FAILING THOSE MOST AT RISK

Problem solving, power, incentives and finance to reduce the impact of disasters on people

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EXECUTIVE SUMMARY

"The past three years have shown that risk compounds risk, and that humanity is quickly approaching dangerous tipping points which require tremendous preventative action. ...The risks we face are often the result of development priorities which do not reflect the true aspirations of people and communities. This could be remedied by allocating appropriate resources for disaster risk reduction and risk-informed development with an emphasis on reaching the local level. Consensus on this matter should be translated into meaningful action."

Global Platform for Disaster Risk Reduction, NGO Major Group Statement, May 2022

The pace of acceleration of disaster impacts is outstripping the dominant response-based strategy of the international humanitarian system. Even within the resources that are available, which have been growing, the allocation mechanism does not work fairly or efficiently in targeting those most impacted and most in need of additional assistance, contributing to growing inequality and a failure to meet the Sustainable Development Goals.

Hazards are reasonably well understood and can be planned for, indeed they are a part of every development context, whether a high-income country, low-income country or so-called fragile state. Conflicts and patterns of displacement are mostly protracted, similarly allowing for planning and long-term approaches to be adopted – if only there was the will to do so. But most countries have national development plans, supported by development institutions, based on economic growth models which treat disasters as exceptional, unplannable events rather than part of the context. Crises are the outcomes of the failure to consider known hazards and vulnerabilities and address systemic risks. At the same time, disasters are defined as overwhelming local capacity and this frames the interventionist, typically top-down, culture and ways of working of institutions, financial instruments of the international humanitarian system and national disaster management bodies.

At the level of the affected community, or household, needs and aspirations are holistic and not disaggregated between development, climate change, governance and humanitarian problems. Communities face a set of interconnected and inter-influencing factors which they navigate, using whatever opportunities they are able to access to be successful against criteria defined by themselves. But the dominant approach to problem solving by the international development and humanitarian community is reductionist, and those with resources and power have shaped the narratives, institutions and instruments designed to assist those impacted by crises, rather than the ideas, interests and narratives of those who experience the crises. This is true of donors, the United Nations, international financial institutions and international non-governmental organisations (NGOs).

Disaster impacts measured in human and financial terms are increasing. These are often seen as short term, but in practice have significant long-term consequences. To be a refugee will likely mean being a refugee for 26 years, while negative coping strategies such as child marriage have inter-generational consequences. The economy is not only temporarily set back, but the costs of recovery, lost productivity, increased debt and debt servicing significantly impede economic growth. For the people most vulnerable to these impacts, who show up less clearly in any economic analysis, the effect is proportionally even more devastating and likely uninsured. National recovery expenditure then focuses on productive assets, rather than replacing the financial assets of the people experiencing greatest poverty. Disasters are a development problem, and much more needs to be done in investing in "reducing the need" rather than just responding. However, political incentives still tend to reward a visible response over investment in reducing risk.

Much of these are not new observations, and there are conversations occurring around the humanitarian-development-peace nexus, shock-responsive social safety nets, innovative finance solutions, insurance products, adaptation funding, and much more. Developing new instruments and innovative finance is good if they provide additional resources, but too often there is insufficient consideration on the holistic interaction of funds. The net result can be less than the sum of the parts, with long-standing critiques of short-termism, the humanitarian-development divide, and neo-colonialism, among others.

We need to re-define our understanding of disasters away from being extraneous events to being part of the very development paradigm. As such, they need to be within the core of a country's national development strategy, not an additional chapter. The humanitarian community needs to change its conceptualisation of response from stepping in to relieve an overwhelmed society to understanding how to bolster and support local capacity, with an emphasis on complementarity. Choices should be informed by the understanding local communities can provide, as they see the holistic inter-connectedness of vulnerability, risk, inequality and power most clearly. Disasters are symptoms of failed development, so they can be used for learning – post-crisis forensic/causal analysis should be systemised to feed critical insights upstream into development processes.

Change the political incentives to move from ex-post investment to ex-ante investment. Educate media-houses on the predictability of "natural" disasters and encourage them to report in a way that reflects the failure to plan and invest, over celebrating response. Within educational systems, support a better understanding of the links between environment, development and crises. Adapt NGO and UN fundraising campaigns to not perpetuate the exceptionalist, charity-based approach to crises, but create awareness among supporters of the opportunities created by investment in ex-ante strategies.

The complexity of the system is largely derived from the needs of those giving the money due to the strength of upward facing accountability systems. Donors, including philanthropists, trusts and NGOs in grants-making, should be more robust in requiring grantees to conduct and report on accountability processes to their project participants. Until such accountability is seen as core and as normal as accounting for money spent, the power dynamics and incentives will inhibit change. Greater investment is needed in agencies and local government to educate communities on their rights and legal protections, including relevant disaster management legislation or international humanitarian law as appropriate, to equip them with the ability to demand their rights. Oversight committees and senior politicians need to build in forms of accountability that are based on effective common outcomes, in collaboration, as a priority over activity indicators linked narrowly to fund purposes. Ultimately, tax payers want effective outcomes, rather than just having spending targets being met.

Establish common outcomes to avoid siloed initiatives driven by funding instruments over context analysis. Funding can incentivise collaboration with "joint and several liabilities" for the actors involved. Set targets for future disaster impact reduction within development goals, for example if a drought leads to 30% of people being food insecure, set an objective that in the next drought 15% of people will be food insecure. Working towards this outcome will require a comprehensive analysis of the systemic factors leading to food insecurity during droughts and only then should contextually appropriate solutions be co-developed with local actors and government.

Back leaders who collaborate. Establish performance indicators that reward collective achievement over individual success.

We have a complex system, built up over many years. Many commentators have noted with frustration how difficult it is to change. By reflecting on the incentives that shape behaviour and considering how we analyse and problem solve, a more profound change process might be started, leading to the systemic transformation for which many hope.

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Sanaag community, Somalia: Ali is a pastoralist, but climate change is making it difficult for him to find food and water for his livestock. Oxfam is supporting his community with water, seeds and training in how to grow vegetables. Photo: Pablo Tosco/Oxfam.

1.0 PURPOSE OF THIS PAPER

It is not a new observation that the impacts of disasters are outstripping the resources needed to address them, and that things are getting worse. This is having a major negative impact on millions of people and is limiting progress towards the Sustainable Development Goals, as well as wiping billions of dollars of economic value out of economies. It has led to calls for more resources for disaster response, including novel forms of finance and agreements on the creation of a Loss and Damage Fund. The international community has responded with increasing generosity, with appeals for funding for humanitarian responses at a record USD $56.7 billion by the end of 2023[1]. This is a significant increase from USD $16.1 billion in 2015. However, the gap relative to need continues to grow, with one third of UN appeals under 50% funded by mid-2023[2]. A different type of crisis, the COVID-19 pandemic, highlighted differences in political motivation. The pandemic led to Official Development Assistance rising to a then all-time high of USD $161.2 billion in 2020[3], but was dwarfed by the domestic financial stimulus mobilised by governments globally of USD $16 trillion.

Within the resources that are available, the allocation mechanism does not work fairly or efficiently in targeting those most impacted and most in need of additional assistance, contributing to growing inequality.

As the High-Level Panel on Humanitarian Financing concluded in 2016, more needs to be done to reduce the need[4]. This too is not new thinking. Disaster risk reduction, preparedness, linking relief, rehabilitation and response are all decades-old ideas.

Resilience, and more recently, the humanitarian-development-peace nexus, as well as innovations such as anticipatory finance and shock-responsive social protection are the subjects of current research and discussion. Many studies, coupled with common sense, have shown that prevention is better and more cost effective than cure. And yet, it is still the case that reactive, "ex-post" strategies to known hazards and protracted situations of conflict and displacement still dominate, and too little development considers known risks – as tragically demonstrated with the 2023 earthquakes in Türkiye and north western Syria.

Why? Why is it so hard to flip the model and invest in strategies to limit risk and better prepare *a priori* response? How has the way we approach problems led to the system we have? What would enable a better response to disasters and, more importantly, a reduction in disaster impacts in the first place?

The purpose of this paper is to explore these questions and suggest options to make a difference. Section two explores some of the issues – the impact of crises, the failings of the system we have and how the nature of problem solving, use of language and lack of accountability have contributed to these failings being systemic. Section three looks at how power and incentives drive the behaviour of various officials at different levels in the system and how the sheer complexity of the system that has emerged makes change difficult. Finally, section four looks at how changes in the incentives that shape the system we have might create opportunities for change.

An appendix sets out in summary the existing forms of funding instruments.

2.0 WHAT ARE THE PROBLEMS?

2.1 ECONOMIC AND HUMAN IMPACTS OF DISASTERS ARE MAJOR, LONG TERM AND UNEQUAL

Syrian Arab Republic: Monira* had to leave her house after an earthquake damaged her it. She is now staying in a tent with her husband and three young children. Photo: Islam Mardini/Oxfam. *Name changed to protect identity.

Disasters are a growing phenomenon. In its December 2022 analysis, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) estimated that 326 million people would need humanitarian assistance and protection through 2023[1]. By mid-2023, Development Initiatives reported the number of people in need of humanitarian assistance was 406.6 million[5]. Ten years ago, this was estimated at 70 million people[6]. Dwarfing this number was the number of people experiencing food insecurity, with up to 828 million people worldwide undernourished in 2022[7]. The World Food Programme (WFP) now projects that some 345 million people will be *acutely* food insecure in 2022, slightly more than the entire population of the United States[8].

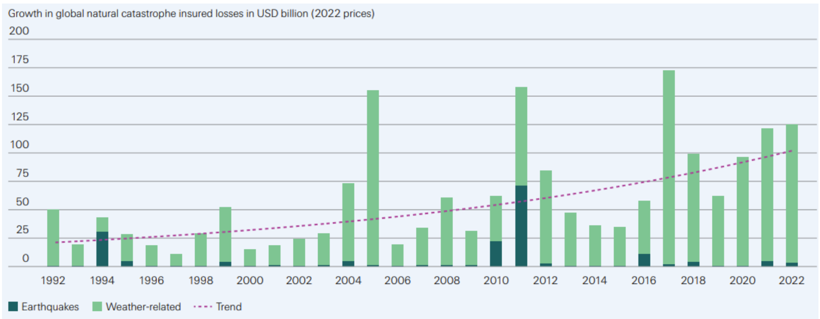
There were 60.9 million new displacements due to conflict and violence in 2022[9], so that at year's end 71.1 million people were internally displaced globally. Together with refugees, the United Nations High Commissioner for Refugees estimates that 108.4 million people

* Name has been changed to protect identity
[1] Global Humanitarian Overview 2022, December Update

have been forcibly displaced[10] from their homes by natural or human-induced crises. This is up **250%** from 2012. In 2022, the Centre for Research on the Epidemiology of Disasters recorded 387 disaster events affecting 185 million people[11]. At the time of writing, WFP estimated nearly 60 million people were not getting enough food to remain active and healthy in East Africa and the World Health Organization reported an estimated 10.4 million children under the age of five were facing acute malnutrition.

Economic losses are enormous, estimated in 2022 at $284 billion by the re-insurer Swiss Re. This comprises $275 billion from natural catastrophes and $9 billion from human-induced events[12]. Earlier World Bank estimations based on the wider disruptions that disasters cause put the figure even higher, with estimated economic losses of $390 billion per year in low- and middle-income countries alone[13].

Figure 1. Source: Swiss Re



This continues an upward trend exacerbated by climate change witnessed in insurance claims, see figure 1.

In addition to the immediate negative impact of a disaster, there is a long-term loss of productivity and delayed recovery, which has ripple effects throughout the economy. Analysis from the World Bank[14] found that from 1960-2018, climate disasters reduced annual productivity by an average of 0.5%. Severe climate disasters lower labour productivity by about 7% even three years later. Severe biological disasters can cause persistent damage to productivity, with four epidemics since 2000 – SARS, MERS, Ebola and Zika – leading to reduced productivity of 4% after three years. The World Health Organization estimates that there were 14.9 million excess deaths associated with the COVID-19 pandemic in 2020 and 2021, while estimates for loss of economic productivity in major economies vary between -3.4% and -2.9% of their gross domestic product (GDP) over 2020. Global GDP was estimated at around USD $84.54 trillion – meaning that a 3.4% drop in economic growth represents almost USD $2.9 trillion of lost economic output.

Local disasters can have global impacts via global supply chain disruption. Research found intensifying river floods caused by climate change will affect the European Union and the United States by indirect losses along the global trade and supply network; estimates of direct losses from riverine floods are expected to be around USD $30 billion, whereas indirect losses could reach USD $170 billion in the next 20 years[15].

Additionally, disaster recovery diverts funding from investment towards rebuilding costs. For example, in the United States, hurricanes caused USD $306 billion in damages in 2017 and USD $91 billion in 2018, so that productive investment fell about USD $400 billion in those years[16] while resources were spent on recovery. The damage, loss and needs assessment following the unprecedented floods in Pakistan in 2022 assessed total damages as exceeding USD $14.9 billion, and total economic losses to reach about USD $15.2 billion. Estimated needs for rehabilitation and reconstruction are at least USD $16.3 billion, over 4% of national GDP. This does not include new investments to strengthen Pakistan's adaptation to climate change and overall resilience to future climate shocks, or the reconstruction needs of affected private entities[17].

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Even with such numbers, these are underestimates of the economic impact of disasters. Many disasters are too small to be noticed on the global stage and the United Nations Office for Disaster Risk Reduction (UNDRR) notes, "These reported losses only represent the tip of the iceberg because tens of thousands of small-scale disasters occur each year that are not reported in international databases. An analysis of records in 104 countries found that between 2005 and 2017, small and medium, localized and frequent disasters caused 68% of all economic losses[18]. These losses are a major driver of poverty as they tend to be absorbed by low-income households and communities, small businesses, and local and national governments." These losses have a compound negative effect, as not only do they have to be made up, but the loss of potential gains that would have been made had assets been productive mean there is a cumulatively massive negative impact in developmental terms.

Similarly, "losses from slow-onset hazards such as droughts are not always fully accounted for. Their effect often accumulates slowly over an extended period and their impacts are difficult to measure. When slow-onset disasters are added to the Asia-Pacific region's riskscape, annualized economic losses more than quadruple to USD $675 billion or around 2.4 percent of the region's GDP (compared to previous estimates)"[19].

Behind these statistics are individuals going into poverty and associated trauma despite their best endeavours. People living in poverty risk being stuck in cycles of poverty as they sell off assets or take on debt. In Senegal, for example, households affected by a natural disaster were 25% more likely to fall in to poverty[20]. Among Guatemalan households hit by tropical Storm Agatha in 2010, there was a 14% increase in poverty[21]. After Ethiopia's 1984–1985 famine, it took a decade for most asset-poor households to restore livestock holdings to pre-famine levels[22], and following the 1972 Nicaraguan earthquake some households had to wait forty years to receive replacement housing[23]. The pressures of poor-quality housing are linked to other impacts such as increased domestic violence, poor health and social stigma.

The longer it takes for countries to build back after a disaster, the greater the impact on social, human and economic development. Crises can lead to a dramatic increase in forced or early marriage, as well as other distress coping mechanisms, and can increase the vulnerability of populations to harmful practices such as abusive labour arrangements and human trafficking. To become a refugee now means, on average, to remain a refugee for 26 years[24]. These are generational level impacts that go well beyond economic issues to profound issues of human wellbeing with long-term consequences.

While disasters impact high- and low-income countries, the impacts are not equal, perpetuating and exacerbating inequality. Research found that the direct (immediate) economic losses from natural disasters in low-income countries were more than 14 times higher than in high-income countries[25] when expressed as a percentage of GDP. Many of these losses, especially in low-income countries, are not insured, compounding the recovery challenge. Swiss Re estimates that insurance covers about 45% of the USD $275 billion in global economic disaster losses[26]. A Lloyds report[27] noted that in Ecuador, the government requested USD $3.3 billion for recovery from an earthquake in April 2016 and was able to raise some USD $2.3 billion of the costs. New Zealand, however, was able to raise USD $12.2 billion from insurance payouts of the estimated USD $18.3 billion economic losses[28]. While the absolute economic value of asset loss may be lower in this example for Ecuador, the economic impact on lower-income countries is more devastating – the loss of USD $1 billion to a low-income country is of greater significance than to a high-income country, as it represents a larger percentage impact on the local and national economy.

People living in poverty may experience a smaller share of economic losses in absolute terms, but the impact is typically more devastating and has a greater impact on wellbeing. Estimates of socioeconomic resilience in 117 countries showed the effects of disasters on wellbeing equivalent to a USD $520 billion drop in consumption — 60% more than the widely reported asset losses[29]. In low-income countries, an average of 130 people died per million living in disaster-affected areas, compared to 18 in high-income countries. People in the lowest-income countries were on average six times more likely than people in high-income nations to be injured, to lose their homes, be displaced or evacuated, or require emergency assistance[30]. Those with few assets show up less in an economic analysis, but their economic resilience to the impact of the shock and ability to recover is lower compared to those with more assets. This reinforces inequality and can become systemic and compound risk: because they are living in poverty, their reduced purchasing power forces them to live in more vulnerable locations and they become disproportionately exposed to hazards. In Panama and Zimbabwe, for example, people experiencing poverty are more than 50% more likely than the average to be flooded[31].

The threat of losing assets in disasters affects behaviour, and can lead to people who live in poverty, conscious of their limited ability to absorb shocks, underinvesting. For example, smallholders tend to plant low-risk but lower-return crops because they cannot afford to lose one year of production to bad weather, so their income is reduced even when the weather is good[32]. And people are less likely to invest in their house or production equipment if they fear these assets may be lost in the future and need replacing.

Children can be particularly affected. In Guatemala, Storm Stan increased the probability of child labour by more than 7% in areas hit by the storm[33]. In Ethiopia, children aged less than three at the height of the 1984 famine were less likely to eventually complete primary school[34], and in Peru the impacts of the 1970 Ancash earthquake on girls at that time can be measured in the educational performance of their own children[35]. We know chronic malnutrition in the first 1,000 days of a child's life can have a life-long impact on their cognitive development. If a section of society experiences such food insecurity during a famine, for example, this can have generational consequences. Conflict and displacement may lead to years of lost education, possibly further compounded by trauma, also causing life-long impacts for individuals and communities.

It is well established that women are disproportionately affected by disasters in several outcomes, including life expectancy, unemployment, labour force re-entry and relative asset losses. The often preferred treatment of boys means that girls are worse off when their families face scarcity due to disaster, and families are more likely to take their daughters out of school if they cannot pay tuition or if domestic responsibilities increase after a disaster. Disaster impacts on education are also reflected in child marriage[36] and labour rates. Domestic responsibility also tends to increase after a disaster and women usually bear the brunt of this, at the cost of missing out on other income-generating activities. Their lack of access to bank accounts also means that women's assets are less protected than men's. Gender-based violence is frequently exacerbated in post-disaster situations, and evidence that droughts affect controlling behaviours was found across all continents[37].

In summary, the impacts of crises are increasing, in their immediate effects and in their long-term economic and social effects, and beyond the immediate physical location of the incident. They are a significant inhibitor to development and the achievement of the Sustainable Development Goals and they particularly negatively impact people who live in poverty.

2.2 THE SYSTEM WE HAVE IS NOT EFFECTIVE ENOUGH

The global humanitarian system that has evolved over decades, particularly since World War II, is failing to adequately meet the needs of communities affected by disasters. It is reactive and siloed, and designed to meet the needs of those administering funds rather than the affected communities. Additionally, there is weak, or no, accountability to those for whom the services are meant to work.

Compounding this, despite significant growth, the resources available are not keeping up and there remains a gap between needs and available resources, see figure 2.

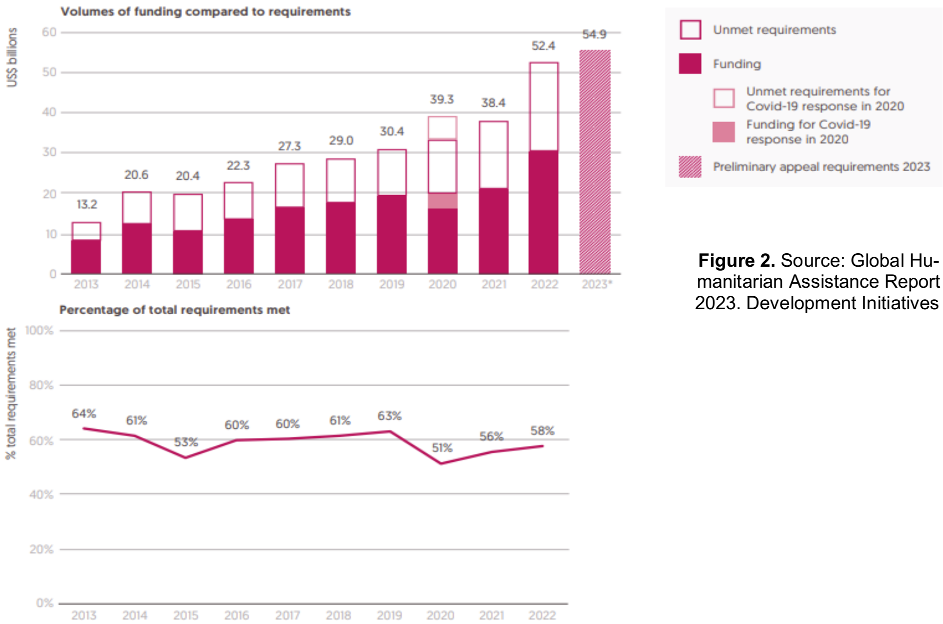


Figure 2. Source: Global Humanitarian Assistance Report 2023. Development Initiatives

The focus of humanitarian action is on the consequences of disasters, so-called "ex-post action". Multiple studies report that investing in resilience, disaster risk reduction and anticipatory action is much more cost-effective than ex-post response options. The World Bank estimated the net benefit of investing in more resilient infrastructure in low- and middle-income countries to be around USD $4.2 trillion[38]. Analysis of Caribbean damage costs from hurricanes Irma and Maria, for example, suggests if the impacted buildings across all islands had been constructed according to 2018 design codes, damage would have been USD $16.5 billion less[39]. As the impacts of disasters can have a devastating cascading impact, investments in resilience can have cascading positive impacts. For example, investing in disaster risk reduction and insurance schemes can incentivise investment. Oxfam and WFP's R4 Rural Resilience Initiative and Mexico's CADENA program have shown farmers increase their investments in productive assets, boosting their productivity[40] so that there is greater economic development possibility compared to lower investment rates.

Why are ways to prevent, mitigate, prepare for and respond to disasters and humanitarian crises not better planned for and resourced when the benefits of pre-emptive action are clear? A significant issue is how the problem is framed:

a) Disasters are exceptional, rather than a normal contextual reality. Most countries have national development plans, supported by global bodies such as the World Bank, based on economic growth models (e.g. the Porter Diamond Model). These strategies and models of analysis treat disasters as exceptional, unplanned events[2] rather than part of the context. Crises are the symptoms of failures in development to consider known hazards and risk in the context.

b) Because disaster is defined as the "overwhelming of local capacity", national government policy and the international development-humanitarian system starts from the premise of what "we" can do for "them". The lack of understanding about pre-crisis capacity leads to a failure in supporting the agency of the affected community.

This framing combines with how we tend to solve problems, use language and political economies to shape the system we have.

Puntland community, Somalia: The drought has severely affected Abdulahi's homestead and livestock. He is worried about his family's future. Photo: Petterik Wiggers/Oxfam Novib.

2.2.1 HOW WE ANALYSE AND SOLVE PROBLEMS

Problems are often analysed, and solutions framed, by taking a "reductionist" approach. This tackles problems by breaking them down into smaller components, resolving the individual component, and then building back up to the whole, based on the premise that

[2] Sometimes framed as "chance" in the Porter model, for example.

the individual components will interact in predictable and proportionate ways. This has been used over decades to solve developmental problems and much of the current aid architecture remains based on this logic (even if systems-based approaches have gained popularity in recent years).

Each time a major issue is identified an institution or a funding instrument, or possibly both, are created to address the identified problem. For example, there are UN agencies to address hunger (WFP), children's rights (UNICEF), gender equality (UNWOMEN), disaster risk reduction (UNDRR) and so on. Humanitarian funds are set aside for emergency response separately from development funds, even though it is understood that emergencies are directly related to underlying issues that development funds should be addressing. The Pandemic Fund, designed to prepare and respond to pandemics in the wake of COVID-19, acknowledges this in its principles.

> "First, it would complement the work of existing institutions that provide international financing for [Prevention, Preparedness and Response] PPR, drawing on their comparative advantages. Second, it would be designed to catalyse funding from private, philanthropic, and bilateral sources. Third, it would serve as an integrator rather than become a new silo that only furthers fragmentation. Fourth, it would have the flexibility to work through a variety of existing institutions and adjust over time as needs and the institutional landscape evolves. ...Given the legitimate concerns that have been raised around fragmentation of the global health finance architecture, it is important to note that a new FIF, hosted by the Bank, would not entail the creation of a new standalone institution that would add to further fragmentation. The FIF would be designed to draw on existing institutions, building on their respective comparative advantages"[41].

However, a new secretariat has been established and there is an emphasis on surveillance and response over investment and connectedness with non-health risk reducing interventions such as education, environmental hygiene, water and sanitation. Presumably, it is assumed national and local governments will make these connections, but this is a significant assumption.

A lot of effort has gone into establishing a Loss and Damage Fund under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC). A breakthrough agreement was reached during COP27 in 2022 to establish the fund, which seeks new and additional finance from high-income countries to support "particularly vulnerable" countries dealing with the unavoidable impacts of climate change. To date, at COP 28 USD $420 million has been pledged to this fund. Importantly, as these are economic losses borne by the countries who did least to cause climate change the concept is that the mechanism should be funded by mandated contributions, not voluntarily as in the current development and humanitarian system. The lead negotiator for the Alliance of Small Island States protested at COP26, saying that when climate-related disasters occur climate-vulnerable countries should not be held "hostage to random acts of charity"[42]. This development is to be welcomed – although despite agreement in principle there is still a long way to go in seeing significant contributions from high-income countries and in agreeing the mechanism – but it represents potentially another form of siloed financing. Already, complexity is growing. Germany launched the Global Shield against Climate Risks at the COP27 climate conference, an initiative of the G7 (Germany was president of the G7 at that time – see "initiative-itis" below). This agreement, together with the V20 group of vulnerable countries, seeks to overcome some siloing by bringing together climate risk financing, climate related insurance and linking them to the contingency plans of low-income countries. However, in seeking to mobilise additional funds, some countries allocated money to the German Shield and then framed it as part of their loss and damage contribution, even though the Loss and Damage mechanism is separate. For example, in a press release[43] Canada announced under its loss and damage contributions C $7 million (USD $5.1m) would be allocated to the Global Shield Financing Facility, with an additional C $1.25 million (USD $920,000) for the Santiago Network, a platform linked to the UNFCCC loss and damage discussions designed to help low-income countries access technical assistance.

In a COP 28 media release by Global Shield, this complexity and uncertainty was brought into sharp relief: "While it remains unclear how the new UNFCCC Fund for dealing with loss and damage will operate concretely, pre-arranging the response to extreme weather events might not be part of its work. This is why the Global Shield needs to become a strong Funding Arrangement for dealing with loss and damage and further capitalization is critical."[44] To date, Global Shield has raised Euro 270 million (USD $290 million). The risk is of a "fashion show" where high-income countries seek to be seen to be doing enough to support each of the initiatives so they can say they are "doing their bit", rather than having a clear, comprehensive approach to a complex and interconnected set of problems.

From policy makers' points of view, such funding instrument creation is necessary as they need to make choices on relative resource allocation across different priorities, have fit-for-purpose processes, clarity of governance and the ability to measure progress. Many of these funds have distinct legal protections. For example, in order for humanitarian funds to be used quickly and in line with humanitarian principles, independent of politics and according to need, humanitarian financing often has a separate legal foundation to protect that independence. Other funds have their own legal protections which may be necessary but which makes change harder.

However, from the perspective of communities and households, problems do not sit in such tidy boxes. Issues of health, wealth and social status, including race, gender, class, sexuality, religious identity and physical ability will likely determine access to education and employment opportunities, access to social capital and so on, which in turn determine vulnerability to risk. In short, vulnerable families in drought-prone areas, say, of northern Kenya, do not consider themselves to have separate development, climate change and humanitarian problems. They experience the interconnectedness of everything and resort to their own agency to navigate their opportunities and make the disparate schemes work as best they can. This creates a tension with the reductionist funding stream approach seeking to solve one problem at a time. There needs to be a more effective way to address the underlying drivers and causes of risk, as well as responding predictably, proportionately and effectively.

A key problem is the ability to measure long-term outcomes and attribute a return on investment to justify that expenditure. There have been calls to use "collective outcomes", referring to "a commonly agreed measurable result or impact enhanced by the combined effort of different actors, within their respective mandates, to address and reduce people's unmet needs, risks and vulnerabilities, increasing their resilience and addressing the root causes of conflict". Similarly, discussions around the humanitarian-development-peace nexus are seeking to conquer such a siloed, reductionist approach. But the incentives to demonstrate specific impacts with specific funds, and the value-add of specific institutions make overcoming such silos difficult. As Andrew Natsios stated, "those development programs that are most precisely and easily measured are the least transformational, and those programs that are most transformational are the least measurable."[45]

Institutions and ideas do not remain static but change over time and motivated individuals successfully push for change. For example, WFP evolved its thinking from providing food aid to tackling hunger, which might in practice mean distributing cash, not food; the World Bank has evolved new strategies to engage with contexts of conflict and fragility, marking a significant shift in the Bank's thinking to work in contexts previously seen as the domain of humanitarian institutions. Ramalingam and Mitchell[46] describe the process of learning and change, where small groups of staff – agents in the system – propose new ways of tackling a problem. Given the risks and opportunity costs of any new initiative, as well as the pain and political economy in any potential change processes, policy makers look for high levels of confidence before fully committing. The proponents (agents) of the new solution address this by developing a compelling evidence base and in so doing often cross new boundaries and break across established silos. They also often develop new language to articulate the idea(s).

Kal Sheikh, Somalia: Abdi works on farmland in Sanaag region. Oxfam has provided training and tools to help facilitate a switch from farming livestock to agriculture. Photo: Pablo Tosco/Oxfam Intermón.

2.2.2 HOW WE USE LANGUAGE

Language is both a powerful tool and often about power. It is used to convey concepts or ideas that underlie policy choices as well as establish boundaries. How we use language in describing problems and solutions can create further barriers.

It is common to find new language to try to capture issues in a new and fresh way, to reframe and propose solutions. To cynics this becomes jargon, "buzz words", the "latest fashion". But to the originator the creation of a new term lends leadership and authority. There is nothing wrong in this, it is how debate and knowledge is generated across all disciplines of study, and think tanks and international conferences are expected to generate new initiatives. A large conference with no new initiative is simply not doing its job. But in practice, these turn into campaigns to win influence and resources, that is, they create additional competition for the resources available. In so doing, they may meet resistance from practitioners still committed to existing approaches. The dynamic of who understands the new language[3] can create new exclusion and barriers to collaboration.

This all contributes to the power games that go on between and within organisations. For example, in many cases national disaster management authorities do not get access to funds generated by climate change commitments, which more commonly go to ministries of the environment. How a fund is defined, and the language used to describe the purpose of the fund, has a direct bearing on people's access to that resource. "Terminology itself is a fundraising mechanism" as one informant to this report stated.

There is no single, universally accepted, glossary defining all the terms related to crises. This tends to be resolved in literature through each paper setting out how it defines particular terms within the context of its own narrative or by agreement at state level conferences such as the UNFCCC or Sendai, issuing agreed glossaries. Even then, words can be reinterpreted from time to time and given new meaning as people seek to "sense-make" of changing contexts and realities.

Below is a list of some of the main Anglophone glossaries in use (the use of English as a dominant language has aspects of power itself) as an example of the complexity of terminology.

- Getting Ahead of Crises: A Thesaurus for Anticipatory Humanitarian Action (Draft)**47** 2019
- Glossary of Terms, Centre for Disaster Protection (web based / live)
- Report of the open-ended intergovernmental expert working group on indicators and terminology relating to disaster risk reduction, UNDRR – Adopted by UNGA 2016
- InsuResilience Glossary (web based / live)
- InsuResilience glossary on gender (based on a range of other source material)
- REAP Glossary of Early Action – list of terms; under development
- Centre for Humanitarian Data Glossary, OCHA (web based / live)
- Hazard Definition & Classification Review, UNDRR (2020)
- A guide to mainstreaming guiding principles, disaster risk reduction and climate change adaptation, IFRC

2.2.3 A LACK OF ACCOUNTABILITY

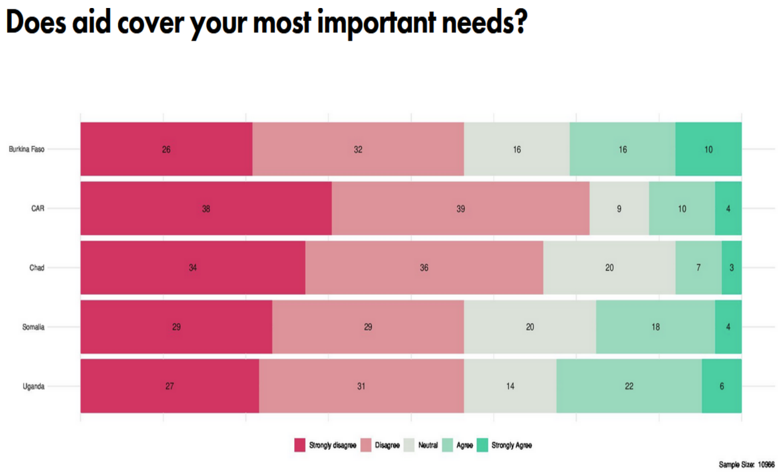
At-risk communities see their issues holistically, experiencing the complex interplay of power, status, wealth and vulnerability to hazards. That is, they are best placed to see what needs to be done to tackle the risks and impacts they are experiencing. Communities are not homogenous and different members will have different perspectives based on gender, age, ethnicity, disability and so on. For example, women may have different priorities to men based on their typical care-related roles, indigenous people may place higher value on their cultural heritage, and farmers and pastoralists may have different views on the use of ecosystems.

This is hardly a new observation. However, research by over 200 civil society organisations of the Global Network for Disaster Reduction[48] from more than 40 countries of over 100,000 people in 625 communities concluded that, "people most at risk of being hit by a disaster aren't involved in decisions about how to reduce their own risk". Only 16% of people at risk

[3] Many in the sector are already having to operate in their second or third language by using English rather than their mother tongue.

feel included in assessing threats, preparing policies and plans, and taking action to reduce threats, and only 31% said they are included in monitoring the effectiveness of disaster risk reduction interventions; 36% of people with disabilities and 30% of women said they are not consulted in the preparation of policies, plans and actions. In Pakistan, 53% of the local government officials surveyed admitted that they never involved communities in any consultations, while 82% of people with disabilities and 97% of women said they had never been included in risk governance processes. These figures vary from country to country. On a more positive note, in Philippines, only 3% of local government officials said they do not consult communities when preparing policies, plans and actions.

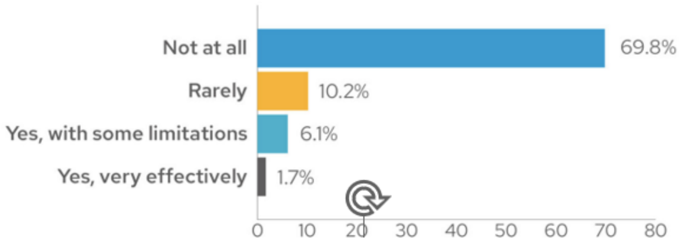
Figure 3. Responses from aid recipients to the question: "Does aid cover your most important needs?" Source: "Accountability is about leadership, not mechanisms. Why we need to stop 'doing' AAP". Nick van Praag & Meg Sattler, 6 January 2022, Ground Truth Solutions website.



In ex-post humanitarian assistance, accountability to affected communities remains low. This is despite commitments going back to the adoption of the Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in disaster relief over 25 years ago, as well as in the Core Humanitarian Standard and the Grand Bargain. Ground Truth Solutions has been tracking the experience of affected communities since 2012 and has consistently found, in multiple humanitarian environments, that the aid provided does not meet the priority needs as judged by them, see figure 3. In a separate report, the Global Network for Disaster Reduction found that displaced communities most at risk, especially women, are not adequately being involved in decisions that affect them[49]. Two thirds of respondents feel they are "not at all" consulted in the design of policies, plans and activities to reduce disaster risk, not given access to financial resources to reduce risks they face, nor have access to timely and usable information to help them reduce risks. Lack of information (18%), lack of awareness (15%) and extreme poverty (14%) were listed as key factors preventing inclusion in the policy environment.

Policy solutions and programs are not addressing the key concerns of the people in whose name they have been implemented. "Views from the Frontline" data shows that local governments can have very different ideas from community members in terms of what is needed, often focussing on public assets, whereas households are more directly concerned about private productive assets to meet their needs. Many funding bodies, such as international funding institutions, deal almost exclusively with national governments and so their own perspectives are heavily influenced by views not reflective of those central to the endeavour.

Figure 4. Graph of responses to the question: "Are displaced persons sufficiently consulted in the design of policies, plans and activities to reduce disasters?" Source: Making Displacement Safer 2022, GNDR.



Why, despite the multitude of evaluations and research, does it remain the case that accountability of development and humanitarian actors to at-risk and in-need populations remains so weak? The basic political economy and incentive structures are framed by the funding provider, who also chooses how to frame the problem, and the language used to articulate its purpose, rather than those in whose name the funding is raised. Until donors and funding agencies require systematic accountability data from project participants then there is limited motivation to change.

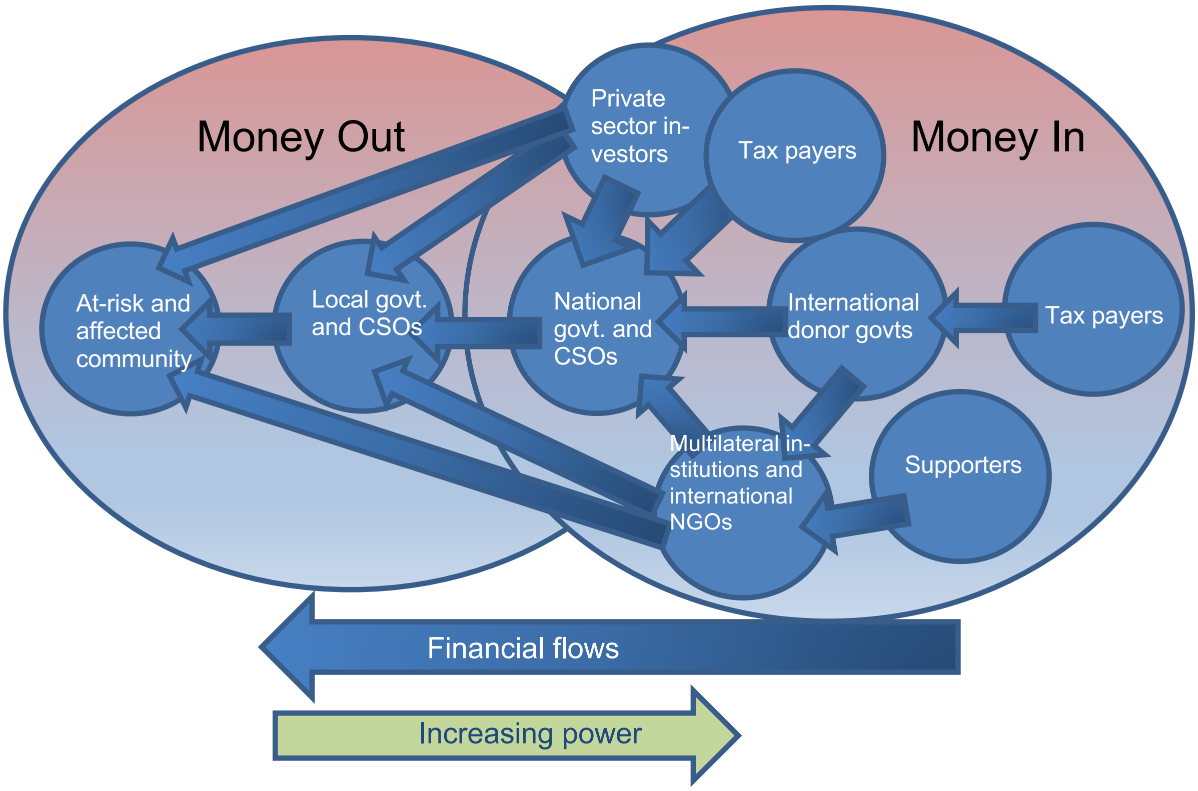

Somali region, Ethiopia: Mohamed is a camel herder from Biyoada village. He came to the Tohma grazing lands so his camels could drink and eat. There is still some water left at the end of the dry season, but the usually green valley is arid and barren. Photo: Petterik Wiggers / Oxfam

3.0 COMPLEXITY, POWER AND INCENTIVES

The ways of thinking set out in section two have led to an extraordinary number of actors in the system. Agencies and communities have multiple relationships across the system. For example, donors directly fund governments bilaterally, and concurrently fund multilateral agencies that also fund the same government. They then concurrently fund NGOs which might largely bypass the national government to reach down to the local level. Philanthropic trusts may fund international and local civil society organisations, bypassing government, while remittances bypass the system altogether. The national government itself will be navigating between local and national government levels, as well as between the executive and the legislature according to agreed laws, policies and the political economy. Media is not formally seen as part of the humanitarian system, but has an enormous influence on behaviour within the system. Despite starting from a reductionist approach of founding institutions to have expertise in addressing particular problems, the collective array of institutions – further overlaid by the plethora of funding instruments – has created a "messy" or complex system. A complex system is "characterised by multiple interacting influences that co-create a recognisable system, that self-perpetuates because of the established incentives and interdependencies. It is often difficult to fully understand the dependencies, competitions, relationships and other types of relationship due to the large number and because their contribution to the overall system can be difficult to understand"[50].

Zoe Scott and Conor Meenan developed the Money In – Money Out model for the Centre for Disaster Protection[51], recognising that programmatic solutions and funding mechanisms were often being designed separately by different groups of people, and so did not always align. "Money out" systems are the systems and plans in place to use money to reduce the impact of disasters on people, and "Money in" instruments are instruments in place to supply the right amount of money at the right time. This helpfully simple model captures the principle that any solution should start with context analysis and then work backwards to the right kind of funding mechanism. A modified version is presented below to show in simplistic terms the complexity of financial resource flows to affected communities via a chain of institutions administering a range of financial instruments. National governments are both "money in" when they receive resources from international sources, and "money out" in that they significantly contribute to resourcing from their own domestic tax revenue. Concurrently, power flows in the opposite direction, accruing to those who make resource choices and design fund mechanisms. This power dissipates to some extent, as multiple donors may be involved, and more so to tax the giving public or NGO supporters who are rarely involved in specific decisions. However, public opinion – often shaped by media – can swing government policy, as seen in debates on migration, the merits of the 0.7% of GDP target for aid, and international NGO sensitivities to supporter opinions. Those who control resource allocations, policies, mechanisms and legislation have the greatest influence over the choices made.

Figure 5. Adapted Money In – Money Out model.



3.1 MONEY IN

3.1.1 COMPLEXITY OF FUNDING INSTRUMENTS

If things are complex at the national and local level, the "money out" side of the equation, the complexity of the funding landscape or "money in" only matches it. Official Development Assistance (ODA) can be broadly categorised as:

Contingent or concessional finance. Funding provided on a loan basis, usually at below market rates of interest, or for situations where access to other forms of capital is difficult.

Development funding. Aimed at helping countries achieve long-term sustainable economic growth, including by supporting poverty reduction. This funding is generally arranged in discussion with national governments against a plan or set of national objectives.

Humanitarian funding and gifts in kind. Provided for humanitarian purposes, with a primary objective of saving lives, alleviating distress and hardship and maintaining human dignity. It often has more flexible rules, for example not needing host government pre-agreement, and can be mobilised more quickly than development funding.

ODA had largely flatlined from 2016 to 2019, but grew to USD $213 billion in 2022[52]. In part, this reflects changes in rules on what could be counted[53] and has not translated into a significant increase in humanitarian funding or risk reduction activities[54]. However, development grants have been shrinking while loans have been growing, particularly to least-developed countries who account for most of the world's people living in poverty. These generate debt servicing costs for the impacted country, which creates an incentive to use such funds for the rehabilitation of economically productive assets such as infrastructure, rather than directly for people living in poverty and those most vulnerable to the impacts of shocks. Their economic output post-disaster is unlikely to support the government debt servicing even though, as set out in section 2.1, they have the greatest needs.

The majority of crises are protracted, increasing from 13 in 2005 to 44 in 2022[55], which speaks of the relationship between long-term development issues such as governance and inequality, and crises as symptoms of underlying problems. Resources are needed for both symptom and cause, but such a coordinated approach often does not take place.

The reductionist approach to addressing issues (section 2.2.1) has led to an enormous array of funding instruments, in addition to institutions, that can be drawn on in relation to crises. It is possible to categorise these along two axes:

1. Funds targeting different phases of the disaster management cycle. From reducing vulnerability to disaster risk reduction, preparedness, anticipatory finance, response and recovery, or across the whole spectrum as in the case of nexus funding or funding targeting fragile and violent contexts.

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2. When the financing is arranged. This may directly align with the pre-crisis, "ex-ante" objective of the fund (e.g., disaster risk reduction or preparedness) or in response, "ex-post", to a disaster but agreed in advance to enable a more rapid and predictable response.

Figure 6. When funding is organised against what part of the disaster cycle it targets.

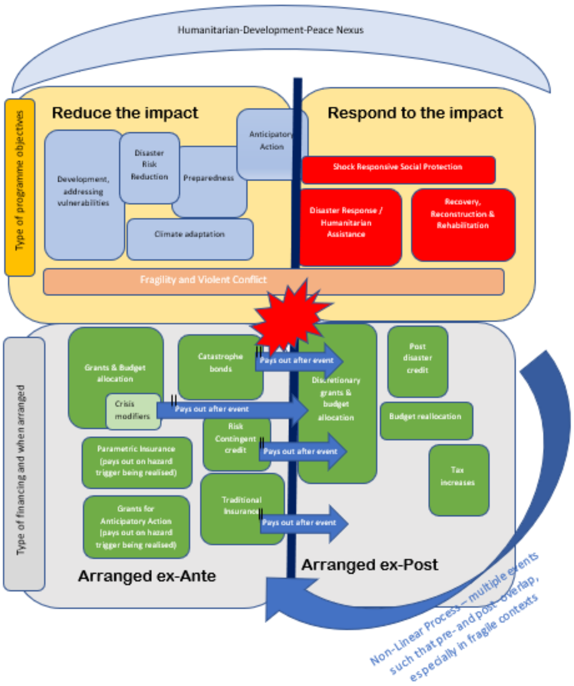

Figure 6, adapted from the Centre for Disaster Protection[56] and Start Network[57], summarises this:

Thus, the funding landscape is made of up the different fund purposes, the different fund types and the different fund sources in a kind of 3D chess, making the coordination and use of the funding that is made available incredibly challenging, as well as creating significant bureaucracy and associated costs to manage it. Appendix A, a gross simplification of reality, shows something of the wide array of funding available as a mix of grants and loans, as well as prearranged finance mechanisms and hints at the complexity for anyone wanting to develop a coordinated and joined up, systemic response to known hazards and vulnerabilities. An alternative, more positive view would be to marvel at how many tools we have in our tool box. So why is the constant critique that of perpetuating silos and not the intelligent use of multiple instruments?

3.1.2 POWER AND INCENTIVES AT THE REGIONAL AND GLOBAL LEVEL

Staff and policy makers working in international organisations, regional or global, operate within a political and socio-technical context[4]. Their behaviour is influenced by and influences the institutions, policy debates and financial instruments in which they work. For example, staff within a government donor agency with responsibility for funding a multilateral institution will navigate incentives, rewards and blockers to compete for allocations to their department within the donor; will undertake coordination with other donor agencies funding the same multilateral agency; and will also interact directly with staff of that agency who themselves will be navigating the internal complexity of their organisation.

[4] Socio-technical systems recognise the interaction between people and the technical aspects of organisational structure and processes in workplaces, coined by Eric Trist, Ken Bamforth and Fred Emery.

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The legal frameworks, institutions, culture and people within the development and humanitarian systems see the world differently, measure their success differently and perpetuate their own system because they are incentivised so to do. The incentives between individual and institution mutually reinforce. Most people, most of the time, respond according to the encouragement and discouragement of their line management, who in turn are shaped by a combination of performance benchmarks, repeated narratives or organisational culture that describes what success looks like. It may not only be a top-down incentive; most directors receive praise from their own teams if they are successful in winning funding for their department or agency and are seen in a poor or weak light if they fail and have to impose cuts. Further, academic institutions, training courses, think tanks and research bodies exist and produce data and evidence that reinforce the need for addressing the various aspects of development and humanitarian challenges from within their own framing.

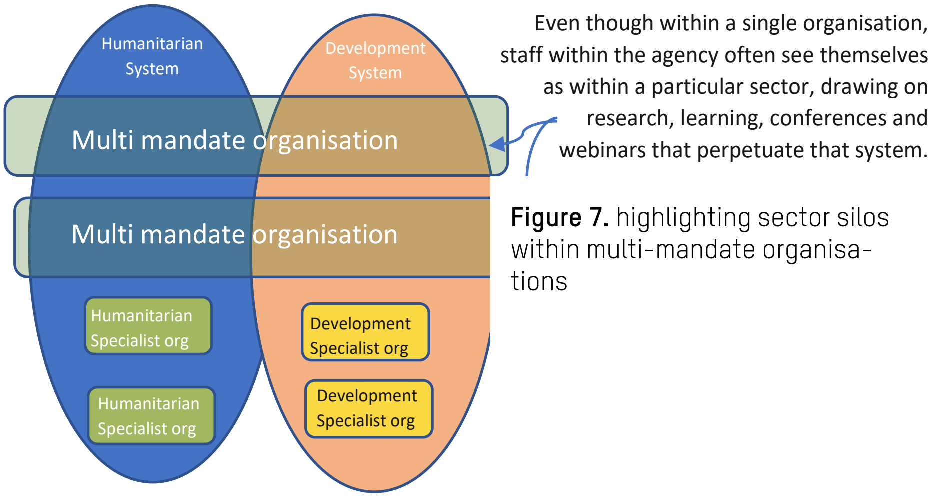


Figure 7. highlighting sector silos within multi-mandate organisations

The definition of success for an agency is typically informed by its origin story even if it has evolved over time. Origin stories are incredibly powerful, linked to a combination of the problem analysis described in section 2.2.1 (often framed with a founding vision for how things could change for the better) and a moment in history. Crises are often a trigger for the establishment of new organisations, for example, the International Committee of the Red Cross after the battle of Solferino, Save the Children after World War I, the United Nations and other Bretton Woods institutions, as well as NGOs such as CARE and Oxfam established during or after the World War II, and MSF and a number of agencies with arguably the first televised crisis, Biafra. Others have emerged to deal with specific issues such as climate change, for example the UNFCCC, or disaster risk reduction, for example UNDRR. Quality initiatives, such as ALNAP and the SPHERE project, emerged after significant crises in the wake of the humanitarian sector's performance in responding to the Rwanda genocide in 1994. As one respondent for this report said, "The system responds to symptoms but fails to adequately go upstream to address causes. .... But we will never have sufficient resources to deal with systemic, compounding risks downstream."

Once an agency is established, the question turns to defining the nature of success and clarifying organisational purpose as each organisation finds its own niche and added value. This plays into the reductionist approach to problem solving, as it is easier to fundraise and campaign when you have clarity on what you are trying to achieve. Further, as context changes, the target for a successful conclusion also moves further away; great quests such as overcoming poverty have absolute and relative elements, and thinking evolves. For example, the World Food Programme moving from provision of food aid to ending hunger.

To have the desired impact, most institutions are under pressure to grow their resource base. This comes from multiple incentives; when tackling a problem nearly every team feels it is under-resourced and needs more specialists or partners. When a specialist is appointed, they quickly advise that they cannot cover the whole breadth of an issue and a further specialist is needed. This pressure to grow is not cynical, it is professionals seeking to complete their responsibilities well. Additionally, the growing demands from the number and scale of disasters and inequality generate pressure on staff, and the delivery of necessary services and solutions demands more institutional capacity. Even if an organisation does not seek to grow itself but work through partners, there remains an expectation that it is able to program more resources to help those partners grow.

The agents in the system are people, and individuals have their own personal vision and career goals. Most leaders, committed to the purpose of the role to which they have been appointed, want to be able to do more, to achieve more, and this usually means having more resources and greater influence. Leaders are often rewarded for "thought leadership" and the winning of resources, as described in section 2.2.2 on language, if you are to create visibility for your organisation which in turn leads to influence then you need a new idea. The art of followership is undervalued. One wins kudos by creating new ideas and approaches to address thorny issues, a kind of "initiative-itis". New ideas and proposed solutions are how innovation and progress occur, so this is not to say idea creation is a bad thing, but it is often a stronger incentive on organisations than the art of followership, which allows scaling up. At its most cynical, this leads to accusations of "fashions", and while people may use the necessary language, they have in reality not bought into the idea and are therefore not really committed to seeing it through.

Funding for international organisations predominantly comes from states, and they operate from a perspective of self-interest, often disregarding global inequality. The experience of COVID-19 vaccination distribution was an interesting case study in national self-interest. There was a clear and present risk from different variations of the virus circulating if the spread of the virus was not quashed as quickly as possible. So even from a position of enlightened self-interest, let alone the moral obligation to support the most at-risk communities first, it might have been expected that high-income countries fully enabled as rapid a transfer of vaccinations as possible. But that was not the case. Even while there were initiatives such as the Astra Zeneca vaccine being provided at cost, and the work of GAVI, high-income countries prioritised their own populations, providing second and third booster injections while many other countries had not even provided first vaccinations for their frontline health workers.

The international organisations mandated to try to balance out such nationalistic self-interest and provide more global solutions are themselves subject to geopolitical manipulation combined with extraordinary complexity. International organisations such as the World Bank have State representation at the executive board level, typically dominated by the highest-income countries who have contributed the most capital. The largest shareholders, such as the United States, United Kingdom and Japan also have their own representatives, whereas lower-income countries are represented by groupings, which severely dilutes the power of such countries. Board members take their steer from the governments that appointed them, who are themselves pursuing a geopolitical agenda they believe to be in their best interest. To assist them, individual board members have their own staff teams who undertake analysis and a range of coordination meetings to interrogate and pursue different policy ideas and initiatives. Typically, wealthier countries are able to invest more capacity and staff support. This creates a web of relationships, priorities and definitions of success that board members, their staff and the staff of the agency in question all need to navigate, in addition to the agendas and competition internal to the organisation's staff and executive team. In such a complex system, any significant change is inherently difficult to achieve.

Abyan community, Yemen: Nazrah is a mother-of-five, living in Abyan. She received a grant from Oxfam to support her beehive building business, which she runs alongside her husband. Photo: VFX Aden/Oxfam.

3.2 MONEY OUT

3.2.1 POWER AND INCENTIVES AT THE LOCAL LEVEL

Decentralisation of responsibility to local government can be a tool to enabling greater local participation where the realisation of the risks is better understood and more keenly felt, that is, there is greater incentive to address the risks and the events when they happen. However, governance arrangements frequently mean local authorities are under-resourced and constrained by low capacity [58]. This can be a particular tension in some federal systems when the central government and state level government are led by opposing political parties. Evidence from Mozambique, South Africa and Colombia shows that un-earmarked funds for disaster risk reduction are frequently diverted to other areas that have a higher political profile, or where there are apparently more pressing needs[59]. Many local governments do not have designated departments or legal mechanisms for assessing and addressing the threats faced by a community. The Global Network for Disaster Reduction's 2019 Views from the Frontline survey found 51% of local government respondents said that no office was specifically responsible for assessing and addressing community risks[60].

In Kenya, county level government is allowed to reallocate 2% of its budget to disaster response in the event of a crisis, and may set aside this amount in advance as a form of anticipatory finance. There is no specific allocation for disaster reduction or preparedness and its role as a flexible fund can expose it to being "raided" for non-disaster related, unbudgeted expenditure. To receive more funding for larger-scale emergencies requires approval from central government, in particular the finance ministry. This also requires a declaration of emergency, which can be challenging to win as this is made at the national level, and at that level the incentive is to demand the county level finds the resources. Achieving the declaration slows down the process of allocation, and even after a decision has been made the actual allocation and fund disbursement can be very slow. There are examples of where funding was agreed for a drought response, but by the time it arrived at county level they were no longer dealing with drought but with flooding. Different assets also sit under different levels of government with some assets under the purview of the county, but more "strategic" assets such as major roads, hydroelectric dams, etc., are under national level ministry oversight.

The Philippines has some of the strongest disaster management legislation, and there is a legal requirement for central government to allocate financial resources to different layers of government in anticipation of disasters. Local government units are mandated to allocate 5% of their budget to disaster risk reduction, risk assessments, contingency planning and other preparedness activities. This is overseen by a committee structure of government and civil society representatives, but even here there is still a low use of the financing and a greater emphasis on ex-post expenditure[61].

In addition to the challenges of the vertical relationship between national and local government relations, there are challenges in relating horizontally across government when different ministries or departments hold different mandates. In Kenya, the State Department for Development of the Arid and Semi-Arid Lands houses the National Drought Management Authority, but flooding comes under the Ministry of State for Special Programmes. The National Disasters Operations Centre, which coordinates response to acute events, sits within the national police service. Given challenges with government accountability, and in an attempt to attract private sector finance, in some cases parastatal bodies have been established such as the Water Sector Trust Fund. A social safety net system, the Hunger Safety Net Programme, is run by the National Drought Management Authority under the Ministry of Devolution and Planning to provide additional cash disbursements to households facing food shortages. Among this complexity, when a crisis does hit there can be a need to divert resources from other budget lines. Unpublished Oxfam analysis shows that in 2019–2020, some KSh 3.9 billion (c USD 25 million) was diverted from other state departments to finance emergencies. This was in addition to the planned recurrent expenditure of KSh 1.17 billion (c. USD 7.6 million), that is, a nearly threefold unbudgeted increase clearly demonstrating inadequate regular funding. One can appreciate therefore the sheer complexity of coordinating effective response and disaster management across so many institutions and funding instruments.

Where government is not trusted by donors, either for reasons of corruption or because of involvement in a conflict, non-state actors such as the UN, Red Cross, NGOs and the private sector can become the primary receivers and have the greatest implementation capacity. However, they still need government or the de facto authority's support to be able to implement activities. Much humanitarian action is inhibited by different levels of government using bureaucratic impediments to assert control over actors providing humanitarian assistance. This is particularly true in resource-poor environments where resources can confer political legitimacy.

3.2.2 POWER AND INCENTIVES AT THE NATIONAL LEVEL

National governments are responsible for the wellbeing of their citizens and have a range of institutional and budgetary arrangements for responding to disasters. Most countries have a national disaster management agency or similar institution that seeks to coordinate across government from the local to the national level, and across line ministries. However, these agencies are frequently poorly funded and struggle to have the more dominant line ministries take disaster risk seriously. In part, this is due to disasters being seen as aberrations to the norm, together with other policy demands such as the economy, education, health, agriculture and defence being seen as greater priorities.

Policy makers who could take a more intentional view are, however, incentivised by what is popular. This is not to be cynical, rather it is how the system is intended – to create accountability by making policy makers serve their constituency. Even in environments with no formal democracy, leaders seek the support of important constituencies to maintain their mandate. Election cycles are relatively short, so an electorate can make changes when things are not going well, but this can work against long-term planning, as policy makers are incentivised to achieve short-term outcomes[62]. This naturally lends itself to mainstream concerns such as national economic performance. To the extent disasters are considered, policy makers are mostly rewarded in the public domain for effective and compassionate response, much less so for investments in risk reduction or resilience[5]. This tends to be reinforced by media and charity fundraising mechanisms that focus on the human tragedies rather than the predictability and benefits of investment for resilience. Policy makers can also fear criticism in the public domain if they are perceived as making the wrong investments[63] and even wanting to not publicise disaster risks at all for fear of investor flight.

Additionally, because disasters are seen as exceptional, the attitude to allocating finance can be seen as a luxury, especially in resource-constrained environments. El Centro de Coordinación para la Prevención de los Desastres en América Central y República Dominicana (CEPREDENAC) observed resources for disaster preparedness are limited and the national drought management authorities have limited capacity due to the level of ongoing investment in member states. There is a reliance on international financing, particularly that coming from USAID, with very little for disaster risk reduction. This is because elected politicians in congresses across Central America feel under greater public pressure to address policy issues other than disasters, and the knowledge that international aid is likely to arrive in the event of a major crisis acts as a disincentive to allocate domestic resources[64]. However, this is a dangerous gamble as the generosity of the international system is not predictable, and certainly likely to fail for small disasters that attract limited media attention, despite causing 68% of economic losses. However, it is unlikely those members of the congress will be personally impacted because, as powerful members of their society, they are likely to be less exposed to risk.

Risk is typically determined less by the hazard itself than by the vulnerability to that hazard. Whether a person works and lives in a poorly constructed building or a well-built, earthquake-resistant building makes a significant difference to their experience of the same earthquake. In this sense, the risk of experiencing a disaster is directly linked to development pathways, with some people having the resources and influence to actively manage their risk, while people experiencing poverty and those socio-politically marginalised are dramatically more exposed to hazards. "The most important root causes that give rise to vulnerability (and which reproduce vulnerability over time) are economic,

[5] Unelected officials who may have a longer-term perspective are required to serve the interests of elected ministers who commonly wish to leave a personal legacy. This makes their job of maintaining long-term policies difficult, and if there is a culture of "pleasing the minister" then they may be coy in warning of any negative implications of policy changes. This is true of donor governments as much as national governments.

demographic and political processes. These affect the allocation and distribution of resources, among different groups of people. They are a function of economic, social and political structures, and also legal definitions and enforcement of rights, gender relations and other elements of the ideological order"[65]. The underlying issues of marginalisation and inequality that maintain poverty also mean those most at risk typically have the least political capital with which to influence policy makers. For example, the regions of northern Kenya that are more prone to drought and famine are concurrently relatively marginalised in their political and economic influence in Nairobi.

Structural bias also has a role to play here. The dominant socio-political group can assume institutions are equitable and fair in the way they behave because they generally have a positive experience of them, whereas if one is not of that group, one clearly sees the failings[6]. For example, studies of the Federal Emergency Management Agency (FEMA) in the United States[66] described household-level disparities by race in securing post-disaster resources, with "Black households much less likely to receive assistance than Whites. …. For instance, after Hurricane Harvey, White applicants had their applications for disaster assistance from FEMA approved at a rate more than double that of Black applicants, 34% versus 13%, respectively."

There may even be those who see active advantage in disasters from time to time. Naomi Klein (2005) coined the term "disaster capitalism" to describe the behaviour of some who see selfish opportunity in the space created by a major shock. The shock of emergency situations has been used by some regimes as opportunities to declare a state of emergency and impose rules that support their broader agenda. For example, privatisation of essential public services in Italy[67], or deregulation of environmental protection in Brazil: "Ricardo Salles, the Minister of Environment, clearly stated: let's use the opportunity of this [COVID-19] pandemic to implement our project of reducing "bureaucracy". In other words, take apart environmental regulations to implement extractivist projects in the Brazilian Amazon"[68]. Corruption and elite capture of resources for clientelist relationships can be strong incentives[69]. Respondents interviewed for this discussion paper in countries as far apart as Honduras, Guatemala, Kenya and Philippines observed that funding for post-disaster recovery was often targeted at infrastructure development where the opportunity for corruption such as kick-backs in contract awarding was higher. Additionally, physical infrastructure can be politically attractive as it is visible and easier to demonstrate as a public good when elections are coming around.

At its extreme, clientelism contributes to conflict, with armed struggles frequently rooted in injustice and marginalisation for a particular constituency. As groups take up arms, a war economy emerges around the conflict, which itself can perpetuate the cycle of conflict by creating incentives for different actors who benefit from the war continuing.

[6] Freudenburg described this as recreancy: "an effectively neutral reference to behaviours of persons and/or institutions that hold positions of trust, agency, responsibility, or fiduciary or other forms of broadly expected obligations to the collective, but that behave in a manner that fails to fulfil the obligations or merit the trust." Quoted in Clark-Ginsberg, A., Easton-Calabria, LC. et al.

4.0 HOW MIGHT WE BUILD A BETTER SYSTEM?

Given this analysis, what can be changed to build a more effective, efficient system that addresses the needs of those communities most impacted by crises? The below proposals are less about specific structural choices, but point to deeper ways of thinking and behaving. These need to change to bring about more fundamental reform, albeit such shifts take time to implement and embed.

Khnor Omerah community, Yemen: Anhad is a mother-of-10 from Khnor Omerah. She works on a fishing boat, catching fish to sell to support her family. She received a cash grant from Oxfam to buy her own boat and equipment but, unfortunately, she lost the boat in a storm. Photo: VFX Aden / Oxfam

4.1 REDEFINE OUR UNDERSTANDING OF DISASTERS

Redefine how we perceive disasters in national and global development. Specifically:

a) Hazards and vulnerabilities exist in every development paradigm, high-, middle- and low-income countries and fragile states. Failure to consider them in development strategies and planning is maldevelopment.
b) Disasters are events when local capacity requires temporary reinforcement and support. This is not the same as saying "overwhelmed" as that implies the need to take control of the situation. The emphasis of any disaster response system, whether national to local, or international to national, needs to be on supporting those impacted by the crisis to be the primary agents of their recovery. Externally

imposed solutions are rarely sustainable and fail to adequately build capacity to manage future crises.

Making this conceptual shift would lead to the following changes:

National development plans and international development assistance should always include a hazard and vulnerability analysis, "risk-informed development". This should not lead only to bolt-on funds such as crisis modifiers, but fundamentally influence strategies such as economic growth plans. The humanitarian-development-peace nexus provides a useful conceptualisation in situations of violent conflict and fragility, but acute events will still need timely, dedicated humanitarian action. Long-term, structural problems will need long-term solutions.

The design of development and humanitarian plans and programs should be driven by the holistic understanding that local communities can provide. This is likely to go beyond the scope of any one institution or funding instrument and staff should actively work with others to build complementary responses that recognise the holistic nature of the problem and the reality of institutional and funding instrument boundaries.

Post-crisis forensic/causal analysis should be systemised to feed critical insights upstream into development processes. Disasters are symptoms of failed development, so they can be used for learning. This will require greater inter-sector dialogue and understanding.

4.2 CHANGE THE POLITICAL INCENTIVES

There needs to be a shift in political incentives, with greater outrage at a predictable disaster being allowed to rob people of their lives and livelihoods, to move from ex-post investment to ex-ante investment. Some options to address this include:

- **Educate media houses on the predictability of "natural" disasters** and encourage them to report in a way that reflects the failure to plan and invest, over celebrating response. Provide media with evidence of the cost effectiveness of ex-ante approaches for example.
- **Support within educational systems a better understanding of the links between environment, development and crises.** Engage in civic education and public awareness, working with trusted interlocutors. This may be institutions other than the government (e.g. faith leaders).
- International and national NGOs' **fundraising campaigns should avoid perpetuating an "exceptionalist" and charity-based approach to crises**, but create awareness among supporters and space for raised funds to be used for future ex-ante investments, as well as the ex-post response.
- Donors (including philanthropists, trusts and NGOs in grants making) need to be more robust in requiring grantees to **conduct and report on accountability** processes and findings to project participants.
- Greater investment is needed in third party organisations to **undertake independent accountability exercises**, to meet with communities and understand their perspectives, to have a more holistic view of the situation and the impact of interventions.
- Greater investment is needed in agencies and local government to **educate communities on their rights and legal protections**, including relevant disaster

management legislation or international humanitarian law, as appropriate, to equip them with the ability to demand their rights.

4.3 ESTABLISH COMMON OUTCOMES, INCLUDING RISK REDUCTION TARGETS TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS

To avoid siloed initiatives driven by funding instruments over context analysis, greater emphasis should be placed on developing common outcomes, incentivised by funding that rewards collaboration with "joint and several responsibility" for the actors involved.

For example, set targets for future disaster impact reduction within development goals. If a drought leads to 30% of people being food insecure, then set an objective that in the next drought 15% of people will be food insecure. Working towards this outcome will require a comprehensive analysis of the systemic factors leading to food insecurity during droughts, and only then should contextually appropriate solutions be co-developed with local actors and government.

Such common outcomes will require a more sophisticated approach to blending funding opportunities, as vulnerability is multifaceted and unlikely to be uniquely due to one issue, for example climate change. To use a medical metaphor, a patient requiring surgery is supported by a multi-disciplinary team from the initial assessment and diagnosis, to the surgery, to post-operative care.

4.4 SUPPORT LEADERS WHO COLLABORATE

The only resource that controls all other resources is people. People are the free agents within the system that both shape it, are shaped by it, can change, and also resist change. Research by the Development Leadership Programme of Birmingham University over 15 years concluded that three ingredients are needed to effect change in such complex systems[70]:

1. Motivated and strategic leaders with the incentives, values, interests and opportunity to push for change.
2. That these leaders are able to overcome barriers to cooperation and form coalitions with sufficient power, legitimacy and influence.
3. The ability of leaders and their coalitions to win the battle of ideas.

The capacity of individual agents to navigate the complexity of the system makes a fundamental difference, and institutions can invest in people who demonstrate these skills, rewarding collaboration across internal and external organisational boundaries. **Establish performance indicators that reward collective achievement over individual success.** It is unlikely to be one individual "superhero", but a small number of individuals who "pass the baton" between them to effect change. These people need to be diverse in perspective and thought, and be able to demonstrate and empathise with different experiences and viewpoints.

4.5 INVEST IN ACCOUNTABILTY

Given that the resources are raised in the name of helping affected people, there is a need to dramatically strengthen accountability to them. Initiatives on this have been around for more than 20 years. Boards of governance, donors and oversight committees should demand much more data on the accountability feedback from the communities where projects they fund are implemented. Oversight committees and senior politicians need to build in forms of accountability that are based on effective common outcomes in collaboration as a priority over activity indicators linked narrowly to fund purposes. Until such accountability is seen as core, and as normal as accounting for money spent, the power dynamics and incentives will inhibit change.

CONCLUSION

The global development and humanitarian system is failing too many people. It achieves a great deal, which should be celebrated, but the threat of climate change and inequality make addressing the shortcomings an imperative for everyone. According to the saying attributed to Einstein, "Insanity is doing the same thing over and over again, but expecting different results". This will require some fundamental changes in our attitude to disasters, how we analyse and problem solve, and what we choose to incentivise.

Jarar district, Somali region, Ethiopia: Nasri Hamdi Abdulahi checks the sorghum field. Photo: Petterik Wiggers/Oxfam.

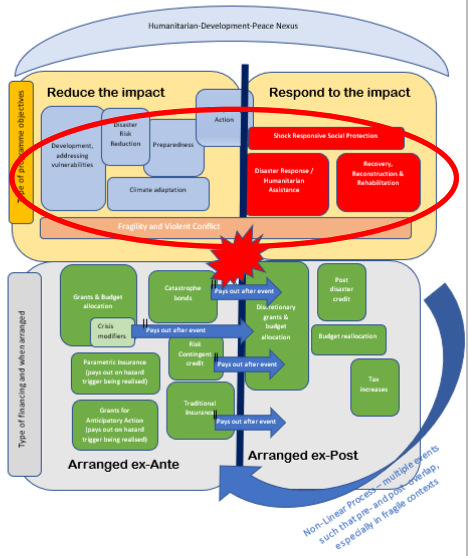
APPENDIX A – FUNDING INSTRUMENTS

Used across the whole disaster cycle

This is funding and programs designed to work across the whole disaster cycle, addressing underlying vulnerabilities.

Types of funding include domestic government inward investment, grants – bilateral from individual donors, multilateral institutions and civil society sources – and concessionary loans from governments and international finance institutions.

It can also involve forms of blended finance where public funds are used to encourage private sector investment by sharing risks.



Purpose of fund types	Examples
"Fragile and violent contexts" and the humanitarian-development-peace nexus These funds seek to address the challenges across the full spectrum of fragility, and look to support a range of interventions to reduce fragility, conflict and violence risks. ***The humanitarian-development-peace nexus*** refers to the links between humanitarian, development and peace actions. This approach seeks to strengthen collaboration, coherence and complementarity, capitalising on the comparative advantages of each pillar to the extent of their relevance in the specific context. This is to reduce overall vulnerability and the number of unmet needs, strengthen risk management capacities and address root causes of conflict. Many of these initiatives are in a relatively early stage and differ widely, so understanding the impacts and efficacy is still at an early stage.	Since 2016, the World Economic Forum's Humanitarian and Resilience Initiative has provided a platform to bring together donors, agencies and investors to forge new partnerships on new financing models. The Dutch Good Growth Fund offers a blended finance approach to encourage investment in fragile contexts to nurture entrepreneurial ecosystems in these typically "high-risk" markets. The Nexus Platform is a consortium of Somali NGOs founded in 2019 by nine Somali NGOs and two international NGOs. Elements include community driven development (livelihoods, infrastructure, training on property rights); integrated and anticipatory humanitarian response; peacebuilding, conflict resolution and social cohesion; women's empowerment; civil society strengthening, leadership and responsive authorities. The European Union is piloting a nexus approach in six countries, while Germany and the United States have published transitional development and fragility strategies, respectively. The Netherlands has launched PROSPECTS in the Horn of Africa and Middle East, to support refugees and host communities. Australia has taken a multi-year approach to funding in Iraq, with combined humanitarian, stabilisation and social cohesion activities (DFAT, 2020).
Resilience bonds: a risk-linked finance mechanism that complements an existing catastrophe bond model by	The European Bank for Reconstruction and Development launched a climate resilience bond in 2019, raising USD $700 million on launch and, as of September 2021,

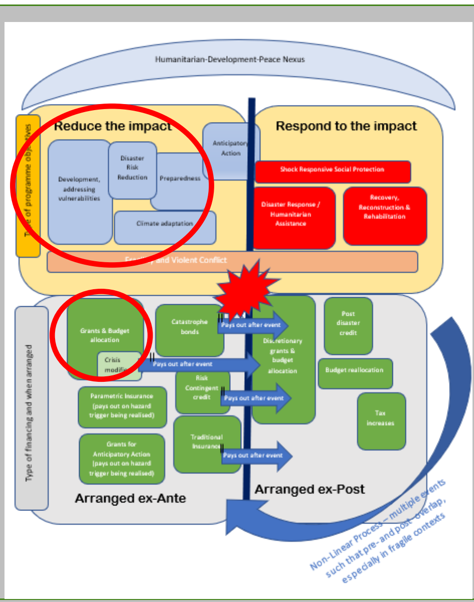
taking account of the measurable impact of resilience investments/program achievements. The difference in financial losses between a future after the outcomes of the project versus the losses if no intervention is made can be used to calculate a form of rebate that can be used to secure the funding needed to implement the project itself. It does not raise capital independently, and so existence of an insurance product (like a cat bond) is necessary to be feasible.	USD $1.15 billion from capital markets. This is against their wider portfolio of environmental projects in energy efficiency, climate change and sustainable resource finance worth some € 16.7 billion as at May 2022[71]. The proceeds support the Climate Resilience Portfolio of some 73 projects comprising investments in climate-resilient infrastructure (such as energy, water, transport, communications and the built environment), climate-resilient business and commercial operations (for example agri-processing, manufacturing/services, logistics/retail, extractive industries); and climate-resilient agriculture and ecological systems (including projects focusing on primary agricultural production). The Climate Resilience Portfolio criteria align with the Climate Resilience Principles[72].
Impact bonds There is a wide range of impact bonds that may also be known, for example, as Social Impact Bonds, Environmental Impacts or Development Bonds depending on their intended purpose. There is a range of financial models, but generally there is a payment for a performance contract between an outcomes funder (donor or public authority) focused on social goals, and a group of investors. This could include forms of resilience or disaster reduction (see examples, right). The outcomes funder makes payments to the investors depending on the success of the delivered measures. The main difference from traditional bonds is that instead of investors being repaid from general revenues of the bond issuer, impact bonds tie financial return on any investment to the success of the intervention and revenue generated and/or cost savings achieved.	**Blue Forest Conservation** developed the Forest Resilience Bond (FRB) as a multi-stakeholder model to use upfront investment from private and philanthropic investors to fund forest restoration. The bond issuers are public agencies and state utilities looking to raise capital to reduce the time for project implementation from 10 years to four years. They will reimburse investors with the value of investment plus returns after project completion. The first pilot project (the Yuba FRB) was launched in 2018 on the Tahoe National Forest. Philanthropic funders helped leverage commercial private capital. The aim is to protect 15,000 acres of the Tahoe National Forest from wildfire risk, as well as protect water supply and create direct and indirect jobs. Repayment is possible as stakeholders benefit from forest activities and would be willing to reimburse investors over time. The **Atlanta Flood Environmental Impact Bond** (2020) is a USD $14 million dollar bond to raise funds to reduce local flooding and improve water quality and stream health, while also providing access to greenspaces, improved air quality, public environmental education, restored native habitat and green jobs. Central to the Environmental Impact Bond model is assigning an economic value to the project benefits and pricing these benefits into the performance-based financial structure. The issuance was supported by a grant from the Rockefeller Foundation's Innovative Financing program, and investors will be repaid with interest, if the project is successful, by the Atlanta Department of Watershed Management.

Ex-ante

Funding that is arranged and spent in advance of any specific crisis to contribute to reduced risk through tackling vulnerabilities or increased preparedness.

Sources include:

1. Domestic government inward investment.
2. Grants from bilateral and multilateral donors, multilateral institutions and civil society sources.
3. Concessionary loans from governments and international finance institutions.
4. Blended finance, where public funds are used to encourage private sector investment by sharing risks.



Purpose of fund	Examples
Development funding Designed to reduce poverty and enable sustainable economic growth. Vulnerability to disasters is a function of underlying vulnerabilities so an effective development program that addresses these vulnerabilities will have a positive outcome in mitigating disaster impacts. However, many development programs focus on economic development and do not necessarily directly address the vulnerabilities of people experiencing poverty. Risk-informed development is development programming that intentionally considers likely risks[73].	The Pacific region is facing significant economic and social development challenges due to the increasing impact of climate change and geo-hazards. The Framework for Resilient Development in the Pacific, endorsed in 2016 by Pacific leaders, seeks to recognise this and manage these risks while also seeking economic development and the achievement of the Sustainable Development Goals. Supported by the United Nations Development Programme, with the Australian Department of Foreign Affairs and Trade, the New Zealand Ministry of Foreign Affairs and Trade, the Korea International Cooperation Agency and the Swedish International Development Cooperation Agency, the framework provides voluntary high-level guidance with three strategic goals: 1. strengthened integration of adaption and risk reduction; 2. low carbon development; and 3. strengthened disaster preparedness, response and recovery. The framework incorporates a number of principles for its implementation: • Integrate climate change and disaster risk management (where possible) and mainstream into development planning including policy making, planning, financing, programming and implementation, to build resilience. • Strengthen and develop partnerships across countries and territories, including sharing of lessons learnt and best practices. • Protect human rights.

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	• Prioritise the needs and respect the rights of the most at-risk people, and facilitate their effective participation in planning and implementation of all activities. • Integrate gender considerations. • Ensure that resilient development is sustainable and aims to alleviate poverty and hardship. • Incorporate ecosystem-based services. • Advocate access to reliable sources of traditional and contemporary information. • Reinforce cultural and traditional resilience. • Acknowledge and factor in traditional holistic worldviews, where spirituality plays an integral role.
Climate adaptation This is funding to address the costs associated with adapting to predicted climate changes, from sea level rise to changing precipitation patters. Climate change is already a driver of both increased hazards and increased vulnerability. Thus, inward investment that helps appropriate adaptation will act as a form of risk reduction.	The Asian Development Bank's Global Agriculture and Food Security Program supports work on hunger, including climate adaptation. For example, support to Cambodia's agriculture sector to transform the country's predominantly subsistence rice industry into a commercially oriented one by removing the legal and regulatory constraints that inhibit rice commercialisation, improving the productivity of paddy crops, and consistency in the quality of milled rice, enhancing rice value chain support services, and addressing climate change-associated risks through mitigation and adaptation. Activities include rehabilitating irrigation systems and introducing weather-indexed crop insurance.
Disaster risk reduction Disaster risk reduction aims to reduce existing and new disaster risks, while managing residual risk. Normally targets identified "natural" hazards, such as droughts, cyclones, earthquakes, etc.	The Global Facility for Disaster Reduction and Recovery is a multi-donor partnership administered by the World Bank. Established in 2006, it has provided more than USD $750 million in technical assistance, analytics and capacity building support for more than 140 countries. One example is coastal resilience for the Greater Banjul Area, The Gambia. The area is becoming more at risk to a range of coastal hazards including flooding, saltwater intrusion and erosion. With financing from the ACP–EU Natural Disaster Risk Reduction Program, a coastal hazard map was developed leading to projects that strengthen flood protection for the city and port of Banjul, as well as environmental restoration for nearby areas that were socially deprived.
Preparedness Disaster preparedness is a set of measures used by governments, organisations, communities and individuals to better respond to and cope with the immediate aftermath of a disaster. Implementation happens ex-ante to any specific crisis.	The European Union-funded Climate Risk and Early Warning Systems (CREWS) Initiative supports early warning systems in low-income countries and small island developing states to protect lives and livelihoods from the impacts of severe weather. Expertise is contributed by the partners of the World Meteorological Organization, the World Bank Group/Global Facility for Disaster Reduction and

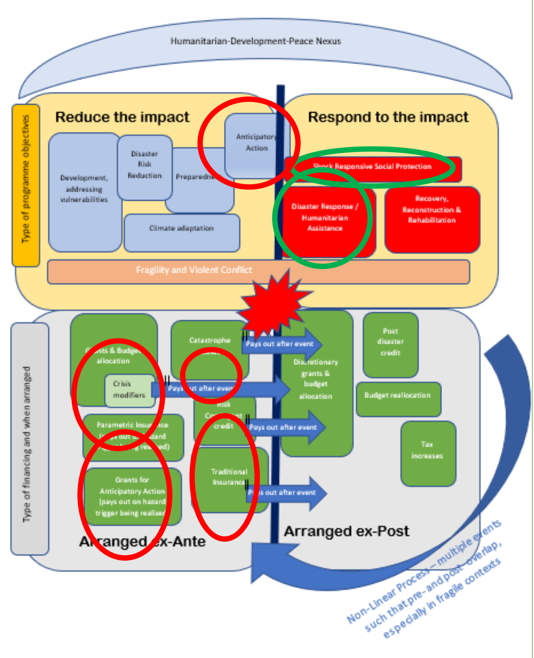
	Recovery, and the UNDRR. The initiative supports 60 countries. One example is a long-term training program for the national hydro-met agency, Mettelsat, in Democratic Republic of the Congo. It is conducted by the African School for Meteorology and Civil Aviation. This has led to the development of a flood early warning system in two watersheds – N'Djili in Kinshasa and Kalamu in the province of Congo Central, improving the lead time for flood warning of 1.5 million people[74].

Pre-arranged, but used ex-post

There is an increasing number of funding instruments being developed to enable faster and more predictable ex-post response, by being pre-arranged, that is, before any individual crisis event.

Fund sources include:

1. domestic government inward investment;
2. grants from bilateral and multilateral donors, multilateral institutions and civil society sources;
3. concessionary loans from governments and international finance institutions;
4. blended finance, where public funds are used to encourage private sector investment by sharing risks; and
5. debt pauses and special drawing rights.



Purpose of fund	Examples
Anticipatory action Anticipatory actions are actions taken in anticipation of a crisis, either before the shock or at least before substantial humanitarian needs have manifested themselves. They are intended to mitigate the impact of the crisis or improve the response. Anticipatory action is a proactive intervention that takes place upon issuance of a warning or activation of a trigger. In this way, it is different to preparedness, which does not require a trigger and response, as the trigger is not dependant on assessing humanitarian impact. Effective anticipatory action requires robust forecasting and triggers/parameters linked to pre-	Oxfam, together with Plan International, Global Parametrics and local partners, implemented the B-Ready Program in Philippines. It provided cash transfers to vulnerable people in advance of a typhoon making landfall. Payments were based on forecasts of the path of the typhoon, and intensity is based on modelling of weather data by Global Parametrics. Payments were enabled by digital transfer, making them fast. Data collected for the modelling was shared with local government units and other stakeholders to enable them to better prepare and make real-time decisions. The Parametric Index used historical data not only about hazards, but vulnerabilities such as communities in poverty and houses made of light materials, among other factors. Data was collected from the community, including their other vulnerabilities such as access to finance and

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agreed financing, along with risk monitoring and analysis, and ground truthing capabilities (OCHA).	resources, income levels and at-risk groups, which was factored into the model. Finally, lessons learnt more broadly from humanitarian action about the importance of protection and safeguarding were incorporated, cognisant of gender-based violence risks, for example.
Development funds with crisis modifier components. Crisis modifiers are pre-arranged funds within a development program that can be used in the event a hazard is realised during the program implementation period. The intention is to protect the development gains made to date.	In November 2015, the UK Department for International Development linked a humanitarian fund, Providing Humanitarian Assistance for Sahel Emergencies, (PHASE) to the multi-year Building Resilience to Climate Extremes and Disasters (BRACED) program. Focused on the Sahel, the crisis modifier was accessed eight times in the first year. Examination of the use of three of these in managing conflict-related displacement in Burkina Faso, flooding in Mali and food insecurity in Niger concluded they were able to "avert or reduce the impact of a crisis on beneficiaries and protect resilience trajectories"[75].
Parametric insurance insures the policyholder against the occurrence of a specific event by paying a set amount based on the magnitude of the event, as opposed to the magnitude of the losses. For example, insurance might be taken out against drought during the germination period of a particular crop. If it is verified that inadequate rain has occurred, then the insurance will pay out immediately, providing a payment in a timelier manner than waiting until a poor harvest led to hunger and the need for humanitarian assistance. The elimination of verifying claims for actual losses incurred speeds the pay out process up dramatically relative to traditional insurance. However, there is a trade-off, as the pay out is based on the event not an assessment of the actual losses. From the insurer's point of view this mitigates against "moral hazard" as there is still an incentive for the policy holder to minimise the risk of loss. There has been criticism over how easy it is to meet the pay out criteria. For example, despite the extensive food crises it is not clear if the World Bank Famine Action Mechanism has made any payments.	A number of these mechanisms now exist, including the African Risk Capacity Replica, InsuResilience, the Global Index Insurance Facility, regional sovereign disaster risk insurance, insurance linked securities/catastrophe bonds and microinsurance models, as well as the World Bank's Famine Action Mechanism and Pandemic Emergency Financing Facility. The African Risk Capacity is a pooled fund from African Union member states to insure against climate risk, utilising Africa RiskView, a satellite weather surveillance system, to determine the magnitude of the parameters. Since 2014, 62 policies have been signed by the member states for cumulative insurance coverage of USD $720 million for the protection of 72 million at-risk populations in participating countries. In June 2022, the African Risk Capacity paid USD $14.2 million to the Malawi Government due to ongoing drought. **Parametric insurance can also operate at the micro level.** One example is ACRE Africa, which offers farmers in Kenya crop insurance plans against adverse weather. Farmers buy a micro-insurance product known as Bima Pima with an initial small premium. This can be topped up via a mobile phone if they wish to increase the level of coverage. ACRE Africa then geo-tags the farm and uses a combination of satellite and weather station data to determine whether there should be a pay out to the

	farmer. If yes, the farmer receives this directly on their mobile account. The pricing model is designed to enable access to the scheme by most farmers, 89% of whom had never accessed insurance services before.
Catastrophe bonds are contingent financing where money is raised through the sale of a bond. The CAT bond allows the issuer to receive funding from the bond only if specific triggers, such as an earthquake, occur. The bond is capitalised by public and private finance. ***These can*** enable countries to better plan for and manage crises by giving confidence that access to a predictable financial pay out will be there when a disaster strikes.	The World Bank operates a Catastrophe Deferred Drawdown (Cat DDO) facility. For example, it issued Catastrophe bonds for Mexico's FONDEN (Fondo de Desastres Naturales). The first bond was issued in 2006, and subsequently renewed and expanded multiple times. In March 2020, the World Bank CAT bonds provided USD $485 million of insurance cover for earthquakes and hurricanes. Mexico pays an insurance premium for the coverage, which the World Bank transfers to the CAT bond investors. The premium is fixed during the life of the bond. The type of events that will trigger a pay out are pre-defined, and not every event results in a pay out.
Regional risk pools These provide parametric insurance cover for groups of countries. The "pools" have joint reserve funds that retain first losses and transfer excess losses to the international reinsurance markets on competitive terms. Pools can encourage the member countries to develop disaster response plans, data infrastructure, risk models, and improved institutional capacity. The benefits of pools can be enhanced by combining different financial instruments to address different needs.	The Caribbean Catastrophe Risk Insurance Facility limits the financial impact of catastrophic hurricanes, earthquakes and excess rainfall events to Caribbean and Central American governments by quickly providing short-term liquidity when a parametric insurance policy is triggered. By coming together, the member governments are able to purchase catastrophe coverage at competitive rates. Formed in 2007 as the first multi-country risk pool in the world, the financial mechanisms have developed with a number of segregated portfolios, allowing for segregation of risk. Since the inception of the facility in 2007, it has made 54 pay outs to 16 member governments on tropical cyclone, earthquake and excess rainfall policies, totalling approximately USD $244.8 million. It was capitalised and continues to be supported through contributions from donors to a multi-donor trust fund.
Traditional indemnity insurance The policy holder pays a premium to an insurance provider who will, in the event of a claim, assess damages and the pay out to be made. This is slower, as payments are only made once an assessment of impact has been made. This can be used in many ways, from covering costs of critical infrastructure to linking with loans taken out for development work.	These have the advantage of meeting actual costs of a crisis event, but can therefore incur expensive premiums and be slow to administer the actual payment; and for frequent events, prohibitively so. An agreement can be made to cap the maximum pay out to reduce premium levels. Countries in Central America, for example, find insurance premiums for volcanic eruptions (infrequent) reasonable, but for tropical storms, which are increasingly frequent and projected to become more so, prohibitively expensive.

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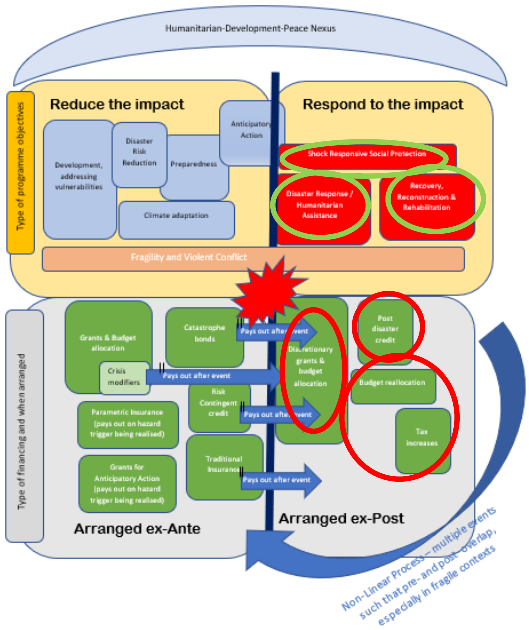
Concessional financing International finance institutions such as the World Bank, the International Monetary Fund (IMF) and regional development banks offer concessional terms for loans, recognising that the impacted country has a reduced ability to meet its normal debt servicing, but is in need of additional funds.	In 2016, the World Bank launched the Global Concessional Financing Facility with the Islamic Development Bank (IsDB) and the UN as a response to the Syrian refugee crisis. It can offer up to USD $500 million in concessional financing. The arrival of large numbers of refugees put a strain on the economies of neighbouring Lebanon and Jordan, in part because their status as middle-income countries prevents them from borrowing from multilateral development banks on concessional terms traditionally reserved for the poorest nations. The GCFF facility provides concessional financing to middle-income countries hosting large numbers of refugees, and now includes Colombia and Ecuador, who host large numbers of Venezuelan migrants and refugees. Donor contributions are used to reduce the cost of borrowing to highly concessional levels on loans for development projects that benefit refugees and host communities. The International Monetary Fund's Rapid Financing Instrument provides prompt financial assistance for low-income member countries facing urgent balance of payments needs (IMF, 2020). (There is a separate non-concessional emergency financing mechanism for other countries.) They temporarily adapted their access limits in response to members' need throughout the COVID-19 pandemic, making available up to USD $250 billion to member governments.
Shock- responsive social protection focuses on shocks that affect a large proportion of the population simultaneously (covariate shocks) by adapting routine social protection systems to increase the number of recipients and/or the amount of support provided to participants of the scheme.	These were implemented extensively during the COVID-19 pandemic, which was estimated to have pushed 100 million people into extreme poverty in 2020. During the 15 months from April 2020 to June 2021, the World Bank Group deployed over USD $157 billion to help governments and the private sector in low-income countries. For example, in Ghana, there were additional cash transfers for one-time payments to 350,000 households. In Pakistan, emergency transfers assisted up to four million people under the national safety net. In Somalia, a USD $65 million grant helped the national cash transfer program provide assistance for families to supplement their income. In 2015, Kenya's Hunger Safety Net Programme delivered support to more than 100,000 additional households in response to drought, and added a special transfer to 200,000 households in anticipation of expected droughts.
Loss and damage A Loss and Damage Fund was agreed at COP27 in 2022. The mechanisms are still under negotiation, but the intention is to	At COP 28, five countries and the EU pledged circa USD $420 million. • United Arab Emirates – USD $100m • Germany – USD $100m

create a new and additional fund recognising that humanitarian and development funds were not designed for addressing the unavoidable loss and damage caused by climate change. At the start of COP 28 in Dubai, five countries plus the EU made pledges to capitalise the fund.	• EU – USD $145m • UK – USD $50m • Canada – USD $11.7m (based on C $16m) • US – USD $17.5m The mechanism to make this fund operational is not yet in place, although it has been agreed the World Bank will serve as the interim host and trustee.
Existing mechanisms of **pausing debt repayments** or **special drawing rights** to aid liquidity to help countries facing non-disaster-related causes, such as economic shocks, can be applied post-disaster. This was done during and post COVID. These do not directly represent additional finance, but help countries manage their economies during a time of crisis.	In 2020, the G20 approved the Debt Service Suspension Initiative to temporarily suspend official bilateral debt payments for 73 low-income countries. Countries may also negotiate bilaterally, for example Pakistan negotiated loan deferring agreements worth USD $3.68 billion with G20 nations. Special Drawing Rights are a global reserve asset created by the IMF that can be issued globally to IMF members. There was a general allocation in 2021, when the IMF approved an allocation equivalent to USD $650 billion to boost global liquidity to help countries respond to the COVID-19 pandemic.

Ex-Post Humanitarian response to acute and protracted situations, as well as early recovery activities where possible. Domestic government spending. This may include use of reserve funds, budget reallocation and increasing tax revenue. Grants, bilateral donors, multilateral institutions, the private sector and civil society sources. Concessionary loans from governments and international finance institutions.	

Purpose of fund	Examples
Humanitarian response This can include a wide range of activities, from the immediate search and rescue stage to meeting immediate life-saving needs such as food, water and health services, to quite long-term services to, for example, refugees in protracted situations. The distinctive element is that a disaster of some form has taken place and there is still a need to meet the basic needs	The UN Central Emergency Response Fund: In 2021, 54 member states contributed USD $638m to be allocated in the event of an emergency. USD $548 million was allocated for humanitarian assistance in 40 countries, providing life-saving assistance and protection for 51.5 million people[76].

of affected people. It is typically reactive, based on events having taken place.	
Early recovery is an approach that addresses recovery needs that arise during the humanitarian phase of an emergency. It seeks to align with development principles and enables people to use the benefits of humanitarian action to seize development opportunities, build resilience, and establish a sustainable process of recovery from crisis. An early recovery approach means focusing on local ownership and strengthening capacities; basing interventions on a thorough understanding of the context to address root causes and vulnerabilities as well as immediate results of crisis; reducing risk, promoting equality and preventing discrimination through adherence to development principles that seek to build on humanitarian programs and catalyse sustainable development opportunities. It aims to generate self-sustaining, nationally owned, resilient processes for post-crisis recovery and to put in place preparedness measures to mitigate the impact of future crises. The Development Initiatives Global Humanitarian Assistance report 2022 noted this was the least funded area of work in an analysis of UN appeals.	The Linking Emergency Assistance and Recovery in North Syria project began in October 2018 in the northeast region of Syria. It is multi-sectoral and aims to enable populations in need to access decent housing, water, hygiene and a quality health system. Established by a consortium of four international NGOs and two local organisations, it is led by Solidarites International. Elements include protection, including safe spaces for women and girls, multi-purpose cash assistance, rehabilitation and repair of housing, improved access to health facilities, drinking water and hygiene awareness.
Concessional repayment and post-disaster credit Where countries have existing loan arrangements with international finance institutions, in the event of a major crisis the repayment terms may be softened, for example by increasing the time available for repayment.	The IMF provided financial support to 53 of 69 eligible low-income countries in 2020 and the first half of 2021 in response to the impacts of the COVID pandemic. About USD $14 billion was disbursed as zero percent interest rate loans from the Poverty Reduction and Growth Trust, mostly through the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) which provide rapid, one-time disbursements to countries facing urgent balance of payments needs. This was enabled through a series of temporary access limit increases to the RCF and RFI, and a temporary increase in the Poverty Reduction and Growth Trust's overall access limits. In addition, 29 countries received debt service relief through the Catastrophe Containment and Relief Trust. This totalled USD $739 million for debt repayments falling due to the IMF between April 2020 and October 2021. This relief created room for these countries to spend on pandemic-related priorities as opposed to debt servicing.

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NOTES

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