks of what donors unilaterally deem 'ready', this needs to be the subject of informed negotiation. This means engaging with in-country stakeholders to negotiate a realistic approach to shared risk, increasing sustained readiness support at the same time as revisiting what readiness looks like in fragile settings.

60 See Adaptation Fund. Readiness Grants Approved to Date. <https://www.adaptation-fund.org/readiness/readiness-grants/approved-readiness-grants/>

61 Peters and Budimir, 2016

62 Shakya et al, 2021

63 Shakya et al, 2021

64 UNDCF, 2022



GETTING FUNDING TO THE MOST VULNERABLE COMMUNITIES

The state of funding to local actors

Getting funds to national entities is no guarantee that they will benefit the most vulnerable people. The impacts of climate change manifest very differently in different parts of the same country and hit people in different ways depending on their socio-economic situation. Top-line figures on country-level funding tell us little about whether and how financing reaches places and social groups with very different risk profiles – for example, women in the flood-prone southern regions of Afghanistan or marginalised ethnic groups in the conflict-affected regions of the Philippines. National-level public goods and infrastructures are important, but adaptation and risk reduction equally have to work at the local level.⁶⁵ To do so they must actively involve local people and institutions; interventions that neglect to do this risk undermining rather than supporting peoples' resilience and risk causing maladaptation.⁶⁶ But, while local and indigenous people have the best understanding of their environment and are often able to find more effective, faster and cheaper solutions than international organisations, their insights are often overlooked in top-down programming.

It remains extremely difficult to know how much CCA or DRR funding actually reaches the local level, either directly from donors or indirectly through their national or international partners. As we have seen, the figures on national-level financing are unreliable, but the local-level figures are almost entirely unknown.⁶⁷ Research into a set of climate and development funds estimates that 10% of this climate finance is directed in the first instance at the local level. This is a partial snapshot⁶⁸ but one that indicates the scale of the problem facing local actors in accessing adaptation funding. It is borne out by the behaviour of individual funds; for example, of 48 project grants for flood resilience and management awarded by the Green Climate Fund, only two went to national non-governmental organisations (NGOs), amounting to just 4% of the funding.⁶⁹

Barriers to equitable and locally led finance

Marginalisation amplifies vulnerability. The Paris Agreement and the Sustainable Development Goals recognise that national adaptation and risk reduction priorities might leave behind or fail to reflect the priorities of certain groups. Populations that are most economically, socially and politically excluded often live in places most exposed to hazards. Meanwhile structural marginalisation deprives these populations both of the means for resilience and the direct or indirect benefits of centrally led national action. This is true in developed countries such as the US⁷⁰ and in developing countries such as Ethiopia or Cambodia.⁷¹ Without careful design and scrutiny, climate finance and DRR support aligned to national plans can risk reinforcing rather than counteracting this exclusion. For example, in northern Cambodia, an Adaptation Fund project selected people for a housing project from names already on a national registry, but the registration process was inaccessible for the most vulnerable groups and so the project worsened their social exclusion and pushed them to leave the area.⁷²

65 Mfitumukiza et al, 2020

66 Soanes et al, 2020

67 An initial estimate of reported DRR funding for 2020 suggests that less than 1% went in the first instance to national NGOs and/or the national/local private sector.

68 This 2017 estimate by researchers at the International Institute for Environment and Development is based on a word search of the Climate Funds Update database covering 12 climate funds and four relevant development funds including the major multilateral and some bilateral funds.

69 ZFRA, 2020

70 EPA, 2021

71 Eriksen et al, 2021

72 Camargo and Ojeda, 2017, cited in Eriksen et al, 2021

This also shows how the most vulnerable people can be missing in the data; local needs can go unmet because they are unseen. In countries that lack the systems and resources to collect and analyse locally disaggregated data, or consult with local communities, there may be serious gaps in the national policies and plans that international donors align with. This can also create false economies as high-cost national investments miss the mark for large segments of the population and so become ineffective and unsustainable.

People caught up in conflicts and other protracted crises can find themselves particularly unseen and marginalised. The small amount of international climate finance that is committed to local action tends to avoid fragile and crisis-affected areas – again, even though these communities may be some of the most vulnerable to the effects of climate change, they present a high risk to funders.⁷³ Large numbers of people living in areas that are not under government control are also out of scope for climate funders that are concerned about getting involved in tensions and are reluctant to support work outside government-led national development plans.⁷⁴ This avoidance perpetuates adaptation funding that is conflict-blind rather than conflict-sensitive.⁷⁵ Analysis of adaptation programmes in Mali, Somalia and Sudan revealed how donors' conflict lenses focussed on the risk of disruption to the adaptation programme rather than considering the risk of the programme aggravating conflict,⁷⁶ let alone designing it to positively transform the conflict.⁷⁷

There is international agreement that locally led, inclusive and participatory approaches are essential as part of an equitable, whole-of-society approach to adaptation and risk reduction – this is explicit in the Paris Agreement and the Sendai Framework. Yet, as we have seen above, CCA financing tends to favour bulk spending through central governments over tailoring and targeting locally and directly financing local organisations. There has been some diversification in the kinds of projects funded by the major climate funds, but the tendency to support larger infrastructure projects (more than US\$10 million) remains.⁷⁸ With donors under pressure to minimise transaction costs, success tends to be measured in the scale of investments rather than the number of lives protected,⁷⁹ leading to “technical solutions being helicoptered in”⁸⁰ rather than local transformative solutions being nurtured.

Donors and climate funds therefore need to rethink not just their appetite for risk but also their assumptions about value. Supporting effective locally led solutions may appear in some cases to involve higher unit costs and administrative overheads than bulk interventions, but it will be more effective and more valuable for the people most affected by climate change.

What has changed and what still needs to change?

In the past two years, the spotlight on locally led adaptation has become brighter. In 2021, 20 governments and leading institutions signed up to the new Principles for Locally Led Adaptation, and now over 80 governments, leading global institutions and local and national NGOs have endorsed them. Signalling a long-term commitment to move beyond principles into practice, a peer partnership, under the Global Commission of Adaptation, launched a 10-year ‘learning journey’ on locally led adaptation at the Gobeshona Global Conference on Locally Led Adaptation in early 2021.⁸¹ The COP26 meeting at the end of that year saw over US\$450 million mobilised for initiatives and programmes enhancing locally led approaches.

73 Cao et al, 2021; Sitati et al, 2021

74 ICRC, 2021

75 An evaluation of support from the Global Environment Facility to fragile and conflict-affected situations shows that a lack of official policy guidance led to inadequate conflict-sensitivity across their portfolio, which also undermined the effectiveness of their programmes (GEF Independent Evaluation Office, 2020) and their ability to monitor the impacts they were having on the conflict dynamics (Cao et al, 2021)

76 Cao et al, 2021, outline the multiple ways in which climate adaptation programmes can exacerbate conflict, including through worsening resource scarcity, fuelling elite capture and having transboundary effects on other communities.

77 Cao et al, 2021

78 UNEP, 2021

79 ICAI, 2014

80 Shakya et al, 2021

81 Huq and Shakya, 2021



Iraq 2022 Iraq experienced nine heavy sandstorms in less than two months, forcing thousands of people to seek medical support and health advice. This is an exceptional amount and has led to the closure of many of the public services, airports and schools. Studies show that climate change is making the dust storms more and more common in many parts of the world.
© Iraqi Red Crescent Society

EIGHT PRINCIPLES FOR LOCALLY LED ADAPTATION

These eight principles highlight the importance of empowering local stakeholders and call for a move away from the status quo of top-down financing to a 'business unusual' for more sustainable, equitable and effective adaptation.⁸²

- 1 / Devolving decision-making to the lowest appropriate level
- 2 / Addressing structural inequalities faced by women, youth, children, disabled and displaced people, Indigenous Peoples and marginalised ethnic groups
- 3 / Providing patient and predictable funding that can be accessed more easily
- 4 / Investing in local capabilities to leave an institutional legacy
- 5 / Building a robust understanding of climate risk and uncertainty
- 6 / Flexible programming and learning
- 7 / Ensuring transparency and accountability
- 8 / Collaborative action and investment



82 Soanes et al, 2021

There are many good examples of locally driven DRR and CCA financing to learn from and replicate. The signatories to the Principles for Locally Led Adaptation have started to map many of these examples of good practice so that they can inform initiatives elsewhere. These include the global Community Resilience Fund (CRF), which works in 18 countries in Asia, Africa and Latin America to channel financing directly to grassroots women's groups living in risk-prone poor communities. By taking control of identifying risks and action plans, and by developing their own robust governance systems for managing the funds, the groups can use the funds to best effect for their local adaptation needs. They can also prove their effectiveness and so become credible grassroots partners for government-led adaptation initiatives. In Bangladesh, the Climate Bridge Fund directly supports local NGOs' adaptation measures particularly to address climate-induced migration. It engages communities and local government from the outset – involving them in proposal design to ensure they are inclusive and grounded in local knowledge and thus will be effective in meeting real needs.

Local organisations and communities have a crucial role to play in the wider governance and design of adaptation approaches, from the agreement and oversight of National Adaptation Plans, DRR strategies or even specific laws, to the design and implementation of local projects. For example, the Philippine Red Cross worked with an alliance of civil society organisations (CSOs), academia and the private sector to connect with community groups under a new CCA framework. This brought diverse stakeholders together with local government authorities to ensure that plans and funding proposals are co-owned, informed by realities on the ground, and connected to the development of local climate change action plans. In 2019, this framework resulted in the first locally led process in the Philippines for developing an adaptation proposal for the Green Climate Fund. The project supports multi-hazard, impact-based forecasting and early warning systems, linking to local actors to enable them to act on climate information ahead of upcoming disasters. The Kenya Red Cross has also been supporting authorities at the county level to devolve climate finance and planning to the local level and to develop frameworks for disaster risk management that allow forecast-based action funds to be created.

These examples demonstrate how capacity strengthening is a two-way street. Truly locally owned, participatory financing models can expand donors' understanding of the local realities of climate change and of what works in different contexts. Devolved financing models, which are actively inclusive and grounded in grassroots expertise and knowledge, can foster action that is more cost effective, sustainable and impactful,⁸³ and improve the evidence base for future action.

But for all this attention and positive action, we are still far from seeing a real shift by major bilateral donors and international funds towards funding locally led action to include the most vulnerable communities. Good practice is ad hoc and small scale. If the slow progress on localising humanitarian finance is anything to go by, real changes in funding patterns will be challenging and incremental. Even where the will and the means are there, action does not always follow. For example, the Adaptation Fund has a window for Enhanced Direct Access, which is designed to support locally informed adaptation initiatives, but no recent allocations have been made from its annual US\$20 million budget.⁸⁴ Continued scrutiny and engagement will be required to understand if, and to what extent, donors are putting good principles into practice. Crucially, their support needs to be part of a sustained, thoughtful and joined-up approach to localisation that properly invests in supporting strong and independent local organisations and networks. It should support the organisational development priorities of these local actors rather than simply follow narrow implementation agendas dictated by donors or international agencies.⁸⁵

83 Soanes et al, 2017

84 Although no Enhanced Direct Action allocations have been made under the current replenishment, prior to this two grants were allocated in 2014, one in 2017 and one in 2018.

85 IFRC, 2021; ALNAP, 2022. The State of the Humanitarian System Report (ALNAP, 2022) found that capacity building was often supported on the terms of the international donor or organisation, with shifting expectations and lack of a clear strategy for supporting the organisation to self-reliance and equal status. As one interviewee noted "the capacity building university is some black hole you enter as a local NGO and never graduate".



Ethiopia 2017 As part of its efforts to provide emergency water to drought-affected people, Ethiopian Red Cross Society and its partners (CONCERN) have installed the water bladders, including this one in Wajaga village. © Kathy Mueller / Canadian Red Cross

SUPPORTING INNOVATIVE LOCALLY INFORMED DRR IN PROTRACTED CRISES AND FRAGILE CONTEXTS

In Haiti and Ethiopia, IFRC network members worked as part of an alliance (Partners for Resilience) between international and local organisations through ecosystem-based models. These seek to restore key parts of the ecosystem – including grazing areas, wetlands, water and soil management – as part of a multi-faceted approach that engages local actors in designing and delivering practical approaches and informing and monitoring disaster- and climate-resilient policies. In Ethiopia, successes included enabling floodwater to be turned into a productive resource through methods that increased water infiltration and so improved soil fertility.⁸⁶ In Haiti, alternative farming and land-management techniques have enabled farmers to reduce the risk of landslides during the rainy season, begin to reverse land degradation and diversify and improve livelihoods.⁸⁷

Both programmes demonstrate the impacts and potential for effective action, including in fragile or crisis-affected contexts, and the need to invest in the increased costs of operating in places with limited infrastructure and high instability. They clearly show the need of multi-year financing to adapt systems and behaviours and the necessity of scaling up such successful pilot investments to reach a greater size and spread of populations at risk of disasters.

86 UNEP, 2022a

87 UNEP, 2022b

JOINED-UP FINANCING FOR SMART CLIMATE ACTION

The over-complicated finance landscape

Better investments in CCA and DRR are just two pieces in the jigsaw of action that vulnerable communities need in order to face the effects of climate change. As we've seen above, development support is required to enable adaptation, and humanitarian aid will also still be needed to cope when the limits of adaptation are breached. The IPCC report found that adaptation is more successful when there are integrated, multi-pronged approaches, tailored to the context.⁸⁸ Smart financing involves designing the right funding strategies for each context, bringing together all the right pieces of financing to avert, minimise and address the impacts of climate change⁸⁹ (see Figure 6).

Yet, the many different categories of global public financing involved in averting, minimising and addressing climate-related disasters tend to be discussed and deployed as if they are dealing with entirely separate problems. While people experience interconnected needs, financing to address these is artificially compartmentalised into different funding streams, different coordination structures and different expert communities using different technocratic language.⁹⁰ But they also have broad definitions and blurry boundaries, making it difficult for even the experts to agree on what they are counting. For example, DRR crosses several categories, glossaries of anticipatory and early action continue to be refined, and there is no clear definition of what climate finance is.⁹¹ These divided approaches and fuzzy definitions combined with poor financial reporting make it very difficult to see the whole picture and form a coherent funding strategy to address the gaps. In an increasingly tight and volatile global economy, we cannot afford to have inefficient and incoherent funding that misses the mark.

Similarly, as important formal discussions about Loss and Damage financing obligations and modalities pick up momentum within the UNFCCC,⁹² these must be accompanied by scaled-up action to meet needs created by losses and damages. Complementarity will be key – donors need to fill the gaps in the jigsaw rather than shifting existing pieces around. While there is a clear need for new and additional finance for adaptation, there is also a clear need for new and additional finance for addressing losses and damages. When national budgets are overwhelmed, humanitarian aid alone cannot be relied upon to address unavowed and unavoidable impacts, many of which will occur despite the steep emissions cuts and effective adaptation. Humanitarian aid is a tool of emergency last resort, and it is too discretionary, unpredictable and small to respond in a way commensurate to the scale of expected losses and damages.

88 IPCC, 2022

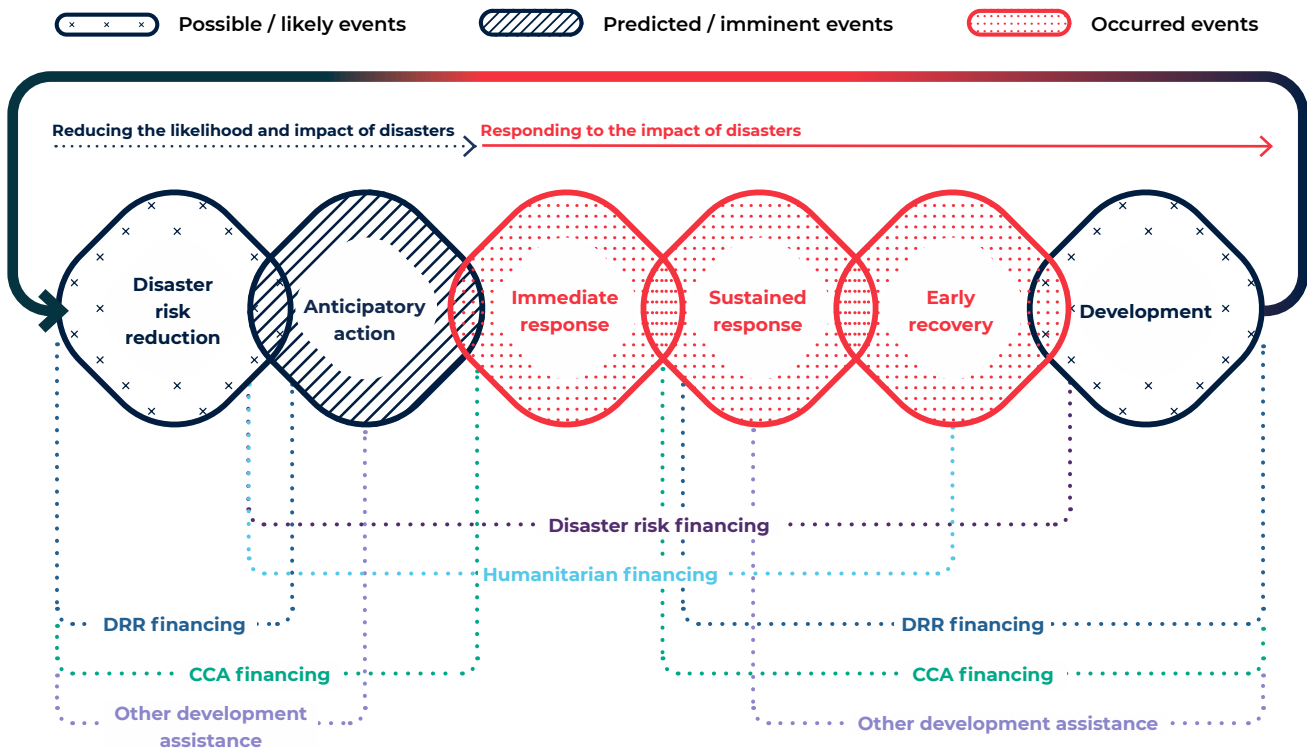
89 Indeed, the Sendai Framework for Disaster Risk Reduction explicitly recognises the importance of coherence with wider sustainable development policies, plans, practices and mechanisms (UN, 2015).

90 OECD/World Bank, 2016; Peters et al 2016

91 Watson and Schalatek, 2020

92 After COP26, the Glasgow dialogue included the proposal to create a new Loss and Damage facility. While this has yet to be established, the debate around the nature of Loss and Damage financing remains a highly contentious issue between donor institutions from wealthy countries and representatives from least developed countries.

Figure 6 *The financing landscape*



As well as creating blinkered financing approaches at odds with the complex realities of climate change and disaster risk,⁹³ this fragmentation can also leave financing gaps with real-life implications. For example, in 2017 the Green Climate Fund declined to approve funding to project proposals to support the adaptive capacity of communities in Senegal and Ethiopia on the grounds that these were deemed to be more ‘development’ than CCA.⁹⁴ This prompted CSOs to raise concerns of ‘artificial’ distinctions and a disregard of the links between climate change vulnerability and other development deficits. More recently, CSOs have continued to raise concerns that the ‘schism’ between climate finance and other development assistance can mean that it fails to benefit from important development know-how.⁹⁵ When climate, development, humanitarian and disaster risk departments fail to share analysis and approaches, vital learning and opportunities are lost.

At the same time, the connections between climate and development finance must be meaningful, not just nominal and expedient rebranding. This is a long-standing concern; for example, around the 2009 UN Climate Change Conference in Copenhagen, many developing countries raised fears that mainstreaming climate adaptation meant eroding the commitment to financing being additional to existing aid.⁹⁶ As discussions around financing for Loss and Damage gain prominence within the UNFCCC, it will be important that financing particularly for addressing losses and damages be new and additional to existing funding for adaptation and mitigation.⁹⁷

The missed opportunities for joined-up thinking extend to the promotion of locally led action. Since the 2016 World Humanitarian Summit, localisation has been a top priority for the humanitarian sector. While overall progress on direct funding to local humanitarian actors has been negligible,⁹⁸ the commitment to improve the quality and quantity of local-level funding remains a front-burner issue among humanitarian donors and agencies, with policy shifts and investment in piloting new approaches. Yet, there is, as yet, little evidence of coordination of localisation efforts between climate adaptation and humanitarian funding streams, even on the issue of community-level preparedness.

93 OECD, 2020a
 94 Nasir et al, 2017; Phakathi, 2017
 95 The Adaptation Fund, Climate Wise Women, the Global Resilience Partnership and the World Resources Institute organised a regional virtual dialogue between grassroots organisations, development partners and donor representatives, which reflected on successes and lessons learned in furthering locally led climate adaptation action in Africa.
 96 Klein, 2010
 97 Alcayna, 2020
 98 ODI, 2022



Mozambique 2019 A skilled worker tying joists. At the beginning of the project female workers were afraid to work on the roof, but as their skills improved they became comfortable to climb to the top of the structure. © Jenn Houtby / IFRC

IFRC'S DISASTER EMERGENCY RESPONSE FUND: FORECAST-BASED ACTION

The Disaster Relief Emergency Fund (DREF) remains the IFRC's fastest and most efficient way of providing immediate assistance to communities affected by floods, disease epidemics, social unrest, forced migration and other disasters and crises. Recognising the importance of anticipatory and early action, an increasingly large part of the DREF has been directed towards pre-agreed Forecast based Action (FbA) with funding automatically released when a risk 'trigger' is reached, rather than waiting for a crisis to peak. In 2021, the DREF allocated nearly CHF1.1million for FbA, and 36 National Societies were implementing Forecast-based Financing.⁹⁹ Timing is key to an effective financial toolkit to address the impacts of disasters. Instead of waiting until a disaster has hit, and then appealing to the goodwill of donors, the default should be agreeing roles, responsibilities and resources upfront based on good information about risk and using it to act as quickly and early as possible. Yet, currently pre-arranged financing is only estimated to account for between 1 and 3% of total crisis spend.¹⁰⁰ Evidence suggests that early or anticipatory action (acting on warnings or forecasts to protect people before a disaster strikes)¹⁰¹ can save both lives and money,¹⁰² and UN resolutions and G7 leaders have affirmed their commitment to improving the resources and capacity for anticipation.¹⁰³ But while there have been many important initiatives to put this into practice, it has proved hard to scale and join these up. Most anticipatory action funds are operating with less than US\$10 million of funding and together represent a fraction of disaster response spending. A review of the five main funds shows that the anticipatory action windows usually represent a small percentage of the overall fund, with a total of just US\$41.5 million triggered in 2020 across all five funds, financing interventions in at least 20 countries.¹⁰⁴

99 IFRC, 2021

100 Scott, 2022

101 For IFRC's definitions of early warning, early action and anticipatory action, see: <https://www.ifrc.org/early-warning-early-action>

102 Weingärtner et al, 2020

103 See <https://www.gov.uk/government/publications/g7-foreign-and-development-ministers-meeting-may-2021-communique/g7-famine-prevention-and-humanitarian-crises-compact> and <https://documents-dds-ny.un.org/doc/UNDOC/LTD/N21/370/57/PDF/N2137057.pdf?OpenElement>

104 Scott, 2022

Towards a coherent approach

Discussions around coherence may be old, but there are new opportunities to bridge aid financing silos. Over the past decade, ‘resilience’ and ‘nexus’ frameworks have sought to find common ground in shared objectives, addressing people’s acute needs as well as the longer-term risks and vulnerabilities people face. Although these are works in progress, they can create entry points for action and joined-up financing approaches. For example, in Chad where the effects of climate change are deepening food insecurity, the joint international agency/government drought and food insecurity plan brings together humanitarian, risk reduction and adaptation approaches, instead of trying to impose a separate DRR process ill-suited to the context.¹⁰⁵ In Somalia, a ‘collective outcome’ of reducing the number of people affected by climate change and disasters is backed up by a taskforce on water and flooding that brings together long-term solutions and disaster response.¹⁰⁶

Donors do not need to choose between preserving the principles and purposes of each category of aid and pursuing a joined-up approach. They can ring-fence budgets for adaptation, risk reduction and principled humanitarian response to disasters at the same time as supporting complementarity and collaboration within and between the agencies and institutions they fund. Predictable and sustained funding is fundamental to this, so that agencies can direct their energy towards thinking strategically about common issues rather than chasing short-term grants for narrow one-off projects. This goes hand in hand with enabling access; better coordination with more harmonised eligibility requirements among the hundreds of aid providers will mean less time spent navigating an over-complicated financing landscape and more time designing joined-up approaches that work. Another important benefit of this coordinated approach would be to boost and consolidate what are currently fragmented and insufficient investments in local civil society institutional capacities from development, climate and humanitarian funding sources.

These joined-up approaches need to be part of a ‘layered’ financing strategy that ensures the right funds are readily available in the right places, at the right time, and via the right financing modalities for the different stages, severity and frequency of disasters. This includes more and better funding for CCA and DRR, but it also recognises that there are limits to adaptation; smart financing tools are needed to address the losses and damages experienced by those least able to bear them. This means bringing together different donors – governments, multinational development banks, and private finance – to invest in range of approaches such as disaster insurance, shock-responsive social protection, anticipatory and early action, and relief and rehabilitation.¹⁰⁷ This layered approach needs to be strategically coordinated so that it avoids ‘holes’, where, for example, a country pays high insurance premiums to cover rare large-scale flood events but neglects to put aside money into emergency funds to respond to more regular localised droughts.¹⁰⁸

Inclusive, multi-stakeholder processes are crucial for effective financing strategies; participatory design of financing approaches increases their sustainability and relevance to the real risks and impacts people face. They are also an opportunity to sense check and supplement high-level assumptions and models against local knowledge, experience and granular data.¹⁰⁹ While civil society voices are often absent in disaster financing design, there is much opportunity to address this as the field evolves¹¹⁰ hand in hand with principles of locally led action. This is also important to close the accountability and evidence gap around many financing instruments¹¹¹ and accelerate improvements based on what really works for at-risk communities.

105 Peters, 2016

106 IASC, 2021

107 IFRC, 2022a

108 Harris and Jaime, 2019

109 Harris and Cardenes, 2020

110 Montier et al, 2019

111 Hillier, 2018; Swithern 2020



Ecuador 2022 A flood caused by heavy rains affected the town of La Comuna, north of the city of Quito. This was a record rainfall in Quito since 2003, and exceeded 75 liters per square meter. These rains caused rocks and mud to slide, which exceeded the catchment structures. © Ecuadorian Red Cross

IFRC'S GLOBAL CLIMATE RESILIENCE PLATFORM: A HOLISTIC FINANCING APPROACH TARGETED TO THE MOST VULNERABLE

Learning from the experience of National Societies in the countries most vulnerable to climate change, IFRC recognised that existing financing mechanisms do not adequately address the needs when it comes to climate action. The Global Climate Resilience Platform has therefore been designed to support adaptation needs in a multi-year approach, deliberately target the most vulnerable countries, and ensure the engagement of the most at-risk and marginalised parts of society. National Societies in 100 countries have been identified for support, based on a data-led analysis of their vulnerability to climate change and consultations to determine their capacity to go to scale. The platform aims to mobilise at least CHF1 billion to support National Societies in these countries to co-create holistic approaches to community resilience – building on, and investing in, local leadership and know-how. Under a five-year action plan, the platform will support joined-up action under a three-pronged approach: early warning and anticipatory action; safety nets and shock-responsive social protection; and nature-based solutions. Underpinning this, the IFRC and its member National Societies are seeking to strengthen existing local systems, planning and capacities, as auxiliaries to their public authorities, with a focus on communities. The objective of this is to work collectively to better reduce risks related to increasingly frequent and unpredictable weather and climate extremes in target countries.

CONCLUSION AND RECOMMENDATIONS

There is a real urgency to step up better financing to minimise and address the effects of climate change. Without this, more lives will be lost now, the effectiveness of adaptation will decrease as the planet continues to heat¹¹² and the potential humanitarian toll will spiral. Vulnerable countries are standing with other experts and stakeholders in calling for a deep and rapid shift to ‘business unusual’.¹¹³ The minimum terms of this shift are already agreed; international commitments already spell out that funding needs to increase, be directed to the most vulnerable countries, be more locally led and anticipate – rather than wait for – the effects of disasters. So what world leaders need to demonstrate at COP27 and beyond is a new level of ambition, action and accountability to turn broad agreements into concerted change and shift to implementation and delivery. This will involve honouring promises to deliver more funding and investing in better funding through the following:

A concerted effort to targeting the most vulnerable places and people

Commit to making accountable allocations for the most vulnerable

- Bilateral donors and multilateral funds must develop and share robust frameworks to identify and prioritise the most vulnerable places and be accountable to commitments to allocate funds accordingly. This should be backed up by targeted funding windows to prioritise ‘forgotten’ and fragile contexts and coordination to ensure that none fall through the gaps between donors.

Apply rigour and consistency in tracking financing

- Bilateral and multilateral donors need to improve the visibility of financing so that gaps can be identified and collectively addressed. This involves much more rigour and consistency in applying the Rio and DRR markers, particularly in indicating the DRR and CCA value of mainstreamed programmes, and in finding ways to track volumes and impacts of funding to the local level.

Tailor regulatory requirements to address barriers

- Donors and multilateral fund managers should build on good practice to enhance access to patient and predictable funds, particularly in fragile contexts. This means engaging with in-country stakeholders to negotiate a realistic approach to shared risk, increasing sustained readiness support at the same time as revisiting what readiness looks like in fragile and crisis-affected settings. This involves deepening real-world risk appetite and should be a collective effort from donors and funds so that access, eligibility and compliance requirements are better harmonised.

112 IPCC, 2022

113 This is a term echoed by the group of least developed countries, by signatories to the Principles for Locally Led Adaptation and by those working on improving adaptation financing to conflict-affected countries.

Ensure inclusive access to funds for local actors in order to reach affected populations

- To make sure funds are relevant to, and accessible at, the local level, access initiatives must be extended to a wider range of local organisations and support for inclusive devolved financing must be scaled up. This needs to involve more than a focus on compliance criteria and include investments in the operational requirements of these organisations. In keeping with the principles for locally led action, donors and the international, national and local agencies that receive their support need to harness the agency and expertise of affected populations in decision-making throughout the funding cycle – from fund design, to proposal, allocation, implementation and evaluation stages. This involves ensuring equity of representation, action and control – actively engaging women and marginalised social groups. Opportunities for this kind of support from different funding streams – climate, humanitarian and development – should be well coordinated to maximise impact.

An outcome-driven approach to funding

Unite fragmented financing around a common purpose

- Diverse financing streams and tools must be smartly marshalled around the common purpose of addressing the risks and effects of climate change. This requires donors to create and exploit flexibility in their funding structures to fund according to outcomes for people rather than category of aid input. It also calls for a systematic integration of climate risk into development financing: climate-smart development investments into resilient services and infrastructures in the places where the foundations for incremental approaches to adaptation and risk reduction are missing. Likewise, donor localisation efforts in the climate and humanitarian spheres should better connect given their clear common purpose.

Reframe results

- Donors and climate funds need to shift away from seeing large-scale grants for ‘shovel-ready’ projects as proxies for success, focussing on outputs instead of outcomes. Instead, contributions should include provision to frame their goals in terms of improving adaptation and reducing risk for people and the systems they depend on, and they should be prepared to monitor and course-correct over the lifetime of the contribution. This may require donors to reframe their assumptions and incentives around cost effectiveness to embrace local actions that may entail support costs in the short term.

Fund early and predictably by default

- Donors and financial intermediaries should ensure that their funding is as pre-positioned and pre-planned as possible in order to pay before a disaster hits its peak, wherever the forecasting allows, or as soon as possible after a disaster when the full impacts are unforecasted. This includes scaling up and joining up anticipatory action initiatives to address the shocks that cannot be avoided through CCA and DRR investments.

Ensure adaptation and risk reduction funding cohere around a plan

- Donors, financial intermediaries, domestic authorities and implementing agencies together with civil society must ensure their contributions form part of a comprehensive, risk-informed financing plan that addresses the different layers of risk, bridging divides between climate, development and humanitarian support. Donors need to coherently and concertedly support such multi-stakeholder national and subnational plans so that choices of financing instruments are well informed, led by needs, impact oriented, and leave no one behind.

METHODOLOGY

‘Cost of doing nothing’ calculations

We follow the approach set out in IFRC, 2019,¹¹⁴ with updates to the existing levels of people affected, people in need and costs applied from the most recently available data.

People affected

- Numbers of people affected in the decade 2010–2019 is sourced from EM-DAT, supplemented with IFRC data.
- The minimum non-overlapping numbers of people affected by year are aggregated by year and then calculated as a simple average across the decade.

People in need

- The number of people in need of humanitarian assistance for the decade 2010–2019 is proxied by the proportion of people living on less than PPP\$10 per day globally, sourced from World Bank.

Cost of response

- The cost of response is calculated from historical per-capita costs within humanitarian response plans sourced from the UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service.
- Humanitarian response plans targeted to countries facing conflict are excluded.
- Values are expressed in 2020 constant prices.

Projections

- Projected values are calculated as decade averages based on the optimistic and pessimistic scenarios in the original ‘cost of doing nothing’ report.
- Numbers of people affected and in need are projected based on World Bank Shockwaves and Global Monitoring Database. Refer to the ‘cost of doing nothing’ methodology annex (IFRC, 2019) for more information on this.

Climate vulnerability and disaster risk

To create a metric of both short-term (vulnerability to climate disaster risk) and long-term vulnerability (climate change vulnerability), we follow the approach set out in IFRC, 2020. Fragility is based on the approach set out in Development Initiatives, 2022.

Climate vulnerability

- Country climate vulnerability is sourced from the Notre Dame Global Adaptation Initiative (ND-GAIN) Country Index. This score is presented as a range from 0 to 100. The most recent year of available data is used.

Disaster risk

- Disaster risk is calculated based on the INFORM Index hazard and vulnerability scores for weather-related events (cyclone, flood and drought) and the overall coping capacity score. This score is normalised with a range from 0 to 100.

Overall vulnerability score

- The combined overall vulnerability score is calculated by combining the INFORM score and the inverted ND-GAIN score as a simple average.
- A number of countries are not included in the ND-GAIN Country Index. For these countries, only the INFORM score is used. This includes one low-income country and six small island developing states (SIDS).
- INFORM’s risk score thresholds are used to group the overall vulnerability score from ‘very low’ to ‘very high’.

114 A more detailed description of the methodology of that report is available at: https://www.ifrc.org/sites/default/files/2021-09/CoDN_methodology_appendix.pdf

Climate and disaster development financing

Funding to both climate change adaptation (CCA) and disaster risk reduction (DRR) is estimated based on data reported to the OECD Development Assistance Committee (DAC). The methodology to measure these types of finance continues to evolve as higher quality data becomes available, and as such the figures presented are understood to be estimates based on the current data rather than precise totals.

CCA financing

- CCA financing is calculated from OECD DAC Creditor Reporting System (CRS) 2020 data, the latest available year of data at time of analysis.
- Development finance activities are marked as 'principally targeted' to climate adaptation objectives following the Rio marker approach.

DRR financing

- DRR financing is calculated from OECD DAC CRS 2020 data, the latest available year.
- Analysis of the OECD DAC data follows the approach set out by Development Initiatives, 2022, using a unique methodology that combines DRR funding marked under relevant purpose codes, the DRR marker, and a keyword search.
- To calculate funding per capita, UN Department of Economic and Social Affairs (DESA) Population Division estimates for 2020 are used.

Financing by vulnerability group

- Financing per capita is aggregated by vulnerability group. The simple average of per capita funding for each group is calculated.

Crisis, fragility and conflict

Crisis

- A country is categorised as facing a crisis based on the occurrence of a UN-coordinated (UN OCHA or UNHCR) appeal (including humanitarian, strategic, joint and regional response plans and flash appeals) or an IFRC Emergency Appeal.
- Protracted crisis countries are those with five or more consecutive years of UN-coordinated appeals. The definition is in line with that set out in Development Initiatives, 2022.

Fragility

- Fragility is based on the OECD States of Fragility 2022 framework.
- Country fragility is based on social, human, political and economic fragility dimensions only. Fragility scores are calculated as the average of these component dimensions.
- Countries with a fragility score of lower than -2.5 are considered 'extremely fragile' and those with a score lower than -1.2 are 'fragile'.

Conflict

- The presence of active conflict is based on the Heidelberg Institute for International Conflict Research (HIIC) Conflict Barometer 2021.
- Countries experiencing 'high intensity violent conflict' at an intra-national, national or international level are classified as experiencing active conflict.

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The International Federation of Red Cross and Red Crescent Societies (IFRC) is the world's largest humanitarian network, with **192 National Red Cross and Red Crescent Societies** and around **14 million volunteers**. Our volunteers are present in communities before, during and after a crisis or disaster. We work in the most hard to reach and complex settings in the world, saving lives and promoting human dignity. We support communities to become stronger and more resilient places where people can live safe and healthy lives, and have opportunities to thrive.