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Social Spending Monitor Series: Policy Brief 4

Financing Social Services in Humanitarian Settings

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The Social Spending Publication Series is a joint collaboration between the UNICEF Social Policy and Social Protection Team (SPSP), Programme Group, UNICEF Innocenti – Global Office of Research and Foresight (GoRAF); and the Office of Emergency Programmes (EMOPS).

This policy brief has been peer reviewed internally within UNICEF.

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The analysis for this brief was finalized in October 2023

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Abbreviations and acronyms

CBPF	Country-Based Pooled Funds (United Nations managed)
CCC	Core Commitments for Children
CERF	Central Emergency Response Fund (United Nations managed)
CVA	cash and voucher assistance
DAC	Development Assistance Committee (OECD)
FCS	Fragile and Conflict-Affected States (World Bank classification)
FTS	Financial Tracking Service (OCHA)
GDP	gross domestic product
HCT	humanitarian cash transfers
IASC	Inter-Agency Standing Committee
ICRC	International Committee of the Red Cross
IFRC	International Federation and Red Cross and Red Crescent Societies
ICVA	International Council of Voluntary Agencies
IMF	International Monetary Fund
IDA	International Development Association
LIC	low-income country
LMIC	lower-middle-income country
MDB	multilateral development banks
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
RCCC	Red Cross Climate Center
SDG	Sustainable Development Goal
UN	United Nations
UNICEF	United Nations Children's Emergency Fund
WASH	water, sanitation and hygiene
WDI	World Development Indicators (World Bank)
WFP	World Food Programme
WHO	World Health Organization

Key messages

The frequency, duration and complexity of humanitarian crises has multiplied in recent years. Since 2020, the world has seen a series of shocks amounting to a polycrisis, with the physical, social and economic impacts of conflict, climate change and natural disasters, and COVID-19, leaving an estimated 363 million people in need of humanitarian assistance (OCHA, August 2023). A disproportionate number (110 million or 40 per cent) of those affected are children (UNICEF, 2023).

Despite the growing need, the provision of effective humanitarian assistance is threatened by significant funding shortfalls, putting intense pressure on host governments and the international community to provide an effective response. For governments in many low- and middle-income countries this adds to existing fiscal pressures, potentially crowding out critical spending on social sectors and hindering the provision of social services to displaced populations. While government spending data in humanitarian contexts remains limited, this brief aims to provide some insight on the scale of this challenge, with an overview of the financing of social services (focusing on health, education and social protection) in humanitarian settings.

The analysis presented here highlights how humanitarian crises are increasingly concentrated in the poorest countries. Of the 10 countries[1] most affected by humanitarian crises, 7 are low-income countries (LICs),[2] and 6 are in, or at high risk of, debt distress.[3] In all 10 countries facing the greatest need, humanitarian requirements for health, education and social protection most often outweigh total government spending on the sector. This level of underfunding not only affects the life chances of children today – it has wider implications for recovery from, and prevention of, future crises.

While governments are primarily responsible for providing an adequate humanitarian response, **underfunding and lack of preparedness continues to affect social sectors in emergencies, with health, education and social protection sectors all** requiring increased funds to meet growing needs.

1 Afghanistan, Ethiopia, Democratic Republic of the Congo, Myanmar, Pakistan, South Sudan, Sudan, Syrian Arab Republic, Ukraine and Yemen.

2 Afghanistan, Democratic Republic of the Congo, Ethiopia, South Sudan, Sudan, Syrian Arab Republic and Yemen.

3 Afghanistan, Ethiopia, Pakistan, South Sudan, Sudan and Ukraine.

Key messages (continued)

Although humanitarian aid has increased marginally in recent years, there is still a significant financing gap. Only 57 per cent of the humanitarian aid requested through the UN-coordinated appeals was raised last year. In 17 out of the 28 countries with Humanitarian Response Plans, pledged funding met less than 50 per cent of assessed needs. This year, the gap is predicted to be as large, with only 25 per cent of the total funding required in 2023 received as of July (OCHA, August 2023). And, despite recommendations of the United Nations High-Level Panel on Humanitarian Financing for a greater focus on preparedness and resilience, 93 per cent of humanitarian aid continues to go to emergency response, with 4.5 per cent going to disaster prevention and just 1.9 per cent to reconstruction, relief and rehabilitation (OECD DAC, 2023).

It is evident that more sustainable solutions to financing social spending in humanitarian emergencies are required. These should include:

- Ensuring that sufficient flexible humanitarian finance is available to social sectors to most effectively address the pressing needs in low-and middle-income countries – with a greater proportion of humanitarian official development assistance (ODA), climate finance and development lending going towards preparedness and resilience, in order to allow governments to provide quality social services in emergencies.
- Ongoing harmonization of donor support, prioritizing access to government social services for those in affected countries. This may include integrating humanitarian, development and climate finance at institutional level to ensure better coordination and long-term financing, and greater use of pooled and unearmarked funds. It also involves exploring efficient ways to harmonize financing at sector level: aligning humanitarian cash transfers within existing social protection systems, and better support for displaced children within local health and education systems.

  With ever growing levels of unmet humanitarian need for social spending, especially in the education and health sectors, more detailed analysis of both the level of requested support, and the impact of the funding gap is required. In particular, greater progress on tracking humanitarian cash transfers (HCTs) is required in order to improve transparency and accountability of humanitarian reporting at both global and country levels.
- Greater support to governments in low- and middle-income countries to strengthen their public finance systems is essential to improve their capacity to assess, prepare and respond to shocks. This should include prioritizing investments in preparedness and contingency plans as essential pillars of programming, as well as more equitable access to global insurance and risk-finance markets, in order to allow governments to establish affordable pre-arranged financing mechanisms for humanitarian response.

1. The context: Humanitarian need is increasing

The number of people assessed to be in need of humanitarian assistance has quadrupled over the past decade – increasing from 61 million in 2012 to 274 million in 2022. In 2023, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) estimated that the number of people in need would rise to 363 million people globally, or 4 in every 100 persons (OCHA August 2023).[4] Of these, a disproportionate number are children. Despite making up just 25 per cent of the global population, children make up almost 50 per cent of the population in need of humanitarian assistance, and it is estimated that at least 90 million children are currently in need of humanitarian assistance (Development Initiatives 2023). Due to the increasingly protracted nature of many emergencies, many children affected will spend their entire childhoods displaced (UNICEF data, updated June 2023).

Box 1: The humanitarian landscape: Conflict and climate

A **humanitarian setting** is a broad term that covers countries affected by conflict, climate and natural disasters, where crises or emergency situations threaten the lives and well-being of large numbers of a population and require extraordinary actions to ensure their survival, care and protection.[5]

UNICEF defines a **humanitarian crisis** as a "serious disruption of the functioning of a community or a society involving widespread human, material, economic or environmental losses and impacts that exceeds the ability of the affected community or society to cope using its own resources and, therefore, requires urgent action."[6]

Many low-and middle-income countries are ill-prepared for emergencies. Others are already in a **state of fragility**, meaning that there is insufficient coping capacity of the state, system and/or communities to manage, absorb or mitigate risks. These are countries with high levels of institutional and social fragility, identified based on indicators that measure the quality of policy and institutions, and manifestations of fragility.[7] Economic downturns and the COVID-19 crisis have further exacerbated fragility in many countries.

4 Other sources put this number even higher: Development Initiatives estimates that estimates that 404.3 million people were in need in 2023 (Development Initiatives, 2023).

5 CCC | SCOPE | Humanitarian UNICEF

6 CCC | GLOSSSARY | Humanitarian UNICEF

7 https://www.corecommitments.unicef.org/ccc-1-1 (quoted from para on role of the state).

Box 1: The humanitarian landscape: Conflict and climate (continued)

The **global humanitarian landscape** is characterized by four main types of emergencies:

i. complex/protracted crises,
ii. sudden-onset or slow-onset disasters,
iii. public health emergencies, and
iv. large scale refugee and migration crises.

Informed by the Inter-Agency Standing Committee (IASC) classifications, UNICEF and the United Nations System use categorizations of Level 2 and Level 3 emergencies, which are decided based on scale, urgency, complexity, and capacity of a regional office and its respective country offices affected by the crisis. Currently, there are 12 Level 2 and Level 3 emergencies, and the list is updated periodically.[8]

There are other existing classifications of countries in humanitarian and fragile contexts. For example, the World Bank issues periodic updates of Fragile and Conflict-Affected States (FCS). As of January 2023, there were 29 countries classified as FCS, in addition to 8 Small Island Developing States (SIDS), which is a total of 37 countries in the 7 UNICEF regions.

Humanitarian action encompasses preparedness, response and recovery, and includes interventions aimed at saving lives and protecting rights in all crises (sudden-onset or protracted emergencies, natural disasters, public health emergencies, or complex emergencies such as international or internal armed conflicts, and other related crises), irrespective of the gross national income level of a country, or legal status of the affected populations. Given the vulnerabilities facing children, it is critical to ensure that they are at the centre of any humanitarian action. UNICEF's Core Commitments for Children (CCCs) set organizational, programmatic, and operational commitments and benchmarks against which UNICEF holds itself accountable for the coverage, quality and equity of its humanitarian action and advocacy.

As per UNICEF's CCCs, states and governments in humanitarian and fragile contexts remain the primary duty bearers for the respect, promotion and realization of children's rights, including through mobilization of domestic and international resources and use of national systems and capacities. UNICEF contributes to these efforts by mobilizing national and international resources through its technical expertise, coordination and advocacy. UNICEF also engages with governments in the planning and budgeting of resources for humanitarian response.

8 Countries currently coming under these categories may be found here: https://www.corecommitments.unicef.org/level-3-and-level-2-emergencies

In recent years, the world has been buffeted by a series of shocks amounting to a polycrisis. Following close on the heels of the global COVID-19 pandemic, new and ongoing conflicts, including the war in Ukraine, have led to the worst global energy crisis since the 1970s. This has prompted spiralling global inflation, a record global debt burden, and increasing food insecurity – with a record number of people predicted to go hungry in 2023 (OCHA, 2023; UNICEF-Innocenti, 2023). These trends have serious and long-lasting effects on children: in 2022 it is estimated that at least 148.1 million children were stunted and 45.0 million children were wasted due to lack of access to adequate nutrition (UNICEF, WHO, World Bank data, updated May 2023).

These shocks have hit countries already facing the consequences of an intensified climate crisis, with more frequent and extreme weather events such cyclones and drought intensifying the effects of natural disasters. Last year, at least 153 million people were estimated to need humanitarian assistance as a result of climate change (Development Initiatives 2022) – about 56 per cent of the total number in need. UNICEF argues that the climate crisis is also a child rights crisis, infringing on health, education and social protection services (UNICEF, 2021).

The increasing number of people in need of humanitarian assistance is characterized by two further trends that have implications for social service financing and provision in low- and middle-income countries. First, at least 50 per cent of humanitarian situations are now protracted crises – defined as lasting for more than 5 years – with no end in sight for the affected people (Development Initiatives 2023). In 2022, it is estimated that around 43.3 million children were displaced by conflict and violence, including 17.5 million child refugees and asylum seekers (UNICEF data, 2023). For children living in situations of protracted conflict, long-term needs and life chances are affected by lack of access to basic services. These conditions are blurring the boundaries between traditional humanitarian and development actors and affecting the modalities for providing support for children growing up in crisis contexts.

Second, low- and middle-income countries now host over 75 per cent of all people who are displaced (UNHCR 2022); with more people in need of humanitarian assistance seeking shelter in their own country than elsewhere – 60 per cent of all displaced people are now internally displaced (UNHCR, 2022). Displaced populations are more likely to seek refuge in urban environments than in refugee camps, with over 60 per cent of refugees and over 50 per cent of internally displaced people now living in towns and cities (IIED, 2020). This places a greater pressure on governments and local authorities in low-and middle-income countries to provide equitable access to public social services for displaced populations within their borders.

These trends highlight the need for more sustainable long-term financing of humanitarian assistance. Governments bear a significant proportion of the costs caused by disasters, and establishing pre-arranged financing mechanisms for scaling up existing government programmes in the event of a crisis is important for providing sustainable and adaptive social spending for children and families. Children in need of humanitarian assistance are particularly vulnerable given their time-sensitive needs for education and health, as well as social protection. Therefore, it is essential that humanitarian assistance addresses not only immediate needs but also contributes to system strengthening.

Despite the growing need, the provision of effective humanitarian assistance is threatened by significant funding shortfalls, putting intense pressure on host governments and the international community to provide effective responses. For governments in low- and middle-income countries, this adds to already challenging fiscal pressures, potentially limiting critical spending on social sectors in contexts in which social spending remains below Sustainable Development Goal (SDG) targets (UNICEF Social Spending Monitor #2, 2022).

This policy brief provides an overview of the financing of social services (health, education and social protection) in humanitarian settings in the 10 countries most affected in 2022, highlights the shortfalls across sectors, and provides recommendations on how best to support sustainable social spending in humanitarian settings. First, it provides an overview of global trends in humanitarian ODA, and the current financing tools and modalities accessible to recipient countries.

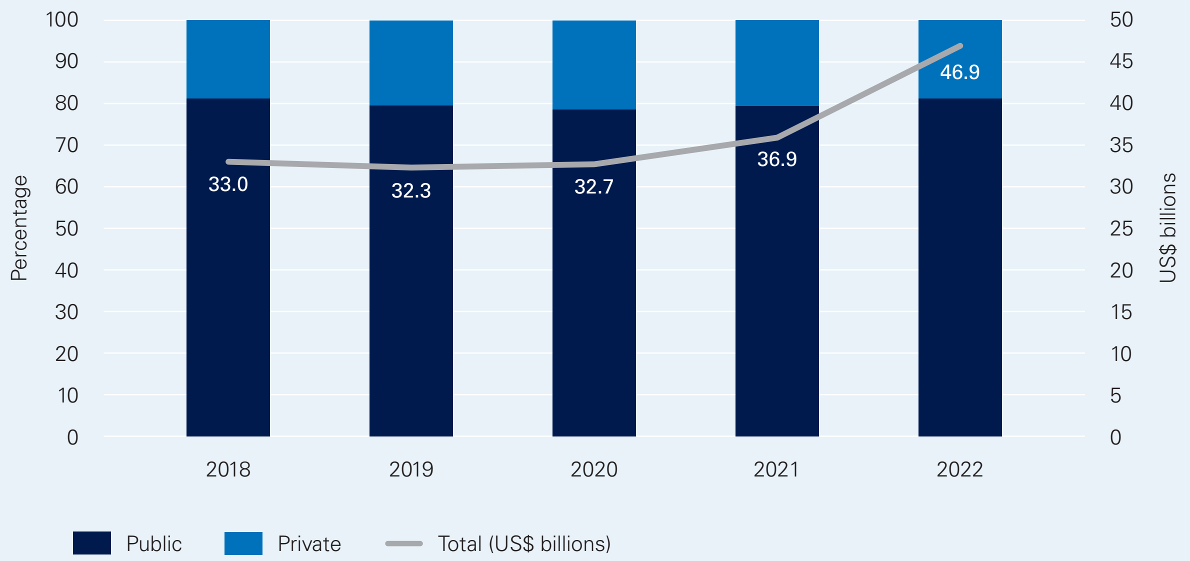
The analysis focuses on key social sectors in the countries that are the most in need, and the extent to which the humanitarian financing gap outweighs current government spending on health, education and social protection in severe crises. In the face of the significant shortfalls, the brief outlines the extent to which climate finance might help fill the financing gap in social sectors in humanitarian crises. The findings presented are based on the most recent data from a range of secondary sources, including OECD DAC (ODA and climate finance); OCHA Financial Tracking Service (FTS) (the humanitarian financing gap); Development Initiatives (aid modalities); World Development Indicators (expenditure and population); and the International Monetary Fund (IMF) World Economic Outlook (public finance). The brief also explores recent global compacts aimed at reform of the international aid architecture, and assesses the progress made so far; and concludes with policy recommendations on financing and delivery options that might improve the harmonization of aid for more sustainable social spending in low- and middle-income countries.

2. The humanitarian financing landscape

Total humanitarian assistance reached 46.9 billion in 2022 (Development Initiatives, 2023). This was up by 27 per cent from 2021, driven largely by the response to the conflict in Ukraine, and increased spending on hosting refugees in countries (Development Initiatives, 2023; OECD DAC, 2023). A large proportion of humanitarian assistance (about 80 per cent) came from public sources (as ODA) and around 20 per cent (US$8.8 billion) from private donors (Development Initiatives 2023). This proportion has remained roughly the same over the past five years (*Figure 1*).

Over two thirds of humanitarian aid from private sources comes from individuals, and these private funds primarily (around 80 per cent) go directly to non-governmental organizations (NGOs), with much of the remainder going to United Nations organizations. In contrast, around 50 per cent humanitarian aid from public sources (governments and European Union institutions) is channelled through multilateral organizations (the United Nations and the multilateral development banks (MDBs) (Development Initiatives, 2023).

Figure 1. Total humanitarian assistance (US$ billions) from public and private sources (%), 2018–2022

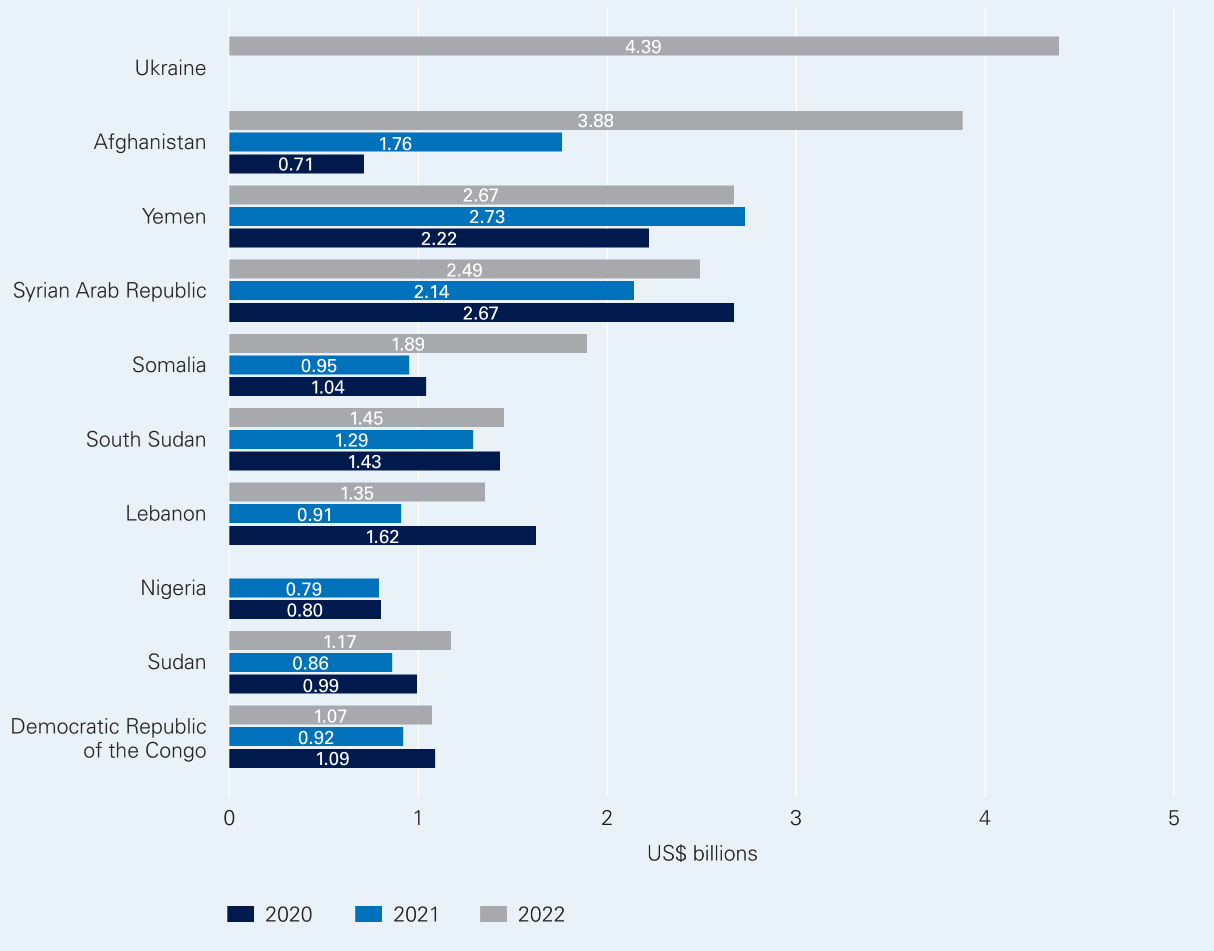


Source: Development Initiatives, 2023.

2.1 Humanitarian aid from public sources

ODA to the humanitarian sector has been rising steadily over the past decade, though slowly in comparison to the demand (*Figure 2*). While total ODA rose to US$204.0 billion in 2022, a rise of 13.6 per cent in real terms on the 2021 level, the proportion reported as humanitarian aid (US$22.3 billion) rose by just 1 per cent on 2021 levels (OECD DAC, 2023).[9] Of this aid, US$1.8 billion (8 per cent of net humanitarian ODA) went to Ukraine (OECD DAC, 2023). Once finance from other sources is added, it is calculated that Ukraine received a total of US$4.39 billion in humanitarian aid, making it the top recipient of aid in 2022 (Development Initiatives 2023).

Figure 2. Top 10 recipients of humanitarian assistance (US$ billions), 2020–2022



Note: Missing bars for signify the country was not one of the top 10 recipient countries that year.
Source: Development Initiatives, 2023.

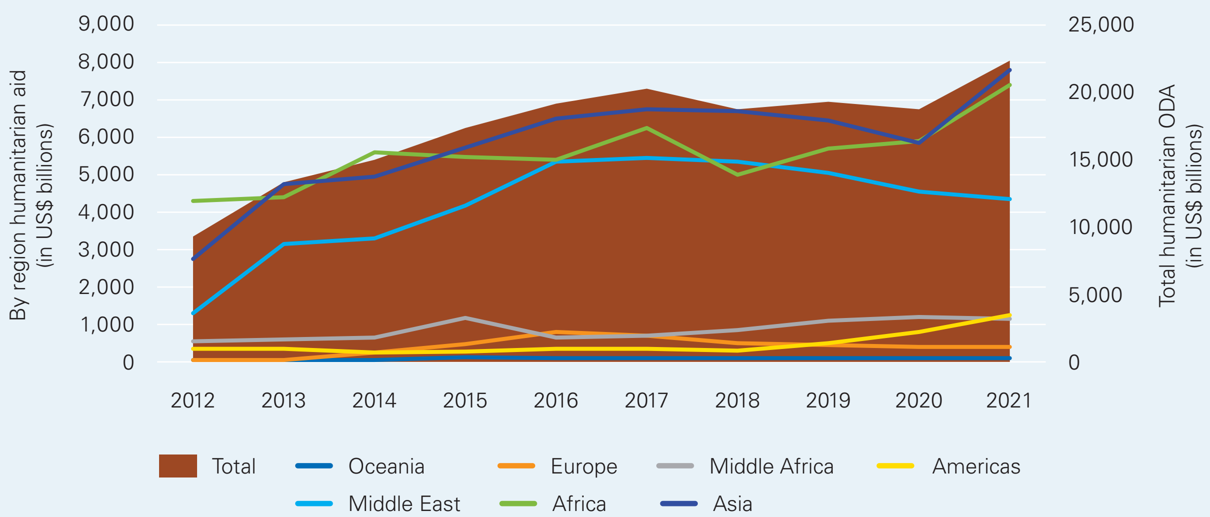
9 Total humanitarian ODA to developing countries includes grants; loans, debt relief and contributions to multilateral organisations, and may include the costs of hosting and processing refugees in donor countries (OECD DAC, 2023).

Yemen, Syrian Arab Republic and Afghanistan, the top three recipients of humanitarian aid in 2021, all received over US$2 billion in humanitarian assistance in 2022. Aid to Afghanistan also increased sharply in 2022 – more than doubling from US$1.76 billion in 2021 to US$3.88 billion in 2022. There was a similar increase in aid to Somalia, which went from US$0.95 billion in 2021 to US$1.89 billion in 2022 (*Figure 2*).

OECD DAC donors contributed over 60 per cent of ODA to the humanitarian system in 2022 (US$26 billion) with governments making up the remaining proportion of aid from public sources (US$1.6 billion in aid). The United States, Turkey, Germany, European Union and Japan were the top humanitarian donors in 2022, with Turkey's contribution going almost entirely towards hosting Syrian refugees in the country (Development Initiatives, 2023).[10]

ODA figures from 2021 highlight the extent to which the aid to Ukraine has skewed historical distribution. By region, the proportion of aid going to the poorest regions has risen sharply over the past decade, although Asia has recently overtaken Africa as the recipient of the largest volume of aid (*Figure 3*). Low-income countries received by far the most humanitarian assistance during the past decade. In 2021, low-income countries received an average of US$332.8 million per country; lower-middle income countries received on average US$60.9 million, and upper-middle income countries received on average US$35.1 million per country (*Figure 4*).

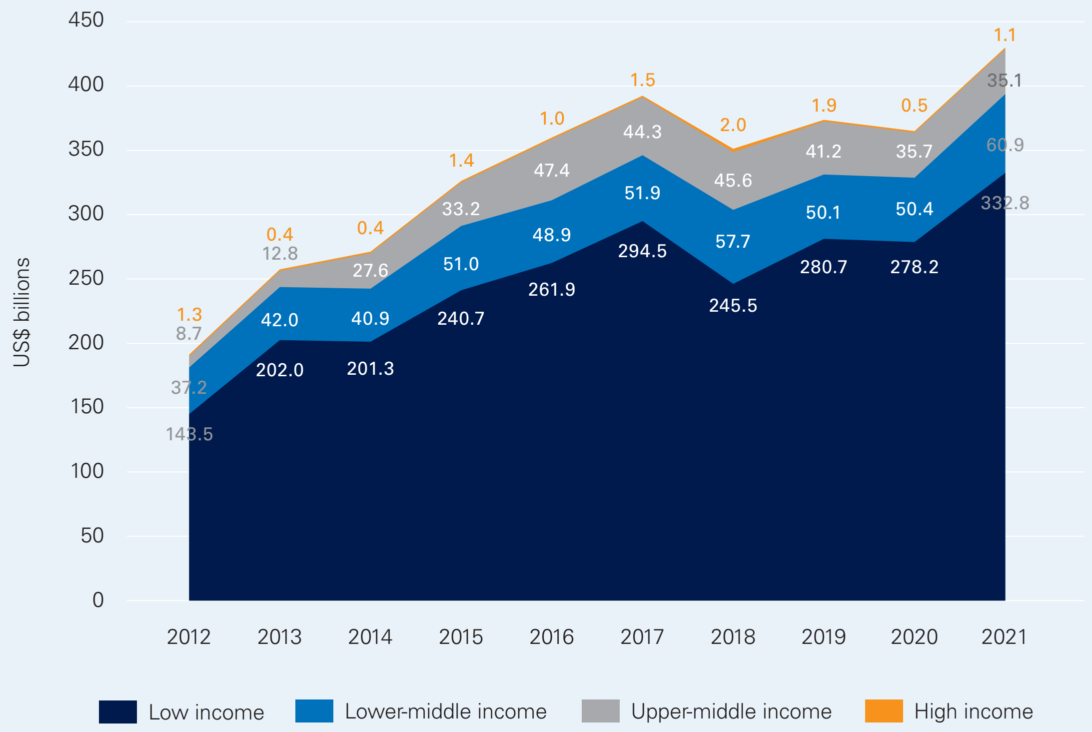
Figure 3. Humanitarian ODA (US$ billions) by region and total, 2012–2021



Source: OECD DAC database, updated June 2023.

10 Data on in-donor refugee costs are not necessarily comparable due to variation in reporting practices. For more information see OECD DAC, updated 2023.

Figure 4. Average humanitarian aid (US$ millions) received per country by income group, 2012–2021



Source: OECD DAC database, updated June 2023.

2.2 Financing modalities

Over 50 per cent of all humanitarian assistance from public donors is channelled through multilateral organizations (*Table 1*). The majority of this is channelled through UN-coordinated appeals, which in 2022 received US $29.6 billion towards appeal requirements (OCHA FTS). The UN-coordinated appeals are directed towards large-scale emergencies: more than 80 per cent of funding for the 10 largest recipients of humanitarian aid was channelled through UN appeals in 2021 (Development Initiatives 2022). Other humanitarian assistance is directed in large part to NGOs (US$6.5 billion), pooled funds (US$2.3 billion), International Federation and Red Cross and Red Crescent Societies (IFRC) (US$2.4 billion), and other sources (Development Initiatives 2023). Table 1 shows the breakdown in channels of delivery in 2022.

In recent years, a greater proportion of aid has gone into pooled funds in an effort to improve aid coordination. The two main UN-managed pooled funds are the Central Emergency Response Fund (CERF), which covers emergencies globally, and Country-Based Pooled Funds (CBPF), which pools funds for crises in specific countries (*Box 2*). In 2022, US$1.92 billion went into the pooled funds managed by OCHA, with CERF receiving US$703 million and CBPF US$1.22 billion (Development Initiatives 2023).

Despite the pledges of the 2016 Grand Bargain 2.0 to channel more funding through local and national actors, the proportion of humanitarian assistance channelled through local and national actors has fallen from 2.9 per cent in 2017 to 2.1 per cent in 2022 (Development Initiatives 2023). Note that this includes both direct and indirect funding. The proportion channelled through national governments is even smaller: in 2022, just US$376.4 million (0.8 per cent) was channelled through national governments (Development Initiatives 2023).

Table 1. Delivery channels for international humanitarian assistance (US$ billions) from public donors, 2022

Delivery channel	2022 (US$ billions)
Multilateral organizations	22.8
NGOs	6.5
IFRC	2.4
Pooled funds	2.3
Not reported	1.2
Public sector	0.8
Other	1.3
Total	**37.3**

Source: Development Initiatives, 2023.

Box 2. United Nations pooled funds: Central Emergency Response Fund and Country-Based Pooled Funds

There are two types of pooled funds managed by OCHA:

- Central Emergency Response Fund (CERF), which can cover emergencies anywhere in the world, and
- Country-Based Pooled Fund (CBPF), which covers crises in specific countries.

CERF is designed as an earmarked pooled fund that can respond quickly to unanticipated emergencies and support critical action when existing earmarked funds are insufficient. CERF has a US$1 billion annual funding target. It received contributions amounting to US$558.6 million in 2023.

CBPF allows donors to pool their contributions into unearmarked funds to support humanitarian partners in a crisis-affected country. This allows for the delivery of coordinated assistance and supports country priorities set out in Humanitarian Response Plans to respond to local priorities. CBPF received US $1.34 billion in 2022. The countries that received the most funding that year were Ukraine (US$327 million) and Afghanistan (US$275 million) followed by Syrian Arab Republic (US$118 million).

Source: https://fts.unocha.org/pooled-funds/overview/summary/2023

The United Nations is an important implementer of humanitarian aid. In some conflict situations, the United Nations along with NGOs such as IFRC are the preferred partners for preserving neutrality of aid delivery. In other situations, the United Nations may implement humanitarian assistance due to the lack of capacity of public finance systems in many low- and middle-income countries to absorb significant external flows. In some cases, this support overlaps with essential service provision in local communities.

UNICEF's humanitarian assistance programme funding focuses on the smooth delivery of social services, including education, health, social protection and HCTs, child Protection, nutrition, and water, sanitation and hygiene (WASH). In 2022, UNICEF responded in over 150 countries to over 450 new or ongoing humanitarian crises (UNICEF 2023). In 2022, under its humanitarian assistance programming, UNICEF provided:

- Social protection and/or cash assistance to 24.9 million households
- Child protection services to 27.9 million children and caregivers
- Education to 77.1 million children
- Health services to 62.1 million children
- WASH services to 53.4 million people

(UNICEF Humanitarian Action for Children Overview 2022 and 2023).

2.3 Development financing and lending

Countries in crisis also have access to loans through MDBs. This form of development financing is usually reported separately under development assistance and is not included under humanitarian ODA assistance. The World Bank administers most humanitarian ODA through the International Development Association (IDA), with other MDBs significant financers of humanitarian assistance. In 2022, almost two thirds of IDA support to the poorest countries came in the form of lending, with grants making up just 35 per cent of total disbursements (World Bank website, August 2023).

Loans for financing have grown significantly in recent years, with the World Bank more than doubling support in fragile and conflict-affected settings between 2016–2019 (World Bank 2020). In 2020, the World Bank through the IDA provided around US$9.5billion to countries experiencing humanitarian crises, with the other MDBs contributing a further US$2.1 billion. This includes a new financing tool, the 'Fragility, Conflict and Violence' envelope, which has issued US$7.5 billion to finance WASH, education and social protection services (World Bank website). Note, the World Bank now classifies countries in crisis under two categories:

i. countries affected by violent conflict; and

ii. countries facing high levels of institutional and social fragility.

Both categories are eligible for humanitarian financing envelopes (a list of countries may be found here: WB classifications). Some countries may also receive support under the World Bank's Rapid Response Programme and the Global Shield.

The International Monetary Fund (IMF) supports FCS with emergency financing through its Rapid Credit and Rapid Financing instruments. In 2021, the IMF provided just over US$1 billion in emergency financing to eligible countries. In the past, it has also supported countries facing natural disasters and epidemics through the Catastrophic Containment and Relief Fund. Most recently, this offered debt relief to 31 eligible countries during the COVID-19 pandemic totalling US$927 million between 2020 and 2022 (IMF website). The IMF's recent strategy for FCS proposes to expand engagement, starting with a 70 per cent increase in staffing resources to adopt a tailored approach in affected countries (IMF, 2022).

In crisis and conflict contexts where IMF lending is not an option for governments, the United Nations may provide funds. In addition to the United Nations pooled funds, other combined funds, such as the Secretary-General's Peacebuilding Fund, act as financial instruments of first resort to sustain peace in countries affected by conflict. The combined Peacebuilding Fund amounted to almost US$1.1 billion in 143 countries in 2022, including support for SDG programming (Secretary-General's Peacebuilding Funding Dashboard).

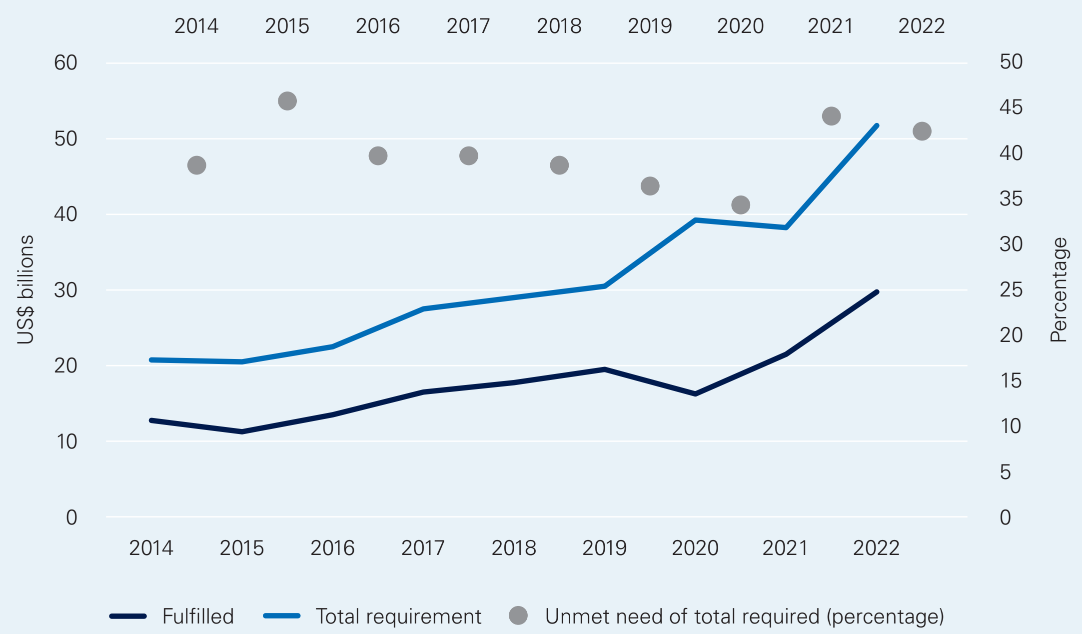
However, as is highlighted, much of the assistance from MDBs is in the form of non-concessional lending, a trend that has increased sharply in the last two years. In 2020, the grant/lending ratio was approximately 50:50 in some years, but crisis lending has recently made up as much as 75 per cent of all financing through MDBs (Development Initiatives, 2022). While IDA countries can access favourable lending conditions, there are growing concerns about increased debt and borrowing for lower-middle and upper-middle income countries facing humanitarian crises (World Economic Forum, 2023).

3. Funding shortfalls

Although key donors have increased both the volume and proportion of aid going towards humanitarian assistance, there remains a significant funding gap. The exact level of underfunding varies from year to year, but in 2022, OCHA reported that out of the UN-coordinated appeals for US$51.7 billion, just US$29.7 billion or 57 per cent was raised (OCHA FTS). This left a funding gap of US$22 billion in the context of rising prices, including operational, commodity and inflation costs (*Figure 5*). Underfunding will affect all sectors, with social protection, global health and education sectors all requiring funds to meet growing needs (OHCA, 2023). In 17 out of the 28 countries (60 per cent) with Humanitarian Response Plans in place, pledged funding meets less than half of assessed needs, and average coverage of the 10 countries most in need is just 53.8 per cent.

In 2022, 93.6 per cent of humanitarian ODA to developing countries was for emergency response, with 4.5 per cent going to disaster prevention and just 1.9 per cent to reconstruction, relief and rehabilitation (OECD DAC data, updated June 2023). This is despite calls by the United Nations and the international community to scale up mitigation and response efforts (High Level Panel on Humanitarian Financing, 2016).

Figure 5. UN-coordinated appeals: Funding required and fulfilled (US$ billions), and unmet need (%) 2012–2022

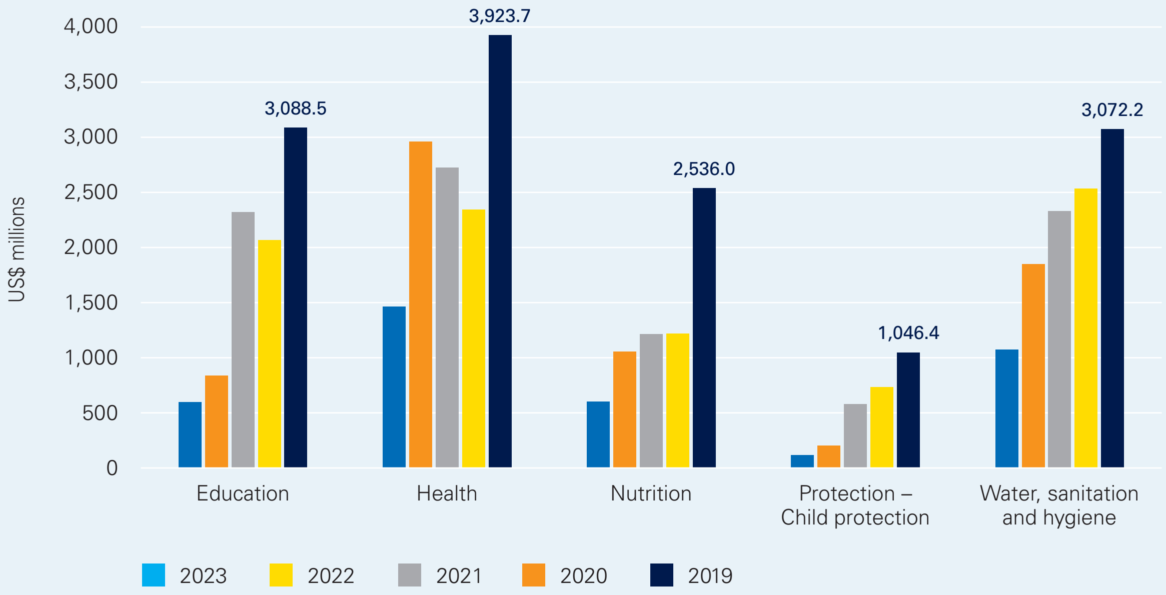


Source: Development Initiatives, 2022; OCHA FTS, 2023.

3.1 Shortfalls by sector

Unmet humanitarian requirements have increased sharply for all social sectors since 2019, with a spike in unmet needs during the COVID-19 period. In 2022, the WASH sector faced the biggest funding gap of US$2.5 billion, closely followed by health (US$2.3 billion). In 2023, the health sector faced the biggest funding gap so far at US$3.9 billion worldwide, with the education and WASH sectors requiring a further US$3.1 billion respectively to cover estimated humanitarian costs under the UN-coordinated appeal (*Figure 6*).[11, 12]

Figure 6. Total unmet requirements (US$ millions) by social sector, 2019–2023



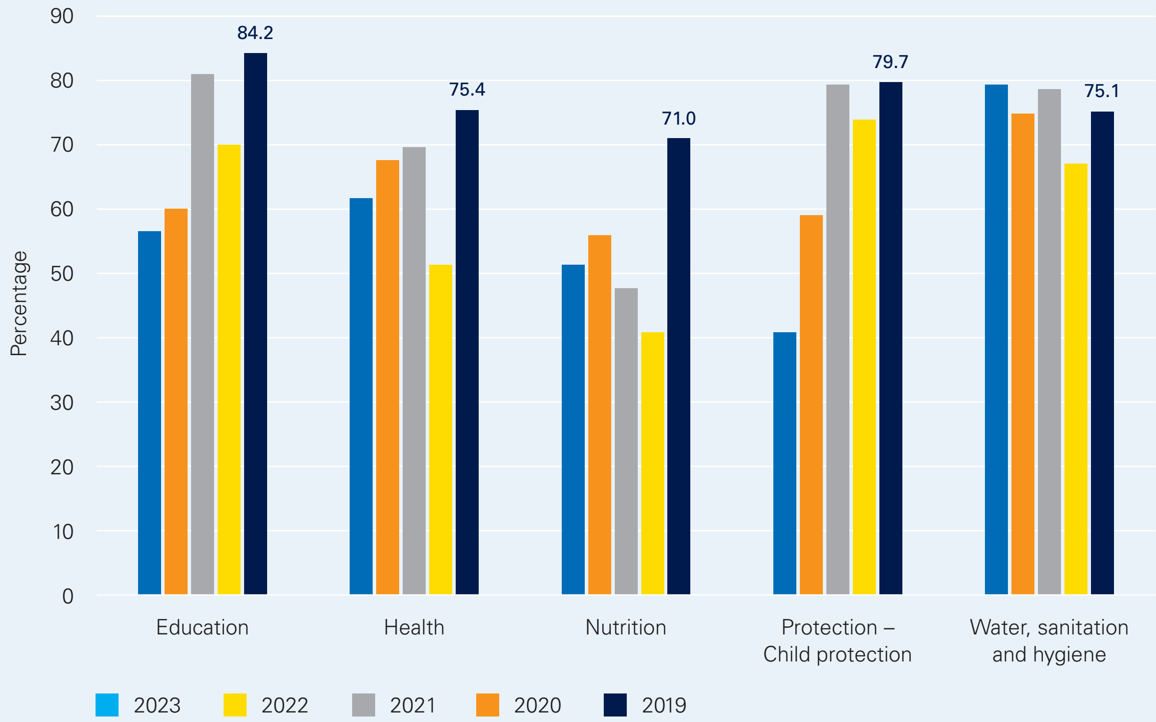
Source: OCHA FTS. https://fts.unocha.org/ (based on coordinated plan funding requirements)

Unmet requirements in 2023 now make up over 70 per cent of humanitarian funding requirements for the education, health, nutrition, child protection and WASH sectors. As a proportion of the total requirement, the education sector, which has a shortfall of 84 per cent of estimated costs under the UN-coordinated appeal, faces the greatest relative shortfall. This is followed by shortfalls in child protection funding (79.7 per cent), health (75.4 per cent), WASH (75.1 per cent) and nutrition (71.0 per cent) (*Figure 7*).

11 These calculations are based on the figures released by OCHA on the UN coordinated appeal, which made up 72.4 per cent of total humanitarian funding reported the OCHA's financial tracking in 2023, and an average of 70.1 per cent of total humanitarian funding between 2019–2023.

12 FTS data does not disaggregate by social protection requirements as this is not a cluster in the IASC structure.

Figure 7. Unmet needs by social sector as percentage of total requirements by sector, 2019–2023



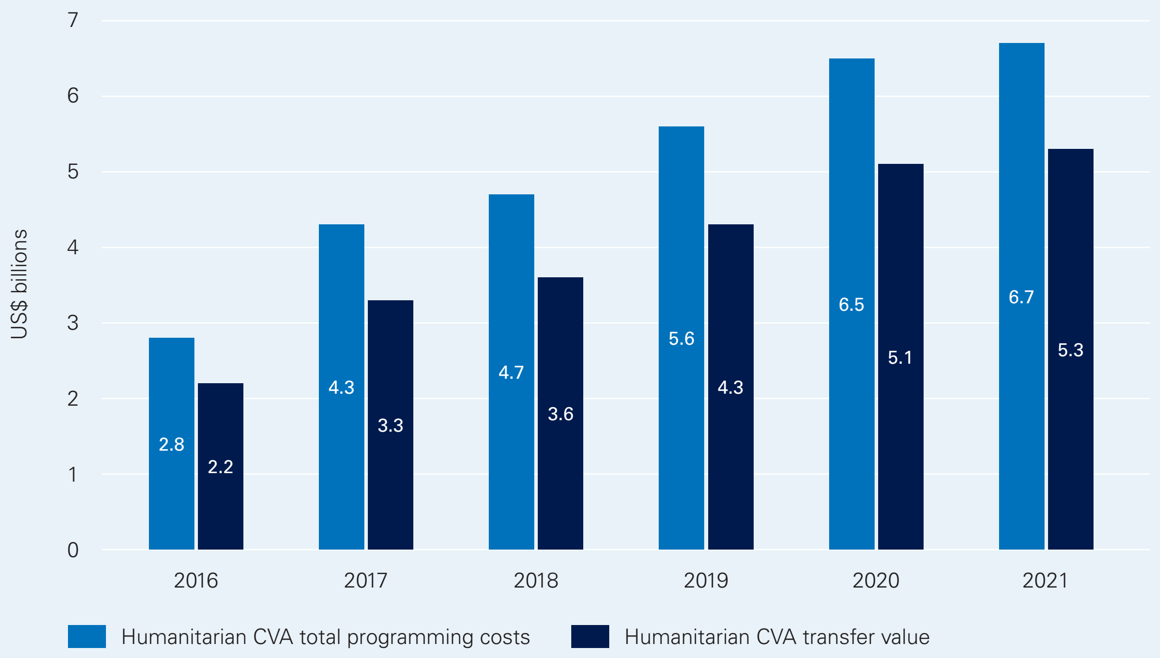
Source: OCHA FTS. https://fts.unocha.org/ (based on coordinated plan funding requirements)

3.2 Reporting humanitarian cash transfer and social protection spending in humanitarian settings

Currently, there is no social protection or cash transfer cluster under the OCHA FTS reporting framework. Instead, humanitarian cash requirements are reported under the existing cluster categories (i.e., under the food security, health, education, WASH, nutrition and child protection clusters). Given the lack of available data to track social assistance and social protection sector spending in humanitarian settings, this report uses data on humanitarian cash spending only. Note, while terminology across sectors varies, this report uses the term 'Humanitarian Cash Transfer' (HCT) to include all cash and voucher assistance.

Tracking HCTs presents several challenges. The total volume of support provided in the form of cash transfers has doubled in recent years, from US$3.6 billion in 2018 to US$7.9 billion in 2021, and there are growing calls to revise reporting requirements in order to provide greater transparency on HCT and social assistance spending (ODI, 2021; Development Initiatives, 2023; Development Initiatives CVA, 2022). While, consolidated publicly available data on HCT requirements and disbursements are still unavailable, there has recently been some progress in estimating the HCT costs reported for each cluster. Development Initiatives, for example, have put together some global and country estimates based on bilateral reporting and OCHA's Projects Module (Development Initiatives CVA, 2022). While cautioning that these are most likely low estimates due to the lack of globally comparable data, they estimate that around 19 per cent of total humanitarian assistance was implemented as cash and voucher assistance (CVA) in 2022, with US$6.7 billion in programming costs (a transfer value of US$5.3 billion). The biggest proportion of this was implemented under the Food Security cluster (where HCTs made up 34 per cent of total requirements in 2022). HCTs also made up 10 per cent of the education sector requirements last year (*Figure 8*).

Figure 8. Humanitarian cash transfer costs and values (US$ billions), 2016–2022



Source: Development Initiatives CVA, 2022.

4. Analysis and key findings

4.1 Countries most in need

OCHA's recently released Global Humanitarian Overview 2023 highlights the concentration of need in the worst affected countries. Of the 10 countries with the highest number of people in humanitarian need in 2023, Afghanistan, Ethiopia, Democratic Republic of the Congo, Sudan, Yemen and Pakistan had over 20 million people in need (*Table 2*). Seven of the 10 countries with the highest number of people in need of humanitarian assistance are Low-Income Countries (LICs), where over 155 million people are in need. By region, 62.7 million people are in need in Eastern and Southern Africa (ESA), 49.8 million in South Asia (SA), 36.9 million in the Middle East and North Africa (MENA), 26.4 million in Western and Central Africa (WCA) and 17.6 million in East Asia and Pacific (EAP). This breakdown illustrates the extent to which humanitarian need is increasingly concentrated in the poorest countries in the poorest parts of the world.

Aid distribution does not always reflect this pattern. Pakistan, for example is currently estimated to have over 20.6 million people in need but receives just US$2.5 per person in need in humanitarian ODA. The countries estimated to be receiving most humanitarian assistance per person are Ukraine (US$249.4 per person in need), Syrian Arab Republic (US$162.5 per person in need) and South Sudan (US$153.8 per person in need) (*Table 2*). Regionally, although sub-Saharan Africa currently has the greatest number of people in humanitarian need, Asia overtook Africa as the largest recipient of aid in 2020 and 2021 (*Figure 3*).

Table 2. The 10 countries with the highest number of people in humanitarian need, 2023

Income group*	Region	Country	Number of people in need (millions)	Population in need (% of total population)	Type of risk**	Humanitarian assistance per person in need (US$)	Climate vulnerability rating
LIC	SA	Afghanistan	29.2	71.0	C/D/NH	133.0	High
LIC	ESA	Ethiopia	28.6	23.2	C/D/NH	75.8	High
LIC	WCA	Democratic Republic of the Congo	26.4	26.7	C/D/NH	40.7	High
LIC	ESA	Sudan	24.7	52.7	C/D/NH	47.3	High
LIC	MENA	Yemen	21.6	64.1	C/D/NH	123.7	High
LMIC	SA	Pakistan	20.6	8.7	C	2.5	High
LMIC	EAP	Myanmar (Rohingya Joint Response Plan)	17.6	32.5	C/NH	14.7	High
LMIC	ECA	Ukraine	17.6	46.3	C/D/NH	249.4	Medium low
LIC	MENA	Syrian Arab Republic	15.3	69.2	C/D/NH	162.5	Medium high
LIC	ESAR	South Sudan	9.4	86.1	C/D/NH	153.8	High

Red = Highest level of concern Orange = High level of concern Yellow = Significant level of concern

*Income group: LIC = Low-Income Country; LMIC = Lower-Middle-Income Country

**Type of risk: C = Conflict; D = Displacement; NH = Natural Hazard.

Sources: OCHA Global Humanitarian Overview, 2023; OECD DAC data 2023; Health Nutrition and Population Statistics, 2022; Development Initiatives, 2023.

4.2 Fiscal space in humanitarian context countries

As countries around the world continue to struggle though the economic impacts of the COVID-19 pandemic, and rising food and energy prices triggered by the conflict in Ukraine, there are increased concerns about the rising levels of debt in low- and middle-income countries (IMF 2023). Debt is a particularly serious threat for countries facing humanitarian crises. According to IMF, Sudan, 1 of the 10 countries with the most people in humanitarian need, is already in debt distress. Three more countries, Ethiopia, Afghanistan and South Sudan, are assessed to be at high risk of debt distress (IMF 2023). While Pakistan and Ukraine do not feature in the IMF's analysis, other organizations argue that both countries are currently in debt crisis (Debt Justice). As of April 2023, Pakistan is in emergency bailout talks with IMF (Reuters April 2023). As a result, 7 out of the 10 countries most in need are having to finance significant levels of debt repayments on top of the ongoing humanitarian crises, putting a large percentage of their population at risk (*Table 3*). This threat is illustrated by the revenue-expenditure deficit (net borrowing) rate in these countries, which averages -4.2 per cent of their gross domestic product (GDP) in 2021.[13] This is in contrast to an average net lending rate of 2.9 per cent of GDP in OECD countries the same year (OECD DAC, 2023). Due to the Ukraine's current conflict, its deficit stands at a startling -20.5 per cent of GDP in 2023.

Table 3. Risk of debt distress in the 10 countries most in need of humanitarian assistance

Income group*	Country	Risk of debt distress	Population in need (% of total)	Revenue-Expenditure deficit (net borrowing) (% of GDP)
LMIC	Pakistan	In debt crisis **	8.7	n/a
LIC	Sudan	In debt distress	52.7	-2.14
LMIC	Ukraine	In debt crisis **	46.3	-20.45
LIC	Afghanistan	High	71.0	n/a
LIC	Ethiopia	High	23.2	-4.15
LIC	South Sudan	High	86.1	5.75
LIC	Democratic Republic of the Congo	Moderate	26.4	-1.57
LIC	Yemen	Moderate	64.1	-1.79
LMIC	Myanmar	Low	32.5	-4.80
LIC	Syrian Arab Republic	Data not available	69.2	n/a

Red = Highest level of concern　Orange = High level of concern　Yellow = Significant level of concern

*Income group: LIC = Low-Income Country; LMIC = Lower-Middle-Income Country

**Debt Justice data portal

Source: IMF, 2023.

13 Based on the six countries where data is available, ranging from –1.57 per cent of GDP in Yemen to –6.02 per cent of GDP in Venezuela.

5. Detailed analysis by sector of the 10 countries most in need

Social sectors in the most vulnerable countries are significantly impacted by humanitarian crises. The financial scale of this impact varies, but in all cases, it presents a serious challenge for governments already struggling to fund social sectors in line with SDG targets. This section looks at the total requirements in the health, education, HCTs, WASH and nutrition in the 10 countries with the highest number of people in humanitarian need.

Requirements are presented both in terms of total humanitarian requirements per sector and as a proportion of current government spending on the sector. This breakdown illustrates the extent of the costs facing providers of social services in humanitarian contexts, with requirements for three main social services (health, education and HCTs) in many cases amounting to a significant proportion of, or even outweighing, total annual government spending for these sectors.

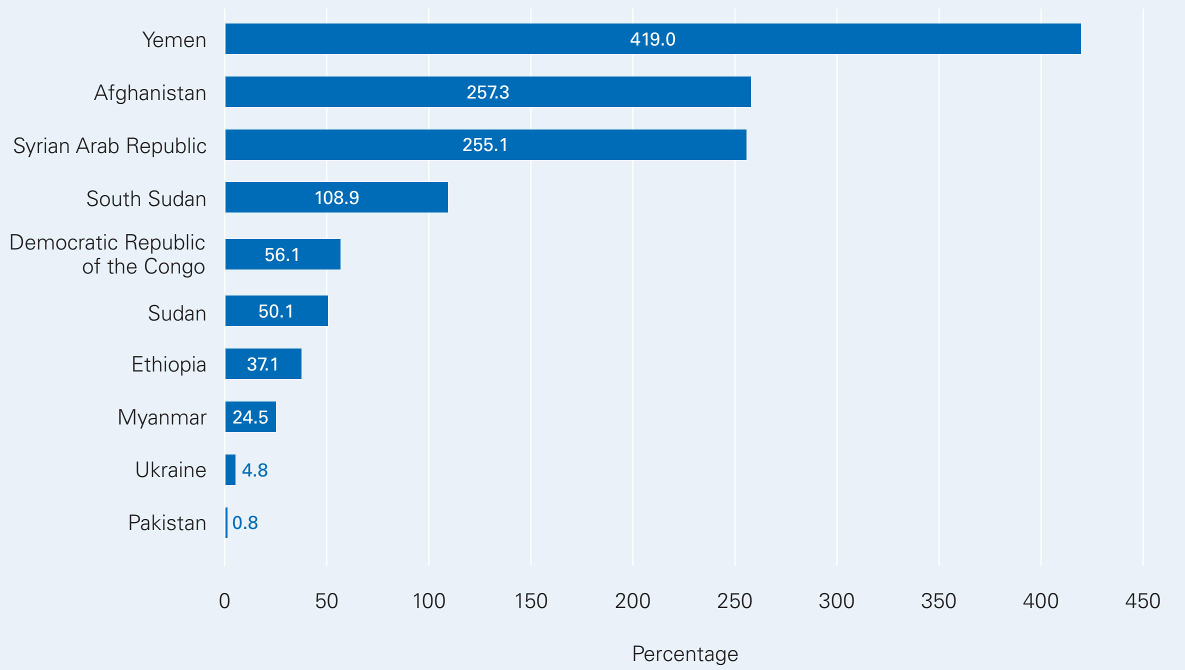
In this brief, government spending data is based on the most recent available data. In some countries (most notably Afghanistan, Syrian Arab Republic and Yemen), government spending may have fallen significantly in recent years due to the ongoing humanitarian crises. In addition, government expenditure data on WASH and nutrition sectors are not publicly available, therefore, we can only provide an indication of the extent of funded and unmet humanitarian need in these two sectors.[14]

14 Child protection funding requirements at the country level are unavailable for 2023.

5.1 Health

All 10 countries analysed face significant health costs as a result of humanitarian crises. Humanitarian health requirements submitted under the UN-coordinated plans range from US$117.8 million in Myanmar to US$456.4 million in Syrian Arab Republic. In four countries, health costs outweigh current government spending on the country's health sector. The countries facing the highest ratio of humanitarian requirements over current government spending are Yemen, where health requirements are 4.2 times current government health spending; Afghanistan, where health requirements are 2.6 times current government health spending; Syrian Arab Republic, where health requirements are 2.5 times current government health spending; and South Sudan, where health requirements are over a 100 per cent of current government health spending (*Figure 9*).

Figure 9. Humanitarian health requirements as a proportion (%) of current government expenditure on health, 2023



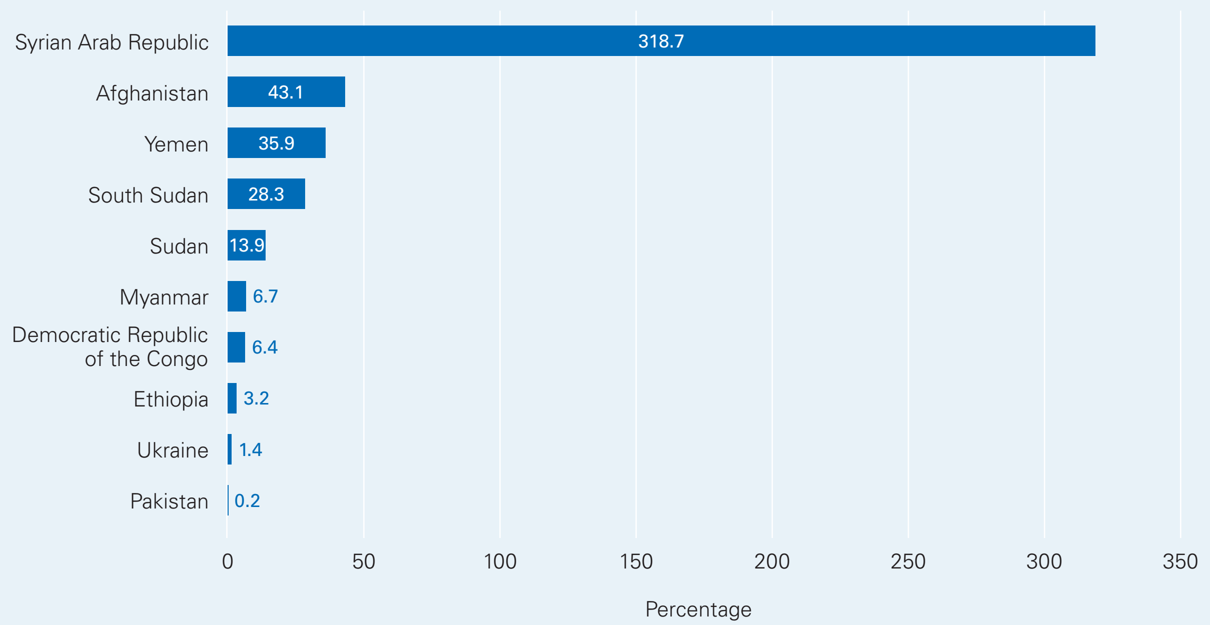
Source: Author's calculations based on data from OCHA FTS and WDI; UNICEF budget brief (Syria) latest available year; and USAID IDEA (Sudan).[15]

15 Based on coordinated plan funding requirements (data on Pakistan is from the Pakistan Flood Response Plan), which make up over 70 per cent of total humanitarian funding reported to FTS.

5.2 Education

The 10 countries most in need are also face significant additional education costs as a result of instability. Humanitarian requirements for education are particularly high in Syrian Arab Republic (US$456.4 million); Afghanistan (US$$412.7 million); and Yemen (US$392.0 million). Ukraine and Yemen are also estimated to require an additional US$307.4 million and US$303.5 million, respectively, for their education sectors. Syria's humanitarian requirements for education amount to over three times current government expenditure on the education sector. Humanitarian requirements for education in Afghanistan are also high in proportion to current government spending, making up the equivalent of 43.1 per cent of government expenditure on education. Yemen's humanitarian education requirement is equivalent to over one third (35.9 per cent) of current government education expenditure, and humanitarian education costs are the equivalent of over one quarter (28.3 per cent) of education spending in South Sudan (*Figure 10*).

Figure 10. Humanitarian requirements for education as a proportion (%) of government education expenditure



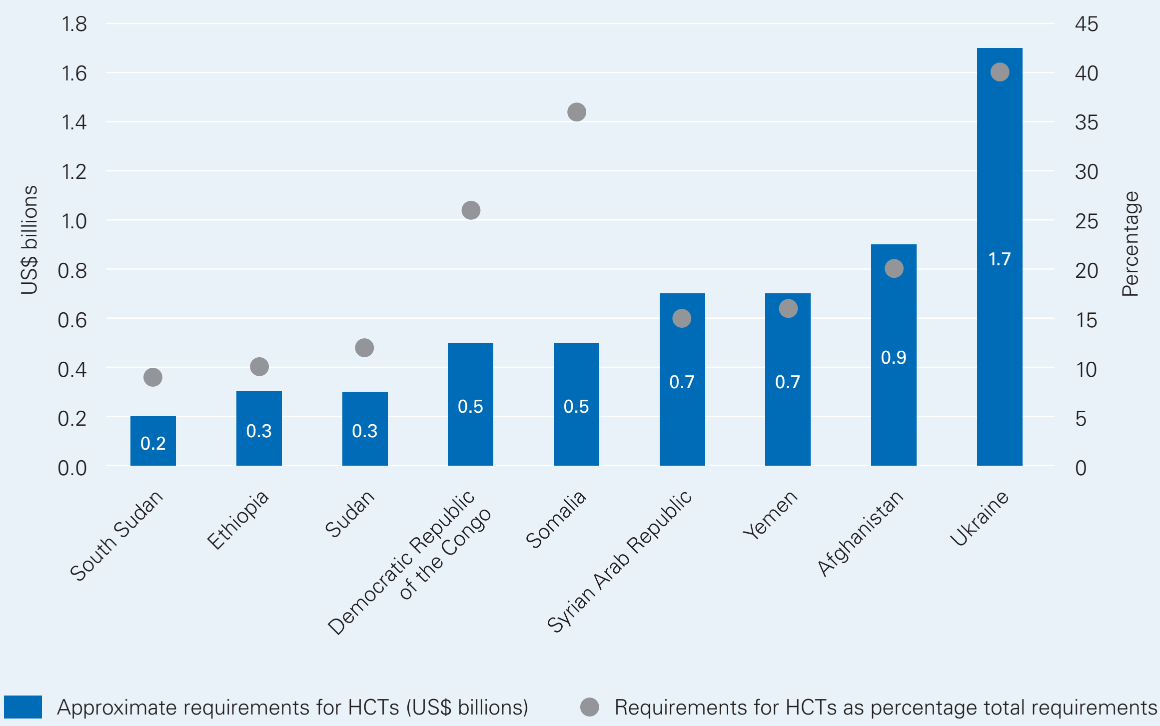
Source: Author's calculations based on data from OCHA FTS and WDI; UNICEF budget brief (Syria) latest available year; and USAID IDEA (Sudan).[16]

16 Based on coordinated plan funding requirements (data on Pakistan is from the Pakistan Flood Response Plan), which make up over 70 per cent of total humanitarian funding reported to FTS.

5.3 Humanitarian cash transfers and social protection

In 2022, estimated spending in humanitarian settings on HCTs ranged from US$0.2 billion in South Sudan to US$1.7 billion in Ukraine. Requirements for HCTs are estimated to make up a significant proportion of total humanitarian requirements in many crisis settings. Last year, HCT requirements made up 40 per cent of total humanitarian requirements in Ukraine; 36 per cent of total humanitarian requirements in Somalia and 26 per cent of total humanitarian requirements in the Democratic Republic of the Congo (*Figure 11*).

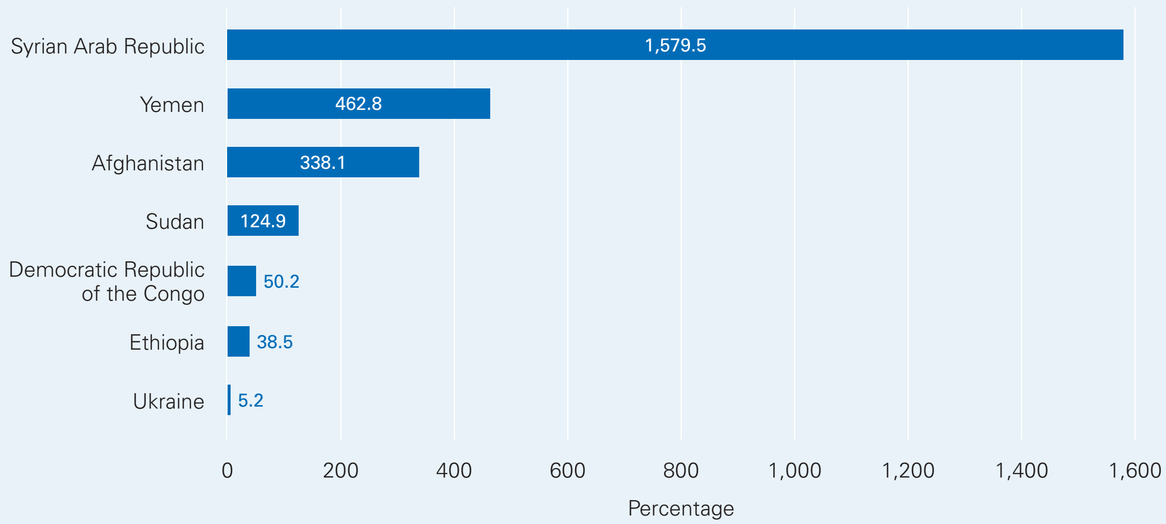
Figure 11. Humanitarian spending (US$ billions) on cash transfers, and as a proportion (%) of total humanitarian requirements by country, 2022.



Source: Development Initiatives, 2022, CVA Report, based on data collected with CALP Network from implementing partners and on OCHA FTS data.

HCT requirements make up a significant proportion of ongoing government social protection expenditure in the countries most affected by humanitarian crises. HCTs distributed though cash and voucher assistance (CVA) in Afghanistan are estimated to be over 3.4 times the value of government social protection spending in the country. In Yemen the ratio is higher at over 4.6 times the value of government social protection spending, and in Syrian Arab Republic it is 15.8 times the value of current social protection spending. These ratios are now likely to be much higher due to the significant drop in government spending since this data was published. In Afghanistan and Yemen, there is currently little to no government social protection provision (*Figure 12*).

Figure 12. Humanitarian spending on cash transfers as a proportion (%) of government social protection spending



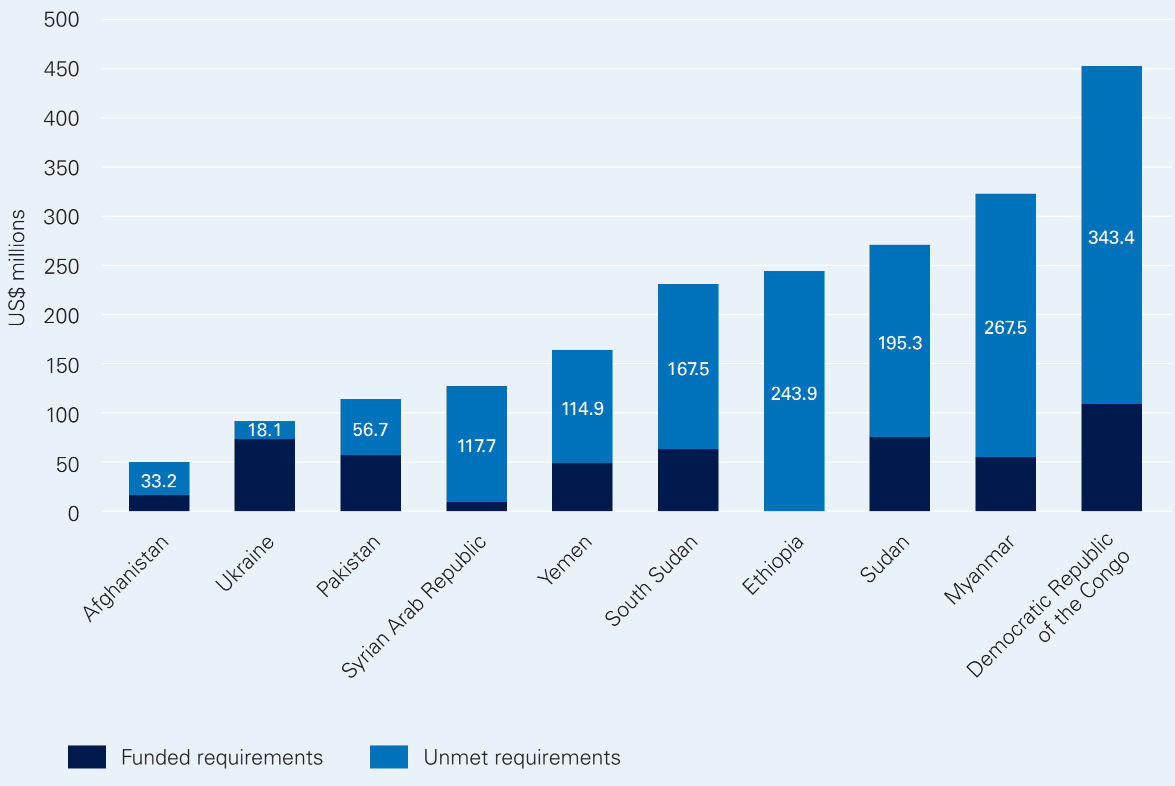
Note: Expenditure data missing for South Sudan.

Source: Author's calculations based on Development Initiatives, 2022 CVA Report, and WDI expenditure data.

5.4 WASH and nutrition

The total requirements for humanitarian WASH services are high in all 10 countries, with a large proportion remaining unmet. In 2023, on average, 70.1 per cent of requested funding for humanitarian WASH requirements remain unfunded. In terms of the greatest need: the Democratic Republic of the Congo faces the highest unmet WASH requirements (US$383.4 million), followed by Myanmar (US$267.5 million); Ethiopia (US$234.9 million) and Sudan (US$195.3 million) (*Figure 13*).

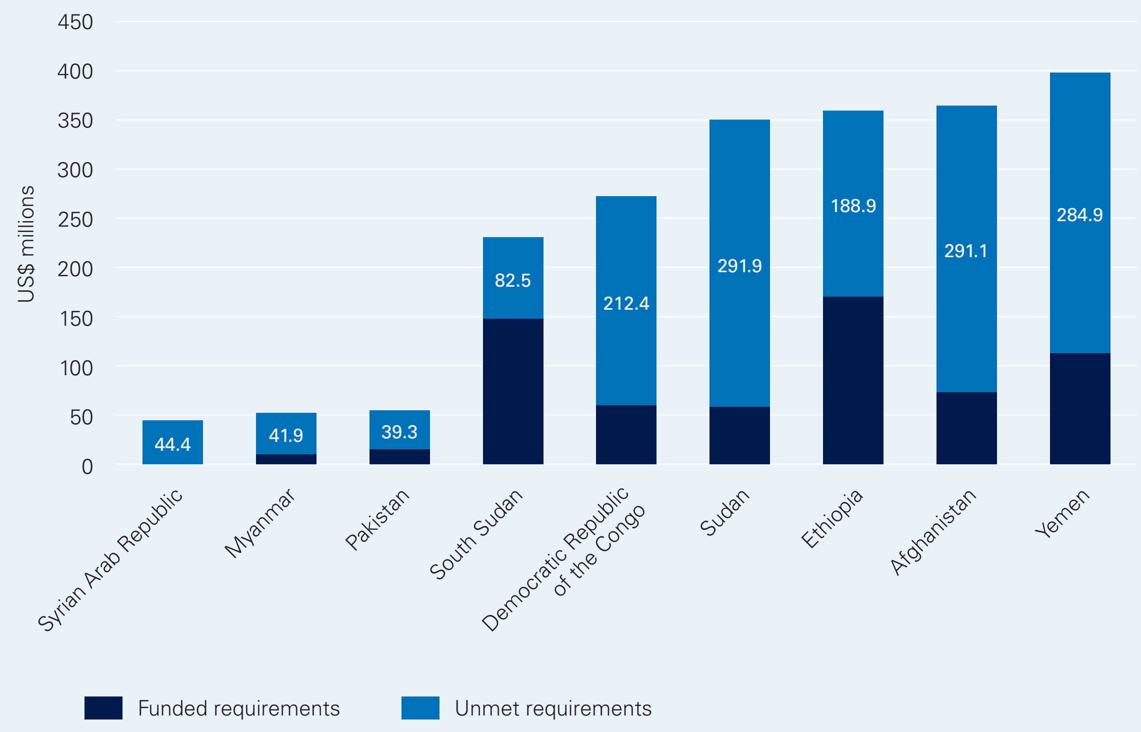
Figure 13. Funded and unmet requirements (US$ millions) for WASH, 2023



Source: Author's calculations based on data from FTS; unmet requirements labelled.

Similarly, the 10 most affected countries face high total humanitarian requirements for nutrition, a large proportion of which is unmet. On average 72.4 per cent of requested funding for humanitarian nutrition requirements remained unfunded in 2023. Unmet nutrition requirements in Yemen total US$284.9 million; in Sudan US$291.9 million; in Afghanistan US$291.1 million; and in Ethiopia $188.9 million (*Figure 14*).

Figure 14. Funded and unmet requirements (US$ millions) for nutrition, 2023



Source: Author’s calculations based on data from FTS; unmet requirements labelled. No data for Ukraine.

6. Climate finance in humanitarian settings

Humanitarian challenges are compounded by the threat of climate change, which is increasingly adding complexity and scale to humanitarian crises. There are calls for countries in humanitarian crises to have greater access to climate finance (ICRC, ODI, ICVA, Mercy Corps, RCCC, UNHCR, WFP, 2022). Eight out of the 10 countries most affected by humanitarian crisis are assessed to be highly vulnerable to climate change (*Table 2*). Six out of the 10 countries are also assessed as being among the top 15 countries where children are most at risk of climate change (UNICEF's Children's Climate Risk Index 2021). All the 15 countries are low-income or lower-middle-income countries. Data suggests that low-income countries affected by conflict have historically received below average levels of climate finance.[17] (ICRC, ODI, ICVA, Mercy Corps, RCCC, UNHCR, WFP, 2022) (*Table 4*).

Currently 27.6 per cent of bilateral ODA is recorded as going to climate-related objectives, of which 42 per cent pursued adaptation objectives; 33 per cent mitigation; and 24 per cent both adaptation and mitigation. By region, Africa received the lowest proportion of climate-related aid at 26 per cent of bilateral commitments to Africa

Table 4. Children's Climate Risk Index rankings for the 10 countries most in need of humanitarian assistance, 2021

Income group	Country	CCRI ranking (highest to lowest*)
LIC	South Sudan	7
LIC	Democratic Republic of the Congo	9
LMIC	Pakistan	14
LIC	Ethiopia	15
LIC	Sudan	15
LIC	Afghanistan	15
LIC	Yemen	26
LMIC	Myanmar	31
LIC	Syrian Arab Republic	84
LMIC	Ukraine	111

* 1 = Most at risk.

Source: UNICEF Children's Climate Risk Index, 2021.

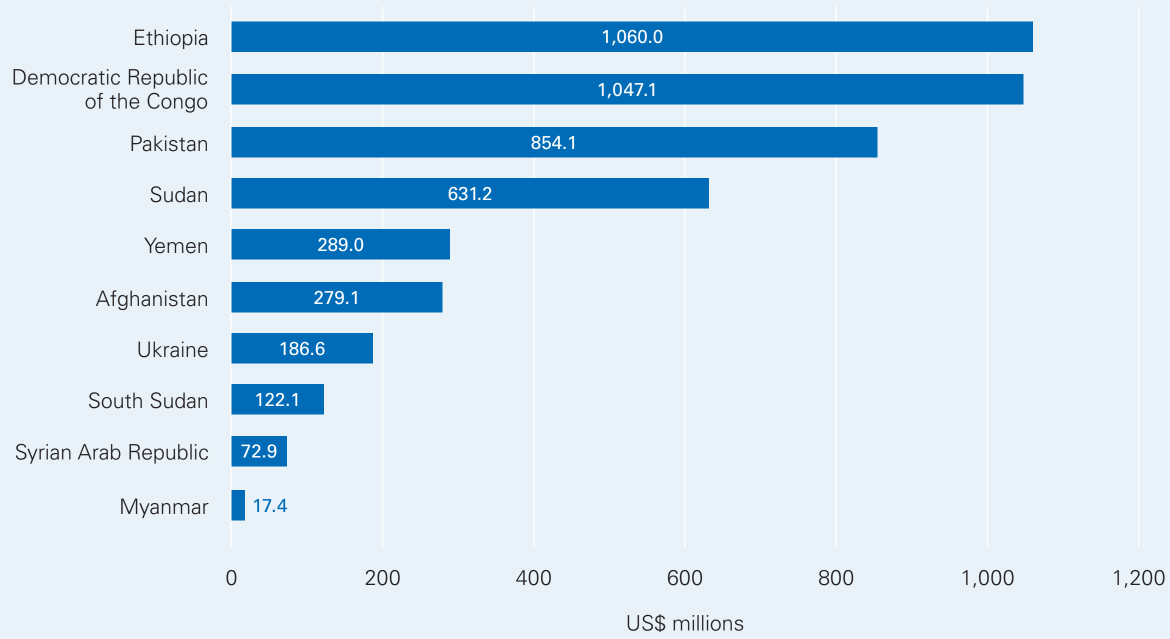
17 Based on cumulative climate finance between 2010 and 2020 on a per capita basis reaching the Least Developed Countries (LDCs).

were tagged for climate, compared to 37 per cent going to Oceania; 39 per cent to Asia, and 40 per cent to Latin America and the Caribbean (OECD DAC, 2022).

Beyond ODA, climate finance remains notoriously difficult to calculate and analyse (D+C). The latest verified data on total flows is from 2019, when climate finance totalled US$79.6 billion. The OECD now predicts that the annual goal for US$100 billion in climate finance to developing countries set for 2020 will be reached in 2023 (OECD, 2022). Depending on the year, roughly one third of total climate finance comes from bilateral ODA, with a further third channelled through multilateral organizations, and around a sixth of the total from private finance. Almost half of public climate finance is likely to be in the form of non-concessional lending (Ares and Loft, 2021).

Newly released data from OECD DAC data detailing all concessional and non-concessional climate-related development finance (including bilateral ODA) in 2021[18] reveals widely varying levels of climate finance by country. The ten countries identified by this brief as most in need, accessed only concessional financing in 2021. Committed climate-related development finance ranged from just US$17.4 million in Myanmar to US$1.06 billion in Ethiopia (*Figure 15*).

Figure 15. Climate-related development finance (US$ millions), 2021

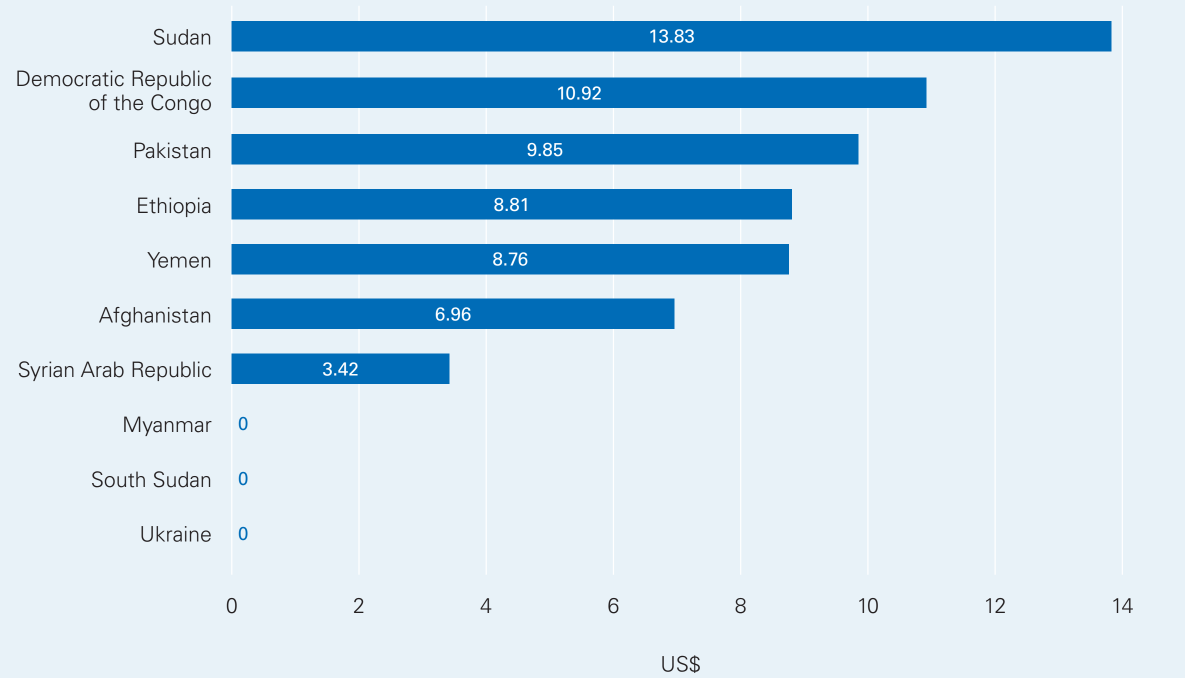


Source: OECD DAC, 2022.

18 Including bilateral ODA; other (non-ODA) bilateral flows, multilateral development finance, philanthropic support and private finance mobilized by official interventions. Concessional financing refers to grant-administered or preferential lending. Non-concessional funding refers to lending at market or agreed interest rates.

Per capita climate finance in the 10 countries most in need remains low. Sudan is currently receiving the highest amount of climate finance per capita (US$13.83), while Myanmar, South Sudan and Ukraine received less than US$0.01 per person. With the exception of Ukraine, children in these countries all face a high level of risk due to climate change (Table 4). Children are assessed to be most at risk in Pakistan (ranked 14 out of 163 countries), where, despite receiving a relatively high level of climate finance, climate-related development finance equated to under US$10 per person (*Figure 16*).

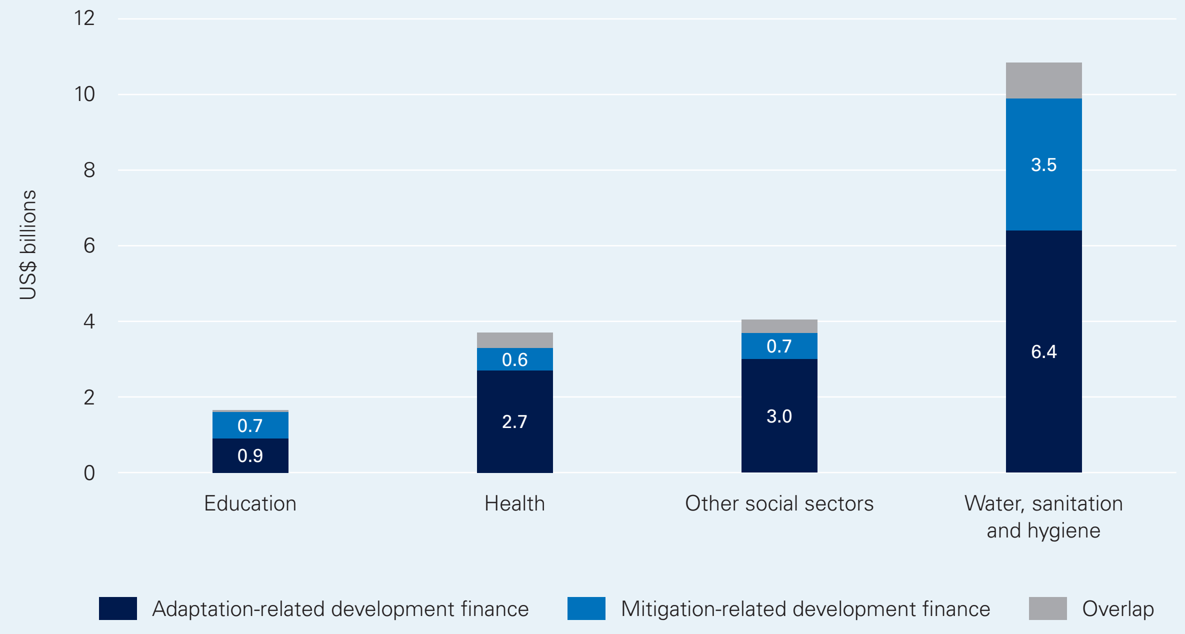
Figure 16. Climate-related development finance (US$) per capita, 2021



Source: OECD DAC, 2022. WDI population data.

Once climate finance to the social sectors is considered, the level of support declines further. Only a small proportion of climate-related development finance is currently going to social services (UNICEF-Innocenti Social Spending Monitor: Policy Brief 3). OECD DAC data indicates that approximately 17.2 per cent of total climate finance went to social services in 2021, with the majority (82.73 per cent) going to other sectors such as energy and transport. The WASH sector received the largest proportion of the social sectors (9.24 per cent of total climate finance). Climate finance to other social services (including social protection) made up 3.48 per cent of total climate finance, followed by health with 3.02 per cent, and education receiving just 1.53 per cent of total climate-related aid in 2021. In real terms, education receives US$1.4 billion in total climate finance, health US$2.9 billion, other social sectors US$3.3 billion, and WASH US$8.9 billion. The greater proportion of climate finance to the social sectors is allocated to adaptation (around 70 per cent) (*Figure 17*).

Figure 17. Total climate-related development finance (US$ billions) for social sectors, 2021



Source: OECD DAC, 2022.

At these levels, it is evident that climate finance to social services will make little impact on humanitarian crises already faced by countries most in need of assistance. Increased levels and better alignment of humanitarian, development and climate finance are needed to address the growing challenge of the climate and conflict nexus on the social sectors. For more information on this see the IASC Companion Piece Humanitarian-Development and Peace Collaboration (2020).

7. Summary of key findings

Findings from this analysis show that current external financing is inadequate to meet the growing demand for humanitarian assistance requested by the Coordinated Appeals Process.[19] This is largely due to an increase in assessed humanitarian need rather than a decrease in aid flows. Overall humanitarian ODA has increased marginally over the past decade, both in volume and as a proportion of total ODA. However, the increasing complexity of need, driven by protracted conflicts, rising food insecurity, drought and the increasing regularity and severity of natural disasters due to climate change, presents a serious challenge to the current humanitarian aid system.

In the face of this complexity, this analysis highlights that the allocation of humanitarian ODA by region and country does not always accurately reflect the extent of need, with discrepancies in humanitarian ODA per capita between countries. Neglecting humanitarian crises has implications for the well-being of entire populations, and particularly for children, whose life chances are impacted by their lack of access to quality health, education and social protection services. This analysis has found that in the 10 countries with the greatest need, humanitarian requirements for health, education and social protection often outweigh current government spending on these sectors. This level of underfunding not only affects children today – it has wider implications for recovery from, and prevention of, future crises, undermining efforts to establish resilient social systems that can help communities and households respond to future shocks more effectively.

Governments in the most vulnerable countries often have restricted means by which to increase spending for social sectors, and humanitarian crises often occur in the poorest parts of the world. LICs make up 7 of the 10 of the most affected countries, and LMICs are the remaining three. In these 10 countries, social spending is already well below the level required to meet SDG targets (UNICEF Innocenti, 2022). Where increased borrowing is an option, there are signs that many countries are pursuing that route. Countries most at risk are running high spending deficits, leading to rising levels of debt in many countries experiencing humanitarian crises, with 6 out of 10 of the countries most affected by humanitarian crises considered to be in debt distress or at high risk of debt distress.

19 It should be noted that in some contexts, the funding gap may have been partly ameliorated by financing from non-official sources. In several cases humanitarian targets are being reached with significantly lower levels of funding than requested from the Appeals process (ref). The contribution of the Diaspora, for example, is becoming increasing significant. See for example the recent Framework for Diaspora Engagement in Humanitarian Assistance from the IOM (2023).

It is evident that more sustainable solutions to financing social spending in humanitarian emergencies are required. The proportion of humanitarian aid allocated to preparedness and rehabilitation remains a tiny percentage, with over 90 per cent going to emergency response, despite ongoing calls over the past decade for greater prioritization of building resilience. Financing social spending is essential in preventing or minimizing future crises. There is growing evidence suggesting that under-funding social services restricts response and recovery times, while social services that are adequately funded (in line with the SDGs) play a significant role in preventing humanitarian crises. These findings highlight the need for humanitarian systems to focus attention on adequate and sustainable financing of social spending in all low- and middle-income countries.

8. Addressing the challenge: Reforming financing for humanitarian assistance

In recognition of the need to reform financing for humanitarian assistance, recent initiatives, such as the Grand Bargain (2016), Grand Bargain 2.0 (2021) and 2022 Bridgetown Agenda, aim to bring governments together to address international financial architecture, with a focus on increasing aid flows. Following from the United Nation's 2016 High-level Panel on Humanitarian Financing, there are three core recommendations to bridge the finance gap:

- Address the root causes of need by investing in disaster prevention and resilience-building, especially in the most vulnerable countries.
- Mobilize additional funds through either traditional or innovative mechanisms.
- Improve the efficiency of humanitarian assistance (Chatham House 2021).

In July 2022, key humanitarian donors committed to increasing humanitarian aid, with a focus on improving efficiency. These commitments included prioritizing multi-year funding, recognizing the need for some portion of funds to remain unearmarked, and streamlining delivery to frontline services (OCHA IASC, 2022).

The 2022 Bridgetown Agenda focuses on the way international financial institutions (IFIs) operate. It renews calls for debt relief and for the creation of more flexible, unearmarked funding arrangements (Ministry of Foreign Affairs, Barbados). Increased financing of the sector is required, and so is better utilization of these funds, with aid agencies and governments working together to ensure efficiency, effectiveness, transparency and equity of humanitarian funding for social services. Prioritizing systems strengthening and preparedness is a key for achieving sustainability.

There is a growing consensus around core changes that could make a difference. In terms of financing, changes include greater recognition and incorporation of donors from emerging economies into the existing aid system. BRICS nations,[20] for example, provided 22 per cent of lending in the past decade (Brookings 2021). Aligning humanitarian, development and climate financing ensures better coordination and long-term financing, along with greater use of pooled and earmarked funds.

20 Brazil, Russia, India, China, and South Africa.

In terms of the delivery of financing, solutions under discussion include greater investment in prevention and early warning of humanitarian situations to improve the efficiency and effectiveness of humanitarian responses, along with harnessing innovative finance for social spending and harmonizing humanitarian spending within government systems (i.e., in shock-responsive social protection). However, while progress has been made in some areas, in other areas plans outweigh actions. Following, we assess some recent developments.

A few donors have begun **integrating humanitarian and development funding**. Switzerland has already done so, with others, such as Sweden, actively exploring the issue (New Humanitarian 2023). Denmark and Spain now have the same funding guidelines for both humanitarian and development funding instruments (Development Initiatives, 2022). Increasingly, there is a blurring of boundaries between the provision of humanitarian and development assistance (Idris, 2019). For example, UNICEF and UNHCR have recently signed an agreement to work towards the inclusion of refugee children and their families in national strategies, plans and budgets, with inclusion in education, WASH and social protection services as a priority. UNICEF and partners are also currently increasing their focus on supporting governments to strengthen social service provision to better anticipate and respond to shocks. UNICEF's Public Finance for Children (PF4C) approach has been instrumental in making the connection between disaster-risk financing and shock-responsive social protection (see for example: UNICEF EAPRO, 2023).

Progress also includes **greater coordination**. UN-coordinated appeals now receive approximately 70 per cent of total humanitarian aid, a proportion that has risen steeply over the past decade in an attempt to consolidate a strategic and streamlined international humanitarian response (Development Initiatives, 2022). In the field of climate, the Global Shield is a new G7 supported initiative by the German government to coordinate activities in risk finance and preparedness. The loss and damage fund agreed at COP28 also signals a global commitment to alleviating the costs of climate change to low-and middle-income countries, with around US$700 million pledged as of December 2023.

New donors are predicted to play an increasing role in humanitarian assistance in the future, with the expectation that non-OECD countries, philanthropists and foundations will contribute a greater proportion of humanitarian aid in coming years (D+C webpage). However, modes of delivery may change. It is recognized that India and China, for example, prefer to channel humanitarian assistance bilaterally rather than through multilateral institutions, and that this contribution is appreciated by recipient governments.

One factor influencing the relative popularity of bilateral support may be the likelihood of greater involvement from **local actors**, along with associated cost efficiencies. One study estimated that local and community actors deliver programming that is up to 32 per cent more cost efficient than that of international organizations (ShareTrust, 2022). More progress in integrating all donors into OECD decision-making processing and reporting is needed (Chatham House, 2021).

Anticipatory action and foresight are needed. These not only require pre-determined forecasts and decision-making protocols, and timed and planned early actions, but also require appropriate financing mechanisms and delivery channels. In 'Our Common Agenda', the United Nations Secretary-General announced several strategic foresight initiatives under the "Be Prepared Cluster". Currently, only 1-2 per cent of all humanitarian funding is being allocated ahead of identified crisis risks (whether through anticipatory action or pre-arranged disaster risk finance) (ODI, 2022). However, some change may be seen. For example, CERF is taking on an increasing role in supporting the set-up and financing of anticipatory action pilot initiatives, and there is significant potential for scale-up (ODI, 2022); and United Kingdom humanitarian policy now prioritizes anticipatory action and addresses the underlying drivers of insecurity (UK FCDO, 2022).

Disaster risk financing has a growing focus on strengthening the resilience of public finance systems in vulnerable countries to enable more effective response and recovery. Access to market-based risk transfer products can expand governments' fiscal options in the aftermath of a shock. While low- and middle-income countries might previously have been limited to meeting costs through budget reallocation and/or increased borrowing, newer pre-arranged risk financing mechanisms are now being piloted. These allow markets to take on the risk of potential future disasters through the global insurance and risk finance market.

Finally, it is increasingly recognized that effective **climate adaptation and mitigation** are essential tools in disaster prevention and response. Climate finance is slowly increasing and predicted to meet the US$100 billion annual target this year. This will bring much needed additional finance to countries facing climate-driven humanitarian situations. However, the latest United Nations estimates of the funds needed to address the scale of the climate challenge now stand at US$200 billion to US$250 billion a year (Reuters, 2023). Added to the funding gap in humanitarian aid, it is clear that significantly increased levels of both humanitarian and climate finance are required.

9. Policy recommendations

While this brief has focused on external humanitarian financing, ultimately solutions for protecting social services in crises will require longer-term, sustainable solutions at the country level. In the meantime, increasing levels of humanitarian aid and improving aid delivery mechanisms remain essential. Key issues and policy recommendations for governments and development partners include:

- There is a pressing need to meet unmet social sector humanitarian requirements, with the education and health sectors facing particularly large funding gap. The scale of the challenge is highlighted by the findings presented in this brief, with humanitarian requirements found to make up a significant proportion, and in some cases even outweighing, sector-level government spending in the 10 most affected countries. A more detailed analysis of both the level of requested support and the impact of the funding gap is required.

- Ensuring that a greater proportion of all humanitarian aid goes towards preparedness is essential for governments to establish inclusive shock-responsive social protection systems, and resilient health and education services. Scaling up climate adaptation efforts through humanitarian preparedness and response is a crucial component of this, including expanding national and international climate finance policies to incorporate disaster prevention.

- Greater support to governments in low- and middle-income countries to strengthen their public finance systems, and improve their capacity to assess, prepare and respond to absorb shocks remains essential. This should include supporting countries to establish pre-arranged financing, focusing on risk transfer mechanisms to ensure early response and preparedness. Innovative financing modalities to be considered include risk-pool insurance, derivative contracts, insurance contracts, catastrophe bonds (CAT bonds) and microinsurance. More equitable access to global insurance and risk finance markets may also be required to ensure these measures are affordable to governments in low- and middle-income countries.

- Greater harmonization of donor support, including integrating humanitarian, development financing and climate finance at the institutional level is required. This will involve exploring efficient ways to harmonize financing at the sector level; aligning humanitarian cash transfers within existing social protection systems; improving support for displaced children within local health and education systems; and prioritizing mobilized resources to those most in need. It is particularly important that finances are directed towards local authorities hosting displaced populations to ensure providing timely and quality social services for displaced children in emergencies.

- Streamlining aid delivery channels and financing mechanisms is required. This includes greater coordination between agencies as well as more use of pooled funds and unearmarked, multi-year financing. Improving data transparency, with the publication of more detailed data on costs by sector, will allow an accurate calculation of financing gaps in ‘real time’. This need to be supported by improving data availability and reporting on humanitarian social assistance, including tracking of HCT disbursements in line with the Grand Bargain 2.0 endorsements.

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