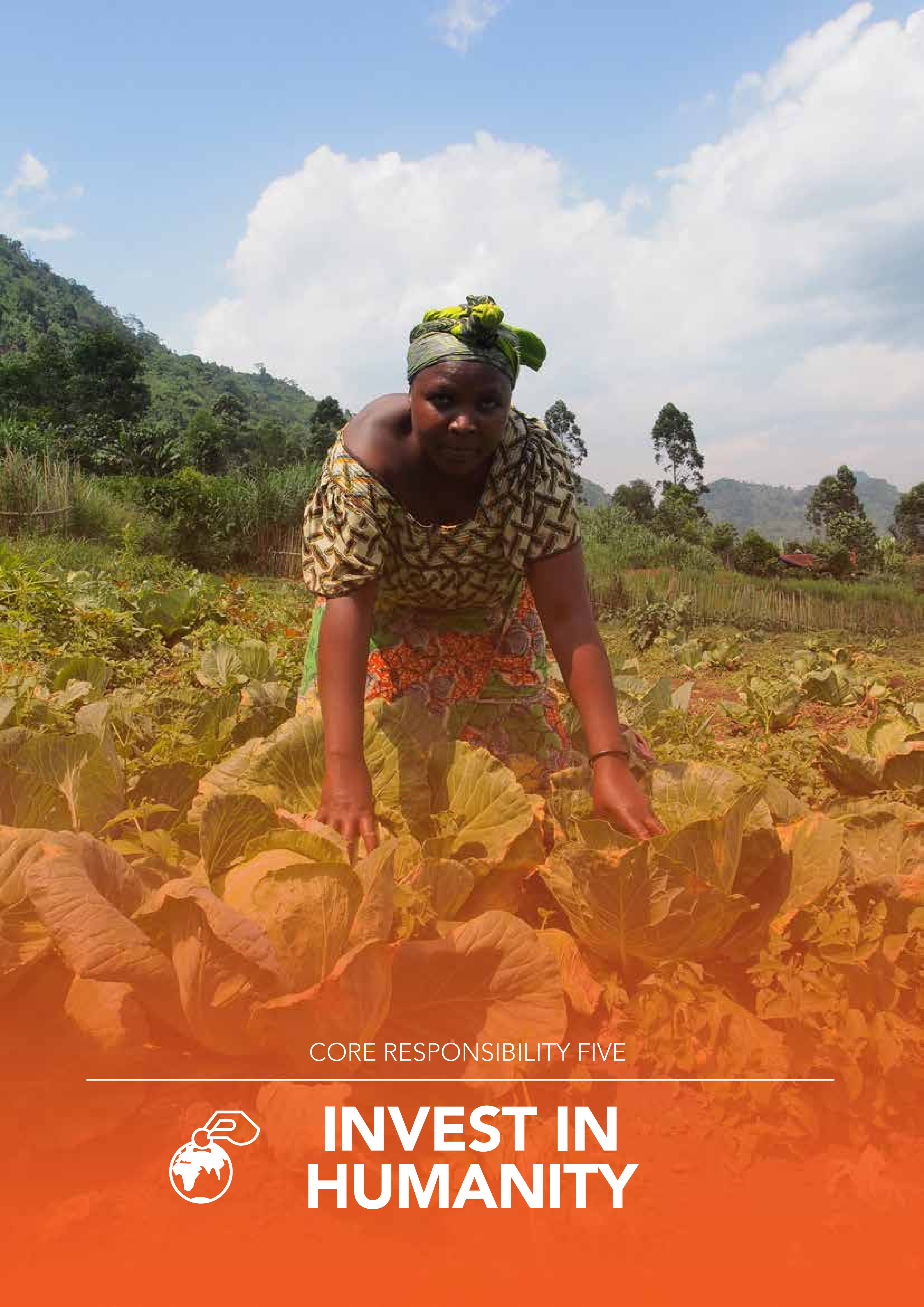


CORE RESPONSIBILITY FIVE

INVEST IN HUMANITY

CORE RESPONSIBILITY FIVE

INVEST IN HUMANITY

Photo on previous page:

Jackie cultivates her field thanks to the support provided by the NGO Association Locale pour le Développement Intégral (ALDI) funded by the DRC Humanitarian Fund.

OCHA/Elodie Sabau

Our shared responsibility for the world's most vulnerable people requires us to invest in humanity. This imperative does not mean merely increasing humanitarian funding, although addressing the gap between requirements and available resources is critical.[39] We also must transform the way we plan, invest and sustain financing to countries suffering from crises or most at risk. The Agenda for Humanity called for a shift in the financing paradigm, underpinned by five transformations: increasing investment in national and local response capacities; financing according to risk; increasing and sustaining investments in fragile contexts; moving from short-term funding to longer-term financing of collective outcomes; and diversifying the resource base and increasing cost efficiency.

The World Humanitarian Summit generated political support for these changes, and a recognition that to realize the aspirations of the 2030 Agenda for Sustainable Development we must reverse the growing trend of poverty, fragility and vulnerability to shocks at the root of many complex and protracted crises. Nonetheless, progress in this area has been slow, and the lack of funding and incentives to innovate and change hampers success in the other four core responsibilities as well.

Some positive developments were highlighted in the reporting period. Setting targets has mobilized political will to channel more funding to national and local actors, and to improve financial tracking systems to measure progress towards this goal. In recognition of the increased scale of humanitarian need, the General Assembly's decision in December 2016 to expand the Central Emergency Response Fund's (CERF) annual funding target to USD 1 billion was an important step. In 2016, Member States made new and increased pledges to the CERF, and donors contributed a record USD 12.6 billion to UN-coordinated appeals, and a record USD 706 million to country-based pooled funds (CBPFs).

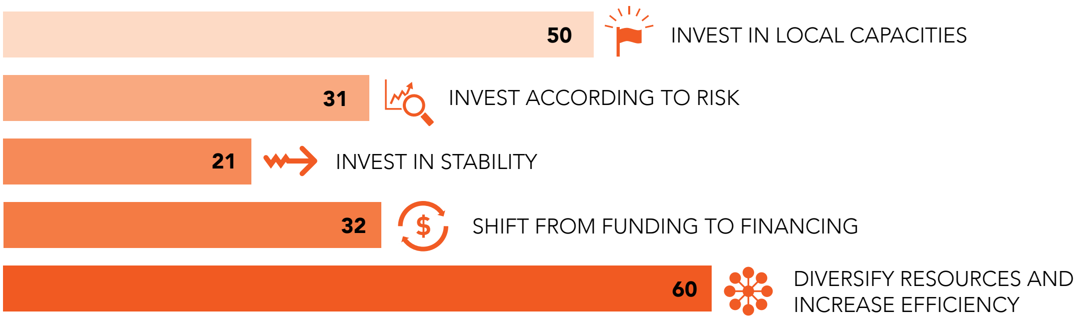
However, rising needs continue to outstrip this generosity. While estimated total international humanitarian assistance reached a new high of USD 27.3 billion in 2016,[40] humanitarian needs continue

[39] As of 30 December 2016, UN-coordinated appeals for that year had a funding gap of USD 9.5 billion or, 43 per cent. UN OCHA, *Humanitarian Funding Update December 2016.*

[40] Development Initiatives, *Global Humanitarian Assistance Report 2017* (2017)

STAKEHOLDERS REPORTS BY TRANSFORMATION

#5 INVEST IN HUMANITY



to surpass the funding received. Very little progress to diversify and increase the resource base was reported, and the potential savings from efficiency gains make up a fraction of the resources required. A concerted effort to close the gap is urgently needed, including a fully funded CERF at the new target to bolster the availability of global contingency funding to respond to shocks and meet the needs of underfunded crises.

> "More concerted effort is needed ... to ensure that partnerships are more equal and strategic, with local partners taking a greater lead role and share of the resources."
>
> - CARE International, self-report 5A -

Limited resources to meet ever greater needs is further compounded by short-term humanitarian funding. Investments in prevention, peacebuilding and other public goods must be prioritized on the global agenda. Building resilience and national and local capacity requires far greater investment than yearly humanitarian funding can provide. More domestic resources should be geared toward financing for risk and vulnerability reduction, including early warning and predictable anticipatory action. New financing instruments to manage risk and respond to shocks, along with increased development investment in fragile contexts, are positive developments, as are increases in multi-year and flexible funding arrangements. Shifting from project-based funding toward financing collective outcomes must be the next priority, directing greater investment in flexible, multi-year strategies for reducing risk and vulnerability while building community resilience.

5A Invest in local capacities[41]

The Agenda for Humanity called for stakeholders to take action to ensure that:

A greater per centage of international investment is directed to national and local actors to increase their capacity to prevent, respond and recover from disasters.

This funding should be not only more direct but also more predictable and long-term.

Progress so far

One and a half years after the Summit, both words and action continue to tilt towards more humanitarian funding going to national and local responders. This trend is particularly evident in reports from stakeholders who are signatories to the Charter for Change or the Grand Bargain as they work together to follow-up on their joint commitments. Fifty stakeholders reported on efforts to invest in local capacities, the highest number of reporting inputs for Core Responsibility Five, most commonly covering the areas of:

Meeting funding targets for national and local actors: Seventeen stakeholders reported on progress in providing direct funding to national

[41] Progress on Transformation 5A should be read alongside that of Transformation 4A on reinforcing, not replacing, national and local systems.

and local actors. This was complemented by progress reports on the Charter for Change and the Grand Bargain, demonstrating a strong drive by international stakeholders to meet targets. According to the Charter for Change *Progress Report 2016-2017*,[42] 10 out of the 29 signatories are transferring more than 20 per cent of funding to national and local partners, surpassing the original commitment. Per the *Independent Grand Bargain Report*,[43] 42 per cent of signatories to that initiative reported steps or plans to increase funding to local responders directly or through pooled funds. Several stakeholders also described their support to the Inter-Agency Standing Committee (IASC) effort to establish a localization marker to define and measure funding to local and national responders.

Addressing blockages to direct investment: Stakeholders reported significant steps to understand or address barriers to localization. The Catholic Agency for Overseas Development (CAFOD) is progressing on the Charter for Change commitment to provide administrative support to assist local actors to increase their role in humanitarian responses. Slovenia obliges funding recipients to work with local partners, while Italy made local non-governmental organizations (NGOs) eligible for direct funding if they have previously partnered with Italian NGOs.

Greater use of pooled funds: Some Member States increased support to pooled funds to work around legal or policy limitations on direct funding of local actors. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), national NGOs received 24 per cent (USD 171 million) from country-based pooled funds, consisting of 18 per cent (USD 134 million) through direct grants and a further USD 37 million sub-granted through UN or international NGO recipients.[45] Germany and significantly increased its contribution to country-based pooled funds in 2016 to become the fourth largest donor, while the United States has begun contributing to such funds in Iraq and Ethiopia on a pilot basis. Eight other Member States reported significant contributions to country-based pooled funds. Other Member States reported funding National Red Cross and Red Crescent Societies, such as the Netherlands which in 2016 committed EUR 7 million over three years to strengthen the humanitarian response capacity of five national societies. Christian Aid supported four Filipino NGOs to establish an independent and local rapid humanitarian fund that is directly accessible by local organizations. The NGO network NEAR is exploring creation of a new pooled funding mechanism or opening existing ones to national NGOs.

Network for Empowered Aid Response

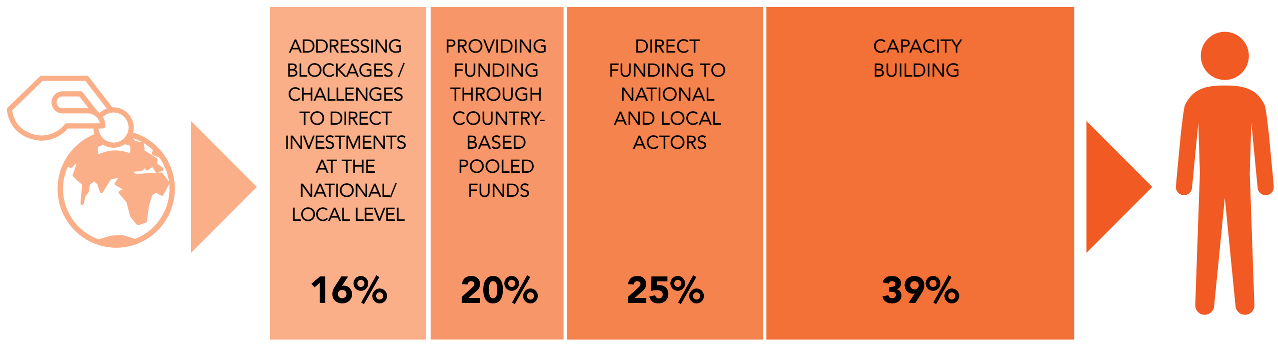
The Network for Empowered Aid Response (NEAR) is a global platform for local and national actors from Asia, Africa, the Middle East and Latin America seeking to reshape the top-down humanitarian and development system. It promotes a more equitable and dignified system with communities and local and national capacities at the centre of aid efforts.

Since launching at the World Humanitarian Summit, the Network has grown to over 56 members, including over 30 NGOs from four regions affected by the largest humanitarian crises. At the global level, NEAR has participated in the 'localization' agenda discourse, contributing to discussions on defining "local actors" and to efforts to define and measure funding to local and national responders. NEAR also commissioned research to identify innovative local and national financing solutions, beginning with Islamic financing, and piloted the Standard for Good Financial Grant Practice with 25 members to strengthen grant management.

For more information see www.near.ngo

[42] Charter for Change, *From Commitments to Action – Progress Report 2016-2017* (2017).
[43] Global Public Policy Institute, *Independent Grand Bargain Report* (2017)
[44] Figures as of October 2017
[45] The five are: Caucus of Development NGOs, Humanitarian Response Consortium, National Council of Churches in the Philippines, and National Secretariat of Social Action of the Catholic Bishops' Conference of the Philippines.

5A BREAKDOWN OF REPORTING BY TOPIC



For notes on data see page 90

Achieving the transformation

According to the 2017 Global Humanitarian Assistance Report, only 2 per cent of international humanitarian assistance in 2016 went to national and local responders directly. This figure included 1.6 per cent to Member States and just 0.4 per cent to NGOs, Red Cross / Red Crescent national societies and private sector organizations.[46] While donors and international organizations are making concerted efforts to increase funding to local actors, the absence of a shared definition on who constitutes a 'local actor' and what funding "as directly as possible" means has hampered progress. Without agreement on these difficult issues, which also determines how to assess progress, a significant shift to greater and more direct funding to national and local actors may prove elusive To achieve the ambition of this transformation, stakeholders should:

- **Agree on definitions and track funding to national and local actors:** The IASC Humanitarian Financing Task Team should conclude its work on shared definitions of local and national responders, in collaboration with the Grand Bargain and Charter for Change signatories as well as national and local actors. The next step is for donors, OECD, OCHA Financial Tracking Service, UN agencies and international NGOs to adapt their internal systems to track onward funding to national and local actors.

- **Use pooled funds to promote local response:** Pooled fund managers should continue to design or revise their mechanisms to include national actors in governance structures and decision-making according to the context. Efforts should also be made to better understand and address local and national organizations' challenges in engaging in humanitarian coordination and meeting the eligibility criteria to access pooled funds. Donors should continue to increase multi-year investments to pooled funds.

- **Remove obstacles to direct funding:** Donors should continue to identify and address internal restrictions that hamper direct funding to national and local actors. Grand Bargain efforts to map how some donors have successfully overcome these barriers can provide important lessons. Donors should also provide incentives to grant recipients to work in partnership with and through national and local actors.

- **Increase funding to national and local authorities:** Where possible, direct funding should be increased to the national and local authorities that bear the primary responsibility to address the needs of affected populations in an impartial and non-discriminatory manner. Without further investment in national and local preparedness and response capacity there can be no sustainable gains in reducing risk, vulnerability and needs.

[46] Development Initiatives, *Global Humanitarian Assistance Report 2017* (2017)

5B Invest according to risk

The Agenda for Humanity called for Member States and the international community to take action to ensure that:

Fewer countries and communities are vulnerable to crises and the negative consequences of climate change because national actors, with the support of the international community, have made risk-informed investments.

Improved crisis prevention and community resilience is possible through risk-informed investments in sustainable development, supported by public-private partnerships. Commitments to the 2030 Agenda for Sustainable Development, the Sendai Framework for Disaster Risk Reduction, the Addis Ababa Action Agenda and the Paris Agreement should be fulfilled through increased support to vulnerable countries and communities, with risk-based early action incentivized and rewarded.

Progress so far

At the World Humanitarian Summit, 37 stakeholders made over 70 commitments to support and increase early investment in crisis prevention and community resilience based on risk. Thirty-one stakeholders, mostly Member States, reported on efforts in 2016, most commonly noting progress in the following areas:

Forecast-based financing: A number of stakeholders used forecast-based financing (FbF)[47] to mobilize resources for early action. The United Nations Food and Agriculture Organization (FAO) reported working with the German Red Cross to design and implement a community based FbF project in Vietnam. In addition, FAO is partnering with the Red Cross Climate Centre and the German Red Cross to advance the FbF concept globally. Demonstrating FbF's effectiveness at reducing vulnerability, Christian Aid reported that more than 80 per cent of recipients across 12 forecast-based risk reduction programmes saw productivity increases despite reduced rainfall due to El Niño.

Insurance-based mechanisms: To scale up predictable financing mechanisms for anticipatory and early response, stakeholders continued or increased support to insurance-based mechanisms. For example, the United Kingdom, Switzerland, and France and the World Food Programme (WFP) fund the African Risk Capacity, an insurance risk pool for African countries. Through the R4 Rural Resilience Initiative, WFP provided USD 5.1 million in micro-insurance protection to its participants, while supporting them to reduce their exposure to climate disasters and improve their livelihoods. The United Kingdom aims for the international system to generate USD 1 billion each year to respond to disasters using insurance-based and government-led systems by the 2020s, and committed to work with United Kingdom-based businesses and International Financial Institutions (IFIs) to expand risk-based finance to countries most at risk.

Climate change finance: There was a strong focus in reporting on support to countries most vulnerable to climate change, including Small Island Developing States. Denmark committed DKK 156 million and Ireland EUR 1 million to support the Least Developed Countries Fund under the United Nations Climate Convention, while Germany pledged an additional EUR 45 million to support the G7's InsuResilience scheme.[48] Japan, in partnership with Samoa and the Secretariat of the Pacific Regional Environment Programme financed the construction of the Pacific Climate Change Centre to enhance partnership and collaboration for addressing the challenges of climate change resilience for the Pacific region.

[47] In Forecast-based Financing, meteorological services and communities agree on actions worth carrying out once a forecast reaches a certain threshold of probability, with funds automatically released to respond.
[48] InsuResilience is an initiative of the G7 that aims to increase access to direct or indirect insurance coverage against the impacts of climate change for up to 400 million of the most vulnerable people in developing countries by 2020.

A boy uses a makeshift raft to travel in the village of Sahouicomey, Benin. The village normally experiences seasonal flooding, but this years flooding had destroyed homes and killed five people.

UNICEF/Olivier Asselin

Achieving the transformation

Despite evidence of benefits and the commitments made in Sendai and Istanbul, systematic investment in risk reduction, early warning and preparedness remains relatively low. One challenge identified in the reporting is that many of the financing instruments available are short-term, and considered "humanitarian." Concrete activities to reduce risk require longer-term financing mechanisms, particularly if the aim is to build States' capacity to respond to and recover from disasters. Delivery on this transformation will require stakeholders to:

- **Continue to improve the coherence of risk-informed financing:** Resident and Humanitarian Coordinators and multi-mandated aid organizations should map the different financing instruments available across development, climate change and humanitarian sectors at the country level to understand how to layer and sequence them to have the most impact in reducing risk and vulnerability.

- **Increase technical and financial support to countries vulnerable to disaster risks and the adverse impacts of climate change:** Commitments made in the 2030 Agenda for Sustainable Development, the Sendai Framework for Disaster Risk Reduction, the Addis Ababa Action Agenda and the Paris Agreement should be fulfilled. National budgets should also dedicate sufficient resources to risk-informed sustainable development across sectors and to building capacities in disaster risk management, including risk assessment and response preparedness.

- **Incentivize and reward risk-informed investment and early action:** Donors should encourage and incentivize inter-agency cooperation and joint action to build resilience based on risk analysis. Innovative resilience solutions should also be supported and rewarded, while building disaster-resilient infrastructure, hospitals and schools could be rewarded with better loan terms and lower interest rates from banks and other financial institutions.

- **Ensure effective use of different financing tools for early action and anticipation activities:** Preparedness and early action should be resourced in a timely manner, including through scaled-up, predictable, flexible and multi-year financing mechanisms such as forecast-based financing, risk-based insurance mechanisms, or other forms of bonds and drawdown options.

5C Invest in stability

To reduce humanitarian suffering from conflicts, the Agenda for Humanity called for action to ensure that:

More fragile situations are stabilized by 2030 through greater and sustained investment in national and local inclusive institutions and in conflict prevention, mediation and peacebuilding.

Progress so far

Twenty-one stakeholders reported under Transformation 5C on efforts to improve financing to address situations of fragility and conflict, strengthen national and local institutions, and increase investment in conflict prevention and mediation. Taking into account relevant reporting under other transformations as well, stakeholders most commonly reported progress in the following areas:

New funding for fragile settings: In late 2016, through the World Bank's International Development Association 18th replenishment (IDA18),[49] States committed USD 14.4 billion to the allocation of core resources for countries experiencing fragility, conflict and violence, a doubling of previous commitments in this area. In addition to a number of other windows aimed to tackle fragility and support to countries emerging from crises, an additional USD 2 billion was provided for a new Regional Sub-Window for Refugees and Host Communities,[50] to promote medium-term socioeconomic benefits for refugees and their hosts. While many Member States contribute to the fund, Austria, Belgium, France, Switzerland and the United Kingdom were among those reporting engagement with the IDA 18 process to increase resources to address fragility.

Increased funding to the Peacebuilding Fund: A number of stakeholders reported supporting the UN Peacebuilding Fund (PBF), which in 2016 raised just over half of its USD 300 million target.[51] Germany tripled its commitment by providing EUR 20 million and Italy issued its first contribution of EUR 500,000. Canada, Turkey, Switzerland, Luxembourg and Sweden also reported on their financial support to the Fund.

Investment in conflict prevention and mediation: Implementation of commitments made at the Summit to strengthen the UN's core prevention and mediation capacities are a critical contribution to the UN Secretary-General's call to make prevention "*the* priority" and for a "surge in diplomacy for peace".[52] Switzerland reported on its increased financial support to the Joint United Nations Development Programme (UNDP) – United Nations Department of Political Affairs (DPA) Programme on Building National Capacities for Conflict Prevention. The United Kingdom increased support to its Conflict Stability and Security Fund aimed to strengthen peace and resilience in countries at risk of conflict and stability. Italy, Canada and New Zealand funded the UN conflict prevention capacity, including through DPA.

> "Establishing sustainable peace requires a holistic approach to reconciliation, justice and development."
>
> - Norway, self-report 5C

Organizational investment in peace and stability: Stakeholders also increased organizational investments in their own resources and capacities for conflict prevention and work on fragility. Finland adopted a new finance window to help Finnish companies look for business partners in fragile countries, while Canada launched a new CAD 450 million Peace and Stabilization Operations Program. A Ukraine-UN-World Bank financial mechanism is supporting peacebuilding and recovery in Eastern Ukraine.

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[49] The International Development Association is the World Bank's fund for the poorest countries. In late 2016, donor and borrower countries made a record USD 75 billion commitment for the IDA18 replenishment.
[50] International Development Association, *Additions to IDA Resources: Eighteenth Replenishment Towards 2030: Investing in Growth, Resilience and Opportunity* (2017), p. 50
[51] More information on the Peacebuilding Fund and its achievements in 2016 can be found in A/71/792 (14 February 2017).
[52] UN Secretary-General António Guterres, *Remarks to the Security Council Open Debate on "Maintenance of International Peace and Security: Conflict Prevention and Sustaining Peace"*, 10 January 2017.

Achieving the transformation

Over the past few years aid to fragile contexts has risen.[53] The reports of stakeholders confirm this increased attention to deliver more and sustained investment to fragile settings and conflict prevention and resolution capacities. However, with more than 1.6 billion people, or 22 per cent of the global population, living in fragile settings and nearly half of the world's population (3.34 billion) living near or feeling the impact of political violence,[54] there is far too little investment in prevention, peacebuilding and other global public goods. Effective targeting of finance for stability will require greater investment in risk and context analysis and a better understanding of the financial tools available to make the most use of limited resources. In addition, an overall cultural shift will be needed in the type, length and financing of programmes, one that enables true investment in stability rather than funding of projects, as called for in Transformation 5D. Progress on this transformation will require stakeholders to:

- **Allocate additional, predictable resources to the Peacebuilding Fund:** Notwithstanding the USD 152.5 million in pledges, the PBF still fell short of the USD 300 million goal called for in the Agenda for Humanity and the minimum amount needed to sustain operations for three years. The ability of the PBF to answer the call of the General Assembly on its peacebuilding resolutions will depend additional and sustainable resources.

- **Increase development allocations for crisis contexts:** Financing in crisis contexts must go beyond short-term humanitarian funding. Member States should increase flexible, sustainable and simultaneous development assistance from the onset of a crisis, based on comprehensive risk and conflict analysis. Crisis-modifiers should be increasingly introduced to development funding to allow resources to be quickly directed to sudden onset crises within the country, if needed. Early funding should focus on building the capacity of national governments and local actors to respond; fostering political solutions; strengthening people's security; addressing injustices and increasing access to justice; generating employment and improving livelihoods; and managing revenue and building capacity for fair, accountable service delivery.

- **Adapt donor behaviour for more effective development:** To improve development in fragile contexts, donors should: build institutional fitness, investing in the right staff and skill sets and understanding how to use comparative advantages within a collective response; be committed to deliver long-term change rather not short-term results; and focus on the principle of leaving no-one behind, through incentives to support neglected crises and marginalized groups.[55]

Ali, 6 years old, stands in the rubble of what used to be his home in Sana'a, Yemen. It was completely destroyed when a missile hit the house next door.

OCHA/ Charlotte Cans

[53] Aid to fragile contexts rose to USD 63.67 billion in 2015, up from USD 59.58 billion in 2014 in constant 2015 dollars, according to the OECD Creditor Reporting System.

[54] OECD, *States of Fragility 2016: Understanding violence*, p. 6-7. The OECD defines political violence as the use of force towards a political end and that is perpetrated to advance the position of a person or group defined by their political position in society, including governments, state militaries, rebels, terrorist organizations and militias.

[55] This is derived from the OECD's 12 characteristics of good development support, more information can be found at http://www.oecd-ilibrary.org/development/good-development-support-in-fragile-at-risk-and-crisis-affected-contexts_5jm0v3s71fs5-en

The World Bank delivering on its commitments

The World Bank's strong involvement in the World Humanitarian Summit process demonstrates the important role of international financial institutions in the drive to enhance and increase financing for situations of crisis, fragility and risk, in line with the 2030 Agenda for Sustainable Development. The International Development Associations 18th replenishment (IDA18) bolsters the World Bank's ability to increase investment in countries such as Yemen, Somalia and South Sudan, which need development interventions to help move beyond crisis response mode to addressing crisis risks upstream. These efforts are being piloted with the UN in a humanitarian-development-peace-building initiative that facilitates working across all three pillars.

The World Bank joined with international partners in launching other initiatives to tackle the challenges of crisis and fragility risks. The Global Concessional Financing Facility, provides concessional IFI financing to help middle-income countries address refugee crises. The World Bank also supports the Global Preparedness Partnership initiative (see Transformation 4B for more details). It has further committed to invest USD 2.5 billion by 2020 in education for adolescent girls; allocate 75 per cent of IDA18 financing towards women's participation in economic activity and improving their productivity; and help countries improve access to reproductive maternal and child health and nutrition through a new public and private partnership called the Global Financing Facility.

Local men and women participate in a UNDP funded cash-for-work debris clearing programme in Guiuan, the Philippines, after super typhoon Haiyan.

OCHA/Joey Reyna

The International Network on Conflict and Fragility

At the World Humanitarian Summit, The International Network on Conflict and Fragility (INCAF) committed to implement the Stockholm Declaration to "provide smarter, more effective, and more targeted development support in fragile and conflict affected situations, especially in protracted crises." Since then, INCAF has been working to understand how to deliver the Stockholm Declaration, the Addis Ababa Action Agenda, and their WHS commitments in the most difficult operating environments. The key is to understand how financing tools, existing aid partnerships, the private sector and domestic revenue can be best used and layered to arrive in the right place, in the right way, and at the right time.

In May 2017, the OECD tested a new Financing for Stability model for developing financing strategies for fragile contexts in Sudan, partnering with financing specialists from the UN Multi-Partner Trust Fund Office, UN Resident Coordinator's Office and OCHA. This effort built on widespread support from the government, UN, private sector and civil society for taking concrete steps towards a New Way of Working in Sudan, including developing and implementing a financing strategy for collective outcomes.

5D Shift from funding to financing

The Agenda for Humanity called for action to ensure that:

A more diversified and innovative range of financing tools is available for actors to achieve collective outcomes, through a response that comprehensively targets prevention, life-saving and recovery activities.

The World Humanitarian Summit argued for a new approach that shifts from funding short-term projects and activities toward financing collective outcomes that reduce needs, risk and vulnerability in a predictable, flexible and sustainable manner over multiple years. To achieve this transformation, the Agenda for Humanity called for stakeholders to broaden the types of financial instruments used beyond grants, to include risk-pooling, social impact bonds, loans and guarantees made to the actor able to make the best contribution towards a collective outcome.

Progress so far

Forty-three stakeholders made almost 100 commitments to support a shift from funding short-term activities toward financing collective outcomes. For 2016, 32 stakeholders reported

Men from Sulphur Bay village on Tanna Island, Vanuatu, rebuilding on of the houses that was destroyed by Cyclone Pam.

UNICEF/ Vlad Sokhin

under Transformation 5D, while others made relevant reports under different transformations, which are taken into account in the analysis below. With no collective outcomes identified in the reporting period, stakeholders mostly reported on efforts to make financing more predictable and flexible and to improve coherence between humanitarian and development sectors. Stakeholders most commonly reported progress in the following areas:

Multi-year and flexible humanitarian funding: Bolstered by the Grand Bargain commitments, many stakeholders reported on a shift toward multi-year frameworks to ensure predictable funding to partners or to integrate long-term thinking into humanitarian response. Canada almost doubled the share of multi-year contributions, from 14 per cent in 2015 to 32 per cent in 2016, while Ireland announced multi-year funding for NGOs in protracted situations. Belgium set a target of 60 per cent of its total budget to be unearmarked by 2020, one of a number of stakeholders trying to increase soft-earmarking or unearmarked funding to improve flexibility.

Steps to break down humanitarian and development funding silos: A number of donors reported on creative ways to break down barriers and strengthen complementary financing between humanitarian and development aid. For example, Norway, Switzerland, Canada and the United Kingdom are developing or already applying a whole-of-government approach by providing humanitarian, development and peacebuilding funding simultaneously to target the same crises. France has allocated new funding of up to EUR 100 million per year for a Vulnerability Fund to address both short-term humanitarian needs and longer-term resilience in protracted crises. From 2017-2019, Lithuania will align its humanitarian and development funding to contribute to the implementation of the 2030 Agenda. The European Union, Switzerland, Turkey, Action Against Hunger International, the FAO and IOM reported on separate efforts to pilot joint humanitarian-development strategies in a variety of country contexts. Denmark developed its new Strategy for Development and Humanitarian Action which will allow flexible, multi-year financing in protracted crises.

Achieving the transformation

This progress demonstrates positive trends toward longer-term programming aimed at reducing humanitarian need and vulnerability. Although the reporting period did not yet see multi-year plans to achieve collective outcomes being rolled out through the New Way of Working, stakeholders are making concerted efforts toward more multi-year and predictable financing. While positive, this trend is still only the tip of the iceberg if the transformational shift from funding to financing is take place. The NWOW will only succeed if collective outcomes are matched with the financing required to achieve them. Delivering on collective outcomes will require a new approach to financing that moves away from project-based funding and instead brings together international and national, and public and private financing streams to deliver the right amount of finance, using the right tools, over the right timeframe, and with the right incentives for success. Delivery on this transformation will require:

- **The *right amount of finance*, over the *right timeframe*, through flexible and predictable funding for collective outcomes:** Over the next three to five years, as the NWOW is rolled out and collective outcomes are identified, more donor, private and affected government support must ensure this coordinated approach succeeds, financing collective outcomes over multiple years and channelling support towards actors with comparative advantage.

Children in a primary school in Nyanazale, North Kivu, DRC.

OCHA/ Ivo Brandau

- **The *right tools* to pilot development of country-specific financing solutions:** The ideal place to address unique financing needs is at the country level. Humanitarian, development and peace actors should jointly pilot context-specific financing solutions in support of collective outcomes. These pilots can also identify reforms to the global humanitarian financing system and new tools, mechanisms and technical capacities needed to make it fit for purpose.
- **Replicate multi-year funding arrangements with implementing partners:** Predictable, flexible and multi-year funding arrangements must be passed on from international agencies and organizations to implementing partners and national actors. Greater transparency and dialogue are needed to understand the barriers to transferring benefits of multi-year funding to implementing partners and to develop solutions.
- **Increase financing literacy:** Moving from funding to financing challenges humanitarians to think beyond using grants and pooled funds to distribute aid, towards effective portfolios that use all available financing sources. For many this is unfamiliar ground, requiring an increase in financing literacy. Humanitarian organizations need to work more closely with multilateral development banks and bilateral donors to understand how these new instruments can better complement, sequence, or catalyse humanitarian financing.
- **Improve monitoring and evaluation for multi-year planning and funding of collective outcomes:** Monitoring and evaluating the results of collective outcomes will require a different framework and set of indicators than humanitarians have used for annual programs. The International Rescue Committee's Outcomes and Evidence Framework is a best practice in systematically identifying clearly defined outcomes that can be consistently measured across all contexts, while also showing the need for multi-year planning and funding.

A radical new way of financing humanitarian response

Belgium, Italy and Switzerland reported on their support to establish the world's first humanitarian impact bond, a type of pay-for-success financing that International Committee of the Red Cross (ICRC) is using to transform services to people with disabilities in conflict-affected countries. Private "social" investors lend CHF 26 million over five years, with repayments by "output funders" (usually donors) depending on the difference the project makes to the people it is serving. The initial investment by social investors enables the ICRC to run activities at rehabilitation centres in Nigeria, Mali and the Democratic Republic of Congo. At the end of the fifth year, the outcome funders (Belgium, Switzerland, Italy, the United Kingdom and "la Caixa" Banking Foundation), will pay the ICRC according to the results. These funds in turn will be used to pay back the social investors. If results exceed benchmarks, the social investors will receive the initial investment and an annual return. If it is below the benchmark, they will lose a certain amount of the initial investment. This innovative way of linking pay-outs to results could dramatically improve aid efficiency and cost-effectiveness by shifting the focus onto implementation quality and achievement of outcomes. The bond was officially launched in September 2017.

5E Diversify resources and increase efficiency

The Agenda for Humanity called for action to ensure that:

New actors are mobilized to contribute resources to humanitarian action, and resources are spent as efficiently as possible.

Progress so far

Over 130 participants at the World Humanitarian Summit made almost 250 commitments to Transformation 5E, the highest number under Core Responsibility Five. Sixty stakeholders reported on progress in 2016, a sign of strong support for this set of changes, encouraged by the Grand Bargain initiative launched at the Summit. Stakeholders reported progress in the following areas.

Improving transparency: Most stakeholders reported on efforts to increase their own and their partners' transparency, mainly through the International Aid Transparency Initiative (IATI).[56] Development Initiatives provided guidance to help organizations publish to the IATI Standard and began a project to support the Grand Bargain workstream on transparency, including through raising awareness of the Standard, improving capacity to publish and use humanitarian data, and to monitor progress. FAO, CARE, Belgium and Sweden, explored how to adapt systems and partner reporting to the IATI Standard. UNDP, and Canada gave partners guidance and peer support in using IATI, and the Netherlands, is requiring Dutch partners to report to IATI from 2017. The Grand Bargain added impetus to these efforts, with three quarters of its 43 signatories reporting progress in this area. OCHA's Financial Tracking Service (FTS), which monitors humanitarian spending, is supporting these efforts. In January 2017, FTS launched a new platform that can automatically read IATI data, with the aim of this becoming the preferred format for FTS reporting.

[56] The International Aid Transparency Initiative (IATI) is a voluntary, multi-stakeholder initiative that seeks to improve the transparency of aid, development, and humanitarian resources in order to increase their effectiveness in tackling poverty. At the centre of IATI is the IATI Standard, a format and framework for publishing data on development cooperation activities. For more information see: www.aidtransparency.net

Meeting the Central Emergency Response Fund (CERF) target of USD 1 billion: Seventeen Member States reported on their political support and financial contributions to the CERF. This include support to increasing its annual funding target from USD 450 million to USD 1 billion by 2018, which the General Assembly approved in December 2016.[57] The reports of stakeholders confirms the ongoing and diverse support to the CERF, with 51 Member States and Observers contributing to the Fund in 2016.[58] While initial reports indicate that some donors are already increasing financial commitments to support the Fund in 2017, new commitments are necessary to make significant progress towards meeting the USD 1 billion target.

Creating cost efficiencies: Some stakeholders reported increasing efficiencies by streamlining and harmonizing processes with other actors, while improving the cost effectiveness and efficiency of their own programmes. The Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Children's Fund (UNICEF) and the World Food Programme (WFP) are harmonizing partnership agreements, and recently expanded their discussion to International Council of Voluntary Agencies (ICVA) partners. In 2016 OCHA began using newly harmonized and simplified partner capacity assessments for country-based pooled funds. The ACT Alliance has changed reporting requirements for local and national members to reflect a new common format being developed, and soon piloted, by Grand Bargain signatories. Others reported finding ways to put more money into programmes, including by making existing systems more efficient. WFP improved its supply chain in six countries, reducing both retail prices and transport costs.

Advocacy to diversify the resource base: Several stakeholders reported on advocacy with multilateral development banks, the private sector and Islamic institutions to increase funds for humanitarian action. Luxembourg reported plans to provide the International Federation of the Red Cross / Red Crescent Societies (IFRC) with a staff member for an initial year to explore humanitarian funding opportunities related to Islamic social finance. Switzerland, Norway and the European Union reached out to the private sector, calling for increased engagement to address growing humanitarian needs.

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[57] A/71/126

[58] www.unocha.org/cerf/donors/donorspage

People divide up sacks of food aid distributed after an airdrop in the village of Aburoc, South Sudan, on May 14, 2017. For many people, displaced for months, this is the first food aid they have received.

UNICEF

On April 16 2016, Ecuador suffered a 7.8 magnitude earthquake. OCHA deployed an UNDAC team which included an environmental expert who assessed hazards posed by industries and waste.

Mira Ecuador/ Salomon Ruales

Achieving the transformation

Stakeholders have taken significant, coordinated steps toward ensuring greater transparency, reducing reporting burdens, and putting in place more comparable cost structures to create efficiencies. To continue on the path set by the Grand Bargain, donors, UN entities and NGOs must remain steadfast in their commitment to change the way they do business for the common good. At the same time, the failure to attract new and diversified sources of funding continues to prevent millions of people from receiving the assistance and protection they need in crises. There was little reporting on efforts to address this shortfall. To deliver on Transformation 5E will require stakeholders to:

- **Devise strategies for raising new resources:** Concerted action has begun to enhance efficiency and effectiveness in the way that aid is provided and spent, helping to reduce need, risk and vulnerability. More attention is now needed to deepen and broaden the resource base for humanitarian action, starting with implementation of the recommendations from the UN Secretary-General's High Level Panel on Humanitarian Financing.

- **Give to the CERF:** All Member States must stand behind their December 2016 commitment to a USD 1 billion CERF by increasing contributions to the fund within their abilities, to truly make the CERF a "fund for all, by all." Donors should also increase flexible unearmarked funding to narrow the funding gap for urgent life-saving assistance.

- **Improve transparency and data:** A wider range of stakeholders, especially national organizations, should subscribe to IATI. Reporting to OCHA's Financial Tracking Service (FTS) should be compulsory for all relevant stakeholders, as it remains an essential means of ensuring accountability to Agenda for Humanity commitments, including increasing funds to national and local actors, increasing unearmarked allocations, advancing multi-year financing, scaling-up cash transfer programming; and reducing transaction costs. Additionally, tracking of humanitarian aid flows through FTS should shift from its narrow focus on projects included in joint appeals to tracking the cost of activities linked to common strategic priorities as well as tracking contributions from new types of actors such as the private sector.

- **Consolidate cost-efficiency gains:** To realize the promise of early efforts to achieve system-wide efficiencies, all key stakeholders must remain fully engaged with the work begun under the Grand Bargain, while strengthening synergies with other initiatives under the IASC and with the Good Humanitarian Donorship initiative.[59] Dialogue around the Grand Bargain should include States and other national and local actors to ensure different views and perspectives result in a common effort.

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[59] The Good Humanitarian Donorship (GHD) initiative is an informal donor forum and network which facilitates collective advancement of GHD principles and good practices. More information is available at: www.ghdinitiative.org

Grand Bargain

The Grand Bargain commits 52 of the humanitarian system's largest contributors to a package of transformations that seeks to reduce the financing gap by improving the effectiveness of humanitarian response and the financial efficiency of aid. The initiative complements efforts to shrink needs and broaden the resource base for humanitarian action. One year on, the signatories, 22 of whom joined after its launch, reported taking action in ten areas to change the way they work.[60]

- **Transparency:** 73 per cent of donors and most aid organizations publish high quality data to IATI.
- **Localization:** 51 per cent of signatories took steps to better understand and remove barriers that prevent organizations and donors from partnering with local and national responders.
- **Cash programming:** 73 per cent made efforts to understand the risks and benefits of, and develop standards for, cash programming, while 36 per cent increased the routine use of cash.
- **Reduce duplication:** 42 per cent of aid organizations reported participating in efforts to provide transparent and comparable cost structures.
- **Needs assessment:** More than 60 per cent strengthened and shared needs assessment data.
- **A participation revolution:** More than a third of aid organizations took action through humanitarian country teams to promote engagement and accountability to people and communities, and to build systematic links between feedback mechanisms and corrective action. 42 per cent of donors provided more flexible funding to facilitate programme adaptation in response to feedback.
- **Multi-year planning and funding:** 65 per cent of signatories made efforts to increase multi-year, collaborative and flexible planning and funding.
- **Earmarking:** 63 per cent of donors took step to progressively reduce the degree of earmarking of funds.
- **Simplify reporting:** 65 per cent of signatories reported actions to simplify and harmonize reporting requirements.
- **Humanitarian-development engagement:** 70 per cent of signatories invested in durable solutions for refugees and internally displaced people (IDPs), as well as sustainable support for migrants, returnees and host-receiving communities and other situations of recurring vulnerabilities.

Looking ahead to May 2018, signatories have agreed to a set of actions to maintain the political momentum to the Grand Bargain commitment, increase synergies across work streams and with other groups and make changes visible at the field level. For more information on the Grand Bargain see https://interagencystandingcommittee.org/grand-bargain-hosted-iasc.

Horriya, 12, carries a jerrycan of water in the makeshift camp at Ain Issa, 50 km north of the Raqqa in the Syrian Arab Republic.

UNICEF

[60] Global Public Policy Institute, *Independent Grand Bargain Report* (2017). The report can be accessed at: https://interagencystandingcommittee.org/system/files/nn_-_grand_bargain_report_final.pdf