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FINANCING IN FRAGILE AND HUMANITARIAN SETTINGS

Key messages

- It is more urgent than ever to advocate for **sustainable finance solutions in fragile and humanitarian settings**, including **flexible, agile, and diversified finance arrangements** to deliver essential social services promoting harmonization of donor support, committing to multi-year predictable arrangements, while bolstering government capacity for resilient public finance.

- In the current context of recurrent crisis, it is critical to **promote the harmonization of humanitarian, development, and climate finance from all sources (public, private and international),** while ensuring linkages and alignment across the Humanitarian, Development and Peace Nexus ensuring timely response and recovery. The realization of the SDGs in all contexts, including in humanitarian settings, depends on the availability and allocation of sufficient resources—whether public, private, domestic, or international—as well as the effective, efficient, and equitable use of those resources to deliver social services.

- Scaling up investment in **preparedness, response, and recovery financing** is critical to realize the SDGs and rights of children and vulnerable groups living in fragile and humanitarian contexts. **Risk-informed finance** can address the root causes of fragility through interconnected and reinforcing mechanisms by focusing on preventing shocks and mitigating their impacts; facilitating a stronger humanitarian response through *utilizing contingency and disaster risk finance*; and building resilient social sectors that address humanitarian, development, and peacebuilding priorities.

Problem statement

- Humanitarian crises have become more frequent, prolonged, and complex. Since 2020, a series of global shocks have resulted in a polycrisis, significantly impacting the physical, social, and economic lives of people.

RELEVANT ACTION AREAS

Domestic Public Resources | International Development Cooperation | Cross-cutting Issues

ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

The full series is available at: https://financing.desa.un.org/iatf/report/financing-policy-brief-series

MORE ABOUT THIS TOPIC

The brief was developed by UNICEF. For further information on the topic of this brief, please see:

Research report on Finance for Children in Fragile and Humanitarian Settings https://knowledge.unicef.org/SPSP/resource/finance-children-fragile-and-humanitarian-settings

Policy brief on Financing Social Services in Humanitarian Settings https://knowledge.unicef.org/resource/financing-social-services-humanitarian-settings

In 2024, at least 311.3 million people[1] required humanitarian aid, almost fourfold increase from 2013, with children disproportionately affected: 94 million or 31 per cent of those affected are children. This number continues to grow, especially with the escalating conflict in Gaza.

- In many countries with the greatest humanitarian needs, governments have limited public funds to finance social services, crisis response, and recovery. While donor support is substantial, it is not enough to close the financing gap, specifically with decreasing both humanitarian aid and ODA.

- Given the limited resources and high needs in fragile and humanitarian settings, it is crucial to optimise social spending from all sources. This requires a strategic shift from largely reactive to more proactive approaches to reduce the likelihood and impact of shocks and address the root causes of fragility.

- Many of the obstacles to deliver the SDGs, reaching Every Child and other vulnerable groups in crisis settings can be directly traced to public financial management (PFM) challenges, and responds with strategies for increasing the adequacy, sustainability, efficiency, effectiveness, equity, transparency, and accountability of public finance. PFM weaknesses across sectors are both a source of fragility and are compounded by crises. In fragile and humanitarian settings, the confluence of heightened child and household vulnerabilities and distinctive PFM problems makes pursuing regular PFM practices in fragility and conflict not sustainable.

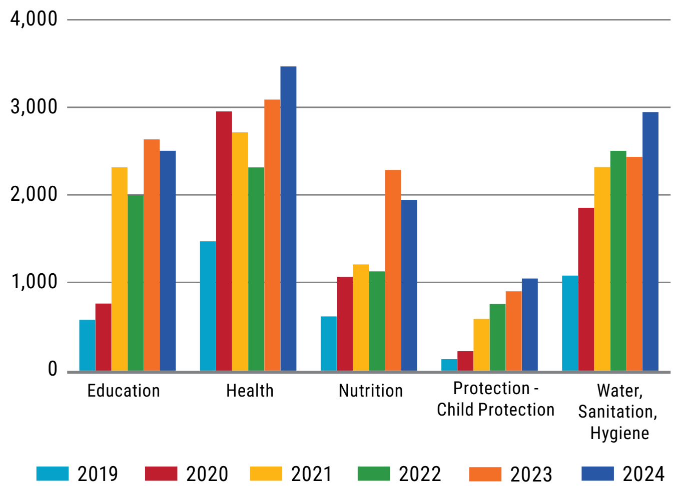
- Populations, including children, need to be better served by stronger, shock responsive and risk informed social sectors and humanitarian response that is coordinated and prioritizes strengthening of public and humanitarian finance management; to improve the performance of all spending on social services from all sources (public, private and international); reduce the likelihood and impact of shocks; and facilitate inclusive and effective response and recovery, at lower cost.

- Recent data as of 2024[2] indicates a huge gap in financing social services in humanitarian settings: Health services face the biggest funding gap, with an extra $3.5 billion needed worldwide for health in humanitarian settings. This deficit puts children at risk of being cut off from essential care in contexts where the threat of disease and malnutrition soars. Water, Sanitation and Hygiene also face a major gap around $2.9 billion.

- Education services require a further $2.5 billion globally to cover estimated humanitarian costs. This funding gap not only threatens children's right to education; out-of-school children face a greater risk from the physical and psychological dangers around them.

- There are major gaps in financing preparedness and anticipatory action, as 93 percent of humanitarian aid continues to be spent reacting to crises[3] .

Figure 1.
Total unmet requirements by social sector 2019-2024
(US$ millions)



1 Global Humanitarian Overview 2024, June-July Update (Snapshot as of 31 July 2024) | OCHA

2 https://fts.unocha.org/home/2024

3 Social Spending Monitor 4- Financing Social Service in Humanitarian Settings, UNICEF, 2024 (Link)

Policy solutions

Given the major challenges facing financing preparedness and response in fragile and humanitarian settings, it is important more than ever for the global community and member states to consider key reforms to better realize the ambition of the Humanitarian, Development and Peace Nexus. This will entail accelerating investments in preparedness, anticipatory action and resilience building, and tackle root causes of fragility and conflict. To achieve that, it is important to consider the following policy solutions:

Give more emphasis on situation surveillance, to monitor social spending, analyse political economy, and generate evidence on current and potential impact of fragility and crisis to inform risk management, response, and recovery. The aim is to augment the understanding the present and potential financing gaps in fragile and humanitarian settings, which is crucial to inform effective risk management, response, and recovery strategies. Specifically, this will ensure to monitor the potential and current impact of risks and crises on the financing gap for children across social sectors; analyse the political economy and financing landscape to identify bottlenecks and opportunities to safeguard and advance child-rights. And, to generate evidence of the costs and benefits of financing strategies, expenditures, and reforms, to strengthen social sector finance and enhance risk preparedness, prevention, and mitigation.

Prioritise social spending for children and vulnerable groups in fragile and humanitarian settings through policy dialogue and evidence-based advocacy. Ensuring that children in fragile and humanitarian settings receive continuous and adequate public funding is essential for their well-being and development. This action area focuses on safeguarding social spending from budget cuts, improving social sector budgets, and expanding fiscal space through debt relief and fiscal reforms. Specifically, to ensure safeguarding social spending from budget cuts in moments crisis, through high-level policy dialogue and advocacy to ring-fence social sector budgets; Engage in policy dialogue and advocacy to improve the financing adequacy, equity, cost-effectiveness and efficiency of risk-informed social sector budgets; Debt relief and restructuring policy dialogue to expand fiscal space for child-focused programmes; and Taxation policy dialogue to raise additional finance for equitable social services.

Strengthen national and local level capacities and provide technical support to improve the performance of finance for children, strengthening PFM risk management, contingency financing, response, and recovery. The compounding nature of crises and their impact on inclusive economic growth requires an explicit prioritization of financing preparedness and anticipatory action, particularly to maintain the service delivery of critical social sectors in times of crisis. Investing in making health, education, and particularly, social protection and WASH systems more risk-informed and shock-responsive – leveraging all the financing options available - is thus critical to protecting systems, enabling their effective use for early response, while ensuring that most vulnerable groups, including children can access critical services even in crisis contexts.

UNICEF Syria - National Budget Analysis highlighted key fiscal risks and highlighted a need to safeguard child-spending from cuts.

UNICEF Yemen - Child Budget Analysis illustrated the adverse impact of political crisis on investments in key social sectors.

UNICEF Pakistan - estimating the economic losses from shocks and the costs of recovery, including investments to build long-term resilience from climate change related disasters.

UNICEF Honduras - advocated for greater public investment to strengthen WASH disaster resilience, contributing to a 49% increase of the WASH capital budget in 2024 relative to 2023.

UNICEF Timor-Leste - Cadvocacy for increased public allocations to ECD and nutrition programmes (230 and 252 respective percent increase from 2022-2023)

UNICEF Sri Lanka - joint advocacy with UNDP for securing debt relief and debt restructuring, to create fiscal space for a universal child benefit.

Building capacities for risk-informed, child-responsive PFM is essential to enhance the performance of social sector spending, crisis response, and recovery. Specific policy solutions include building capacities for risk-informed, child-responsive public finance management, to improve the performance of social sector spending, crisis response and recovery, including building the capacity for Disaster Risk Financing (DRF), and contingency budgeting and financing, strengthening local-level financing and local capacities for social service delivery, crisis response, and recovery. And, empowering citizens, including children and adolescents, to monitor and participate in budget processes for more transparent and accountable spending.

Align and harmonize external and domestic private finance, to improve performance of response and recovery. Leveraging partnerships with international financial institutions (IFIs), engaging private sector actors, and convening donors to unlock and harmonize and align resources for risk-informed finance in fragile and humanitarian settings is pivotal in humanitarian response.

Specific policy solutions call to - Align and harmonize all types of finance, including climate finance, to improve performance of response and recover; leverage private sector engagement to mobilise funds for social services, Disaster Risk Reduction (DRR), Climate Change Adaptation (CCA), Anticipatory Action (including market-based ex-ante financing instruments), and to address critical system bottlenecks to promote resilient development. And augment engagement with IFIs to unlock financial resources for social sectors and build resilience. Leverage grants and concessional lending for risk prevention, preparedness, and resilient recovery.

UNICEF Honduras supported the development of an integrated climate change resilience and child-sensitive social sector financing strategy, forming the basis of a 2023 proposal to access USD 17 million from the Green Climate Fund to reduce climate related child fragility.

UNICEF Ethiopia partnered with commercial banks who agreed to allocating 0.5-1% of profits and offering low-interest loans for water utilities, to finance WASH initiatives.

UNICEF DRC facilitated loans for women and youth to improve sanitation, with UNICEF as a guarantor, combating open-air defecation in Kinshasa. UNICEF also supported DRC's national consultation on market-based sanitation strategies in urban areas.

Specific recommendations for FFD4

This policy brief sets out the following recommendations for the Fourth Conference on Financing for Development, including how the outcome document of FFD4 could address the challenges and close financing gaps in humanitarian and fragile settings:

Enhance the harmonization of humanitarian, development, and climate finance from all sources (public, private and international), while ensuring linkages and alignment across the Humanitarian, Development and Peace Nexus.

- Align humanitarian, development and climate finance by governments, international development partners and UN agencies. Ensuring better coordination and long-term financing, including harmonising financing at the sector level.
- Encompass all financing sources and systems (public, development assistance, private) and all spending on children (social services and humanitarian action) to facilitate a more holistic response.
- Place greater emphasis on building resilience through disaster prevention, mitigation, and preparedness. Be appropriate for and adaptable to fragile and humanitarian settings, given unique challenges and complexities.
- Be designed to promote coordinated humanitarian-development-peace nexus programming and achieve closer alignment with Grand Bargain 2.0 strategic objectives.
- Extensive coordination with strategic partners (including IFIs) to access additional financial resources, perform joint analysis to inform harmonised multi-year

strategies to build the resilience of PFM systems to better anticipate, prepare, respond, and recover from shocks; and to ensure partner programmes sufficiently safeguard and advance child rights.

Raise Sufficient, flexible, and multi-year finance to invest in anticipation, preparedness, and response to close the existing financing gap.

- Engage with IFIs To Unlock Financial Resources for Social Sectors as an integral part of response.
- Leverage Private Sector Engagement to Mobilise Funds for Social Services, DRR, CCA, Anticipatory Action (Including Market-Based Ex-Ante Financing Instruments), and to Address Critical System Bottlenecks to Promote Resilient Development
- Harmonize Donor and Domestic Resources to Build Resilience from Shocks: Leverage Grants, And Concessional Lending, For Risk Prevention, Mitigation, Preparedness, And Resilient Recovery
- Build Domestic Capacity for Disaster Risk Finance (DRF)
- Taxation and Subsidy related reform Advocacy and Policy Dialogue to Raise or Repurpose Additional Finance for Child-Focused Programmes and to Benefit Vulnerable Communities.

Work with Governments to introduce PFM Reforms that allow for agile, rapid, flexible financing and reallocation of funds during emergencies, while ensuring acceleration of SDGs and maintaining transparency, accountability, and fiscal discipline.

- Prioritizing Risk-Informed Data-Driven Decision-Making, that focuses on monitoring the potential and Current Impact of Risks and Crises.
- Ensure protecting and prioritizing social sector spending and addressing debt distress.
- Provide technical assistance and training to governments on crisis budgeting and cost-effective resource allocation during emergencies, to prepare for shocks.
- Ensure that Official Development Assistance (ODA) to countries in fragile and humanitarian settings is used as a catalyser for PFM systems strengthening and to accelerate the SDGs.
- Address Structural PFM Bottlenecks to Service Delivery and Humanitarian Response and strengthen local level financing.

Governments in collaboration with national and international stakeholder should collaborate to improve the Way Funds are Spent, Services Delivered, and Results Monitored in Fragile and Humanitarian Settings, and augment the Cost-Effectiveness, Efficiency, Transparency and Accountability of Humanitarian Responses.

- Monitoring and Evaluating Humanitarian Programmes for Lasting Development Impact, Cost Effectiveness, and Cost Efficiency
- Facilitate Transparent Reporting System that Track Financial and Operational Metrics for Emergency Responses
- Regularly Review and Publicly Share the Performance and Impact of Emergency Response Activities, Incorporating Lessons Learned into Future Plans.