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Guidance Package on Social Protection across the Humanitarian-Development Nexus

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Introduction

Improving the financing architecture for integrating social protection with humanitarian programming supports broad-based developmental outcomes, tackles poverty and vulnerability and contributes to the achievement of the Sustainable Development Goals as well as World Humanitarian Summit commitments. In 2017 the European Union formally recognised that ‘countries in situations of fragility or affected by conflict require special attention and sustained international engagement in order to achieve sustainable development,’ committing to targeting development cooperation accordingly in order to achieve maximal impact.’ (European Parliament and European Commission, 2017). This reinforced commitments since 2011 to ‘help countries in situations of fragility to establish functioning and accountable institutions that deliver basic services and support poverty reduction’ to ensure ‘a smooth transition from humanitarian to long-term development measures.’ (European Commission, 2011).

In 2016 European development partners with global counterparts agreed a ‘Grand Bargain’ aiming to improve the effectiveness, efficiency and equity of the humanitarian system. The agreement sought to expand aid commitments to close a USD 15 billion financing gap constraining the sector, specifically committing to increasing the proportion of aid allocated directly to local and national agencies to 25 per cent by 2020 and strengthening engagement between humanitarian and development stakeholders¹.

The protracted nature of humanitarian crises over the past decade compounded by inadequate developmental interventions have vastly increased the volume, cost and length of the required donor assistance. Inter-agency humanitarian appeals have increased nearly 400 per cent over the past ten years and extend for seven years on average, intensifying the urgency of integrating humanitarian and development efforts (UN-OCHA, 2019). In the face of this challenge, diverse stakeholders at the World Humanitarian Summit (WHS)² committed to a ‘New Way of Working’³ that involves cooperating more closely over multiple years to collectively reduce need, risk and vulnerability. The agreement focuses on concrete and measurable ‘collective outcomes’ that result from humanitarian, development and other medium-term (three-to-five year) efforts that progressively achieve SDG targets⁴.

This reflects a vital commonality with the Grand Bargain, which firstly commits to ‘use existing resources and capabilities better to shrink humanitarian needs over the long term with the view of contributing to the outcomes of the Sustainable Development Goals’⁵. This common theme motivates the financing approach unifying this guidance note. Neither national governments (particularly fragile ones) nor development partners can sustainably finance the vastly expanding humanitarian burden associated with protracted crises exacerbated by neglect of core development priorities. **Only comprehensive approaches that not only integrate social protection with humanitarian efforts but also build broadly inter-sectoral development systems can effectively strengthen resilience and reduce fragility sufficiently to manage the financing burden.**

This note aims to inform European Commission practitioners (specifically staff working in EU Delegations and ECHO field offices, as well as ECHO, DEVCO and NEAR operational desks) with guidance on integrated financing across the humanitarian-development nexus in order to address short-term needs in the event of crises and to assure sustainable long-term social protection coverage for all. This work builds on the European Commission’s Reference Document ‘Social Protection across the Humanitarian-Development Nexus: A game changer in supporting people through crises’ (European Commission, 2019) as well as other research and reflects global lessons of experience in financing this sector. This note summarises existing knowledge (current concepts, policies, instruments and promising practices) and synthesises the initial principles for a framework for financing integrated approaches in specific contexts. It provides references and links to more detailed guidance and evidence, serving as a gateway to existing specialised material, international standards and commitments, experiences to date, lessons learnt, available evidence, promising and innovative practices, emerging guidance and tools, and other materials.

1 For more details, see: IASC, 2016.

2 Including donors, NGOs, crisis-affected states and others.

3 United Nations, 2016.

4 Ibid. ‘This notion of ‘collective outcomes’ has been placed at the center of the commitment to the New Way of Working, summarised in the Commitment to Action signed by the Secretary-General and nine UN Principals at the WHS, and endorsed by the World Bank and IOM.’

5 For a complete discussion of the Grand Bargain and a review of progress, see: UN-OCHA, 2018.

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Costing and financing shock-responsive social protection

Costing models for social protection and humanitarian responses

The starting point for estimating the financial requirements for building a shock-responsive social protection system typically involves a cost calculation of benefits delivered to a covered population, usually with distinct estimates for the direct costs of benefits and the associated administrative and delivery costs. The actual models differ in subtle ways, but both focus on the cost of inputs and outputs. Typically, the costing models fail to map collective outcomes and rarely quantify the full range of contingent liabilities for which governments accept responsibility.

The typical social protection costing model focuses on three budgetary determinants:

- Coverage of the social protection system in terms of number of individuals or households,
- Direct unit costs of delivered benefits (for example, the value of a cash transfer), and
- Administrative expenses.

The first two determinants are specific policy choices – the government determines the coverage of the programme by its decisions in terms of who will benefit from the programme, and the pace at which the implementing institution scales up delivery. Similarly, policy choices drive benefit amounts which in turn determine direct unit costs. Administration costs are not directly policy-choice variables but they are substantially influenced by policy-design decisions in terms of targeting, conditionalities, payments mechanisms and other features.

The formula below illustrates a generalised method for estimating the cost of the proposed social transfer programme:

$$\text{Cost} = (\text{Coverage} \times \text{Direct Benefit Unit Cost}) + \text{Administration}$$

For example, the annual cost will equal the number of people or households receiving the benefit ('coverage') multiplied by the annual direct unit costs, plus the costs of administering the programme. Frequently, social protection costing models employ an alternative specification for this equation that directly yields cost as a share of national income, as measured by Gross Domestic Product.

$$\text{Cost (\% of GDP)} = \{\text{Coverage as \% of the national population}\} \times \{\text{Direct benefit unit cost as a \% of per capita income}\} \times \{\text{Administrative cost multiplier}\}$$

Most cross-country social protection financial models express cost as a percentage of national income (GDP). This is useful because cost expressed in terms of its burden on the overall national economy provides a better picture of the sustainable financing context. Models developed by the International Labour Organization, UNICEF, the World Bank (including the ADePT tool), and many studies by research institutes and NGOs employ this costing approach.

The integration of social protection with humanitarian programming requires a more complex model, because the humanitarian-development nexus involves coverage mandates, constrains delivery modalities, accelerates timing, and expands the administrative costs.

The conventional social protection financing model provides a starting point for methodologies adapted for integrated programmes that deliver humanitarian assistance. Willitts-King, Mowjee and Poole (2017) present a tiered costing approach, illustrated in Figure 1 below.

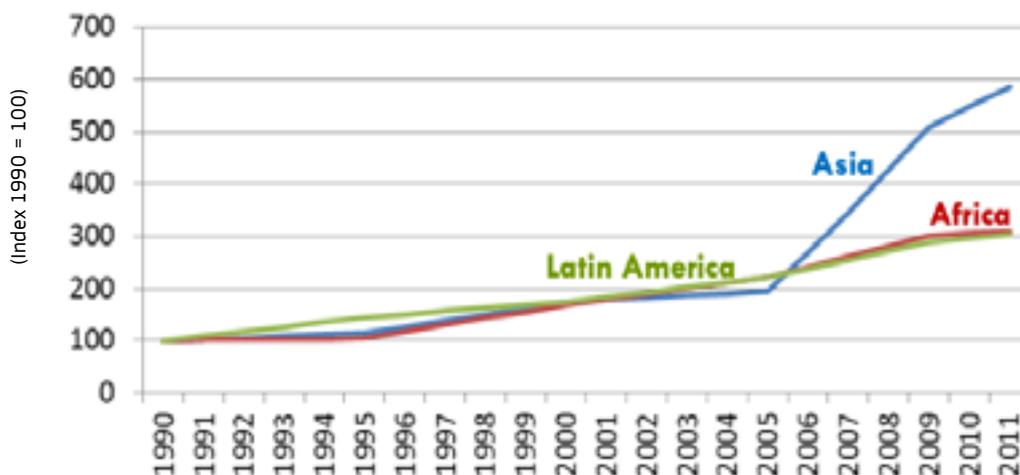
These models go further than conventional approaches by including the interaction of spending across sectors to measure the impact of inter-sectoral synergies. In this way, they pre-empt the traps into which conventional approaches can fall: (i) over-estimating the cost of SDG achievement by ignoring cross-sectoral synergies that increase efficiency and improve value-for-money; and (ii) under-estimating the cost by ignoring non-linear relationships that reflect higher costs of incremental achievements once initial initiatives harvest the proverbial ‘low-hanging fruit’. The more sophisticated inter-sectoral approaches estimate the joint production of SDG outcomes taking into account comprehensive inter-sectoral synergies. These models demonstrate that these developmental synergies among social and economic sectors generate powerful efficiencies that can substantially improve the affordability of SDG achievement.

Sources of funding and financing instruments to achieve SPaN

Investments in social protection represent one of governments’ most rapidly growing policy sectors in Africa, Asia and Latin America. Figure 2 below illustrates a threefold increase in real spending in Africa and Latin America over the past several decades – and a sixfold increase in Asia. Nevertheless, spending remains low by industrialised country standards, and much lower in countries experiencing the greatest fragility. Nevertheless, national government funding for social protection systems often exceeds the budget for humanitarian interventions.

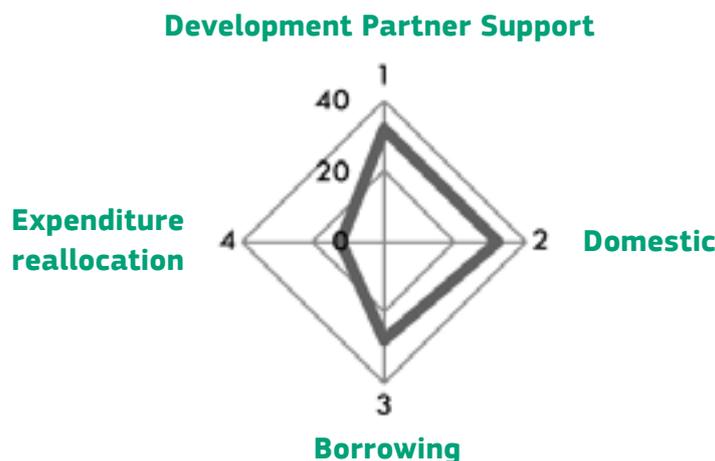
Figure 2. Growth in Social Protection by Region (Index 1990=100)

Source: OECD 2015



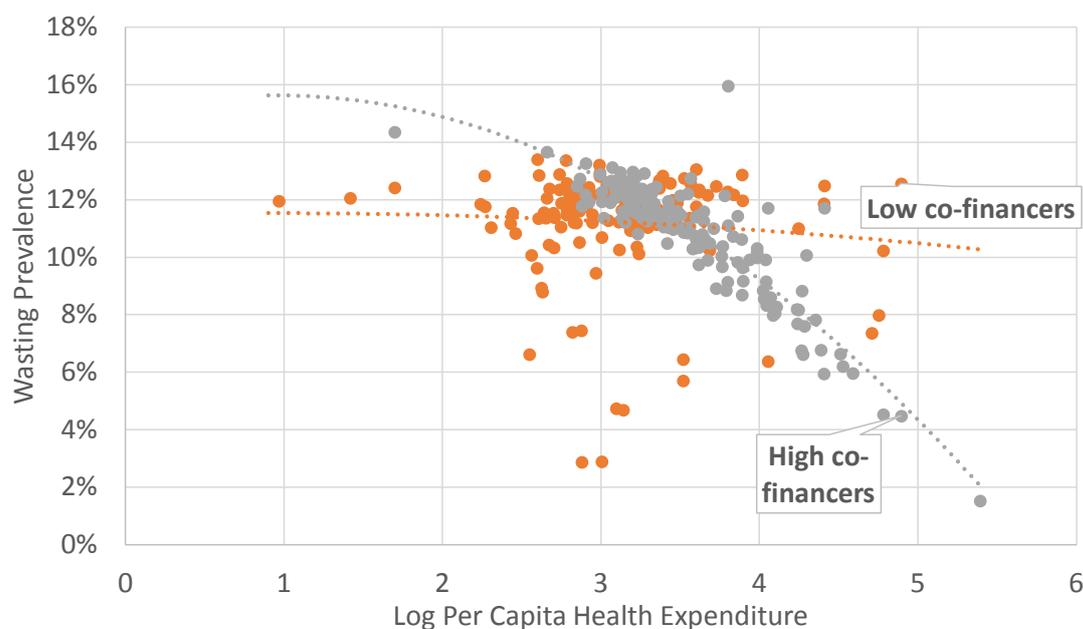
As illustrated in Figure 3, governments generally finance social protection spending from four sources: (1) development partner support, (2) domestic revenue, (3) borrowing and (4) reprioritising other spending or improving efficiency within the social protection sector.

Figure 3. Composition of Social Protection Financing



Box 1. Ethiopia's financing of the Sustainable Development Goals to strengthen resilience

Ethiopia's ongoing fiscal decentralisation provides an opportunity to measure inter-sectoral synergies and assess their role in achieving the SDGs. Research developed and tested an innovative methodology to improve costing approaches using an econometric model that explicitly measures synergies that result from interactions among different sectors. The analysis tested a policy production function model that accounts for interactions among vital policy sectors such as health, education, agriculture and governance. The model enabled estimation of the costs of achieving an identified set of SDG indicators.



The figure shows that districts (*woredas*) that invest substantially in both education and agriculture ('high co-financers') are more efficient and better able to reduce wasting in children with health expenditures compared to those districts who do not co-invest in these complementary policy sectors ('low co-financers'). The study's findings support the hypothesis that comprehensive and integrated investments across key social sectors better enable a systems approach that has a greater likelihood of successfully achieving the SDGs. The analysis employed sub-national (district-level) expenditure data and developed a macro model to forecast public expenditures until 2030 through three scenarios. Findings demonstrate that single-sector solutions are unlikely to achieve substantial SDG achievement with any feasible set of resource allocations. The complexity of SDG inter-relationships and the challenges of diminishing marginal returns to socio-economic investments require cross-sectoral approaches at decentralised levels. These findings reveal that leveraging sectoral synergies at decentralised levels can enhance SDG performance at a lower cost. The evidence demonstrates the powerful returns to comprehensive and integrated approaches at decentralised level which generate developmental synergies, multiply impacts and improve value for money. In order to achieve the SDGs, Ethiopia must not only increase its fiscal commitments but must also identify and strengthen cross-sectoral synergies.

Source: UNICEF, 2019

Around the developing world, governments finance most social protection spending with either domestic revenue (mainly taxes) or development partner assistance. The reallocation of existing spending often proves politically challenging because of entrenched interests and even with the commitment to changing public expenditure, the process is at best a medium-term outcome (Barrientos, 2004) – Bangladesh committed five years ago to streamline over 150 fragmented programmes, but progress remains slow. Borrowing represents a financially and politically risky option, although multi-lateral development banks have provided billion-dollar loans for social protection to Mexico and Brazil. In the long run, domestic revenue is the only sustainable source of funding to scale up social protection systems. Nevertheless, development partner assistance can provide vital funding for interim support and can finance riskier innovations for which political will is still emerging. The European Union Emergency Trust Fund (EUTF) for Africa provide an example of such an innovative financing mechanism in the spirit of the Grand Bargain and the New Way of Working; see Box 2).

Box 2. The European Union Trust Fund as a developmental financing instrument of risk reduction

The European Union Emergency Trust Fund for Africa (EUTF) provides a model for financing social protection and other developmental initiatives that reduce the risk of humanitarian disasters.

Individual trust fund projects map out an intervention logic that reflects the Grand Bargain and the New Way of Working. 'By investing in economic opportunities and in long-term resilience-building, measures with strong links between emergency, recovery and long-term development will have multiple impacts in a) achieving long term food security through increasing productivity and income; b) maximising direct and indirect employment opportunities for asset-poor groups; and c) empowering women and youth. By improving the food and nutrition security of the targeted areas and enhancing the economic/livelihoods opportunities, the proposed action will help tackling the root causes triggering destabilisation, forced displacement and irregular migration.' (EUTF-Action_Document-EL_Nino-Ethiopia, pages 1-2) The theory of change represents a comprehensive initiative tackling a complex, multi-sector challenge, with an integrated set of interventions aiming to achieve a portfolio of inter-related outcomes that build resilience and promote development.

The EUTF provides assistance in 26 partner countries across three targeted regions: Sahel region and Lake Chad, Horn of Africa and North of Africa. The fund focuses on economic development programmes that strengthen resilience for (i) improved food and nutrition security, (ii) improved migration governance and management, and (iii) improvements in overall governance.

The fund has contributed EUR 3.59 billion across 187 programmes, including EUR 20 million to the Health Pooled Fund in South Sudan. The project aims to improve health services at the county and state level. The Health Pooled Fund has many expected outcomes, including improving access to antenatal care during pregnancy, increasing access to nutrition services and providing essential medicines. In The Gambia, the EUTF for Africa contributed EUR 11 million to the Youth Empowerment Scheme.

The scheme aims to support economic development of The Gambia by enhancing self-employment and employability for youth. The programme focuses on providing vocational training, financial services, and business advisory support. It also focuses on creating 'decent jobs' by developing new linkages to different sectors of the economy through product transformation and exports. These and many other EUTF initiatives aim to pre-empt disasters from creating catastrophic shocks by building the developmental capacity of affected communities and strengthening their core resilience.

Source: European Commission, 2018

Adequacy of resources and future sustainability

Inadequate or incorrectly allocated resources pose a serious threat to the sustainability of the financing of integrated social protection and humanitarian responses. Limited fiscal capacity to complete or continue donor-funded projects compounds low capacity to accurately estimate the need for funding and ensure sustainability. In the absence of mechanisms to estimate these annually or at a programme/project level, two options can better enable countries to mitigate the risk of inadequate or unsustainable funding:

- 1. Longer-term coordinated planning at the national level:** A country can adopt a long-term planning approach to ensure sustainable funding for critical projects and programmes. For example, in Mali (Kardan et al., 2017; O'Brien, et al., 2018), the government adopted a joint strategic planning process with donors for food security programming. They jointly completed medium-term planning and analysis of funding requirements to align donor and government priorities and ensure the sustainability of funds in the medium term. The National Response Plan of Mali presents the funding agreed by all agencies – government ministries, the UN and national NGOs. In contrast, the government and donor partners in Lesotho relied on a shorter-term financing agreement, which posed significant challenges for the resource-constrained country in responding to the El Niño crisis. At a programme level, Mexico's FONDEN is a useful model in decision-making and finance. It adopts a clear contingency plan and disaster risk financing plan with a budget process to ensure funding for recovery after natural disasters, with allocations every year. It clearly identifies risks and their owners, with pre-agreed rules between federal and local government on what is covered, how and when, with catalytic incentives for risk reduction. Regular budget contributions support reinsurance mechanisms with support from newly issued catastrophe bonds that transfer a specified set of risks to investors (Conference Report, 2017).
- 2. Multi-sectoral planning and financing:** To strengthen fiscal capacity to respond to shocks, governments can identify resources in multiple sectors (agriculture, health, etc.) in addition to social protection and disaster risk management. Inter-sectoral synergies drive comprehensive benefits, which can trigger and support multi-stakeholder planning and budgeting of contingency funds for integrated programmes. However, a key challenge is to mobilise resources that adequately meet the requirements at the time of need. While instruments like disaster risk insurance and contingency credit can provide some relief, they are not always appropriate – insurance is a one-time financial aid, and contingency credit increases debt. Permanent regional mechanisms such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF) provide an example of a cost-effective multi-stakeholder instrument that can provide rapid response (see Box 3).

Reallocation of existing fiscal resources poses critical political and practical challenges. Existing programmes entrench vested interests, and any reallocation generates winners and losers. In particular, attempts at cross-sectoral reallocation may pit less powerful social protection and disaster risk reduction stakeholders against counterparts in more powerful ministries, risking backlash.

States and agencies have been reallocating resources to improve public financing for social protection to reach the vulnerable timeously. There are examples of ‘refocusing’ assistance, i.e. ‘adjusting the social protection programme to refocus assistance on groups within the caseload that are most vulnerable to the shock’ (OPM, 2017). Essentially, refocusing can be approached in two ways: giving more assistance to some people while removing it from the rest, or extending it to more people while reducing the amount provided to each. For example, the annual food distribution program in Mali changes its caseload and beneficiaries each year. This could potentially improve the overall impact of an emergency response as coverage is extended to the most vulnerable. However, it may lessen the impact for an individual/household that is rotated on and off the list and potentially cost the programme its ability to generate the intended impact.

Other common mechanisms for generating fiscal space in the structural budget include addressing the proliferation of tax exemptions and expenditure on defence. The revenues foregone from tax exemptions are often substantial. According to an IMF study (Montagnat-Rentier & Parent, 2012), revenue foregone from custom exemptions ranges from, as a percentage of GDP, 1.44 % in Benin, 2.04 % in Chad, 3.42 % in Senegal, 4.48 % in Burundi, to 6.15 % in the Republic of Congo. Avoidance of preferential tax systems adds more tax revenue, which can benefit the lives of the poor with more funding capacity for social protection.

Coordinating among humanitarian and development actors

The coordination of finance between humanitarian and development actors also plays an important role in effectively reallocating resources and building synergies to achieve SPaN. The coordination of efforts across multiple donors and their partnerships with host governments and local actors, as well as host communities can significantly improve the sustainability and usefulness of external financing to simultaneously build stronger systems while responding to humanitarian needs, without necessarily reallocating funding in a fragmented manner and risk the breakdown of existing systems and programmes (IASC, 2016). Single-donor interventions can also build bridges across the development and humanitarian nexus. Box 4 describes the DEVCO’s Pro-Resilience Action fund that promotes more effective post-crisis responses by multiple actors.

During a crisis, early donor engagement through flexible approaches can provide a coherent humanitarian response. The Luxembourg development cooperation agency, which provides development assistance in Mali, adapted to the changing political environment in the country to continue its ongoing development support. In March 2012, a military coup destabilised the country, however, the agency continued to assist at the decentralised level by providing humanitarian relief to civilians impacted by the crisis. The agency also adopted an interim development strategy with the Malian government during a reconciliation road-map period. The strategy allowed the agency to deliver its ongoing projects, strengthen peacebuilding initiatives and support a multi-annual cooperation initiative. By responding to the country’s changing political landscape, Luxembourg did not have to terminate its development programmes and remained one of the few bilateral donors to provide humanitarian support to displaced civilians (Luxembourg Ministry of Foreign and European Affairs, 2013).

In addition to adapting to changing realities, donors should also improve the flexibility of existing funding mechanisms. Crises can be complex, requiring an urgent response to a wide range of issues. Making funding sources more adaptable reduces the need to create new funds to support each issue. In addition to complicating donor reporting, more funding instruments can create challenges for actors in the field, particularly in post-conflict crises. In this context, donors receive funding from different sources – i.e. refugee, humanitarian and migration aid – all to support activities for the same initiative. Donors should ensure their existing funding instruments can respond to changing contexts before creating new funds (OECD, 2017).

Programmes with embedded flexibility mechanisms are better suited to address rapidly evolving cases. Kenya's Hunger Safety Net Programme is regarded as a state-of-the-art scheme in that regard. While it is a nationally owned cash transfer programme, it has a clear objective for emergency responses and clear triggers. There is clear information on who is on the scheme in normal times, and who will be benefiting in a disaster. The programme is underwritten by an index insurance policy and can rely on donor commitment (DFID). By including provision for a crisis modifier (see Box 4 for another example), the programme can respond to changing contexts in the field (Conference Report, 2017).

Box 4. Crisis Modifiers

A crisis modifier facilitates the mobilisation of resources from on-going activities to response and relief efforts in the event of a large-scale shock. With funding from DFID, a joint UNDP-DFID team designed a crisis modifier tool as part of the Zimbabwe Resilience Building Fund (ZRBF) – a USD 50 million five-year multi-donor fund providing humanitarian assistance in the country.

This crisis modifier is designed to adjust relief efforts flexibly by scaling up and/or down programme interventions, which are cash-based and distributed through current social protection mechanisms and other related programmes. The level of intervention is determined through early trigger mechanisms. Its built-in trigger approach follows four stages that depend on the severity of the shock: Normal; Alert; Alarm and Emergency. The ZRBF management team and implementing partners manage interventions for the first three stages, while the Emergency stage involves high-level donor and partner support.

Source: DFID 2018, DFID 2017, OPM 2018

Initial principles for a proposed financing structure: Building intra- and inter-sectoral synergies – the role of a co-financing approach

Integrating social protection across the humanitarian-development nexus offers national governments and development partners a synergy-building enabler that supports achievement of 14 of the 17 Sustainable Development Goals (SDGs). The financing requirements of the social protection sector are substantial – and for the entire 2030 agenda much more so. No development partner – or even consortium of donors – can provide sustainable social protection financing at scale, much less for a nation's entire SDG agenda. Donor resourcing strategies that complement and enable the strengthening of national financing provide the most sustainable approaches to sustainable expansions of social protection systems. This requires guidance for countries to assess financing capabilities and priorities, and to understand linkages within the social protection sector and to build bridges to other sectors, particularly health, education, nutrition, gender, environment and livelihoods – sectors for which social protection has demonstrated particularly significant synergy-enhancing impacts.

One of the most promising innovations enables multiple policy stakeholders to 'co-finance' complex interventions linking social protection to other developmental sectors. 'Co-financing' for social protection moves away from a silo approach to a welfare-enhancing development planning approach, which recognises the complexity of interventions with multi-sectoral outcomes and further encourages inter-sectoral investment decisions that are rooted in economic evaluation of costs and benefits (see Samson 2016; Remme et al., 2016). Often an intervention that can yield benefits for multiple sectors goes un-financed because none of the sectors can individually finance the programme; a co-financing approach allows the multiple beneficiary sectors to collectively finance an intervention – their investments are often proportional to the values of the benefits each sectoral stakeholder estimates. By sharing the cost of an intervention across sectors that benefit from it, the co-financing approach allows multiple sectors to take ownership of the intervention, achieves developmental synergies, optimises resources, and prevents welfare losses. Policy makers see robust and credible evidence on cross-sectoral investment returns as essential for scaling up successful programmes. The United Nations Development Programme and UNICEF have hosted workshops and pilot projects to build capacity and political will for co-financing interventions.

Monitoring and evaluation (M&E) supporting financing SPaN

Robust evidence-building through systematic and carefully designed evaluations and robust monitoring systems characterises social protection policy development. Humanitarian crises, however, offer little opportunity for the delays that robust M&E systems often require. A lack of rigorous evaluations by humanitarian organisations or governments in some of the most prominent examples of humanitarian response through social protection systems – for example, in Lesotho, Pakistan and the Philippines – makes it difficult to assess the value-added from integrated responses compared to standalone humanitarian interventions. Similar gaps characterise the broader global research on questions including targeting effectiveness and timeliness of response (O’Brien et al., 2018).

Given the challenges in financing SPaN, governments and their development partners will require credible and actionable evidence to mobilise political will, design value-for-money intervention models and ensure ongoing implementation. The complexity of the challenge requires appropriate M&E tools for achieving complex objectives. The EU Systems practice note outlines frameworks for building evidence in this context. In addition, harmonised evaluation frameworks will have to include indicators for shock-responsiveness.

Kenya's progress reflects a global effort by development partners including WFP, FAO, DFID, EU and the World Bank to strengthen the integration of social protection, DRM and climate change adaptation strategies. Since 2007, for example, the World Bank has incorporated Catastrophe Deferred Drawdown Options (Cat-DDOs) in their development policy loans (see Box 6). Cat-DDOs provide up to USD 7 million of immediate liquidity if the government declares a state of emergency following a natural disaster. This option, however, requires the government to build *ex ante* capacity to manage risks. Development partners can create greater incentives for integrating DRM and social protection at the planning and programming stages.

Box 5. World Bank Catastrophe Deferred Drawdown Option

Kenya faces extreme susceptibility to droughts and floods, which, on average, have cost an estimated 2.0 to 2.4 per cent of GDP each year. In the past, the Government of Kenya has depended on humanitarian assistance from donors, who provided an average of USD 276 million each year between 2002 and 2012 to help cope with natural disasters. The ad hoc nature of donor support leads to uncertainty and is also subject to delays. Given these issues, the Government of Kenya has taken measures to proactively manage climate and disaster risk; in particular, the adoption of a disaster risk management strategy.

The disaster risk management strategy includes financing options, such as the USD 200 million IDA Development Policy Financing with a Catastrophe Deferred Drawdown Option (Cat DDO), approved by the World Bank in 2018. Both financing tools help address immediate liquidity needs in the aftermath of a natural disaster, while stakeholders mobilise other funds such as bilateral aid. In the instance of disaster arising from health emergencies and/or natural hazards, the Government of Kenya can draw down the credit by submitting a request to the World Bank, which disburses the funds within two to three business days – thereby providing rapid financing for relief efforts. As of July 2018, 12 other countries have utilised the World Bank's Cat DDO instrument.

Source: World Bank, 2018

Multi-stakeholder, multi-year funding cycles

Various donor funding mechanisms, such as multi-stakeholder and multi-year funding cycles, have different impacts on long-term outcomes. Multilateral organisations including the UN facilitate multi-stakeholder humanitarian interventions. To address the financing gap, the UN adopted the Grand Bargain, which commits aid organisations and donors to providing an additional billion dollars of humanitarian aid over a five-year period. The funding is provided through efficiency gains in the working practices of donors and aid organisations, such as streamlined reporting requirements that reduce bureaucracy, increased financing for local and national responders and gearing up cash programming.

Development partners also channel a small proportion of humanitarian assistance to 'humanitarian pooled funds,' which totalled USD 1.1 billion in 2014. These UN-managed funds serve two main purposes – to provide funding for gaps in humanitarian interventions and to expedite responses to unexpected disasters (O'Brien et al., 2018; Kellett & Peters, 2014). The most prominent humanitarian pooled funds include the CERF, Emergency Response Funds and Common Humanitarian Funds. The CERF offers grants and small loans to UN agencies and the International Organisation for Migration for emergencies that require rapid response or are underfunded. Although the process for allocating funds is ambiguous, the fund has been successful in providing rapid response. On the other hand an evaluation found the Emergency Response Fund, which provides NGOs and UN agencies with limited funding (USD 100,000-700,000) for emergency relief, to be slow in response and underfunded at the country level (O'Brien et al., 2018; Universalia, 2013). Common Humanitarian Funds, which provide funding to NGOs and UN agencies, have limited scope, operating in only five countries (O'Brien et al., 2018; Kellett & Peters, 2014).

DFID's analysis on early humanitarian response recommends moving to multi-year funding cycles that provide early response and build long-term interventions (Cabot Venton, 2013); (Development Initiatives, 2014). In practice, donors are more inclined to provide protracted assistance in a small number of countries over several years. However, this has resulted in certain crises receiving more donor attention over others (Poole, 2015).

Contingent risk financing

Contingent financing complements a larger risk management system that includes effective early warning systems, contingency plans and adequate institutional arrangements and pre-established capacity in place that enable the plans to be implemented (O'Brien, et al., 2018; Hobson & Campbell, 2012). Low-income and shock-prone countries can mitigate the impact of a disaster by identifying resources that provide counter-cyclical shock response. Governments can use a wide variety of risk financing mechanisms to provide support for pre- and post-crisis needs. Banks and international finance institutions offer contingent credit facilities to finance shock-responses. Although countries may secure this form of borrowing more rapidly, it increases their debt burden and mainly benefits middle-income countries (Bastagli, 2014; McCord, 2013).

The World Bank offers a range of financing instruments, such as the multi-donor Rapid Social Response (RSR) programme, which focuses on scaling up social transfer systems in low-income countries following the 2006 food, fuel and financial (Triple-F) crisis. The Bank additionally developed Catastrophe Deferred Drawdown Options (Cat-DDOs), discussed above, which provide member countries with funding up to USD 7 million to support rehabilitation needs (GFDRR, 2016).

Other forms of financing include risk insurance, such as regional catastrophe insurance pools. By pooling risk, countries can receive index-based coverage against a wide range of natural disasters (Ghesquiere et al., 2013; GFDRR, 2016). A pilot conducted by the World Bank found that in comparison to single country insurance, risk pooling among participating countries resulted in significant savings, up to 50 per cent of the premium. However, the World Bank also highlighted that the product is not suitable for all crises. Countries that experience more frequent but less severe disasters might prefer contingent credit and reliance on national reserves (DFID, 2015).

Flexibility

Increasing the flexibility of financing and reducing risk averse procedures in disbursement can improve humanitarian response outcomes. The Internal Risk Facility (IRF), established in 2013, provides rapid and reliable assistance to support DFID's humanitarian efforts in Somalia. A review of the facility found that, in comparison to other financing mechanisms, the IRF is more efficient and consumes less time to disburse aid.

Other initiatives include the Productive Safety Nets Programme (PSNP) in Ethiopia, which was established in 2005 to reduce dependence on emergency food relief efforts in districts with chronic food scarcity. In 2009, the government introduced a Risk Financing Mechanism (RFM) to help mobilise funds, up to USD 80 million each year. The first RFM was triggered in 2011 to respond to the food needs of 9.6 million people. Evaluations highlighted that the mechanism reduced response time from nine months to six weeks, providing a more effective and efficient shock-response method (Hobson & Campbell, 2012).

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Conclusions

Building a new financing structure to deliver an integrated social protection response across the humanitarian-development nexus requires both a new way of thinking and a new way of working together.

The Grand Bargain and World Humanitarian Summit commitments pave the way to ensuring that comprehensive and integrated approaches to achieving the Sustainable Development Goals provide a strategy to effectively strengthen resilience and reduce fragility. After decades (arguably millennia) of focusing on coping and mitigation, the new way focuses on reducing risk and promoting development. This innovation does not replace the need for immediate and direct humanitarian response to emergencies, but it informs a developmental approach that integrates more effective response within the larger set of national systems, including social protection systems.

This new way of thinking and working requires a transformational financing model. Estimating the cost of siloed inputs and outputs cannot provide an actionable financing plan for achieving the Sustainable Development Goals and building the developmental synergies required to transform fragility first into resilience and then into prosperity. Comprehensive financing models must measure inter-sectoral synergies and account for the complex relationships, mapping activities and inputs not only to outputs but further to outcomes and long-term impacts. Perhaps fantasy a decade or two ago, innovations and advancements in both data-collection and -modelling technology provide ground-breaking opportunities today to build the necessary evidence base on how to better integrate inter-sectoral interventions to achieve more effective and efficient developmental outcomes. Nearly every country today has multiple household living standards surveys that provide the baseline data for measuring Sustainable Development Goal outcomes at both national and sub-national (even district) levels. In an increasing number of countries, these outcomes can be mapped to fiscal inputs and other policy variables to produce policy production functions that quantify inter-sectoral synergies. The resulting systems-costing models can triangulate and inform other approaches, including systems dynamics models, that provide a better picture of how multiple ministries and development partners must work to build a humanitarian response system that strengthens social protection and other developmental systems while supporting the achievement of the SDGs.

The resulting comprehensive financing model supports the overarching Grand Bargain commitment by better employing available resources and capabilities to both reduce long-term gaps in humanitarian support while strengthening achievement of the Sustainable Development Goals. This developmental approach can help tackle the intrinsic unaffordability of the otherwise vastly expanding humanitarian burden that results from protracted crises unmitigated by core developmental interventions. The proposed financing model enables a comprehensive approach that both integrates social protection with humanitarian efforts and also builds broadly inter-sectoral development systems that can effectively strengthen resilience and reduce fragility sufficiently to manage the financing burden.

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