STILL TOO IMPORTANT TO FAIL

ADDRESSING THE HUMANITARIAN FINANCING GAP IN AN ERA OF ESCALATING CLIMATE IMPACTS

Seven years ago, a call to action was published ahead of the 2016 World Humanitarian Summit, titled <u>Too Important to Fail</u>. Since then, despite efforts across the humanitarian sector to shrink need, improve delivery, and deepen and broaden resource-bases – including through efforts such as the <u>Grand Bargain</u> – the gap between needs and response has never been wider, with current funding meeting only 50% of need.

The climate emergency is now exacerbating this need, with Oxfam research estimating that the number of people going hungry in climate hotspots has more than doubled in the past six years.

We now stand at a critical moment that calls for inspiration, ambition and action – a moment of shared responsibility to secure a radically better future.

Note: This discussion paper includes contributions from Development Initiatives.

Oxfam Discussion Papers

Oxfam Discussion Papers are written to contribute to public debate and to invite feedback on development and humanitarian policy issues. They are 'work in progress' documents, and do not necessarily constitute final publications or reflect Oxfam policy positions.

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PROBLEM – THE HUMANITARIAN FINANCE GAP IS GROWING AT AN ALARMING RATE

THE PROBLEM

The number of people who need humanitarian assistance increased significantly from 2019 to 2021, rising by 90 million to a total of 306 million. Over the decade to 2021, appeal requirements almost quadrupled from US\$10.5 billion to US\$38.4 billion. In 2013, the shortfall was US\$4.6 billion. By 2022, this had risen to US\$22.2 billion. As a result, on average UN-coordinated appeals have met only 60% of their funding requirements over the past decade (Figure 1).1

WHY IS NEED RISING?

- Increased global conflict. Between 2000 and 2020 the number of conflicts worldwide grew from 38 to 56.² In 2021, there were conflicts in 27 of the 30 countries which required humanitarian response plans.³
- The climate crisis. The humanitarian system is under increasing strain to respond to
 accelerating climate impacts. Funding requirements for extreme weather are eight times
 higher today than they were 20 years ago and between 2017-2022 humanitarian appeals
 lined to extreme weather were only 54% funded, resulting in an estimate US\$28-33 billion
 shortfall.⁴
- Increasingly protracted conflict and crises. In 2021, 36 countries were experiencing protracted crises, with these countries home to 74% of the global total of people in need of humanitarian assistance.⁵
- Expansion of the scope of humanitarian action. As crises are increasingly protracted, humanitarian response is attending to a wider range of needs. The scope and expectations of humanitarian response have expanded.⁶
- A "poly-crisis": At a sub-national, national and systemic level risks are compounding and exacerbating the frequency and severity of crisis. The shocks driving the need for humanitarian assistance are both sudden and slow-onset. 40% of people in need experience a combination of three intersecting dimensions of risk: high-intensity conflict, high levels of socioeconomic fragility and high levels of vulnerability to the climate crisis. Systemic risks such as biodiversity loss also compound and exacerbate the individual impacts of these risks; worsening and prolonging crises.

WHY IS ASSISTANCE FALLING SHORT?

- A static donor base. Public donors typically provide about four-fifths of total international humanitarian assistance (IHA). Of the contributions by public donors, 97% came from just 20 donors in 2021. Over the past five years, the US, Germany, the EU and the UK provided twothirds of all public IHA [see Figure A1, Annex A].
- Unchanging channels of delivery. Despite calls for reform, the humanitarian system defaults
 to settled patterns for the distribution of funding. UN agencies consistently receive more

than half of all public humanitarian assistance, while NGOs typically receive just under a fifth.

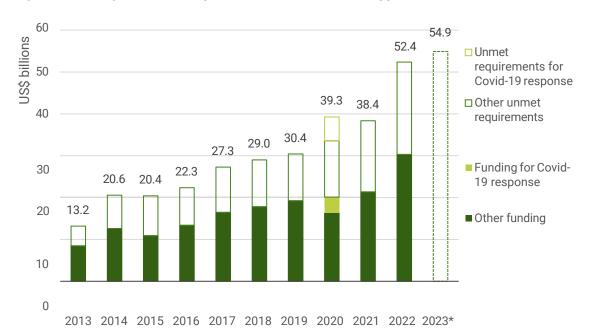


Figure 1: Funding and unmet requirements, UN-coordinated appeals, 2013-2023

Source: Development Initiatives based on UN OCHA FTS, UNHCR and Syria 3RP financial dashboard data.

Notes: Data is in current prices. 2023 data is preliminary in terms of total requirements. Figures for funding and requirements in 2023 to date are not visualised as the data is partial and continuously changing at the time of writing. The percentage of requirements met in 2020 includes all funding, for Covid-19 and other responses, against all requirements in that year. In 2022, appeals increased substantially after crises in Ukraine, Afghanistan and the Horn of Africa.

OUR RESPONSE – WHERE WE ARE SUCCEEDING, WHERE WE CAN DO MORE

IMPROVING DELIVERY

- Localised funding. In 2016, the signatories of the Grand Bargain committed to providing 25% of total humanitarian assistance to local and national actors, as directly as possible. In 2022 and 2023, a caucus on funding for localisation also sought to build momentum around these significant changes in funding practice.⁸ Despite much rhetoric, continued pressure from civil society and commitments to change funding behaviour, local and national actors continue to receive little IHA.⁹ In 2021, just 1.2% of public IHA was received directly by local and national actors. More is channelled indirectly through an international actor and, while transparency is poor, it is widely recognised that indirect funding still falls far short of commitments.¹⁰
- Flexible funding. Efforts to provide significantly more predictable, flexible and unearmarked funding appear to have made mixed progress. Between 2016 and 2020, multi-year funding as a proportion of total assistance provided by a group of leading donors grew from 27% to 41%, though the volumes provided to date are seen by many as not sufficient to be considered transformational.¹¹ UN agencies have reported that over the past seven years the proportion of the unearmarked funding they receive has decreased, from 19% in 2016 to 13% in 2021.¹²
- Scaled-up cash-based programming. Much more funding is being provided in the form of cash and voucher assistance and this can continue to be expanded upon. Between 2017 and

2021, the volume of cash and voucher assistance transferred to recipients grew from US\$3.3 billion to US\$5.3 billion (accounting for 21% of all IHA in 2021).¹³

- Increased financial transparency. Reporting of humanitarian data to International Aid Transparency Initiative (IATI) and UN Office for the Coordination of Humanitarian Affairs' (OCHA) Financial Tracking Service (FTS) has improved in quality and quantity in recent years. 14 However, existing reporting falls short of providing a complete picture of humanitarian financing. Financing from public donors is well-recorded in some respects but little data is available on where and how funding is channelled beyond the first recipient. Beyond public funding from the traditional primarily Development Assistance Committee (DAC) donors, data is largely partial or absent. This includes data on funding provided by non-DAC donors and private donors, and on funding provided as part of domestic responses (government or civil society).
- **Simplified reporting.** Progress has been made on simplified and harmonised reporting for downstream partners, as committed to in the Grand Bargain. A common reporting format has been developed the 8+3 template with 30 signatories reporting that they were using this with their downstream partners in 2021. However, a critical mass to roll out use of the template across the system has not yet been achieved.¹⁵

Figure 2: Localisation – direct and indirect humanitarian funding to local actors, 2018–2021



Source: Development Initiatives based on UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS), and UN Country-Based Pooled Funds (CBPFs).

Notes: Tracking of indirect funding is limited. Localised status of funding recipients determined by UN OCHA and Development Initiatives coding.

SHRINKING THE NEED

- System coordination. Some progress has been made to improve coherence and coordination between humanitarian, development and peacebuilding assistance, for instance through the UN system's focus on a New Way of Working and the agreement of the OECD DAC Nexus recommendation.^{16,17} However, analysis of funding to countries experiencing crisis suggests a continued and growing reliance on humanitarian assistance which seemingly runs counter to the DAC Nexus recommendation of "development where possible and humanitarian only where necessary".¹⁸
- Focus on prevention over reaction. Many shocks that cause humanitarian crises can be predicted. Early action either before a shock occurs or immediately after can be more effective and efficient, and limit losses of life and property. Some steps have been made to provide humanitarian assistance to anticipate predicted shocks, such as support to anticipatory action pilots provided through UN OCHA's Central Emergency Response Fund (CERF) and pre-arranged and anticipatory finance from humanitarian or development sources, provided through insurance linked to parametric triggers, crisis modifiers, or other contingency funds. However, these steps remain small in scale. Analysis on nine disasters, including slow- and rapid-onset events, found that just 2.3% of the total financing from humanitarian and development sources was pre-arranged. [See Figure A2, Annex A]

• Increase access to low-interest loans and grants to those affected. International assistance is only a partial element of the response to a crisis, supporting domestic capacity. By definition, the presence of a humanitarian crisis indicates a domestic response that is severely strained, overwhelmed or non-existent. Given the limited reach of international support, access to additional finance through private or public development lending can be necessary. Highly concessional lending, or grants, are critical; however, debt servicing on loans can further reduce a domestic government's capacity to respond to subsequent or worsening crises.

DEEPENING AND BROADENING THE FUNDING BASE

- Establish an international solidarity levy for funding global public goods including humanitarian need. Before and since being recommended by the 2016 UN Report, we have seen multiple campaigns emerge and advocate for an international solidarity levy: notably the 2009-present Robin Hood Tax campaign for a Financial Transactions Tax and the 2004-present Air Solidarity Levy Campaign for a levy on airline tickets to fund global development initiatives. Whilst we have seen progress in, for example the implementation of air solidarity levies in both Belgium and France, potential still remains to use such financing methods to further deepen and broaden the funding base in years to come.
- Seek new donors, including in the private sector. The number of donors providing assistance remains to be increased, including an ongoing need for the system to better engage and coordinate with non-DAC donors. The share of gross national income (GNI) provided as humanitarian assistance also varies among existing donors. Beyond bilateral donors, international financial institutions (IFIs) have an increasingly important role to play in crisis settings; the World Bank has already developed a range of instruments and tools to provide finance for crisis response and recovery and recently directly funded humanitarian agencies. Mobilising private capital through market-based instruments, such as insurance and bonds, offers an additional source of financing to crisis contexts that could be exploited further.
- Develop new funding tools. Mobilising new sources of financing and using existing finance more efficiently also requires developing appropriate instruments and tools. To adopt these at scale, humanitarian actors will need to change operating models and their approach to project design. Pilots have been undertaken in recent years for instance the International Committee of the Red Cross (ICRC) Humanitarian Impact Bonds. These provide useful learning, however scaling to meet the scope of current need remains an ongoing challenge.²⁰

THE CHALLENGE TODAY – THE CLIMATE CRISIS IS ACCELERATING HUMANITARIAN NEED

PROBLEM

Countries experiencing, or at risk of, climate-related crises are not yet receiving sufficient and coordinated finance to prepare for shocks and to alleviate the worst impacts of crisis when it occurs. This finance should draw on a wide range of sources (including both public finance for adaptation and loss and damage and a range of private finance options) and should be complementary to, aligned with and informed by both national (domestic) responses and the wider climate finance ecosystem; including the agreement at COP27 by the United Nations Framework Convention on Climate Change to address climate-related impacts via a Loss and Damage fund.^{21,22}

Humanitarian organisations recognise the intersection between climate and humanitarian finance flows and have committed to acting to lessen escalating climate impacts.²³

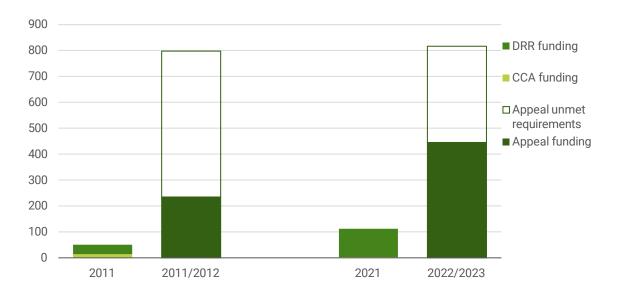
Humanitarian interventions are designed for crises characterised by a 'suddenness' – the overwhelm of a domestic system – rendering it unable to respond. Climate and humanitarian response can intersect in instances including sudden extreme weather events as these are typically classified as Loss & Damage and also generate a humanitarian response.

However, while the boundaries between humanitarian and climate finance do blur, some of their mechanisms remain conceptually distinct. Beyond emergency relief, loss and damage finance covers additional longer-term efforts towards recovery and rehabilitation which go beyond a humanitarian response. For example, support for climate-induced migration or efforts to address non-economic losses through e.g., remembrance of lost cultural artefacts.

CRITICAL FACTORS TO CONSIDER

- Climate-humanitarian coordination is required prior to as well as post-crises. Whilst the intersections between post-crisis Loss & Damage and emergency humanitarian financing are increasingly discussed; we also see climate and humanitarian finance intersect in our anticipatory response. Disaster risk reduction (DRR) and climate change adaptation (CCA) finance both attend to risks related to predictable and preventable climate crises that can drive humanitarian need. At present, we do not see coordination between CCA and DRR financing as complementary, pre-emptive forms of support. As a result, costs are still borne by households, local and national governments and IHA after a crisis occurs.²⁴
- Reporting and transparency will be critical to enhancing coordination. A lack of
 international agreement on where, how, and when climate finance becomes relevant to
 humanitarian need drives a lack of transparency on where funding flows come together and
 how they are coordinated. It also creates confusion over where and how climate finance is
 new and additional to ODA commitments, many of which were often agreed before the
 present scale of the climate crisis came into reality.
- We will need to become 'needs-up' not 'donor-down' to streamline financial flows. Better coherence and coordination require a greater focus on 'collective outcomes' through a collective risk assessment of the most vulnerable places in need of support, and what support they are eligible to receive (whatever form of finance that might be).²⁵ For example, the disparity in funding for countries experiencing protracted crises places an increasing burden on a humanitarian system under pressure, where funding focused on life-saving measures will increasingly be unable to respond to compounding impacts. A comprehensive, coordinated funding package must therefore be driven, informed and owned by the populations that it is seeking to support.

Figure 3: Disaster risk reduction, climate change adaptation and humanitarian financing to Pakistan before and after predictable flooding in 2011 and 2022



Source: Authors' calculations based on OECD DAC CRS and UN OCHA FTS.

Notes: DRR identified by marker (principial only), purpose code, and keyword. CCA identified by marker (principal only).

Figures exclude DRR identified as targeted to Covid-19 for purposes of comparability. Appeal funding and requirements represent combined 2011/12 and 2022/23 multi-year appeals.

WHAT HAPPENS IF WE DON'T ACT?

The humanitarian imperative to provide life-saving assistance should not be compromised, but it requires system change. The failure to mobilise and more effectively deliver both sufficient volumes of funding for humanitarian response will mean money is wasted and needs remain unmet. Addressing this will require having a sufficient appetite for risk and innovation (including failure) — alongside a compelling narrative to communicate the necessity and benefits of change — and to develop new ways of coordinating and financing our humanitarian response.

WHERE DO WE GO FROM HERE?

We need new forms and sources of finance to address the humanitarian financing gap, including more equitable burden-sharing among public and private donors, and shifting to greater ring-fenced, anticipatory finance.

We need structural reform to democratise, decolonise and define the forms of humanitarian need each part of our aid system is set up to serve. The increased focus on reform of the World Bank and International Monetary Fund (IMF) in proposals such as the Bridgetown Agenda present an opportunity to re-imagine their roles in addressing this climate x humanitarian crisis.

We need to become 'needs-up' rather than 'donor-down' - firstly by enhancing transparency through improved data management and public reporting at a country and system level within and between development, humanitarian and climate finance. Secondly, through enhanced coordination across clearly defined climate, humanitarian and development finance both prior to and post crisis. Coordination that covers gaps, avoids duplication and provides comprehensive, localised support in response to intersecting dimensions of risk.

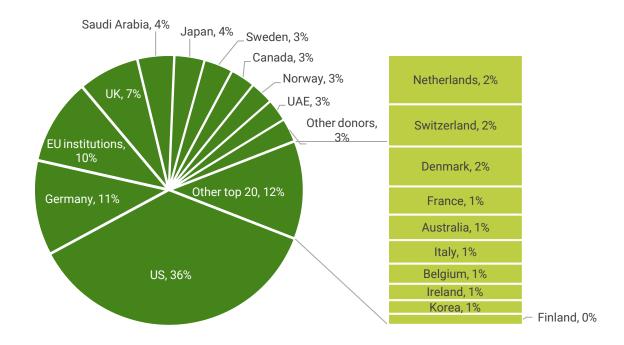
ANNEX A: DEFINITIONS

Term	Definition
Climate finance	Funding from developed counties (referred to as 'Annex 1' countries until the UNFCCC) to developing country parties (referred to as 'Annex 2' countries) that includes a range of activities to prevent, reduce and respond to the impact of the climate crisis:
	Mitigation, where a project contributes to stabilising greenhouse gas concentrations in the atmosphere by promoting efforts to reduce or limit greenhouse gas emissions or enhance greenhouse gas sequestration.
	Adaptation, where a project seeks to reduce the vulnerability of human or natural systems to current and/or expected impacts of the climate crisis.
	Loss & Damage, where a project seeks to address the adverse impacts and harm caused by the climate crisis which cannot be mitigated or adapted to.
Loss & Damage Finance	Funding provided for long-term recovery and rehabilitation in a wide range of areas following negative climate impacts which cannot be mitigated or adapted to. Areas can include – responding to short-term shocks such as natural disasters like flooding, rebuilding economic, physical, social, cultural and environmental assets, systems and activities in alignment with the sustainable development principles; and 'building back better' to avoid/reduce future climate risk.
Humanitarian finance	Funding provided as part of a short-term response to save lives, alleviate suffering, and maintain human dignity in the face of crisis events, including – extreme weather events, famine, disease and conflict.
Disaster risk reduction finance	Funding, mechanisms and strategies aimed at reducing the impacts and vulnerabilities associated with disasters. It includes, for example, funds that support activities which proactively prevent and prepare for predictable crises.
Development finance	Long-term funding to further economic development and broader achievement of the UN Sustainable Development Goals.
High-Level Panel on Humanitarian Financing	Panel of nine experts convened by the UN Secretary General to put forwards recommendations for how to best address the humanitarian financing gap.
Report to the Secretary General, 2016	One output of the report was momentum towards a Grand Bargain, which became an agreement made in 2016 between major donors and aid organisations. The agreement had three sections of recommendations aimed at shrinking the need, improving delivery, and deepening and broadening financing for humanitarian need.
International humanitarian assistance (IHA)	Financial resources that support international humanitarian action. ALNAP defines humanitarian action as "the principled provision of assistance and protection in order to save lives, prevent and reduce suffering and preserve people's dignity in crises arising from armed conflict, hazards and other causes. Humanitarian action is international when these activities involve resources (financial, technical or in-kind) provided by sources in one country to respond to a crisis in another. International humanitarian action excludes responses that are fully resourced within the country experiencing the crisis, which fall within the domain of domestic crisis management."
Protracted crisis countries	Protracted crisis countries include countries with five or more consecutive years of UN-coordinated appeals, as of the year of analysis. The types of appeals and response plans used to determine this

	classification are outlined in 'UN-coordinated appeals'. We have chosen this approach to give an indication of the countries that have consistently, for a number of years, experienced humanitarian needs at a scale that requires an international humanitarian response. Those needs can be limited to specific geographical regions or populations (such as forcibly displaced people).
UN-coordinated appeals	A generic term to describe all humanitarian response plans and appeals wholly or jointly coordinated by UN OCHA or UNHCR, including strategic response plans, humanitarian response plans, flash appeals, joint response plans and regional refugee response plans. We use data from UN OCHA FTS and UNHCR for our financial analysis of UN-coordinated appeals.

ANNEX B

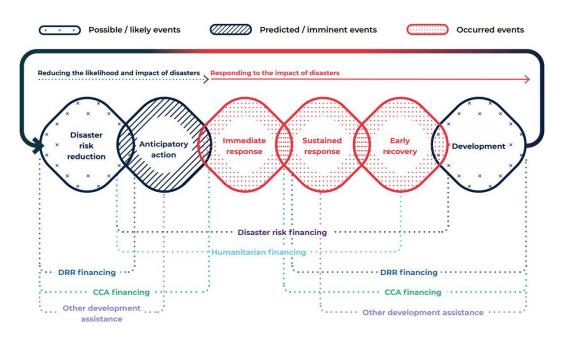
Figure A1: Top humanitarian donors by share, 2018-2022



Source: Authors' calculations based on OECD DAC, UN OCHA FTS, and UN CBPFs.

Notes: 2022 data is preliminary. Türkiye is not included because the humanitarian assistance it voluntarily reports to the DAC is largely expenditure on hosting Syrian refugees within Türkiye, and so not strictly comparable with the international humanitarian assistance from other donors in this figure.

Figure A2: The financing landscape



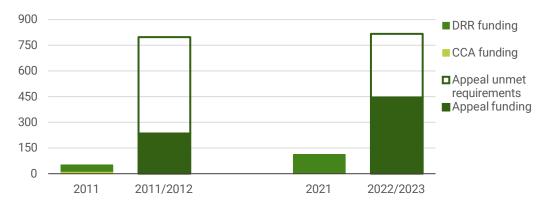
Source: Figure taken from International Federation of Red Cross and Red Crescent Societies, 2022. "Where it matters most: Smart climate financing for the hardest hit people". Image © IFRC, Geneva, 2022.

ANNEX C: CASE STUDY

SUDDEN-ONSET CRISIS: PAKISTAN FLOODING

In 2022, flooding in Pakistan impacted 33 million people, left over 1,700 people dead and required almost US\$1 billion in humanitarian assistance. The 2022 floods were not an unprecedented crisis, as Pakistan experienced similar flooding just ten years earlier, which affected 20 million people and generated a similar amount of humanitarian funding requirements.²⁷

Figure C1: Disaster risk reduction, climate change adaptation and humanitarian financing to Pakistan before and after flooding, 2011 and 2022



Source: Authors' calculations based on OECD DAC CRS and UN OCHA FTS.

Notes: DRR identified by marker (principial only), purpose code, and keyword. CCA identified by marker (principal only). Figures exclude DRR identified as targeted to Covid-19 for purposes of comparability. Appeal funding and requirements represent combined 2011/12 and 2022/23 multi-year appeals.

Insufficient coordination between humanitarian, development, and climate finance. The humanitarian response to the previous floods illustrates cycles of vulnerability and crisis driven by the climate crisis. In Pakistan, development funding has been insufficient to build resilience which in turn has increased the strain on humanitarian assistance. Climate change adaptation and disaster risk reduction finance has been concentrated into a few large projects, limiting their reach and leaving communities vulnerable to impacts at the household level.

Inadequate structural reform to mitigate national debt-burden. Pakistan had a heavy debt burden ahead of the floods in 2022, and repayments in 2022 accounted for US\$13.6 billion, limiting the levels to which the national government could respond to the disaster despite the existence of disaster management coordination authorities. In 2021, the US\$11.9 billion debt servicing accounted for 32% of government revenue. The 2010–2011 floods led to an estimated US\$20–40 billion in additional and unexpected borrowing to cope with the crisis, increasing the pressure on the government when responding to the crisis in 2022.²⁸

The unmet humanitarian need exacerbates longer-term Loss & Damage costs. The lack of funding — which is often slow to arrive and is targeted at immediate, life-saving activities — demonstrates the shortcomings of humanitarian assistance in responding to increasingly frequent and severe climate impacts. The humanitarian system is ill-equipped to deal with this changed context. Current funding for climate impacts, including bilateral and multilateral humanitarian and development ODA has not followed a consistent, sequential or coordinated pattern of activities, nor has it had the right level of involvement from local actors to ensure it is effectively targeted. Climate-vulnerable communities are at risk of losing development gains and falling into cycles of crisis if they are not adequately supported to recover and rebuild post-disaster. These cycles of crisis will draw on an already overburdened humanitarian system and debt-laden domestic governments, increasing the gap in response already faced by the world's most vulnerable, including those in Pakistan.

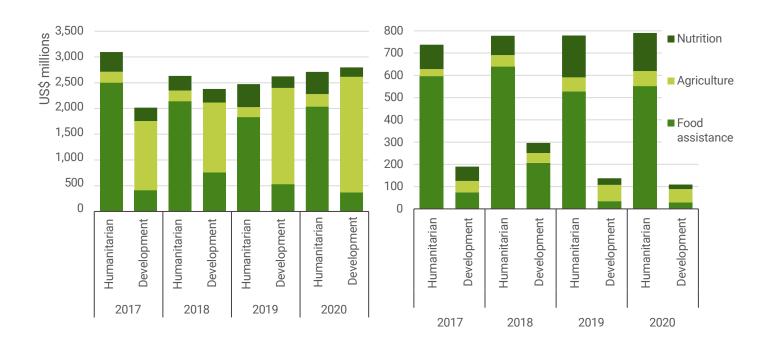
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<u>Addressing climate drive crisis in Pakistan</u>. For any use or reproduction, please contact
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ANNEX D: CASE STUDY

SLOW-ONSET CRISIS: SOUTH SUDAN AND FOOD SECURITY

After years of consecutive flooding and severe drought, South Sudan is experiencing the most severe food insecurity in the world, with at least 7.7 million people facing acute malnutrition or starvation. Last year was the fifth year of severe food insecurity in the country, impacting over half (54%) of its total population of 14.3 million people. Yet the same period saw a decrease in food sector funding by over a third (38%).

Figures B1 and B2: Horn of Africa region and South Sudan food sector humanitarian and development funding, 2017–2020



Source: Development Initiatives based on UN OCHA FTS, OECD DAC CRS and UN CBPFs.

Notes: Development funding data only available up to 2020.

Poor coordination between humanitarian, development and climate finance systems

While development food sector spending in the Horn of Africa region has increased since 2017, comprising half (51%) of all food sector spending, South Sudan has not seen similar investments. There, development food sector spending has fallen to just 12% of overall food sector funding (US\$109 million of US\$900 million) and the vast majority of food sector funding is for food assistance. The persistent severity of food security in South Sudan suggests that resilience-building activities are in some way insufficient — whether that be in size and form — to mitigate the worst effects of a crisis, effects which may be felt less keenly in another, more prepared context. Moreover, local and national actors are still excluded from critical processes, decision-making and access to funding. This is despite the demonstrated impact of local actors in areas largely cut off from humanitarian assistance by conflict. Humanitarian projects often offer some funding toward recovery and resilience-building, however it is often short term and specifically targeted. Coordination between different sources and types of funding across cycles of crisis, from response, through recovery to resilience building, is imperative in mitigating the worst effects of crisis.

This case study summary was adapted from the CAFOD and Development Initiatives report <u>Food Insecurity in South Sudan: Financing to Local Actors</u>. For any use or reproduction, please contact Development Initiatives [erica.mason@devinit.org]

NOTES

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- ⁹ Faced with this emergency, a growing number of humanitarian organisations have decided to act as illustrated by the Climate and Environment Charter for Humanitarian Organisations, initiated by the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies, and the Statement of Commitment on Climate by Humanitarian Organisations. https://www.urd.org/en/publication/statement-of-commitment-on-climate-by-humanitarian-organisations- 2020 and https://www.climate-charter.org/
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- ²³ Faced with this emergency, a growing number of humanitarian organisations have decided to act as illustrated by the Climate and Environment Charter for Humanitarian Organisations, initiated by the International Committee of the Red Cross and the International Federation of Red Cross and Red Crescent Societies, and the Statement of Commitment on Climate by Humanitarian Organisations. See: https://www.urd.org/en/publication/statement-of-commitment-on-climate-by-humanitarian-organisations-2020/ and https://www.climate-charter.org/ (Accessed 05/05/2023)
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- ²⁶ ALNAP, 2022. State of the Humanitarian System report 2022, page 26. Available at: https://sohs.alnap.org/sites/alnap/files/content/attachments/2022-10-02/alnap-2022-sohs-report.pdf
- ²⁷ Hensen, B, 30 August 2022. Cruel echoes of a 2010 disaster in Pakistan's catastrophic 2022 floods. Yale Climate Connections. Available at: https://yaleclimateconnections.org/2022/08/cruel-echoes-of-a-2010-disaster-in-pakistans-catastrophic-2022-floods/ (Accessed 05/05/2023)
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