LEAVING NO ONE BEHIND: A GREEN BARGAIN FOR PEOPLE AND PLANET

Enhancing collaboration between the humanitarian and climate sectors to ensure no one is left behind.
With the increasing frequency of fires, floods, droughts and other extreme weather events, countries across the world are facing a new era of climate-linked crises. The international climate finance system – through mitigation, adaptation and potentially now through loss and damage – is seeking to reduce and address these impacts. In parallel, the humanitarian system is increasingly having to respond to climate-linked crisis, or the impacts of climate change on already fragile or conflict-affected states. Both systems are chronically underfunded and increasingly overstretched and must now make difficult choices regarding the way in which funding is raised, distributed and used. Such decisions are strongly influenced by the histories, governing principles, operating modalities and political underpinnings of both climate and humanitarian finance. However, these principles are not well aligned, and coordination is often ad-hoc, leading to gaps in responses at the expense of people most in need of support.

As the climate crisis intensifies, climate and humanitarian finance must find ways to plan and programme together more effectively. While many important debates over principles and mechanisms continue, this paper seeks to provide a broad guide for those engaging at the intersection of climate and humanitarian finance to understand both systems and generate discussion on how both sectors can better coordinate for a more effective response to the climate crisis.

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For further information on the issues raised in this paper please email advocacy@oxfaminternational.org.

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Cover photo: Flooding in Blantyre Flooding in Blantyre, southern Malawi, following the heavy rains caused by Tropical Cyclone Freddy. Thoko Chikondi/Oxfam
# TABLE OF CONTENTS

Table of Contents ........................................................................................................ 3
Definitions ....................................................................................................................... 4
1. Introduction ................................................................................................................ 8
2. The urgent need to close the gap .............................................................. 10
   Climate injustice is at the heart of the rising humanitarian crisis .... 11
   How climate finance relates to humanitarian finance .................. 15
   Current Climate Finance ......................................................................................... 15
   The need for a new type of finance ...................................................................... 15
3. The gap between climate finance and humanitarian finance ...... 18
   The Challenges of Two Distinct Systems ................................................... 20
   Challenge One: Different Foundations ....................................................... 20
   Challenge Two: Different Principles .......................................................... 21
   Understanding in practice ............................................................................... 22
   Challenge Three: Getting finance to Fragile and Conflict-Affected States .... 24
   Understanding in practice ............................................................................... 24
   Challenge Four: Funds must be accurately reported and tracked ... 26
   Understanding in practice ............................................................................... 26
   Challenge Five: Overlapping activities while avoiding gaps.... 28
   Understanding in practice ............................................................................... 28
4. Bridging the gap: Making finance local, early and fast ............... 32
   Getting finance to local actors ........................................................................ 32
   Getting finance before a crisis strikes ........................................................... 34
   Getting finance fast ......................................................................................... 36
5. Conclusion and recommendations ...................................................... 38
   Recommendation 1: Additional and coordinated sources of finance .................. 39
   Recommendation 2: More and better coordination, led from the local .................. 39
   Recommendation 3: Better reporting and transparency ......................... 39
Methodology ................................................................................................................. 41
Annex: Humanitarian and climate sector structures and finance .... 42
Notes ............................................................................................................................ 44
### DEFINITIONS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
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</table>
| **Climate finance**                       | Funding provided or mobilised by developed countries in support of developing countries in their efforts to address the climate crisis, backed up by legal obligations in the UNFCCC and the Paris Agreement to provide such assistance. In 2009, developed countries committed to the goal to increase such support to $100 billion per year by 2020. However, this was not met. Traditionally, climate finance has come in the form of public concessional or non-concessional finance, although the mobilization of private finance has gained attention over the past years. Climate finance, in its current understanding, is used to support:  
  • Mitigation, where a project contributes to stabilising greenhouse gas concentrations in the atmosphere by promoting efforts to reduce or limit greenhouse gas emissions.  
  • Adaptation, where a project seeks to reduce the vulnerability of human or natural systems to current and/or expected impacts of the climate crisis.  
At the time of writing, climate finance does not cover loss and damage, being the adverse impacts and harm caused by the climate crisis despite efforts to mitigate emissions and adapt to the changing climate (see the definition below on Loss and Damage). |
<p>| <strong>Climate justice</strong>                       | ‘Climate justice’ is the principle that seeks to ensure a fair and equitable response to the global climate crisis, recognizing that the impacts of climate change disproportionately affect marginalized communities, who are often least responsible for the problem. Climate justice advocates for inclusive policies that mitigate risks, promote access, and enhance resilience in the face of environmental challenges. It uses the concept of common but differentiated responsibilities and respective capabilities (CBDR-RC) as a basis on which to call for the rectification of historical and systemic injustices – those most responsible for the largest and most continuous emissions must not only act first and most to cut their emissions, but also finance and support those least responsible. |
| <strong>Common but differentiated responsibilities (CBDR)</strong> | A concept within the realm of international environmental law states that while all nations bear the duty of managing environmental consequences, this responsibility is not distributed evenly. Within the framework of the UNFCCC (see below definition of UNFCCC), this notion evolves to encompass different capacities to respond (termed ‘common but differentiated responsibilities and respective capabilities’). It asks countries to take varying measures to reduce emissions depending on their responsibility for causing the climate crisis and their relative capacities to act on it. |
| <strong>Conflict Sensitivity</strong>                  | A concept based on the notion that aid can cause harm if it fails to understand the context in which it is operating (&quot;do no harm&quot;) and requires actors to take a further step not only to mitigate harm, but to promote aspects which support peace. It requires an analysis of the impact on power where aid is introduced to resource scarce environments, and an understanding of the two-way interaction between activities and context, to learn how activities can address the root causes of conflict and to minimize potential negative impacts. |</p>
<table>
<thead>
<tr>
<th><strong>Development finance</strong></th>
<th>Long-term, bilateral funding to further economic development and broader achievement of the UN Sustainable Development Goals and to resource national development plans.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disaster risk reduction finance (DRR)</strong></td>
<td>Funding, mechanisms and strategies aimed at reducing the impacts and vulnerabilities associated with disasters. It includes funds that support activities which proactively prevent and prepare for predictable crises, among other things, and may be funded through both development and humanitarian funding streams.</td>
</tr>
<tr>
<td><strong>Grand Bargain</strong></td>
<td>The Grand Bargain is a collaborative initiative between humanitarian organizations and donors to enhance the effectiveness and efficiency of humanitarian aid. It aims to improve cooperation, reduce duplication of efforts, and increase the transparency of emergency responses. It focuses on several key activities, including simplifying reporting requirements; increasing the allocation of funding to local responders; enhancing the flexibility and multi-year nature of funding; and promoting collaboration between humanitarian and development efforts. These activities aim to streamline aid delivery, minimize administrative burdens, and ultimately improve the impact of humanitarian assistance.</td>
</tr>
<tr>
<td><strong>High-Level Panel on Humanitarian Financing Report to the Secretary General, 2016</strong></td>
<td>Panel of nine experts convened by the UN Secretary General to put forward recommendations for how to best address the humanitarian financing gap. One output of the report was momentum towards a Grand Bargain, which became an agreement made in 2016 between major donors and aid organizations. The agreement had three sections of recommendations aimed at shrinking the need, improving delivery, and deepening and broadening financing for humanitarian need.</td>
</tr>
<tr>
<td><strong>Humanitarian finance</strong></td>
<td>Funding provided as part of an emergency response to save lives, alleviate suffering, and maintain human dignity in the face of crisis events (including extreme weather events, famine, disease and conflict). In some instances, it is now provided ahead of predicted crisis (anticipatory action) and may be provided for years, or even decades, in areas of protracted crisis. It is provided in situations where the state is unable or unwilling to assist people in need of aid. Most humanitarian finance comes from donations to UN-coordinated appeals (see UN-coordinated appeals below), provided in the form of ODA grants.</td>
</tr>
<tr>
<td><strong>Humanitarian Principles</strong></td>
<td>The humanitarian principles of humanity, neutrality, impartiality and independence guide the humanitarian sector in its work. These principles are widely interpreted as to do no harm, protect life, and to operate independently from the political, economic or military authorities.</td>
</tr>
<tr>
<td><strong>International humanitarian assistance (IHA)</strong></td>
<td>Financial resources that support international humanitarian action. The Active Learning Network for Accountability and Performance (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.’</td>
</tr>
<tr>
<td><strong>Just transition</strong></td>
<td>A ‘just transition’ is a component of climate justice and aims to shift to a more sustainable economy that considers and addresses the needs of people from all sections of society equitably, including workers and communities; ensuring fairness during the transition away from carbon-intensive industries.</td>
</tr>
</tbody>
</table>
### Loss & Damage Finance
Funding provided for recovery and rehabilitation across a wide range of areas following negative climate impacts which cannot be mitigated or adapted to. This can include responding to short-term shocks such as flooding; rebuilding economic, physical, social, cultural and environmental assets, systems and activities in alignment with the sustainable development principles; ideally ‘building back better’ to avoid/reduce future climate risk.

### Mitigation
The humanitarian principles require that risk to affected populations is mitigated (reduced or defrayed). In climate finance, mitigation refers specifically to emission-reduction activities.

### Nationally Determined Contributions
Nationally Determined Contributions (NDCs) embody efforts made by each country to contribute to the implementation of the Paris Agreement, and in particular to limit or reduce national emissions and adapt to the impacts of climate change. The Paris Agreement has required each party to submit NDCs to the UNFCCC every five years since in 2020.

### Official development assistance (ODA)
ODA refers to financial and non-financial aid provided by governments and international organisations to support the economic development and welfare of low- and middle-income countries, with the goal of reducing poverty, promoting sustainable development and improving living conditions. ODA includes humanitarian assistance.

### People in Need
The analysis of PiN by country uses the maximum out of HPC final-year estimates for country-level humanitarian response plans (HRPs), and out of the highest value of PiN by country from INFOM/ACAPS. To avoid double-counting, this report does not include PiN as estimated for flash appeals (FAs) or regional response plans (RRPs) for countries where a country-level HRP already exists. Figures for 2023 are preliminary, with data extracted 28 April 2023. PiN figures from 2017 and earlier reflect the total number of people receiving humanitarian assistance under inter-agency coordinated response plans only.

### Protracted crisis countries
Protracted crisis countries include countries with five or more consecutive years of UN-coordinated appeals, as of the year of analysis. See UN-coordinated appeals below for the types of appeals and response plans used to determine this classification. We have chosen this approach to give an indication of the countries that have consistently 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).

### Sudden vs slow-onset crises
’Sudden-onset crises’ refer to emergencies or disasters that occur rapidly and unexpectedly, with little or no advance warning. Examples include disasters like earthquakes, flash floods, tsunamis and hurricanes, or industrial accidents. In contrast, ‘slow-onset crises’ develop gradually over time, often with a more extended period of onset and less immediate impact. Examples include sea-level rise, droughts, famine, environmental degradation as well as slow-evolving conflicts. The UNFCCC differentiates between slow-onset events and extreme weather events, both of which may result in losses and damages. In this context, ‘slow onset’ refers to increasing temperatures, desertification, biodiversity loss, glacial retreat, ocean acidification, sea level rise and salinization and land and forest degradation. These events may lead to conditions or drivers that contribute or cause humanitarian crisis.
| **Triple nexus** | The ‘triple nexus’ is a concept used in humanitarian and development and peace contexts to describe the interlinkages between humanitarian assistance, development and peace efforts in addressing complex crises and promoting sustainable solutions. Its aim is for programs across the sectors to operate concurrently, rather than sequentially, to both cover, and end, needs arising from the crisis. As set out in the OECD DAC Recommendation on the Humanitarian-Development-Peace Nexus, a ‘Nexus Approach’ refers to the aim of strengthening collaboration, coherence and complementarity between the three pillars, capitalizing on the comparative advantage of each pillar. |
| **United Nations Framework Convention on Climate Change** | UNFCCC is the foundational treaty that provides the basis for international climate negotiations. The Convention has been ratified by 198 countries which have committed to act on climate change. The ultimate objective of the Convention is to stabilize greenhouse gas emissions at a level that would prevent dangerous human-induced interference with the climate system. It states that this level should be achieved within a timeframe to allow ecosystems to adapt to climate change; ensure food production is not threatened; and enable economic development to proceed in a sustainable manner. The Convention puts the onus on developed countries (Annex I of the Convention) to lead the way, recognising that they were at the time of the convention, the source of most past and current greenhouse gas emissions. They must do the most to cut emissions. Countries that are listed in Annex II also have to provide new financial support to developing countries for action on climate change, above and beyond any additional support provided to these countries. |
| **UN-coordinated appeals** | A generic term to describe all humanitarian response plans and appeals wholly or jointly coordinated by the United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA) and/or the United Nations High Commissioner for Refugees (UNHCR), including strategic response plans, humanitarian response plans, flash appeals, joint response plans and regional refugee response plans. This report uses data from UN OCHA’s Financial Tracking Service (FTS) and UNHCR for its financial analysis of UN-coordinated appeals. |
1. INTRODUCTION

The climate crisis is already with us; in its 2023 synthesis report, the Intergovernmental Panel on Climate Change (IPCC) noted that:

“Human-caused climate change is already affecting many weather and climate extremes in every region across the globe. This has led to widespread adverse impacts on food and water security, human health and on economies and society and related losses and damages.”

Previous Oxfam research has estimated that funding requirements for UN humanitarian appeals linked to extreme weather are eight times higher now than they were 20 years ago. This is reflected in soaring humanitarian costs; since 2016 humanitarian appeals have increased by over 270%, and in 2023 rose to over $55bn.

While the need for humanitarian aid is staggering, it pales in comparison to the estimates of what is needed to address the climate crisis globally. The UNFCC goal for mitigation and adaptation finance, set out in 2009, was to reach $100 billion per year by 2020, but this goal has never been met. The UNFCC’s analysis from 2021 suggests that “developing countries require at least $6 trillion by 2030 to meet less than half of their existing Nationally Determined Contributions.”

There can be no question that both the climate and humanitarian systems require far, far more support, including the development of new funding mechanisms to channel substantial finance to developing countries and to assist them in addressing loss and damage. However, as funding changes in response to the impacts of the climate crisis, the humanitarian and climate finance systems must also develop a better understanding of each other and find new ways to address their common challenges.

To meet these needs, we must find ways to ensure that:

- **Funds from both climate and humanitarian finance are available in fragile and conflict-affected states**, and flow as directly as possible to those in need,
- **Funds are additional, and are accurately reported and tracked** to increase transparency and avoid double counting,
- **No one is left behind** where both climate and humanitarian finance and projects overlap in countries in crisis.

As negotiations on the need for new and additional climate finance continue – including for more and better adaptation finance and new, additional loss and damage – this paper seeks to highlight three key areas:

- **Where climate and humanitarian finance already overlap**
- **Where coordination can be improved to better respond to needs**
- **Where climate, humanitarian and development funding can shift to adapt to the scale of the climate crisis in a coherent, principled and efficient way.**
Improved collaboration between the humanitarian and climate sectors requires an increased focus on understanding and knowledge exchange. This should serve as the foundation for enhanced communication and joint efforts. To cultivate effective synergies, actors from both sectors must possess a comprehensive grasp of each other’s principles, governance structures, activities and financing mechanisms. By identifying divergent aspects and shared interests, we can more efficiently bridge support gaps.

Ethiopia Dec 2019. Intense droughts struck the region in 2011, 2017 and 2019 repeatedly wiping out people’s crops and livestock in a region where up to 80 percent of the population are subsistence farmers. When rain does arrive it washes away topsoil vital for farming, compounding the damage. Photo: Pablo Tosco / Oxfam Intermón
2. THE URGENT NEED TO CLOSE THE GAP

Figure 1: Trends in UN coordinated plans, funding vs. unmet needs, 2016-2023

Climate finance gap

In 2009, rich countries promised to mobilize $100bn per year by 2020 in climate finance. Yet for 2020 they reported having reached only $83.3bn, the majority of which was provided in the form of debt-increasing loans. Due to various flaws in accounting, net support specifically targeting mitigation and adaptation may have actually been in the region of $21bn to $24.5bn, much lower than official reported figures. At a crucial time for mitigating and adapting to the impact of the climate crisis, the failure to provide these funds will directly result in more regular and more destructive climate-related crises.

Humanitarian finance gap

Where communities cannot meaningfully adapt, humanitarian emergencies will follow. Yet over the last decade, humanitarian appeals have secured an average of only 59% of required funds, a gap that deepens with the annual rise of climate-induced crises.

The number of people in need of humanitarian aid has also increased by 330.6 million [from 76 million in 2012 to 406.6 million in 2022]. Of these, approximately half face significant vulnerability to climate-related challenges.

Nearly three-quarters of people in need of humanitarian aid experience a combination of risk factors, including conflict, socioeconomic fragility and high climate vulnerability. In 2022, six of the top 10 most climate vulnerable countries

Source: UN OCHA Financial Tracking Service, Trends in coordinated plan requirements as of August 2023

Response plan/appeal funding (US$)  Unmet requirements (US$)  Total requirements (US$)
(Niger, Somalia, Sudan, Mali, CAR and DRC) faced protracted humanitarian crises and received inadequate levels of climate finance.\textsuperscript{18} Furthermore, 18 of the most climate-vulnerable countries are also affected by conflict.\textsuperscript{19} A consistent pattern is beginning to emerge whereby those most at risk frequently face converging crises, (such as displacement interlinked with conflict) exacerbating- or exacerbated by-food insecurity.\textsuperscript{20} Within the affected communities, marginalized groups, including women, girls, non-binary people and racialized communities are disproportionately more vulnerable.

Overlapping vulnerabilities are often worsened by climate change, which acts as a threat multiplier, increasing the risk of conflict over scarce resources. However, the International Crisis Group estimates that, in comparison to non-conflict-affected areas, only around one-third of adaptation finance reaches conflict-affected countries in comparison to non-conflict-affected areas.\textsuperscript{21}

**CLIMATE INJUSTICE IS AT THE HEART OF THE RISING HUMANITARIAN CRISIS**

**Those producing the least emissions are suffering the most:** A global ‘boiling point’\textsuperscript{22} is now accelerating climate impacts such as drought and flooding. More intense and frequent climate-induced disasters – as well as longer-term changes in ocean levels and glaciers – are erasing development gains and driving new and pre-existing humanitarian need.\textsuperscript{23}

Frequently, those most affected by the consequences of climate change bear little responsibility for the crisis itself. For example, countries like Mozambique, Zimbabwe and Malawi have historically very low emissions, yet bore the brunt of the impact from Cyclone Idai, with estimated recovery and reconstruction costs totalling around $2.9 billion.\textsuperscript{24} In East Africa, the combined cumulative carbon emissions of Ethiopia, Kenya, Somalia and South Sudan for the period 1851–2021 constitute around 0.5% of historic global carbon emissions, yet 31.5 million people in these countries are currently experiencing crisis or worsening levels of hunger due to drought and floods.\textsuperscript{25}

In contrast, countries in the G8 were responsible for 41% of global carbon emissions over the same period, yet almost none are meeting their obligation to provide 0.7% GNI for development assistance, leaving the humanitarian crises arising from their emissions desperately underfunded.

**Impact of climate finance debt:** Where humanitarian aid is traditionally a last resort following a single acute crisis, the climate breakdown is leading to cyclical shocks from which communities cannot recover before the next emergency hits. A similar downward spiral impacts climate finance, where insufficient climate finance – or climate finance provided as loans – leads to greater national borrowing, increasing the debt burden\textsuperscript{26} and reducing countries’ ability to implement adaptation measures and respond to future events.\textsuperscript{27}
PAKISTAN AND THE CLIMATE DEBT CYCLE

Development Initiatives’ research into support for Pakistan following the 2010 and 2022 floods illustrates the repercussions of inadequate climate finance and the ensuing cycles of escalating vulnerability.28 In 2022, Pakistan already had soaring levels of external debt. The climate-induced floods in 2010 led to the country borrowing an estimated $20–40bn more than they would otherwise, resulting in additional annual interest payments of $1.6–$3.1bn. This meant that when extreme flooding hit the country in 2022, the government had limited capacity to respond and was forced to rely on inadequate international humanitarian support. This underlines the importance of grant-based climate finance to ensure funding does not increase the debt burden of climate-vulnerable countries, undermining the goal to increase resilience to climate change.29

At present, only a quarter of public climate finance is provided as grants; the rest is supplied as varying types of loan.30 This reliance on loans poses a significant challenge to climate-vulnerable countries in crisis. Reduced fiscal space caused by worsening debt hampers these countries’ ability to pursue social development and reconstruction efforts, ultimately exacerbating their vulnerability to future crises.31 The volumes of climate and humanitarian finance available to countries facing crises are therefore crucial to their ability to recover, adapt and respond to future crises.

Flood-affected areas in Balochistan province in Pakistan Sept 2022: Almost a month after Pakistan declared a state of emergency because of the floods, communities and farmlands were still under water. Photo: Arif Shah / Oxfam
While overall climate finance increased between 2018 and 2021, it decreased for vulnerable and crisis-affected countries. The chart below shows the top 10 most climate-vulnerable countries globally (notably, they are all in Africa). It also shows the amounts of adaptation finance they receive, the overlap between humanitarian and adaptation finance, and the share of GDP that this climate finance represents. It also highlights which of the countries are facing protracted crisis. The chart can only show so much; without understanding where these funds are targeted and what the overall mix of financing represents, it is hard to understand if these amounts are effective. However, they are strikingly low given what we would expect to see under the US$100bn commitment. The five most vulnerable countries received more adaptation finance than others, but this pattern is not consistent for all countries, including those in protracted crisis. To explore more on the relationship between climate vulnerability and protracted crisis, visit Development Initiatives’ interactive chart.

Table 1: Financial flows to the most climate-vulnerable countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Most climate vulnerable</th>
<th>Protracted crisis</th>
<th>Climate funding type</th>
<th>Proportion of total ODA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Niger</td>
<td></td>
<td></td>
<td>USS1.9m</td>
<td>0%</td>
</tr>
<tr>
<td>Somalia</td>
<td></td>
<td></td>
<td>USS23.0m</td>
<td>5%</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td></td>
<td></td>
<td>USS2.0m</td>
<td>10%</td>
</tr>
<tr>
<td>Chad</td>
<td></td>
<td></td>
<td>USS20.4m</td>
<td>3%</td>
</tr>
<tr>
<td>Sudan</td>
<td></td>
<td></td>
<td>USS6.6m</td>
<td>5%</td>
</tr>
<tr>
<td>Liberia</td>
<td></td>
<td></td>
<td>USS6.0m</td>
<td>1%</td>
</tr>
<tr>
<td>Mali</td>
<td></td>
<td></td>
<td>USS74.5m</td>
<td>10%</td>
</tr>
<tr>
<td>CAR</td>
<td></td>
<td></td>
<td>USS1.4m</td>
<td>0%</td>
</tr>
<tr>
<td>Eritrea</td>
<td></td>
<td></td>
<td>USS0.7m</td>
<td>0%</td>
</tr>
<tr>
<td>DRC</td>
<td></td>
<td></td>
<td>USS28.6m</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Development Initiatives’ Global Humanitarian Assistance Report 2023
Environmental challenges disproportionately impact women and girls. Along with other variables – such as age, disability, race, class and ethnicity – gender can limit a person’s access to resources to help them cope with and respond to the impacts of climate change.

A recent report by Climate Refugees that focused on the impacts of climate losses and damages also explored how climate change can impact women. In the drought-ridden region of Turkana, Kenya, women and girls bear the brunt of the water and resource scarcity crisis within the household. They lack access to decision-making processes and information and take on the responsibility of sourcing and procuring water, fuel and food. With some girls forced to make journeys of over 15km to fetch water, many miss school and are exposed to safety risks, gender-based violence and an increased domestic and care workload. When engaging in tasks like producing polluting fuels and gathering firewood, women face danger and risks to health that are further exacerbated by periods of drought. These challenges perpetuate gender disparities, where women and girls often eat the least and only after men have had their fill, further exposing them to severe malnutrition. There is an urgent need for support and change in these communities as the denial of the right to food is a form of gender-based violence.

Improving our understanding of the gender-environment nexus is critical. Only 20 of the 114 environment-related SDG indicators are disaggregated by gender or relevant to gender policies. Gender equality accounted for just 2.4% of climate-related ODA in 2018–2019. Tools like data landscaping can help address these data gaps and ensure inclusivity.

Gender-responsive and evidence-based environment policies are necessary to uphold gender equality and environmental goals. By empowering women in decision-making; and allocating funding to and tracking investments to women-led and women’s rights organizations, we ensure their interests are considered and finance reaches these organizations.
**HOW CLIMATE FINANCE RELATES TO HUMANITARIAN FINANCE**

**Table 2: Climate, Humanitarian and Development Finance: A Cheat Sheet**

<table>
<thead>
<tr>
<th>Period</th>
<th>Climate Finance</th>
<th>Humanitarian Finance</th>
<th>Development Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-crisis related</td>
<td>Mitigation</td>
<td>Anticipatory action</td>
<td>Development finance (particularly for energy projects)</td>
</tr>
<tr>
<td>Pre-crisis</td>
<td>Adaptation</td>
<td>Early warning early action (EWEA)</td>
<td>Disaster Risk Reduction (DRR)</td>
</tr>
<tr>
<td>Crisis</td>
<td>Loss and Damage</td>
<td>Disaster Risk Reduction (DRR)</td>
<td>Resilience</td>
</tr>
<tr>
<td>Post crisis</td>
<td>Loss and Damage</td>
<td>Emergency response</td>
<td>Finance through crisis modifiers</td>
</tr>
</tbody>
</table>

**CURRENT CLIMATE FINANCE**

Mitigation finance: Reducing carbon emissions is key to minimizing the harmful impacts of global heating. Mitigation finance is largely aimed at funding clean-energy projects to reduce carbon emissions and supporting governments to finance their national low-carbon development ambitions. While some of this funding flows to fragile and conflict-affected states (FCAS), much of it is channelled to the large-scale projects required to significantly reduce emissions which tend to be based in countries with more developed economies. While mitigation funding is a crucial resource to reduce the impact of the climate crisis, the most recent Intergovernmental Panel on Climate Change (IPCC) report emphasized that even with swift and adequate action, severe and irreversible climate impacts are resulting in losses and damages, particularly in vulnerable communities.

Adaptation finance: Finance for adaptation aims to help communities reduce the risks and harm resulting from climate-related crises. Similar to resilience, disaster risk reduction (DRR) and early-action projects, adaptation finance supports projects such as social protection systems, drought or flood resistance in anticipation of a coming climate event, and links with development funding in the development of climate appropriate infrastructure projects. Adaptation finance is a critical source of resilience-building finance, but makes up only a small share of overall climate finance and often doesn’t reach the places that need it most. The Oxfam 2023 shadow report found that only 33% of climate finance provided in 2019–2020 was earmarked for adaptation. The United Nations Environment Programme (UNEP) found that current adaptation finance is estimated to fall at least 5 to 10 times short of what is needed to prepare low-income countries for accelerating climate impacts. Climate-related development finance represented less than 6% of the total official development assistance (ODA) for the 10 countries most vulnerable to climate change impacts in 2023.

**THE NEED FOR A NEW TYPE OF FINANCE**

While mitigation and adaptation are crucial to preventing damage, there are no formal funding provisions to address losses and damages that resulted when climate-linked crisis strike. The agreement to establish a fund for loss and damage was therefore a pivotal achievement at the UNFCCC COP27 in 2022. This agreement established the Transitional Committee, tasked with proposing recommendations for
the loss and damage fund’s structure, governance, funding sources and alignment with broader climate initiatives.\textsuperscript{45}

Loss and damage advocates argue that loss and damage finance must expedite localized responses to climate-driven events with a pronounced emphasis on genuine localization – directly channelling most funding to local actors – and leveraging early warning systems and triggers to ensure swift funding is released for crisis anticipation.\textsuperscript{46} In this way, loss and damage shares similarities with humanitarian anticipatory action. However, comprehensive loss and damage finance would provide support not only for the immediate aftermath, but also for sustained recovery, rehabilitation, reconstruction and alternative livelihoods for communities. It therefore spans many of the areas addressed by humanitarian response, from the post-disaster early recovery and rehabilitation stages through to the reconstruction phase, which typically involves development funding. However, it is not limited to acute crises and would assist communities impacted by both rapid- and slow-onset climate events (including rising sea levels and melting glaciers). Ideally, it would aim to prioritize programmatic solutions until the long-term negative consequences are fully addressed. It would also help uphold human rights; engender environmental sustainability and gender equality; and ensure the meaningful public participation of affected communities and civil society organizations with transparency and accountability.\textsuperscript{47}

\textbf{Figure 2: Relevant climate and humanitarian finance flows}

\textbf{Charity or obligation? While states do have an obligation to provide 0.7\% of GNI as ODA, humanitarian aid is still largely charity based– states give when as much as they choose. In climate finance, funding is an obligation by polluting states to compensate for the damage they have caused and assist others in mitigating and adapting to climate change. Climate finance is not aid; it is a debt owed for harm caused.}
**How is Loss and Damage similar to and different from humanitarian aid?**

The topic of loss and damage, and its similarities to humanitarian finance, has received increased attention since the landmark COP27 decision. There are several ways in which loss and damage differs from humanitarian responses such as anticipatory action, disaster response and post-disaster early recovery:

- **The concept of loss and damage is rooted in the principles of climate justice.** It is often viewed as a debt owed from high greenhouse-gas-emitting countries and in this way is an obligatory contribution.\(^4^8\) While states also have an obligation to provide humanitarian aid,\(^4^9\) their contributions are largely rooted in ideas of charity.

- **Humanitarian aid focuses on humanitarian needs, including some social support and rights protections.** Loss and damage proponents argue that it should cover not only direct costs associated with loss and damage, but also all forms of indirect and non-economic losses and damages, including but not limited to damage to natural ecosystems and cultural heritage sites.\(^5^0\)

- **One of the current proposals is for loss and damage finance to be managed and accounted for within the UNFCCC system.**\(^5^1\) Humanitarian finance is coordinated through UNOCHA, with most of the funding still coming directly from states to aid agencies. The different mechanisms impact the processes through which funding will be accessed, tracked, and reported, though both climate and humanitarian actors strongly emphasize that funds must be additional with all efforts made to avoid double counting.

A key area where adaptation, loss and damage, humanitarian, and smaller development finance will meet, is that in most instances projects are implemented by the same local NGOs. Research suggests that because the current levels of support provided are so much less than potential need, survival in crisis settings is down to individual, household and community resourcefulness.\(^5^2\) It is therefore essential for all funding streams to be developed in ways which get the finance as directly and quickly as possible to local organizations, with the minimum overhead costs, as well as few administrative and reporting hurdles.
3. THE GAP BETWEEN CLIMATE FINANCE AND HUMANITARIAN FINANCE

Table 3: Delivery, reporting and tracking for climate and humanitarian finance

<table>
<thead>
<tr>
<th>ASPECT OF SYSTEM</th>
<th>CLIMATE FINANCE</th>
<th>HUMANITARIAN FINANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial instrument</strong></td>
<td>Often involves loans or debt-based instruments, as only a quarter of publicly provided climate finance in the form of grants. Only a quarter of publicly provided climate finance in the form of grants. Finance may also come from the private sector.</td>
<td>In-kind support or grants as well as charitable contributions from the general public.</td>
</tr>
<tr>
<td><strong>Delivery channels</strong></td>
<td>Bilateral development assistance channels, multilateral development banks and international climate funds such as the Green Climate Fund (GCF).</td>
<td>Primarily directed towards multilateral institutions and international NGOs and often implemented through local NGOs.</td>
</tr>
<tr>
<td><strong>Reporting</strong></td>
<td>Bilateral finance and contributions to multilateral channels are reported biennially under the Paris Agreement and involve various estimation and accounting methods, often with project-level detail disclosure but generally lacking consistency. Multilateral Development Banks (MDBs) and multilateral funds follow their own approaches. Some reporters disclose project-level detail but information tends to be patchy.</td>
<td>Reported to both Organization for Economic Cooperation and Development’s Development Assistance Committee Creditor Reporting System (OECD DAC CRS) and to UNOCHA’s Financial Tracking Service (FTS) by donors. Generally reported transparently at the donor-to-first level recipient stage but becomes obscure beyond that, leading to difficulty in tracking the flow of funds.</td>
</tr>
<tr>
<td><strong>Tracking</strong></td>
<td>Bilateral finance is tagged using the Rio markers to determine the climate relevance of the finance. Projects can be tagged as having either a ‘principal’ or ‘significant’ focus on climate, depending on whether climate adaptation or mitigation is the sole purpose of the project or a secondary consideration.</td>
<td>Identified using sectoral project purpose codes. Projects can be assigned to humanitarian response purpose codes. Projects under humanitarian purpose codes may also be tagged as climate relevant.</td>
</tr>
</tbody>
</table>

The climate and humanitarian systems share a common goal of reducing the occurrence and magnitude of climate-related crises and their humanitarian impacts. Both systems agree that early and preventative action is essential. Where crises have not been averted, both seek to help communities rebuild and address the damage caused. Despite these shared objectives, they operate independently via different mechanisms, principles, legal frameworks and financing modalities. There is limited communication and understanding between them, leading to limited coordination and significant gaps in coverage for those most at risk. Bridging the gap and fostering synergy between these two systems is crucial to ensuring effective support for the communities most affected by climate impacts and humanitarian disasters.

In interviews for this report, many climate and humanitarian actors at the global level
considered themselves as operating in distinct realms with very little knowledge of the other system. However, for communities in need of support to adapt to the climate crisis, or recover from extreme weather events, the distinctions about the source of the funding is of far less consequence than whether the funding arrives in time, and in sufficient quantities. In particular, local organizations often find themselves pulling together a patchwork of finance across sectors to make projects work. If climate finance and humanitarian finance are going to mean anything beyond the negotiating table, it is crucial to ensure that all finance modalities are designed for the people most in need.

As both the climate and humanitarian sectors push for increased money to close funding gaps and negotiations over a potential loss and damage fund continue, sharp debates have arisen over the role played by humanitarian finance in climate finance negotiations. Calls for increased finance to fragile and conflict-affected states are increasing, most notably for the planned announcement of a pact committing to finance for fragile and conflict-affected states at COP28 in November 2023. However, there are also concerns that negotiating parties may use humanitarian aid to avoid discussions on aspects of climate justice.

The goal of this paper is not to resolve those debates, but rather to start from the basis that whatever form funding takes, the two systems must develop ways of coordinating to ensure the funding meets the needs of those most affected by the climate crisis.

'It is very important to recognize humanitarian aid can never meet full demands of climate justice on loss and damage – in case some donor states pretend that it can.'
THE TRIPLE NEXUS

The concept of the triple nexus, which involves coordinating actions across the humanitarian, development and peace sectors – aims to facilitate cooperation and shared objectives between immediate crisis-response projects and longer-term developmental transformations. This also involves fostering conditions for peace, ensuring that individuals can fully experience the entire range of human rights. Actors across the triple nexus work together towards collective outcomes: ‘An objective that envisions a sustained positive change, in particular avoiding future need for humanitarian intervention, for example through the reduction of vulnerability and risk.’ While the nexus is challenging to achieve in practice, the ability to coordinate action, concurrently, throughout development, peace and humanitarian programs, is considered crucial to sustainable change.

Some of the experts consulted for this paper already consider climate finance as a form of development finance, with the condition that climate finance must be additional to existing funding streams. However, climate finance operates under different mechanisms – including the UNFCCC – which are not included in typical nexus discussions, leading to significant gaps in the extent to which climate actors are included. Recent reports highlighting overlaps between the sectors have pointed to how the climate and humanitarian systems either duplicate efforts or work in parallel through a multiplicity of common stakeholders. This has prompted calls to consider an expanded triple nexus (HDP+C) to include climate actors for improved coordination both prior to and post-crises. These calls include a need to reorientate to a ‘needs-up’ or ‘bottom up’ approach; enhance access to climate adaptation finance in fragile and conflict-affected states; and improve the technical and institutional capacity of actors within these states.

There is evidence of a such a nexus approach working in countries experiencing conflict, including via instruments in protracted crisis contexts, such as happened with joint coordinated planning in Afghanistan. However, despite increasing calls for collaboration, no global forum or process exists to bring all of the sectors together in a substantive and consistent way. This places a high burden on local and national actors seeking comprehensive coverage for their most vulnerable populations, as they must amalgamate multiple funding streams which are not designed with collective outcomes in mind. There is also a risk that without a coordinated approach across the different systems, local actors may be excluded from funding streams by high administrative burdens, undermining the goals of both humanitarian and climate finance.

The ongoing efforts of the Transitional Committee over funding arrangements for loss and damage have brought many of these concerns to the fore. While the nature and structure of such funding is at a crucial stage of negotiations, it is pivotal that loss and damage finance operates in tandem with humanitarian and development finance, to enhance the ability of all actors assisting those impacted by the climate crisis to achieve collective outcomes. It is particularly important in fragile and conflict-affected situations where funding instruments need to be conflict sensitive and states and local organizations may represent very different views and different sections of societies that may be experiencing conflict or severe political instability.

THE CHALLENGES OF TWO DISTINCT SYSTEMS

CHALLENGE ONE: DIFFERENT FOUNDATIONS

A key challenge in coordinating climate and humanitarian systems is the different foundational structures on which they are based. The United Nations Framework
Convention on Climate Change (UNFCCC) – along with subsequent agreements like the Kyoto Protocol and the Paris Agreement – established a unique ‘organization’ that uses member states’ agreement on the treaties to coordinate global action on the climate. The UNFCCC member states determine action and direction through the annual Conference of Parties (COPs), including the management of international funds and specialized mechanisms. Despite not having the formal structure of a typical international organization or implementing agency, the members states of the UNFCCC play a significant role in global environmental governance through the convention.65

There is an assumption that member states send negotiating teams to the COPs who can fully represent their interests. However, the extent to which those representatives cover the full spectrum of climate-related needs within their country varies between states. Because the UNFCCC takes decisions by consensus of its member states, it is comparatively democratic in approach and free from some of the unbalanced power structures present in other organizations and agencies. However, this also means it lacks the ability to account for the illegitimacy or fragility on the part of any of the states represented.

In contrast, there is no single international agreement governing humanitarian action. Instead, humanitarian action is coordinated globally through the UN Office for the Coordination of Humanitarian Affairs (OCHA).66 OCHA’s core functions are to coordinate, mobilize, set agendas, advocate, and manage information on humanitarian financing. Collaboration with humanitarian partners, OCHA pinpoints critical needs, devises response plans, and determines budgets required for humanitarian action. The development of humanitarian response plans (HRPs) constitutes an appeal for the funding required to address specific crises and is revised annually.67 HRPs are developed by coordinator-led teams at the country and regional level and are populated by UN agencies, international NGOs (INGOs) and NGOs, and supported by the Interagency Standing Committee (IASC). The latter is a humanitarian forum comprising 18 organizations and consortia that formulate policies, set strategic priorities, and galvanize resources for crisis management.68 Humanitarian finance is distinct from its climate counterpart in that there is very little direct involvement from states, and particularly from those receiving aid.

CHALLENGE TWO: DIFFERENT PRINCIPLES

Climate

Climate action under the UNFCCC is based on the principle of ‘common but differentiated responsibilities and respective capabilities’ which stipulates that while member states have a shared obligation to address environmental degradation, the type of action and their level of responsibility and capacity for addressing degradation are different.69

In 2009, developed countries committed to increase climate finance to reach US$100bn annually by 2020 in support for climate action in developing countries, a

Humanitarian

Humanitarian aid sets out to save lives, alleviate suffering and maintain human dignity. It protects lives and helps those at-risk plan for, withstand and recover from emergencies. While it is needs based, it is often provided in insufficient quantities to address both the immediate and long-term needs of individuals facing crises and to help prevent future crises.

Guided by the principles of humanity, neutrality, impartiality, and independence, humanitarian actors
commitment which has yet to be fulfilled.\textsuperscript{70} Further, a balance must be achieved between mitigation and adaptation in order to establish climate-resilient infrastructure in the most at-risk communities.\textsuperscript{71} As revealed by research from Oxfam and others, limitations on enforcement makes it challenging to bridge the gap between political commitments and actual fulfilment of these promises.\textsuperscript{72}

\textbf{CLIMATE JUSTICE}

Resource extraction, patterns of socioeconomic development and vulnerability have all meant that some countries and communities are – and will be – more affected by rising global temperatures. This is despite the fact that these groups frequently bear little responsibility for environmental degradation and harmful emissions. Climate justice is the principle by which those who are most responsible for historical emissions are also considered most responsible for addressing the impacts of climate change. Recognition of the connection between climate change and the legacy of colonialism is crucial to understanding the importance of climate justice.

At the global level, climate justice is primarily concerned with two questions: Are countries contributing their fair share to reducing emissions, and who finances support for mitigation and adaptation activities in countries and communities who have very low historical emissions? The answer to these questions is seemingly clear: developed, industrialized countries need to cut emissions and fund measures to protect developing countries from climate-induced disasters. Failure to meet climate pledges, to reduce emissions, and to provide funding to developing countries means that the most climate-vulnerable countries and communities continue to bear the brunt of decades of climate injustice.

The climate sector has roots in the principles of climate justice, seen in developed countries’ commitment to provide $100bn per year to developing nations to help them reduce emissions and adapt to the changing climate. However, consistent failure to meet this commitment highlights that climate justice is far from being achieved. As the frequency and severity of climate-induced crises increases, the humanitarian sector is progressively having to respond to the impacts of extreme weather events. However, it has typically avoided attributing blame for the crises where it intervenes due to its focus on neutrality and impartiality. In responding to the climate crises where there is a clear link between those who have produced emissions and the damage communities are facing, there are now important calls to re-evaluate this approach, particularly in calling for increased finance from polluting countries as an obligation owed to affected communities.

\textbf{UNDERSTANDING IN PRACTICE}

Closer collaboration between the humanitarian and climate sectors raises concerns from some humanitarians about maintaining a separation of humanitarian priorities from political agendas. This worry is in part due to the perceived politicized nature of climate finance; where some climate advocates view contributions as a form of servicing a climate debt in line with the principle of common but differentiated
responsibilities and respective capabilities. Similarly, some climate finance actors have noted that humanitarian aid is "too often based on voluntary contributions of rich countries, and dependent on the preferences and geopolitical concerns of donor governments." Consequently, questions arise over the harmonization of the principles of humanitarian response with those of climate finance. A thoughtful exploration of their compatibility is necessary to facilitate more effective cooperation between the two systems. Because the risk is so much greater for communities in crisis, it is vital to convey a clear comprehension of climate finance, its objectives, and its mechanisms to stakeholders in the humanitarian sector; ensuring that no vulnerable group is overlooked.

While member states under the UNFCCC and Kyoto Protocol largely focused on reducing emissions, the Paris Agreement shifted to address mitigation, adaptation and loss and damage; increasing the focus on climate-related development policy and creating new overlaps with humanitarian actors. UNOCHA are not official parties to the UNFCCC and member state representatives at the UNFCCC are often not connected to UN agencies responding to humanitarian crises. This separation makes collaboration and communication across both systems difficult. The IASC has convened a task force with the aim of contributing analytical inputs to the UNFCCC and incorporating climate risk-management strategies into humanitarian operations, but these inputs are for consideration alongside those of other actors involved in the UNFCCC COPs.

The division between climate and humanitarian systems extends to donor governments - where experts emphasize the separation between departments governing climate and humanitarian finance - though less so for recipient countries, where finance is received by relevant departments and actors often work across and hold expertise in both sectors. Although nascent efforts to foster interdepartmental communication and synergy have emerged, departmental divisions persist, emblematic of the present landscape.

THE CLIMATE CHARTER

The Climate and Environment Charter for Humanitarian Organizations – introduced in May 2021 by the International Committee of the Red Cross (ICRC) and International Federation of Red Cross and Red Crescent Societies (IFRC) in consultation with humanitarian stakeholders – was created to garner support and commitment for climate action within the humanitarian sector. Comprising seven commitments, the Charter advocates for addressing climate and environmental crises and enhancing sustainability in humanitarian work. It emphasizes local leadership, evidence-based solutions, and collaboration for urgent climate action. Over 230 humanitarian organizations signed the Charter within a year of its launch, pledging their dedication to addressing the urgency of climate change and acknowledging their pivotal role in climate mitigation.

The Charter underscores the interconnectedness of climate-induced disasters with food security, health, livelihoods, and cultures; aiming to foster consensus and cooperation among humanitarian actors to prioritize the needs of the most vulnerable in the face of escalating climate and environmental challenges. Critically, it considers guiding objectives for disaster risk reduction from the 2015 Paris Agreement, the SDGs and the Sendai Framework, highlighting the importance of integrated agendas across the triple nexus. For more information, visit the Climate Charter.
A well-functioning system focused on meeting the needs of the population with sufficient development finance, adaptation, DRR and state emergency response capacity to prevent shocks from turning into crises should not usually require international humanitarian aid, a last resort for states to meet needs. However, in fragile and conflict-affected states (FCAS), these systems have often failed. As noted above, such states often have the greatest need for climate and humanitarian finance, but some of the lowest capacity to access finance and implement projects. To support those facing some of the worst impacts of the climate crisis, humanitarian and climate finance must find a way to address this gap.

Climate

The UNFCCC operates within a state-centric framework, treating states as the primary vehicle for implementing activities. Climate finance is usually delivered through specific climate projects, with a focus on mitigation and/or adaptation.

Alongside bilateral climate finance, multilateral climate finance is delivered through multilateral development banks and climate funds, such as the Green Climate Fund (GCF) or the Global Environment Facility (GEF). Eligibility for multilateral funding is determined via accreditation. Yet, vulnerability to climate change is defined by geography and socioeconomic conditions, often singling out at-risk country groups such as Small Island Developing States (SIDS), least developed countries (LDCs), and low-income countries (LICs) as particularly vulnerable. While the prioritization of such states is crucial to ensuring that those most in need receive financing, especially as these countries face challenges in accessing resources and capital markets, funding is also largely dependent on those same states having the ability to apply for and implement those funds where complex application processes and historical donor relationships create barriers to funding.

The GCF has been particularly successful in allocating nearly half of its funding for adaptation-related

Humanitarian

Humanitarian finance is designed to act in FCAS, and 80% of humanitarian efforts carried out in conflict-affected or refugee-hosting nations. Many of its systems are designed to operate independently of the states that are involved in the conflict, and at times to specifically avoid interference from the state, which may be directly unwilling to help sections of its population. However, the nature of this design raises challenges in cases of extreme weather events where the state is willing to help but is overwhelmed by the scale of the crisis and unable. In essence, the state then changes from potential spoiler to potential ally, which requires a change in the existing financial structures of the humanitarian system, which were not designed to consider such allyship.

As needs have grown and crises have become more protracted or cyclical, it has become clear that simply responding to emergency humanitarian need is not sufficient. Humanitarian responses must address the root causes of crises (or fragility), not just the symptoms. This necessitates a change in funding systems to allow humanitarian programmes to act before the onset of a particular crisis (anticipatory action) and to work with development actors to reduce the potential impacts of crises (disaster risk reduction). It also means that humanitarian programs continue well
projects to countries with very high or high climate vulnerability. Nevertheless, some countries with the highest vulnerability, such as Afghanistan, Burundi, Central African Republic and the Democratic Republic of the Congo, have not received GCF project funding. Many of these countries also face challenges from violent conflicts. Thus, the barrier to receiving GCF funding appears to be less about prioritization and more about states’ ability to apply for and implement such projects when violence and fragility have degraded institutional capacity and potentially donor trust as well. Factors beyond vulnerability – including project proposals, fund management capacity and institutional history – impact the way in which climate finance is distributed across regions, potentially disadvantaging the most vulnerable nations in terms of access.

Multilateral climate finance, both under the GCF and other mechanisms, tends to be given to national governments to fund large scale long-term projects. This restricts access for FCAS, where instability may limit states’ ability to undertake large projects and national governments may lack capacity, especially when meeting immediate needs takes precedence.

after the initial crisis to help communities re-establish livelihoods and self-sufficiency, and to facilitate recovery in a way which addresses the root causes of the crisis and avoids its recurrence.

Roughly two-thirds of humanitarian appeals for relief every year since 2000 have been associated with extreme weather incidents, often involving droughts, floods, or tropical storms. However, there is still a lack of clear consensus among humanitarian actors for how to create and implement climate-responsive humanitarian aid, whether such responses should be under different principles, and what mechanisms should be used in countries affected by both conflict and extreme weather events.

The role of the state

The climate and humanitarian sectors may operate in the same countries and at the same time, but they operate under different assumptions about the role of the state. Independent humanitarian assistance is introduced when the state is unwilling or unable to meet the needs of their citizens. Conversely, states are key decision-makers in the climate finance process, leading on adaptation to climate change and addressing loss and damage from climate-related disasters on its citizens’ behalf. Unlike with conflict, where a state may be contributing to the humanitarian crisis, in climate-related responses the state is focussed on protecting its people from impacts, adapting to climate change and preserving development gains.

UNDERSTANDING IN PRACTICE

While climate finance and humanitarian finance take very different approaches to working in FCAS, they should not be limited to an either/or approach but instead seek enhanced modes of cooperation to ensure that the diverse needs of such a response are adequately covered. Central governments have a crucial role to play to
successfully implement the large-scale changes needed to reduce emissions and prepare for the enormous impacts of the climate crisis, however all levels of government should be engaged in processes to adapt to climate change, prevent risks and prepare to respond. At the same time, there are populations that do not receive sufficient protection from their governments and that will require independent assistance – particularly from local NGOs and first responders – to address the climate crisis. The climate and humanitarian sectors need to work together while also maintaining their individual strengths.

CHALLENGE FOUR: FUNDS MUST BE ACCURATELY REPORTED AND TRACKED

Not only must climate and humanitarian finance reach FCAS but climate finance must be additional to other ODA commitments. The scale of the crises cannot be met with simply changing how current funds are spent; there must be substantial new funding across the spectrum. However, Oxfam’s Climate Finance Shadow Report found that climate-related development finance now makes up to one-third of stagnating ODA budgets, rather than being ‘new and additional’.97

To ensure finance is additional, we must be able to correctly track it. Public climate-related development finance and humanitarian finance are both provided as ODA, which is tracked by the Organization for Economic Development Assistance Committee’s Creditor Reporting System (OECD DAC’s CRS). However, the way in which contributions are tagged for reporting can have significant implications. Double tagging of projects as climate change adaptation plus another humanitarian sector code – most frequently DRR – can undermine clarity in reporting, potentially leading to overestimation of government contributions to both sectors. Research on funding between 2011–2018 suggests that as little as 6% of climate finance has been new and additional to ODA.98 Oxfam has found that, due to overestimating the climate relevance of reported funds, bilateral climate finance may have been up to 30% lower than reported.99

Improvements in reporting and transparency have long been needed to better understand the impact of finance in both the climate and humanitarian sectors. As these sectors increasingly overlap, it is crucial that the transparency and detail of funding are improved to ensure that communities do not fall through the gaps and that those responding to climate change are able to accurately apportion resources.

Climate

Climate finance is reported biennially to the UNFCCC, but a complete picture of climate finance flows is difficult to ascertain.100 One major challenge is the ambiguous classification of climate-related activities, resulting in different interpretations and reporting practices. Additionally, there is a lack of comprehensive and timely data on climate finance flows with information often scattered across various platforms and institutions.101

Humanitarian

Humanitarian aid is tracked through the OECD CRS, as well as OCHA’s Financial Tracking System (FTS) – although reporting to the latter is voluntary.

FTS has taken significant strides to improve data quality and real-time reporting, though tracking still requires significant improvements. Developing a better understanding of the impact of changes in funding allocations on development
The tagging system for climate projects under the CRS results in ambiguity, with many funds being counted toward multiple targets and purpose codes; making it challenging to ascertain the actual extent of additionality. While improved tracking would not solve the lack of additionality, the transparency would improve efforts to hold those not meeting their obligations to account.

To address these challenges, there is a need for improved data standards, harmonized reporting practices, and better coordination among the different actors involved in climate finance. Efforts to enhance transparency; reduce double counting against multiple purpose codes and objectives; and provide more detailed and timely information, are crucial for accurately tracking climate finance and ensuring accountability in climate finance flows.

**UNDERSTANDING IN PRACTICE**

Accurate tracking will not in itself break down the silos between humanitarian and climate finance but is crucial in enabling both systems to understand where their resources are spent and what is being done. As UN FTS notes, ‘transparency is not an end in itself but a fundamental part of improving the efficiency, effectiveness and accountability of humanitarian action.’

Experts from both sectors also note that the challenges to transparent tracking can result in repurposed or double-counted finance. Double-counting is not always intentional but can be the product of systems which do not properly reflect the complexity and diversity of programmes. Improved reporting systems would allow actors to identify where additionality has not been achieved and provide a clearer understanding of where humanitarian or development actors might be implementing climate-related projects and measure impact. Enhanced tracking and reporting mechanisms that go beyond the first recipient of finance and prevent vague classification of what constitutes a climate activity would also highlight overlaps in activities across the triple nexus. This would indicate opportunities for collaboration as well as the places where finance to local and national actors could be strengthened.

A streamlined approach to reporting and tracking – including a standardized measure for principle and significant levels of climate finance – would optimize resource allocation for maximum impact. This approach could be complemented by improved reporting from recipient countries on project implementation and outcomes. While assisting local and national entities in establishing these systems is imperative, it would foster insights into the most impactful endeavours.

Centralized systems like OCHA’s Financial Tracking Service (FTS) should also add a
live tracking tool after high-level pledging conferences on a given crisis or climate intervention. This would enable real-time scrutiny and accountability, both of which are currently hindered by reporting delays.\textsuperscript{110}

**CHALLENGE FIVE: OVERLAPPING ACTIVITIES WHILE AVOIDING GAPS**

The challenge related to tracking and double counting highlights how multiple streams of funding may be applicable to the same projects. In many instances, Oxfam country projects among them, some climate finance is applied to humanitarian projects. For a community trying to build a well in order to survive a drought, or to develop a shock-responsive social protection system for typhoons, the principles and objectives behind the funding matter far less than whether it arrives in a timely fashion and in a form that can be used by the community.

As climate-linked crises become more common, a key challenge will be to ensure that similar and overlapping projects do not result in gaps, leaving behind community projects which do not fit neatly into climate or humanitarian categories. Notably, the persistent gap in available funding for both the humanitarian and climate sectors is a significant risk, more than the gaps resulting from different prioritization systems to target those in need. However, there is transformative potential that can be realised when the funding systems choose to work collaboratively, particularly in the context of funding gaps.

**Figure 3: Operational objectives of humanitarian, development, peacebuilding and climate actors**

- **Climate**
  - Emissions reduction (mitigation) and adaptation activities covered by climate finance should align with sectoral priorities and needs outlined in nationally determined contributions (NDCs) and long-term strategies. While the $100bn finance commitment is meant to be new and additional ODA channelled from developed to developing countries; in practice,

- **Humanitarian**
  - Humanitarian aid spans a range of disaster management activities; encompassing risk reduction, relief provision during crises, immediate reconstruction, and long-term recovery efforts. This assistance covers activities during the Humanitarian Programme Cycle, several interlinked phases involving different government and non-governmental stakeholders.
activities are funded by a mixture of local, national and international resources, both public and private.

A significant share of climate finance is directed towards key sectors, including energy, transport, water and sanitation, and agriculture. Most climate finance is allocated to fund mitigation action, driven by the potential returns from revenue-generating projects. Mitigation finance predominantly targets energy and transport but is increasingly also directed to supporting carbon-neutrality goals through emissions reductions in sectors like agriculture, forestry and fishing.\textsuperscript{111}

Adaptation projects, which often involve capacity-building or non-revenue-generating efforts, face challenges attracting similar investments. Adaptation finance often addresses climate-vulnerable sectors like agriculture and water and extends to social domains such as education and health to enhance resilience and adaptive capabilities.\textsuperscript{112}

Loss and damage funding is still under negotiation so the scope of its activities remains to be seen. However, there is likely to be significant overlap with humanitarian programmes as both seek to act in anticipation of crises, respond when crises hit and support in post-crisis early recovery, with L&D funding ideally starting early and continuing longer than typical humanitarian finance would.\textsuperscript{113}

Different agencies take responsibility for each of the clusters, which cover a range of activities including education, water, sanitation and hygiene, health, food security, and nutrition.\textsuperscript{114}

While the humanitarian system has become increasingly concerned with the need for both anticipatory action and post-disaster early recovery, this can be difficult to achieve due to the persistent funding shortfalls endemic to the appeals process. The operational reality of humanitarian action often centres on immediate relief at the expense of sustainable interventions, limiting the capacity for comprehensive recovery and resilience-building and eroding development progress.\textsuperscript{115}

During extended crises, humanitarian aid can gradually merge into the domain of development due to the lack of investment of development actors in fragile and conflict-affected states. This can result in humanitarian actors assuming roles that are typically carried out by the government, such as the delivery of essential services. In these circumstances, humanitarian aid might circumvent national and local structures, potentially weakening development principles like democratic governance or alignment with national development strategies like those for climate.\textsuperscript{116}

**UNDERSTANDING IN PRACTICE**

Adaptation and development finance, loss and damage finance, and humanitarian aid share a consequential relationship; reducing the emissions driving climate change, addressing the foreseen risks that can escalate into humanitarian crises, and responding in a way which limits harm as much as possible. One potentially good example of overlap is disaster risk reduction (DRR) finance, which finances activities aimed at bolstering communities’ resilience in the face of natural disasters. Notably integrated within development finance, DRR efforts are frequently carried out by humanitarian actors in contexts such as Bangladesh, where disaster risk reduction strategies like early warning networks closely align with climate-centric humanitarian responses.\textsuperscript{117}
Bangladesh’s disaster management system is an example of coordinated nexus programming which has made significant progress in reducing cyclone-related deaths in the context of increased climate risks. It has achieved this through a multi-layered early warning system, a vast network of cyclone shelters, a large volunteer programme (50% women), and storm-aware curricula in schools. Bangladesh’s cyclone-related deaths have reduced by over 100-fold, making it a model for other countries facing new climate risks. Bangladesh’s proactive measures – such as gender parity in volunteer programmes and an extensive cyclone shelter system – have contributed to saving lives. Nevertheless, challenges addressing displacement, economic damage, and loss of livelihoods due to climate change remain.118

Even where alignment is possible, the present scarcity of climate finance and DRR resources within crisis situations restricts any real overlap in practice and often creates duplicative teams reporting to different mechanisms.119 Recognition of these gaps in preparedness further underscores the urgency of concerted action. Closing this gap will require both finance for long-term adaptation and preparedness to reduce the impact of climate-linked crisis, as well as a huge increase in funding for responses to climate-linked crises.
In Kenya’s Turkana County, pastoralism forms the backbone of livelihoods, with various communities relying on livestock and agropastoralism, fishing and urban sectors. The region has seen increasingly frequent and intense droughts since 2010, pushing the Turkana people to move across borders in search of water and grazing land for their livestock, as reported in a recent piece by Climate Refugees.120

The Turkana people’s movement extends across county borders in Kenya and into the neighbouring countries of Ethiopia, South Sudan and Uganda. The region’s shared agropastoral livelihood transcends linguistic and cultural differences but climate change impacts have deepened struggles. The increased mobility has caused conflicts with other pastoral communities, exacerbating underlying tensions related to land rights, resources and access. Armed violence has emerged as a result, further fuelled by the proliferation of weapons and regional conflicts. The Kenyan government has mainly responded to the escalating violence with military interventions but there are calls for a more proactive approach. Peacebuilding initiatives are required to foster dialogue between different communities, recognizing climate change as a common adversary that necessitates cooperation.

Facilitating migration agreements between herders, pastoralists and landowners – along with heightened security measures – could potentially mitigate conflicts and reduce the cycle of violence. Recognizing the broader impact of climate change on pastoral communities, such strategies could be part of a comprehensive effort to address the interconnected regional challenges of resource scarcity, climate impacts and conflict.

The Turkana experience serves as a stark example of how climate change can magnify existing tensions, disrupt traditional livelihoods and escalate conflicts. Addressing these complex challenges requires a multifaceted approach that combines localised peacebuilding efforts, regional cooperation, and proactive governmental measures. Only a combination of these three approaches will ensure a sustainable and secure future for vulnerable communities in the face of climate change.121

Abdia Ibrahim, a participant in the Barambale water project in Isiolo county, Kenya, washes her son’s hands with water fetched at the water point built by local NGO, MID-P, in partnership with Oxfam.
Photo: Mark Wahwai/Oxfam
4. BRIDGING THE GAP: MAKING FINANCE LOCAL, EARLY AND FAST

GETTING FINANCE TO LOCAL ACTORS

The actors with the most knowledge of historical and current climate trends in the areas of intervention, who are in place before any crisis hits, and who will be there long after international attention fades, are the local NGOs.

**Climate**

The state-centric nature of multilateral climate finance, designed for UNFCCC member states, is directed at supporting nationally developed plans. However, this same approach makes access to finance difficult for local actors, especially smaller, local civil society organizations (CSOs), which lack the organizational capacity to engage in such large-scale processes. Evidence from Bangladesh indicates that most multilateral adaptation finance is channelled either through the national government or large NGOs and funds large infrastructure projects which don’t tend to involve local NGOs. These projects tend to neglect slow-onset events such as drought and health issues from rising temperatures, which are main drivers of need. Consequently, local communities may have very little input in how adaptation funding is spent. The principles of locally-led adaptation are meant to serve as a guide to transferring ownership of climate adaptation to local actors, but funding and support for these principles remains limited.

A key challenge for climate finance in FCAS is that the state may lack the capacity to adequately engage with local NGOs. In the case of conflict or closed civic spaces, societal groups may also be deliberately excluded by the government. This may lead to a lack of climate finance to areas which are highly in need of it, with the state acting as a gate keeper. The lack of conflict sensitivity in climate finance may lead to the exclusion of some groups, resulting in increased intercommunity tensions and possibly exacerbating conflict.

**Humanitarian**

Humanitarian finance to local and national actors (LNAs) may be seen as the mirror image of climate finance. The system is designed to operate independently of many national actors but has increasingly focused on supporting local actors and local humanitarian leadership, under the call to make humanitarian aid ‘as local as possible, as international as necessary.’

The Grand Bargain recognized the significance of enabling local and national actors (LNAs) to lead in delivering effective and efficient humanitarian responses, aiming for at least 25% of humanitarian funding to directly reach LNAs. Their involvement leads to enhanced sustainability and community resilience, particularly in the case of recurring and protracted crises where transitioning from immediate humanitarian aid to recovery and reconstruction is challenging.

The necessity to adequately support local actors has become more pressing, yet the available information on funding flows suggests that commitments to enhance locally led humanitarian responses remain largely unfulfilled. Tangible progress has been limited, with a mere 1.2% of international humanitarian assistance reaching local and national actors in 2021.
A recent case study from CAFOD examined the level of climate and humanitarian funding going to South Sudan, which has low levels of climate vulnerability but exacerbated risk due to protracted humanitarian crisis.

South Sudan faces an elevated risk of climate impacts due to factors such as conflict and limited coping capacity. This vulnerability is exacerbated by recurrent flooding, severe drought, localized conflict and youth unrest, all contributing to the most severe food insecurity situation in the world. Approximately 7.7 million people are grappling with acute malnutrition or starvation, a crisis that persisted for the fifth consecutive year in 2022, affecting 54% of the population of 14.3 million.

Overall humanitarian funding to South Sudan has stagnated since 2020. There is evidence of a decline in total food sector funding, including a per capita decrease from US$99 to US$66 as of November 2022. This decline may reflect a shift towards regional strategies or difficulties arising from prolonged conflict.

While LNAs have been effective in assisting the affected populations, their efforts are hampered by consistently low funding levels. Between 2017 and 2022, direct, localized funding for South Sudan’s food sector amounted to just US$19.7m (0.4%) with only US$2.8m (0.1%) channelled directly from major donors like Germany, the United States and the United Kingdom.

Although country-based pooled funding plays a significant role in supporting LNAs, those operating in South Sudan have encountered barriers to effectively utilizing funding for food security and resilience building. In November 2022, more than 90% of funding for the Food and Livelihoods cluster went to the World Food Programme. LNAs continue to be excluded from crucial processes and access to funding, despite their demonstrated impact in areas cut off from humanitarian aid due to conflict.

South Sudan’s vulnerability to accelerating climate impacts and successive crises becomes evident when compared to other protracted crisis-stricken countries in the Horn of Africa region. Tailored intervention strategies are essential given the severity and persistence of food security challenges. However, South Sudan has received relatively limited climate finance from multilateral funds and climate-related ODA. This contrasts with non-fragile and conflict-affected states in Africa.

Despite the urgent need for resilience activities in the face of climate impacts, donors’ reluctance to fund longer term investments contributes to a ‘continuous emergency’ situation in South Sudan. Organizations are compelled to prioritize immediate life-saving responses, thus deprioritizing recovery, reconstruction and resilience-building. LNAs have highlighted the challenges of obtaining adequate resources, explaining that their emergency food requests have reached a ‘ceiling’ as donor support decreases. This situation is further exacerbated by South Sudan’s ongoing cycles of flooding and droughts.

Experts have highlighted the top-down nature of climate spending decisions which are often driven by political considerations rather than the interests of local populations. Large mitigation finance projects are state-centric by nature, with adaptation finance typically channelled through national governments, often with the intention to bring about longer-term development benefits. Where the state fails to adequately engage with local communities, it may thus deprive them of meaningful influence over adaptation spending decisions. The impact of this depends largely on the relationship between the state and its people; much more
can be done to improve localization when states are inclusive and hold open consultations. Recognition of the importance of local actors is increasing; the Global Commission on Adaptation’s principles for reinforcing locally-led adaptation garnered support from over a hundred organizations last year.\textsuperscript{133}

However, a key challenge arises with adaptation and loss and damage finance being implemented in FCAS, where difficulties between the government and civil society may require a different approach. In such instances methods developed by the humanitarian sector to pass funding as directly as possible to local organizations and independently of the state may be necessary to ensure that populations that are excluded from state power systems are still able to receive climate finance.

To facilitate direct funding to local actors and create meaningful change, the climate and humanitarian sectors should:

- **Streamline application processes**, particularly within large climate funds, which currently present significant barriers for local organizations,\textsuperscript{134}
- **Foster local organizations’ capacities to deliver assistance** and implement programming, and
- **Support local leadership in planning and decision-making** – especially on resilience-building projects\textsuperscript{135} – and improve coordination with local actors throughout the preparedness-response-recovery cycle.

### GETTING FINANCE BEFORE A CRISIS STRIKES

The advantage of knowing more and more severe climate-related crises are coming\textsuperscript{136} is that preparation can be supported, through adaptation to the changing climate and action to minimise the loss and damage to communities. However, in order to do this effectively both the climate and humanitarian sectors must be able to unlock funding and get it to communities before crisis strikes.

<table>
<thead>
<tr>
<th>Climate</th>
<th>Humanitarian</th>
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<td>The UNFCCC process has been working with LDCs since the early 2000s, first to formulate and implement National Adaptation Programmes of Action (NAPAs) and subsequently to form broader National Adaptation Plans (NAPs). A further step was taken at COP26 with work on the Global Goal on Adaptation to enhance adaptation and resilience in the face of the climate crisis.\textsuperscript{137}</td>
<td><em>Anticipatory action</em> is a form of humanitarian finance which aims to reduce or prevent the impacts of the crises before they occur. Projects may include helping communities temporarily move out of the path of a coming storm; providing cash in advance of crises to help people prepare; replenishing cereal banks and other supplies; or constructing shelter or water points.</td>
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While some adaptation projects overlap with anticipatory action – such as the setup of early warning systems or the development of shock-responsive social protection nets – adaptation has a much broader scope; encompassing engagement with business and

**Anticipatory measures** enhance the efficiency of aid distribution: the UN Food and Agriculture Organization (FAO) estimates a sevenfold return on every dollar invested in such actions, thus minimizing losses and benefiting communities.\textsuperscript{138} Acting proactively
government systems and the creation of large-scale infrastructure programmes. Negotiations for loss and damage finance have also noted that L&D finance must be available in advance of crises to reduce potential losses – though the timeframe for implementation is still under discussion.

There are clear overlaps between humanitarian anticipatory action and climate adaptation finance in terms of the proactive measures used to prepare for, respond to, and mitigate the impacts of climate-induced shocks. Activities such as investment in predictive tools and early warning systems – incorporating triggers to unlock finance supporting expanded social protection – align with the principles of climate adaptation by enhancing resilience, reducing vulnerabilities, and ensuring that communities are better equipped to navigate the challenges posed by a changing climate. Anticipatory action has also met with some success as a mechanism around which stakeholders can convene and share information, and as part of integrated disaster-risk management frameworks.

Cooperation between the climate and humanitarian sectors to increase the scope and scale of anticipatory action could be tremendously beneficial to both systems. At present however, anticipatory action remains the exception rather than the norm, with most projects small-scale pilots with limited funding. Evidence generated by Start Network suggests that around 55% of humanitarian funding is directed to crises that are somewhat predictable yet only 1% of funding is organized ahead of time. In countries with strong disaster management agencies, the lack of adequate climate and disaster funding increases crisis impacts and hampers humanitarian response. Anticipatory finance should be a key area of cooperation between climate and humanitarian finance, and a major consideration in the development of loss and damage finance systems.

Heavy rainfall in Southeast Bangladesh in the summer of 2021 led to severe flooding and landslides in the Cox’s Bazar refugee camps and surrounding communities. Over 70,000 refugees were affected by the floods with almost 25,000 displaced. Photo: Shaikh Ashraf Ali/Oxfam
Anticipatory action: Global Forewarn

The Forecast-based, Warning, Analysis and Response Network (FOREWARN) is the anticipation branch of the Start Fund. It convenes a multi-disciplinary, multi-stakeholder network of aid professionals, academics and risk experts to predict disasters and work with humanitarian actors to prepare for crisis; making early action to crisis a norm. As of 2022, there are five FOREWARN countries: Bangladesh, Madagascar, Nepal, the Philippines and Pakistan. In each of these contexts, FOREWARN works to ensure that the Start Network has expert analysis and risk information to hand which can be used effectively ahead of a crisis. This is achieved through risk monitoring, forecasting tools, early action protocols, early action coordination and advocacy. FOREWARN has increased partnerships and improved relationships between climate and humanitarian actors as well as fostered stronger, geographically relevant anticipatory planning. FOREWARN stakeholder groups can connect local and national actors with international experts and donors, increasing the resources available when a crisis hits.

GETTING FINANCE FAST

The difference in timeframes between development and humanitarian finance has long been a feature of nexus discussions. The humanitarian sector prioritizes rapid crisis responses, with 60% of humanitarian funding committed within two months of weather-related disasters. One of the fastest humanitarian finance systems – the Start Fund – is a rapid-response pooled fund that can release funding within 72 hours of crisis onset. This contrasts with the World Bank’s year-long delay in delivering funding from the IDA Crises Response Window for crises between 2000 and 2019, based on the longer-term nature of the projects. Climate finance usually takes much longer to deliver. The development roots of climate finance have led to long timeframes suited to large, multi-year projects with the median time from project review to approval for the GCF standing at 12 months.

As negotiations continue over the nature of loss and damage funding – and the importance of adaptation increases with new extreme weather events – the speed with which funding is made available will be a crucial factor. The floods in Pakistan serve as a sobering reminder of the consequences of finance arriving too late. Despite US$160 million being committed to fund Disaster Risk Reduction in the Sindh province in 2020, a year later little more than half ($92 million) had been disbursed. The Sindh region was one the areas that was most impacted by the devastating floods in 2022. It is therefore of high importance to consider the growing calls for a rapid-response window to be part of a loss and damage fund. Rapid deployment of finance in the aftermath of a crisis event would support communities to respond and recover before the next crisis hits.

As noted above, such finance may be directed to the same area and via the same actors as humanitarian response. Careful collaboration and coordination between the two systems is therefore vital and such projects must operate concurrently during crises. Projects such as the Nexus Response Mechanism are already showing how development and humanitarian funds can be managed in a single pool and may serve as a blueprint for future climate and humanitarian rapid-response funds.
Pooled funds

Pooled funds play a pivotal role in enhancing the efficiency and effectiveness of humanitarian finance delivery by expediting the distribution of funds and bolstering the involvement of local actors. These funds aggregate contributions into a single unearmarked pool dedicated to specific crises, countries or regions. By harmonizing governance, planning, and operations, pooled funds enable responsive and prioritized funding allocation; ensuring that resources are directed by those closest to the affected communities.

Funding directed to UN-managed pooled funds – including the Central Emergency Response Fund (CERF) and Country-Based Pooled Funds (CBPFs) – grew from $754 million in 2012 to $1.9 billion in 2022. However, these funds only accounted for 5.4% of total humanitarian assistance in 2022.152 Notably, CBPFs have emerged as a recognized channel for directing resources to local and national actors, with more than a third of the funding channelled through CBPFs in 2020 benefiting national organizations.153 Moreover, the innovative approach to pooled funds is being expanded by entities like the Start Network – which comprises 80 NGOs across five continents – to address systemic challenges in humanitarian operations.154 These models empower frontline responders to initiate early and effective actions, aligning with the goal of facilitating anticipatory responses to crises.

In settings marked by conflict, coordinating climate and humanitarian funding through national government structures may not be impossible. In such contexts, a pooled funding model could serve as an impartial national platform – distinct from state entities – that enables the convergence of resources and knowledge for effective planning, gender and inclusion considerations, and coordination. For this to be sustainable and successful, pooled funds would need to be governed by a diverse group of global, national and local humanitarian, development, climate and peacebuilding actors representing a range of stakeholders, who could make decisions about resource allocation and anticipatory action that would be location specific.155

Previous attempt at achieving this level of governance have met with mixed success, with local actors sometimes feeling side-lined in decision-making processes. Other challenges would also need to be considered, such as the low number of existing CBPFs and the need for a sustaining infrastructure to include non-government-controlled areas.156
5. CONCLUSION AND RECOMMENDATIONS

Developed countries have fallen far short in their promises to provide $100bn per year in climate finance; there are continuous gaps in mitigation and adaptation finance; and humanitarian needs are spiralling as the failure to mitigate and adapt to climate change is leading to more frequent extreme weather events. The current systems are not meeting the needs of those affected by the climate crisis; to be fit for purpose and address needs they require vastly more funding as well as more efficient, transparent and comprehensive ways of working.

As the Transitional Committee develops recommendations on funding arrangements for loss and damage finance for those impacted by the climate crisis and states prepare to meet at COP 28, we are at a crucial moment for the alignment of climate and humanitarian responses (as well as development and peace) to address the new challenges posed by the climate crisis.

In 2016, the High-Level Panel on Humanitarian Financing called for a ‘Grand Bargain between the big donors and humanitarian organizations’\(^1\) to address the humanitarian financing gap.

It may now be time for a ‘Green Bargain’ that brings together climate finance mechanisms and humanitarian donors to address the financing gap and to the needs of people in FCAS resulting from the climate crisis.

To bridge the gaps and effectively address climate-related crises, the climate and humanitarian sectors must overcome differences, align priorities, significantly increase available finance, enhance reporting, and foster meaningful collaboration across the triple nexus. This will require commitment from both sectors, as well as from donor countries and recipient nations, to ensure that resources increase, and that they are deployed efficiently and effectively to support vulnerable communities. The climate and humanitarian sectors must also work together to empower local actors, improve response speeds, and proactively address crises through anticipatory action.

Potential loss and damage finance requires a nuanced, conflict-sensitive approach that emphasizes local responses and climate justice principles while avoiding the risks of double counting, complex barriers to finance and the potential for earmarked, parallel programming with narrow funding windows. Integrating these approaches into coordinated strategies should enhance the effectiveness of climate and humanitarian finance; improve resilience in the face of climate-induced crises; preserve development gains; and ease the pressures of accelerating climate impacts on the humanitarian system.

We are calling on the UN Secretary-General, as a representative of humanitarian and climate actors, to urgently address this finance gap by calling for a Green Bargain where both climate, development and humanitarian actors can meaningfully design a coordinated approach to finance for the most impacted communities.
RECOMMENDATION 1: ADDITIONAL AND COORDINATED SOURCES OF FINANCE

Addressing the impacts of the accelerating climate crisis requires new and additional sources of finance without creating competition between climate and humanitarian funding. The coordination of finance and delivery channels based on existing platforms can help mobilize innovative finance streams. All climate finance should be new and additional to resources needed to meet existing ODA obligations.

Together and urgently, humanitarian policy makers and climate negotiators, with UN support, should:

- Call for significant new financing to loss and damage. This should be distinct from humanitarian finance but employ mechanisms that allow for clear coordination and cooperation in fragile and conflict-affected states.
- Ensure all climate finance providers commit to significantly increasing climate finance to FCAS, including by immediately delivering all adaptation finance as grants.
- Call on high-income countries to redouble efforts to tax the most polluting industries and activities while protecting low-income consumers and invest these additional revenues in a fairer and greener future overseas and at home.
- Support small, community-level funding opportunities that are flexible and based on a ‘no regrets’ approach to risk.

RECOMMENDATION 2: MORE AND BETTER COORDINATION, LED FROM THE LOCAL

Actors in the climate and humanitarian systems – particularly local actors – should draw from comparative advantages and work on common objectives. They should recognize the co-benefits of working together and build on these: working to align their efforts and priorities; ensuring the full inclusion of local actors; and fostering substantial collaboration across all sectors and actors, including wider development initiatives.

Together, humanitarian and climate actors can:

- Coordinate with, and build on, the learning from existing humanitarian system features like clusters and networks of local actors to deliver climate finance in fragile and conflict-affected states.
- Ensure that coordinated loss and damage funding in fragile and conflict-affected states takes a conflict-sensitive approach that prioritizes human rights and justice.
- Involve climate actors in joint risk assessments and encourage humanitarian and climate departments to plan together to pursue collective outcomes.
- Create fora for information sharing and best practices that will enhance place-specific anticipatory action, ensure that local actors are genuinely supported and prevent the transferral of risk.

RECOMMENDATION 3: BETTER REPORTING AND TRANSPARENCY

To ensure effective cooperation between the humanitarian and climate finance systems and efficient, timely and well-resourced responses, we need transparent and clear information on the quantities of finance and how and where it is being used. The climate and humanitarian sectors must come together to develop a common reporting framework which can effectively and transparently reflect the
funding coming into both systems in a way which is transparent and reduces the risk of double counting.

Together, humanitarian and climate actors can:

• Call for increased transparency and enhanced tracking and reporting of funding. UNFCCC rules and reporting guidelines should require climate finance providers to report the share of climate finance they are contributing to FCAS.

• Call for improved reporting standards on the portion of ODA on any given project that is climate-related, harmonised donor practices and real-time data for better tracking and accountability.

• Ensure that all data is disaggregated by gender and other relevant characteristics – including race, age, sexual orientation and disability – to enable intersectional analysis for climate and humanitarian action and support local and national actors to share their data in order to enhance understanding of the impact of climate finance and its relation to crisis.
METHODOLOGY

The insights in this paper are based on information gathered from experts. This includes both global-level and local and national actors, all of whom provided crucial context and experience into the impacts on communities at the forefront of climate change. The researchers aimed to interview actors from across the climate and humanitarian spectrums. Expert information was gathered in two ways; through five key informant interviews and through qualitative surveys completed by 12 respondents.

As the information gathered from experts is largely based on opinion, this report is not an aggregated qualitative study. Instead, it gathers and provides illuminating feedback on how to improve collaboration between the climate and humanitarian sectors. The research is also informed by existing literature.

Climate-relevant ODA

This data includes all ODA disbursements reported to the OECD DAC Creditor Reporting System (CRS) and marked with a relevant Rio marker by DAC members, multilateral organizations and other government donors that voluntarily report to the OECD DAC. The two Rio markers can be used to report the relevance of any ODA funding in terms of:

- Mitigation: where a project contributes to stabilizing 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 climate change.

We include ODA marked as principal only for both markers.

Climate vulnerability

We classify countries’ climate vulnerability using data from the Notre Dame Global Adaptation Initiative (ND-GAIN) vulnerability index. We identify people living in countries ranked in the top quintile of this index as having high climate vulnerability. People living in countries with no index data are assumed not to have high vulnerability.

Protracted crisis countries

Our definition of protracted-crisis countries includes 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 the definitions under ‘UN-coordinated appeals’.

We have chosen this approach to give an indication of the countries that have consistently (i.e. 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).
ANNEX: HUMANITARIAN AND CLIMATE SECTOR STRUCTURES AND FINANCE

<table>
<thead>
<tr>
<th>ASPECT OF SYSTEM</th>
<th>CLIMATE FINANCE</th>
<th>HUMANITARIAN FINANCE</th>
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<tbody>
<tr>
<td>Governance and coordination</td>
<td>Governed and coordinated by the UNFCCC, the foundational treaty that has provided the basis for international climate negotiations since it was signed in 1992. All the 198 countries that ratified the Convention are Parties to the Convention. The Paris Agreement was agreed by the Convention in 2015 and has dictated the course of climate finance commitments since then.</td>
<td>Under the coordination of the UN entity, OCHA. Collaborating with humanitarian partners, OCHA pinpoints critical needs, devises response plans and determines the budgets required for intervention. This includes crafting humanitarian response plans (HRPs) that are revamped annually and consist of funding appeals that quantify the resources necessary to address diverse crises. This orchestration is fortified by Interagency Standing Committee (IASC), a top-tier humanitarian forum comprising 18 organizations and consortia that formulate policies, set strategic priorities and galvanize resources for crisis management.</td>
</tr>
<tr>
<td>Principles</td>
<td>Based on the UNFCCC principles of ‘common but differentiated responsibilities and respective capabilities.’ This means financial contributions should be informed by a country’s responsibility for historic emissions and its ability to contribute.</td>
<td>Guided by the principles of humanity, neutrality, impartiality and independence, it aims to provide aid on a needs-based manner and minimise interference from governments and armed groups. In contrast to climate finance, humanitarian assistance operates on the basis of philanthropic motives rather than the principles of responsibility, resulting in a lack of obligation for donors to provide aid.</td>
</tr>
<tr>
<td>ASPECT OF SYSTEM</td>
<td>CLIMATE FINANCE</td>
<td>HUMANITARIAN FINANCE</td>
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<tr>
<td>Contributions</td>
<td>Climate finance is rooted in the principle of common but differentiated responsibilities and respective capabilities. The majority of climate finance is for purely mitigation-related activities (59%) and is provided as loans (75%). Providing climate finance is a legal obligation for Annex 2 countries.</td>
<td>Humanitarian aid is given and received in ongoing crisis situations to 'save lives, alleviate suffering, and maintain and protect human dignity.' Humanitarian aid is distributed either in the form of grants or loans. The majority of international humanitarian relief is coordinated by the United Nations through appeals. Humanitarian contributions are voluntary in nature. Most humanitarian aid is given as ODA and is therefore subject to the 0.7% GNI target set by the United Nations. In practice, very few countries meet this obligation. In 2022, only five donors met or exceeded the target (Denmark, Germany, Luxembourg, Norway and Sweden) in part due to the increased assistance required for the Covid-19 pandemic. Despite aspirations under the Grand Bargain to provide more long-term, quality funding, humanitarian finance remains mostly short-term in nature.</td>
</tr>
<tr>
<td>Measuring up</td>
<td>Commitments to climate finance fall under the $100bn-per-year goal committed to by developed countries in 2009. While there is an agreement that there should be balance between finance for mitigation and for adaptation, this has not yet been achieved. Research by Oxfam and others reveals developed countries have a long way to go to reach it. There is a lack of enforcement capacity to turn pledges into commitments and then into funding.</td>
<td>The humanitarian landscape relies heavily on a limited number of major donors. In 2022, the US, Germany and EU institutions accounted for 64% of global humanitarian assistance. Humanitarian appeals are consistently underfunded and there is broad variation in the percentage of funding requirements met by the appeals for different crises.</td>
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</table>
2016 total requirement was $20,272,432,393, whereas the 2023 funding requirement was $55,206,575,675.


2016 total requirement was $20,272,432,393, whereas the 2023 funding requirement was $55,206,575,675. https://fts.unocha.org/appeals/overview/2023


R. Kozul-Wright. [2023] A climate finance goal that works for developing countries. UNCTAD. https://unctad.org/news/climate-finance-goal-works-developing-countries

Anonymous interviewee (a). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 01 August 2023; Anonymous interviewee (b). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 03 August 2023; Anonymous interviewee (d). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 07 August 2023

2016 total requirement was $20,272,432,393, whereas the 2023 funding requirement was $55,206,575,675. https://fts.unocha.org/appeals/overview/2023

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Anonymous interviewee (d). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 01 August 2023


Anonymous interviewee (b). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 03 August 2023; Anonymous interviewee (d). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 07 August 2023

Crisis Group [2022], Giving Countries in Conflict Their Fair Share of Climate Finance. https://www.crisisgroup.org/content/fair-share-of-climate-finance


The data for ‘Climate vulnerability’ is for 2021, from Notre Dame Global Adaptation Initiative (ND-GAIN).

For more on this issue, see Development Initiatives’ recent blog: A. Tower and R. Plano. [2023]. Climate Change is Controlling Everything. https://policy.practice.oxfam.org/resources/climate-change-is-controlling-everything/


For the interactive chart, see: https://devinit.org/_util/login/?next=/resources/climate-finance-vulnerability-crisis/


The division into such clear categories is far from perfect and does not reflect well how it happens in practice, where different types of funding merge and come online at different times, however it is intended here as a very oversimplified guide as the basis for those who may be unfamiliar with some of the concepts.


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48. United Nations Climate Change. [2021]. The Explainer: The Paris Agreement. [https://unfccc.int/blogs/the-explainer-


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84. Anonymous interviewee (d). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 07 August 2023

85. Anonymous interviewee (a). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 01 August 2023


87. Anonymous interviewee (a). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 01 August 2023; Anonymous interviewee (b). Interview conducted by Kirsty Lazer and Thea Wright, Development Initiatives. 03 August 2023


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