MAKE OR BREAK: THE IMPLICATIONS OF COVID-19 FOR CRISIS FINANCING

NORWEGIAN
REFUGEE COUNCIL

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Summary

Covid-19 is the first global pandemic in a hundred years. It has tested the international crisis response and financing system in novel ways, aggravating well-known challenges and casting light on other unanticipated shortcomings. It has exposed fundamental weaknesses in global preparedness, including substantial under-investment, a tendency to adopt narrow thematic approaches and a widespread failure to prepare for secondary socioeconomic impacts. It has exposed critical dependencies in crisis response systems, including the risks that major disruptions of transport and key commodity markets pose to business continuity.

The pandemic demonstrates that the international response system needs to be prepared for a new order of crises, for an era in which large-scale systemic shocks may overlay and aggravate existing risks and significant long-standing humanitarian needs. Incremental reforms will not deliver a system fit to respond effectively.

The key challenges revealed by the international crisis financing response to the pandemic thus far include:

Initial responses have been rapid and substantial, but there are growing concerns that funding to address secondary impacts will fall short.

The pandemic has already highlighted constraints in accommodating peaks in demand for crisis financing, and its worst humanitarian impacts - notably pushing an estimated 270 million people into acute food insecurity - are yet to come. Additional humanitarian funding flattened off after April while requirements were being revised upwards, and the outlook is for a tight fiscal environment in which aid budgets are reduced and reprioritised and private giving also declines.

The financing architecture struggles to move money quickly to where it is needed most.

The reliance of international financing institutions (IFIs) on lending and allocations linked to GDP has restricted their ability to move funds to countries that may need them most. Voluntary humanitarian financing contributions meanwhile have tended to follow a familiar pathway via the UN system, which has slowed the distribution of funding to frontline responders.

There is limited evidence of coherence, and the financing response across the humanitarian-development-peacebuilding nexus has been uneven.

IFIs' financial support for developing country governments has dwarfed the international health and humanitarian financing response. Development stakeholders are concerned there is a missing link in the financing response, with development funds diverted to health and humanitarian priorities and little funding provided for programming that falls between "masks and budget support".

Flexible and predictable funding has led to the quickest and most frictionless responses, but commitments to this way of working are increasingly at odds with political realities.

The pandemic response clearly demonstrates the added value of flexible funding in enabling rapid, needs-based interventions with very low transaction costs. There are powerful disincentives, however, and donors providing predictable and front-loaded contributions have been less visible and received less recognition for following good practice than those who retained and allocated funds to later indicators of needs.

A range of established funding instruments primed with financing have delivered rapid injections and provided a focus for additional contributions, but newly created and untested funds have struggled to attract contributions.

Nor is there much evidence of anticipatory financing working effectively, and the global Pandemic Emergencies Facility has proved disappointing. Financing for early action to mitigate the anticipated secondary impacts of the crisis on household incomes and food consumption is a growing focus, however, and may yield valuable lessons.

The ability to navigate a world of large-scale systemic risk relies on adequate prevention and preparedness.

The pandemic has highlighted the importance of effective public health and welfare systems and the ability to access financing rapidly to pay for immediate responses and manage secondary social and economic impacts. While the crisis remains high on the global agenda, there is opportunity to advocate for a significant shift in development investments toward public service provision, risk surveillance and preparedness, including financial preparedness against risks and shocks.

Recommendations

The challenges facing the international crisis financing system have rarely if ever been greater. A fundamental rethink of how we prepare and respond is needed, and it must go beyond the humanitarian community because the solutions require far greater resources, expertise and networks. As such, the following recommendations are intended as the beginning of a process that will require the broad participation of development financing partners, national governments, civil society and the private sector.

1. **Mobilise a system-wide "pivot toward preparedness":** Convening the collective firepower and technical capabilities of the humanitarian, development and peacebuilding communities provides an opportunity to put commitments to work collaboratively across the nexus into practice. A system-wide pivot toward preparedness would require a major overhaul of current practices, tools, skills, cultures and incentives, drawing on expertise from the private sector.

    - **Prioritise risk:** Risk cannot be prioritised if it is not visible and understood. Risk monitoring and analysis must be built into planning and prioritisation tools at the country level and within institutions. Financing stakeholders should prioritise funds to invest in preparedness against risk and shocks, and build in incentives for partners to do likewise.
    - **Agree an investment plan to build local, national and regional capabilities:** Agreement on priorities in establishing national systems able to prepare for and respond to crises is needed to target resources effectively. This should include consideration of essential services such as health and social protection, and the role of civil society and the private sector. Establishing a clear vision for the roles, capacities and functions of local and national stakeholders could provide an investment focus to deliver policy commitments on localisation.
    - **Invest in national and regional financial preparedness:** International financing for crisis responses should be catalytic and supplementary to core financial preparedness against shocks at the national and regional level. Financial preparedness against risk has the potential to provide a high return on investment. It enables earlier and predictable responses to shocks, reducing losses and costs. It also helps to identify and encourage risk reduction and operational preparedness. Expectations that transferring financial risks to the private sector will play a prominent role may, however, need to be moderated.
    - **Engage the private sector:** Businesses and investors should not be seen simply as a source of additional funding. Opportunities should be explored to draw in private sector expertise on risk monitoring, modelling and analysis; co-investment in risk management and preparedness; and capacities to support response. International stakeholders should also engage with local business networks that act as first responders at the country level to highlight and manage the potential for their investments and actions to do harm, particularly in fragile settings and those affected by conflict.

2. **Invest in the capacity of the system itself to respond:** The pandemic has exposed a range of limitations in the capacity of the international crisis financing system to respond to major shocks. If it is to function effectively as a global safety net against risks that cannot be managed locally, it will have to be upgraded in a number of areas.

    - **Explore options to increase access to financing:** The system already struggles to respond to peaks in demand and funding is likely to be further constrained in future, so options to mobilise additional humanitarian streams should be explored. Options to increase IFIs' scope to leverage their balance sheets at times of peak need should also be agreed before the next major crisis.
    - **Identify and address system vulnerabilities:** A review of potential vulnerabilities tested against a range of

possible crisis scenarios and the identification of mitigation strategies and investments are needed to strengthen the system's preparedness. Private sector expertise, particularly in risk monitoring and analysis and managing supply chain and communications vulnerabilities, should be part of the process.

- **Decide "how to decide":** Doing so in advance has the potential to improve significantly improve the speed and quality of decision making when a crisis strikes. This could involve negotiating access to risk information in advance, investing in institutional capabilities to interpret and use evidence, and establishing agreements on information sharing. Information protocols and platforms or networks that can be activated quickly could also help to improve the quality and coherence of decision making.
- **Learn what works:** The pandemic provides a huge opportunity to learn and guide future investments to ensure that we are better prepared for future shocks. An independent evaluation of the crisis financing response would help to resolve disputed issues objectively, including the timeliness and efficiency with which money is moved between different stakeholders and mechanisms; whether the right priorities are supported; whether funding is put to its intended use; and whether anticipatory financing instruments are delivering against expectations.

3. **Build a financing ecosystem that can move money quickly to where it is needed most:** How money moves through the system has major implications for the efficiency and effectiveness of crisis response financing.

- **Write a new set of rules that prioritises the most vulnerable:** In order to meet the needs of those most at risk and in need of financing, IFIs should revisit their allocation criteria and their mix of loans and grants. Nor do bilateral donors' recent allocation patterns prioritise the poorest. They can counter political-level priorities by ringfencing flexible funding for partners and global-level mechanisms.
- **Commit to scale up flexible funding:** Flexible funding is a low-key and low-cost, but high-impact means of increasing the system's responsiveness. This is a make-or-break moment for policymakers to push for a commitment to increase flexible funding. The feasibility of a substantial scale-up should be debated honestly with donors and practical next steps and next best alternatives agreed. At a minimum, humanitarian and development financing stakeholders should retain the flexible arrangements agreed by the Inter-Agency Standing Committee (IASC) and implemented by many UN agencies in response to the pandemic. In parallel, funding recipients should address donors' visibility and accountability concerns in order to protect and maintain these gains as outlined in recent recommendations from the Grand Bargain quality funding workstream.
- **Invest in alternative routes to move money to the frontlines in a timely manner:** Options to fast-track funding to frontline responders at the country level are needed as alternatives to the default tendency to channel funds via UN agencies. This includes strengthening mechanisms such as Country-Based Pooled Funds (CBPFs) that are proven to work well; the use of alternative mechanisms such as nationally led instruments, NGO consortia and dedicated funds at the country level; and investing in regional and global capacities to stand up new instruments quickly.
- **Invest in making resources more traceable:** It is far too difficult to understand where money is in the system. This is partly a technical problem – there is no single system that brings financing responses together – and partly a reluctance to report. These challenges must be addressed if the system is to function effectively on the basis of robust business intelligence, and is to be held to account. Donors have the power to require that their partners report onward transactions and to ensure they are accountable. Their collective commitment is needed to achieve a critical mass of data and a change in culture and systems.

Priorities for the post-Grand Bargain policy agenda

Upcoming discussions on the policy priorities and reform vehicle to follow the Grand Bargain should consider:

- Achieving political commitment and a roadmap to deliver a major scale-up in “quality” - flexible, predictable, timely, and principled - funding as per the recent recommendations of the Grand Bargain quality funding workstream including the simplification and harmonisation of administrative requirements
- Resolving divergent opinions on technical solutions to increase funding transparency, and encouraging commitment among a critical mass of donors to hold partners to account over reporting onward funding transactions
- Tabling the fundamental issue of ensuring sufficient contingent financing to respond to peaks in demand, including re-opening discussions on options to “broaden the funding base”

Abbreviations

CERF	Central Emergency Response Fund
CGD	Centre for Global Development
Covid	Coronavirus disease
DFID	UK Department for International Development
EC	European Commission
FTS	Financial tracking service
GHRP	Global Humanitarian Response Plan for Covid-19
GPMB	Global Preparedness Monitoring Board
HRP	Humanitarian Response Plan
IADB	Inter-American Development Bank
IASC	Inter-Agency Standing Committee
IDA	International Development Association
IDP	Internally displaced person
IFI	International financing institution
IMF	International Monetary Fund
IOM	International Organization for Migration
NGO	Non-governmental organisation
NRC	Norwegian Refugee Council
OCHA	UN Office for the Coordination of Humanitarian Affairs
ODA	Official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PEF	Pandemic Emergencies Facility
RG5	IASC Results Group 5 on Humanitarian Financing
SPRP	Strategic preparedness and response plan
UAE	United Arab Emirates
UNDRR	UN Office for Disaster Risk Reduction
UNHCR	UN Refugee Agency
UNICEF	UN Children’s Fund
WEF	World Economic Forum
WFP	World Food Programme
WHO	World Health Organization

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Introduction

The Norwegian Refugee Council (NRC) commissioned this study to reflect on what the Covid-19 pandemic response tells us about the fitness of the international crisis financing system. The pandemic has provided a real-time stress test that demonstrates how the system performs under pressure and identifies opportunities for improvement.

The study coincides with a period in which humanitarian policymakers are taking stock of progress made under the Grand Bargain financing reforms and considering priorities for further reform. It also considers challenges and gaps not included in the Grand Bargain reforms. It reflects on the capacity of the international crisis financing system to respond to a new order of crises in an era when large-scale systemic risks may overlay and aggravate existing risks and needs.

The study acknowledges that the world is already much changed from the pre-pandemic era and that major economic and political transformations are under way, including trends which are expected to be regressive in terms of aid and multilateral responses to shared challenges. It reflects on some of the early indicators of trends likely to affect the humanitarian sector and the wider crisis response landscape, providing a pragmatic reading of the current situation as the basis for its recommendations.

The study is framed as a "think piece" in recognition that the pandemic and our responses to it are still in their early stages and much remains uncertain. It is intended to stimulate reflection and debate rather than provide a definitive account. It draws on publicly available documents and confidential interviews with a wide range of stakeholders (see annex 1), and guidance from an advisory group of experts from the Centre for Global Development (CGD), NRC, the UN Office for the Coordination of Humanitarian Affairs (OCHA), the Swedish government, the World bank and the World Economic Forum (WEF).

Box 1: Notes on terminology

This study distinguishes between humanitarian financing - the public and private funds channelled to international humanitarian organisations – and the wider concept of crisis financing and its international system, which acknowledge that many other stakeholders and instruments are involved in financing responses to crises. It uses the definitions developed by the Centre for Disaster Protection:

Crisis financing: Funding and financing that promotes and specifically targets prevention, preparedness, and response to crises. This might take the form of cash flow to recipients that could be arranged in advance or agreed in real time (e.g. grants); and/or cash flow to and from recipients via a financial intermediary (e.g. loans or insurance).

International crisis financing system: The network of entities that provide or receive international aid (official development assistance (ODA)) in order to enhance, support or substitute for state provision to address the risks or impacts of crisis. This definition is closely based on ALNAP's description of the humanitarian system in The State of the Humanitarian System 2018. Currently there is no single cohesive "system" in terms of governance, coordination, or operation - so the term is used advisedly as a short-hand to refer to the group of institutions and operational organisations involved in both the current international aid effort and the proposed future effort.

Humanitarian discourse often uses the term preparedness to refer to a limited set of actions and areas of investment, including planning, training and stockpiling supplies. This study uses it to refer to a much broader scope of action involving a wider set of stakeholders, drawing on the definition provided by the Global Preparedness and Monitoring Board:

Preparedness: The United Nations and WHO define preparedness as the ability (knowledge, capacities, and organizational systems) of governments, professional response organizations, communities and individuals to anticipate, detect and respond effectively to, and recover from, the impact of likely, imminent or current health emergencies, hazards, events or conditions. It means putting in place mechanisms that will allow national authorities, multilateral organizations and relief organizations to be aware of risks and deploy staff and resources quickly once a crisis strikes (WHO, 2019).

How has the Covid-19 pandemic challenged the international crisis financing and response system?

Covid-19 is the first global pandemic in a hundred years. It has tested the international crisis response and financing system in novel ways, aggravating well-known challenges and casting light on unanticipated areas of weakness:

Decision and policy making are taking place in the context of extreme uncertainty.

Decision making during a pandemic needs to be fast if transmission is to be reduced, and decisions and policies have to be communicated effectively if the public is to comply.[1] It has proven extremely difficult, however, to anticipate the speed, scale and exact nature of the immediate and longer-term effects of this new disease.[2]

Many factors affect its health impacts, including people's demographic profile and health status, population density, quality of housing and access to water, sanitation and hygiene. Its secondary impacts are contingent on many more variables that are highly problematic in terms of modelling, building scenarios and planning for.

As a result, high-stakes policy decisions to control the spread of the virus are being made on the hoof, with incomplete and competing information, and without the foresight and evidence needed to adequately weigh their longer-term impacts.

The pandemic is truly global.

All countries are exposed to its health and socioeconomic impacts.[3] On a practical level, this means resources are constrained and capacities stretched. There has been fierce competition for supplies and equipment. The widespread impact of the pandemic has also amplified prioritisation dilemmas over resource allocation from a global level right down to decisions on individual patient care.

The crisis is systemic.

The scale of the crisis and its impacts are amplified by our reliance on interdependent global systems. Risks and secondary impacts do not respect borders. Mass air travel enabled rapid transmission of the virus, while policy responses to contain it have resulted in secondary economic impacts that reverberate across the globe. A slump in consumer demand in high-income countries, for example, has triggered a dramatic drop off in manufacturing and rising unemployment in low and middle-income countries.

The pandemic has also highlighted vulnerabilities in global food and energy systems. Systemic crises are likely to become an increasingly common feature of a highly integrated global economy with a growing population, an unstable and warming climate and deteriorating ecosystems (UNDRR, 2019).

Impacts are felt at all levels and require simultaneous and coherent responses.

The longer-term impacts of the pandemic and measures to contain and supress the virus are starting to become apparent. "The public health crisis is fast becoming an economic and social crisis and a protection and human rights crisis rolled into one" (UN, 2020a). The number of people who are acutely food insecure in countries where the World Food Programme operates regularly is expected to increase from 149 million before the pandemic to 270 million by the end of the year as a result the combined effects of job losses, reduced remittance flows and disrupted food systems (WFP, 2020).

The negative impacts on essential health services, including missed vaccinations, are likely to be substantial (OCHA, 2020a), and around 1.2 billion children have had their education disrupted (IMF, 2020). Under a baseline scenario the global recession is projected to push 71 million people into extreme poverty in 2020 at the international poverty line of $1.90 a day. Under a more pessimistic downside scenario the figure rises to 100 million, wiping out progress made since 2017 (World Bank, 2020a).

Sequencing, linking and prioritising policy responses and resource allocations across public health, welfare and humanitarian needs and longer-term socioeconomic impacts is immensely challenging. Coherent responses will require different ways of working and unfamiliar collaborations.

Impacts fall disproportionately on those already marginalised and aggravate existing risks and vulnerabilities.

Mortality rates are highest among elderly people and those with underlying health conditions, particularly men, but Covid-19 has also laid social inequalities bare. Minorities and the poor are more likely to be exposed to the virus, not least because many undertake low-paid frontline work. People in "forgotten places" such as displacement camps, detention centres, prisons and other institutional settings are acutely vulnerable.

Control measures and the socioeconomic impacts of the crisis also have a wide range of negative impacts on vulnerable and marginalised people. Violence against women and children has increased markedly, and large spontaneous population movements have taken place. Those already displaced, whether they be internally displaced people (IDPs), migrants and refugees, tend to live in overcrowded housing with limited sanitation and access to healthcare. Xenophobia, discrimination and tensions with host communities have increased (OCHA, 2020b).

In countries where the humanitarian sector is often present, Covid-19 layers a public health crisis on top of other crises and structural vulnerabilities. Parts of the Horn of Africa were recovering from floods and drought in 2019, experiencing active conflict and widespread displacement, and suffering the worst locust infestation in 25 years when the disease hit.

The response exposes severe weaknesses in preparedness.

Pandemic disease features high on the risk profiles of governments and international bodies, but few were prepared. The Global Preparedness Monitoring Board (GPMB), an independent body convened by WHO and the World Bank, published its first report in September 2019, in which it identified major shortfalls in readiness for precisely the type of global health crisis we are now in the grip of. It noted:

"There is a very real threat of a rapidly moving, highly lethal pandemic of a respiratory pathogen killing 50 to 80 million people and wiping out nearly 5 per cent of the world's economy. A global pandemic on that scale would be catastrophic, creating widespread havoc, instability and insecurity. The world is not prepared" (WHO, 2019).

The report is also clear about lack of preparedness in the international crisis financing system. It states: "Epidemic control costs would completely overwhelm the current financing arrangements for emergency response" (WHO, 2019). There are gaps too in international provision to coordinate and finance key public goods such as affordable diagnostic tests and vaccines (IMF, 2020a).

The pandemic has exposed the tendency of governments and institutional stakeholders to follow narrow thematic approaches to preparedness, rather than an integrated systems approach that systemic crises require (UNDRR, 2019). Few, for example, anticipated or prepared for its secondary socioeconomic impacts.

It has also exposed dependencies in crisis response systems. Policy responses have caused significant disruption to supply chains and transport systems, leading to cost inflation and major difficulties in sourcing and mobilising relief items.[4 5]

The financial and economic outlook is bleak.

The global economy is forecast to shrink by 4.9 per cent in 2020, and recoveries are likely to be slower than previously anticipated (IMF, 2020a). International trade, investment and remittances have all contracted sharply.[6 7] The impacts are expected to be particularly acute for those already on the margins, including low-income households, those employed in informal sectors and migrant workers.

Governments have taken unprecedented measures to mitigate the economic shock with fiscal measures totalling $11 trillion as of June (IMF, 2020a). At the same time as governments have increased their borrowing to finance mitigation and stimulus measures, however, their tax revenues have fallen. For low and lower-middle income countries which already face tight fiscal environments and limited scope to borrow, international concessional financing could play a vital role, but the outlook for official development assistance (ODA) is not promising as major donor countries prioritise their own spending.

The impacts of control measures are driving change and generating new risks

to the extent that there are indications of a gathering “political, social and cultural dislocation that will transform societies over a generation” (Evans and Stevens, 2020).

The nature of these transformations is only just beginning to unfold. The unequal health, economic and social impacts of the crisis have shone a spotlight many aspects of pre-existing vulnerability and marginalisation. Poverty and inequality are expected to increase (World Bank, 2020b; IMF, 2020a). This is already leading to intense public debate and in some cases protests. The UN Secretary General, António Guterres, has warned that if the impacts of the pandemic are left unmanaged they could further destabilise already fragile states, increase political tensions, inflame discrimination and human rights abuses, and lead to social unrest and violence (UNSG, 2020).

Generational tensions have also increased. Older people are more at risk from the virus, but young people at school and university and those in work have also paid a high price in lost education, employment and income. Decisions about how these issues are addressed and who will pay, including for the growing debt burden, are likely to have significant societal, political and economic impacts (Evans and Stevens, 2020).

Governments also face choices as to whether they opt for a low-carbon recovery or to weaken environmental and climate commitments and safeguards, further entrenching a “vicious cycle of continued environmental degradation, biodiversity loss and further zoonotic infectious disease outbreaks” (WEF, 2020).

Technology has been vital in enabling responses to the pandemic, but increased reliance on digital communications and transactions has also heightened cybersecurity risks (WEF, 2020). Social media have played a key role in disseminating misinformation that challenges public health responses and undermines trust in institutions.[8] The rapid adoption of surveillance technologies is a source of significant human rights concerns.

How has the system responded?

The initial international crisis financing responses to the pandemic have been rapid and substantial,

both in support of efforts to address to its health and humanitarian impacts and government initiatives to mitigate its economic and fiscal effects.

The UN launched a series of plans and appeals. WHO published a strategic preparedness and response plan (SPRP) intended to improve capacities to detect, prepare for and respond to the outbreak on 3 February 2020, along with an accompanying funding appeal. Other UN agencies also began to issue appeals in February. The UN as a whole launched an initial coordinated appeal for its Global Humanitarian Response Plan for Covid-19 (GHRP) on 25 March.

International financing institutions (IFIs) meanwhile began to mobilise large sums. The World Bank announced in February that it would make $160 billion available in grants, loans and equity investments to support government responses to health, economic and social shocks, supplemented by debt service relief.[9]

The International Monetary Fund (IMF) made $250 billion available to member country governments in grants, loans and debt service relief. It also launched an appeal for an additional $1.4 billion to further extend debt service relief under its Catastrophe Containment and Relief Trust (IMF, 2020).[10] [11] The African Development Bank (AfDB) announced the creation of a $10 billion Covid-19 financing facility in early April.[12]

The financing response includes reprogrammed funds, the programming of previously unallocated funds and new or additional funds. The total response is difficult to track, but substantial volumes had been mobilised and were flowing through the system to development and humanitarian partners by the middle of the year. WHO had received $724 million against its SPRP by 26 June.[13] A total of $2.95 billion has been contributed to the humanitarian response to date, including $1.58 billion for GHRP.[14]

The World Bank approved its first funding round of $1.9 billion for projects under its fast-track facility for Covid-19 in early April, enabling governments to procure supplies. It also paid out more than $2bn in pre-agreed Catastrophe Deferred Drawdown Option (Cat DDO) loans (World Bank, 2020c). The IMF had approved $83 billion in financing by 26 June.[15] Beyond the IFIs, G20 countries suspended $20 billion in debt servicing payments for 77 low-income countries in an effort to create fiscal space for governments to respond to the pandemic (OCHA, 2020a).

TIMELINE: COVID-19 FINANCING RESPONSE 2020

Event

30 JAN — **WHO declared the 2019-nCoV outbreak a public health emergency of international concern under the International Health Regulations (IHR) (2005), following advice from the Emergency Committee.**

03 FEB — WHO launches a **Strategic Preparedness and Response Plan (SPRP)** and funding appeal.

11 FEB — The **World Bank Group** announces it will make $160 billion in financing available.

01 MAR — The **CERF** releases $15 million to WHO and UNICEF for Covid-19 containtment response.

04 MAR — The **IMF** makes an initial $50 billion in loans available through its emergency financing facilities.

07 MAR — **WHO announces 100,000 confirmed cases.**

13 MAR — **WHO**, the UN Foundation and partners launch the **COVID-19 Solidarity Response Fund**. In 10 days, the Fund raised more than $70 million from private individuals and organisations.

25 MAR — The **CERF** releases an additional $60 million to UN agencies.

The UN launches an initial coordinated **Global Humanitarian Response Plan (GHRP)** and funding appeal for Covid-19 requesting $1.7 billion.

Funding milestone

WHO reports over 1 million cases of COVID-19 confirmed worldwide.

02 APR

The **Start Network** launches its global COVID-19 fund.

The **World Bank**'s fast-track facility for COVID-19 approves its first group of projects, for $1.9 billion.

04 APR

09 APR

The **CERF** releases $20 million for WFP's critical supply chain activities including passenger transport and Medevac services.

15 APR

G20 countries agree a suspension of debt service payments for the poorest countries worth an expected $20 billion starting from 1st May.

17 APR

The World Bank announces it will launch a **Health Emergency Preparedness and Response Multi-Donor Fund (HEPRF)**.

19 APR

The UN launches its socioeconomic recovery plan.

27 APR

The **Pandemic Emergency Financing Facility (PEF)** announces $195.8 million to be released across 64 of the world's poorest countries with reported cases of COVID-19.

07 MAY

First revision of the **GHRP** revising funding requirement upwards to $6.7 billion.

17 JUL

Second revision of the **GHRP** revising funding requirement upwards to $10.3 billion.

The adequacy of the financing response is extremely difficult to assess.

The very nature of the crisis means that even understanding financing needs is acutely challenging. There was relatively little information available in February and March with which to plan or prioritise. With the virus still limited in its spread outside high and middle-income countries including China, Iran, the UK and some EU member states, it was all but impossible to ascertain the likely epidemiological and secondary impacts in low and lower-middle income countries with very different demographics, population health profiles and capacity to prepare and respond.

Early modelling provided only very broad scenarios, and as countries started to introduce lockdowns and social-distancing measures it became increasingly difficult to access populations and collect data.[16] Needs and priorities are also constantly changing. Such considerations have made understanding the pandemic's impacts and translating information into programming and financing responses uniquely problematic.

The way the international crisis financing system mobilises resources has added further complexity, particularly given the proliferation of funding appeals and difficulties in tracking responses. The UN has issued three separate planning tools - for the public health response via SPRP, for the humanitarian response via GHRP and for socioeconomic recovery via a framework led by the UN development system. These are presented as coherent and complementary, but in reality they were developed separately through relatively closed processes in their first iterations. Later country-level consultations on GHRP and the socioeconomic recovery plan were also undertaken separately and under different timeframes.

Many UN agencies also have their own appeals that are reconciled in part with GHRP, but which also extend to humanitarian activities beyond its scope. GHRP sits alongside appeals for a total of $29.6 billion for crises unrelated to Covid-19. Other humanitarian organisations have also issued funding appeals, including one from the International Red Cross and Red Crescent Movement for $3.2 billion.[17]

In short, prospective official and private donors face a complex kaleidoscope of overlapping funding appeals to navigate and prioritise across. IFIs meanwhile develop priorities based on their own internal allocation criteria and negotiate their financing packages directly with governments. Humanitarian funding contributions are tracked on a voluntary basis by OCHA's financial tracking service (FTS), but there is no means of tracking non-humanitarian contributions to the pandemic response, nor a coherent assessment of funding requirements against which to assess adequacy.

There are indications that financing is not reaching the places where it is most needed.

Classic prioritisation dilemmas have been amplified by the sheer number of countries considered at risk and difficulties in predicting impacts and planning responses. The criteria used to prioritise countries for resource allocations vary widely across health, humanitarian and development financing stakeholders, and they are not always transparently shared. Nor do allocation patterns necessarily align well with needs, possibly the result of donor preferences and institutional criteria and rules.

Analysis from the Centre for Disaster Protection and Development Initiatives indicates that of $48 billion committed by IFIs - IMF, the World Bank, the Asian Development Bank (ADB), the Inter-American Development Bank (IADB) and AfDB - and via GHRP up to 10 June 2020, most funds were directed toward countries expected to suffer greater economic losses rather than to those where poverty was expected to increase most (Hill et al, 2020).[18]

This is partly a function of the way lending allocation models work – the World Bank's lending allocation model for the pandemic for example is linked to GDP (World Bank, 2020b).[19] Most of the financing from IFIs comes in the form of loans, which are only accessible to those able to afford them. Around 96 per cent of the $48 billion from IFIs and via the GHRP was also in the form of loans, of which only around 27 per cent were concessional.

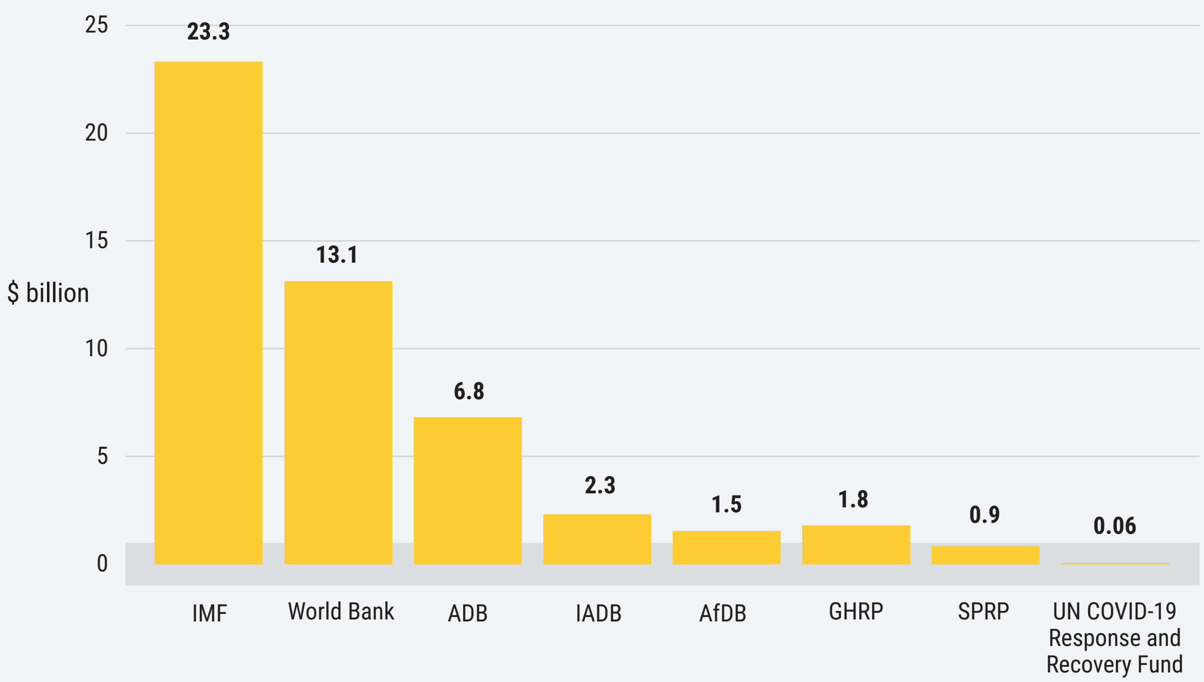
Loans are only accessible to those able to afford them. The poorest and most heavily indebted countries may also be unable or reluctant to increase their borrowing further (World Bank, 2020b). To date only 11 per cent of funds committed by IFIs have benefitted low-income countries.[20]

There are also regional variations in funding allocated against GHRP's requirements. Latin America and the Caribbean, South and East Africa, and West and Central Africa are well below the 20 per cent average across the global appeal at four, 11 and 14 per cent respectively (OCHA, 2020c). Humanitarian agencies also confirm difficulties in raising funds outside high-profile countries already affected by crises, particularly those in Latin America and West and Central Africa.

There is limited evidence of coherence, and the financing response across the humanitarian-development-peacebuilding nexus has been uneven.

IFIs' financial support for developing country governments has dwarfed the international health and humanitarian financing response (see figure 1). The financing response for development programming is the most difficult to track, but stakeholders are concerned there is a missing link, with development funds being diverted to health and humanitarian priorities and little provided for programming that falls between "masks and budget support".[21] Competition for resources and relevance among multilateral stakeholders is also noted as a driver of incoherence.

Figure 1: Funding commitments from IFIs and directed to UN response plans



Sources: Centre for Disaster Protection 2 July 2020 update, based on data reported to 10 June; OCHA FTS downloaded on 20 July 2020; UN multi-partner trust-fund office data downloaded on 20 July 2020; WHO data updated on 14 July 2020. Note that IMF commitments do not include $45.7 billion in flexible credit lines agreed with Chile, Colombia and Peru, Colombia and Chile because they represent the ability to borrow rather than actual committed loans.

The UN development system also struggled to match the speed and clarity of SPRP and GHRP messaging with its socioeconomic recovery plan, which was not published until late April 2020. Nor does it have a clear funding appeal, but rather a request for contributions to a new UN Covid-19 Recovery and Response Fund.[22 23] A funding target for the new fund was not included in the April plan but was later set at $1 billion, of which only $57 million had been received by 20 July.

Additional humanitarian funds tapered off after April, leaving many concerned for the future.

OCHA notes that funds increased "rapidly and steadily" in March and April as donors appropriated new funds, allocated unspent funds and reprogrammed existing commitments, but then tapered off while funding requirements were being revised upwards (see figure 2). GHRP requirements were 18 per cent funded against the latest revised appeal as of 20 July.

A handful of major donors have allocated considerable additional funding to the humanitarian response, particularly the US, Japan, the UK and Germany (see figure 3). Despite their early commitments, funds from the US and Germany have been slow to reach partners. Additional funds appropriated by the US government in March did not start to do so until May and June.[24]

Private funding often plays a significant role in mobilising additional resources for major crises.[25] Such responses to the pandemic, however, have been mixed. Some UN agencies have received support from private foundations and corporate donors. The Covid-19 Solidarity Response Fund for WHO, set up by WHO and the UN Foundation in April, had received $225 million in donations from private individuals, foundations and corporate donors by 29 June.

In other cases, humanitarian organisations report that private foundations are focussing on funding domestic responses. They have also recorded a dramatic drop in donations from private individuals, fundraising events and revenue generating businesses, the result of lockdowns and economic uncertainty.[26 27]

Many are concerned that the worst humanitarian impacts are still to come. WFP is preparing to support an additional 38 million acutely food insecure people in 2020 on top of the 100 million it had already planned for (WFP, 2020), and the July revision of GHRP is seeking $500 million to prevent famine in the most vulnerable countries (OCHA, 2020d). Humanitarian funding requirements across GHRP and funding appeals unrelated to Covid-19 are at a record high of $40.2 billion. Donors meanwhile may already be tapped out for the year or facing pressure to trim future spending commitments in anticipation of aid budget cuts in 2021.

Figure 2: GHRP requirements

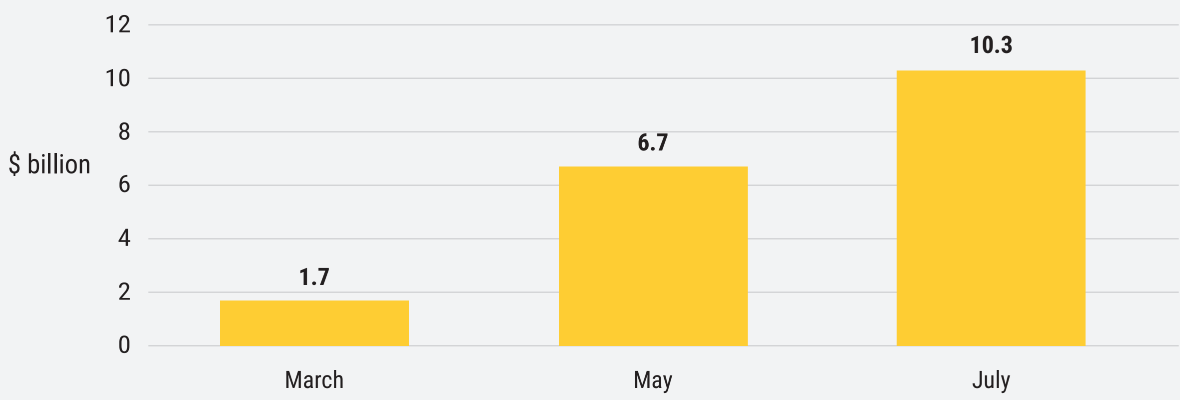
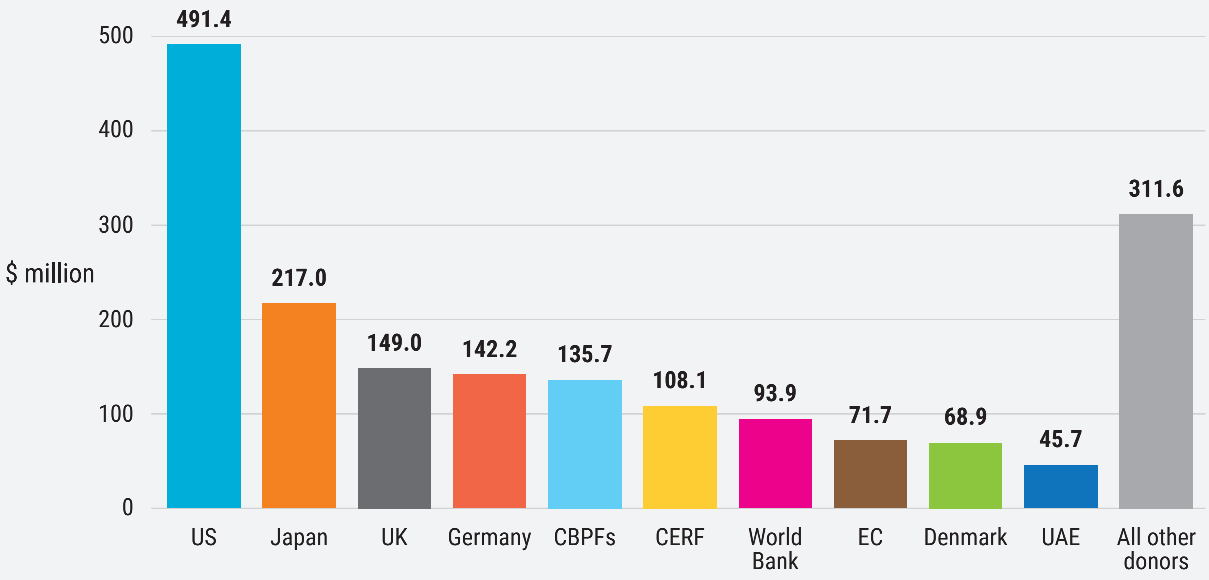


Figure 3: Funding commitments to GHRP from the leading 10 donors, including OCHA pooled funds



Source: Data reported to OCHA FTS on 20 July 2020

The pandemic has tested the full repertoire of international financing instruments, some of which have performed well while others have been found wanting.

A range of established funding instruments pre-primed with financing have delivered rapid injections and provided a focus for additional contributions.

OCHA's pooled funds have been a major focus of the humanitarian financing response, moving resources to frontline responders quickly and transparently, and supporting agreed priorities at the country and global level. They had channelled close to $300 million in funding by mid-July. The Central Emergency Response Fund (CERF) released its first allocation on 1 March, of $15 million for the UN Children's Fund (UNICEF) and WHO, followed by $80 milllion to kickstart the launch of GHRP. It had released $120 million as of 15 July.

OCHA's Country-Based Pooled Funds (CBPFs) began providing allocations in February, with disbursement processes completed quickly and additional more flexible arrangements provided for grant recipients.[28] OCHA is also adapting its pooled funding to the particular requirements of the pandemic by creating a route for NGOs to obtain CERF funds with a one-off allocation of $25 million for those managed by the International Organization for Migration (IOM).

The World Bank and IMF expanded their range of financing instruments in response to the global financial crisis of 2007/8. The IMF then quickly adapted its Catastrophe Containment Relief Fund to enable it to provide rapid debt relief to its poorest and most vulnerable members. It approved debt relief for 25 countries in April and negotiated with donors to expand and replenish the fund.[29] The World Bank triggered Cat DDO loans in eight countries by the beginning of April, releasing $1.2 billion to finance government responses to the pandemic.[30]

Newly created and untested funds have struggled to attract a critical mass of contributions. The UN's Covid-19 Response and Recovery Fund had received commitments of just approximately $60 million by mid-July, and a new Covid-19 fund set up by the Start Network of NGOs was just short of £4 million.

There is only limited evidence that anticipatory financing has functioned effectively for the Covid-19 response, and the flagship instrument designed to respond to global pandemics has proved disappointing. The World Bank's Pandemic Emergencies Facility (PEF) was created after the 2014/15 Ebola outbreak in West Africa to "fill the financing gap that occurs after the initial outbreak and before large-scale humanitarian relief assistance can be mobilized" (PEF, 2020). It was also intended to finance early actions that could prevent an outbreak becoming a pandemic. It includes a cash and an insurance-like window which raised funds through selling bonds and swaps.[31]

PEF's complex trigger mechanism, which requires a demonstrated acceleration of newly reported cases over a 12-week period, meant it only kicked in on 17 April, around the same time as large-scale additional humanitarian funding came online and weeks after the World Bank had approved its first round of funding. The cost efficiency of PEF's insurance window, which has provided substantial interest payments and coupons to private investors and was heavily subsidised by donor investments, has been widely contested (BMJ, 2019).[32]

PEF paid out $196 million to be shared among 64 low-income countries, each entitled to a minimum of $1 million and a maximum of $15 million. This represents a very small contribution which was neither sufficient nor timely enough to mobilise early actions that might have changed the course of the pandemic in the countries concerned.

Anticipatory financing has not been a prominent feature of funding for the initial response, but financing for early action to mitigate the projected secondary impacts of the crisis on household incomes and food consumption is a growing focus of attention. The July revision of the GHRP for example includes a request for $500 million to prevent famine in the most vulnerable countries (OCHA, 2020), financed largely by reprogramming existing grants and drawing on flexible private and institutional funds. Agreements that were flexible by design have enabled the most frictionless adaptations with least bureaucratic delays and workload. WFP, for example, used its multilateral core funding and its internal Immediate Response Account mechanism to disburse close to $450 million by mid-June for underfunded operations and unforeseen needs (WFP, 2020). The volume of flexible funds available to responding organisations is very small, however, when compared with their estimated requirements as highlighted by the GB workstream in the attempt to scale up existing best practices.

Significant additional flexibility in earmarked funding was quickly negotiated under the leadership of the Inter-Agency Standing Committee (IASC)'s Results Group 5 on Humanitarian Financing (RG5). The group lobbied donors and UN agencies to pursue a harmonised approach to modifying the terms of funding agreements in four key areas - no-cost extensions, budget flexibility, the ability to reprogramme funds, and due diligence and risk management. IASC has also recently endorsed RG5's Proposal for a Harmonized Approach to Funding Flexibility in the Context of Covid-19 (IASC, 2020). UN agencies including the UN Refugee Agency (UNHCR), UNICEF and OCHA have already modified their terms.

Additional humanitarian funding has demonstrated a default bias toward the UN system.

The majority of new funding has been channelled through UN agencies and funds, which have global reach and are able to absorb large funding allocations quickly. Perceptions that the UN was prioritised in the humanitarian funding response were fed by that fact that just $100 million of the initial GHRP requirement of $2.01 billion was for NGOs. Disbursements from the US government meanwhile, which did include substantial new allocations for NGOs were delayed.

Overall, however, NGOs have struggled to raise funds. International NGOs report difficulties in mobilising private and bilateral funding, and in some cases only between five and ten per cent of their funding requirements had been met by mid-June. NGOs also cite instances of largely fruitless competition for small sums available from the UK Department for International Development (DFID)'s Rapid Response Fund and the Start

Network's Covid-19 fund. National NGOs say they have received little or no new money from international partners.

OCHA's CBPFs had channelled $90.5 million to NGOs by mid-July - $47 million to international, $33.7 million to national and $9.8 million to Red Cross and Red Crescent organisations.[33] Funds channelled through UN agencies, however, have been far more difficult to trace. NGOs were simply unable to determine where money really was in the system for a period of around two months. This was in part a communication gap. A significant proportion of funding channelled to the UN was always intended to fund common logistics services and the procurement of essential supplies.

UN agencies also experienced delays in receiving pledged funds, although some were in fact being passed on to partners during this period but without being reported and tracked. Despite OCHA's sophisticated tracking system, the fact that it relies on voluntary reporting means that onward transactions are not always recorded. NGOs even resorted to surveying their members to try to understand if funding had reached them.

Many NGOs have criticised the delays that channelling funds through UN agencies has caused, and the contradiction with Grand Bargain commitments and lessons from Ebola responses on the importance of supporting local and nationally-led responses (Bennett, 2020; Egeland, 2020; Worley, 2020; Konyndyk and Saez, 2020).[34]

NGOs expressed frustration that alternative funds and channels that would have provided a more direct and faster route to the frontline were passed over. OCHA's CBPFs received additional funding contributions, but established NGO consortia and funds received very little support. The Start Network launched a global Covid-19 fund on 2 April, and its NGO members quickly mobilised 85 proposals for programmes targeting 60 million people. Donor contributions have been disappointing, however, and only 14 of the proposals were funded (Bennett, 2020).[35]

Advocacy and engagement from NGOs has led to recognition of the difficulties they have faced in accessing funding and efforts have latterly been made to increase funding priority for NGOs. A new allocation for NGOs via the CERF has been agreed and a supplementary $300 million over and above country-level requirements for NGOs included in the July update of GHRP (OCHA, 2020). The July revision of the GHRP also reflects requests from NGOs to fund them directly and increase funding channelled through NGO managed pooled funds and the CBPFs (ibid).

What might "the new normal" mean for the system?

The outlook is for a tight fiscal environment, reduced and reprioritised aid budgets and less private giving.

Recent projections based on a short outbreak and economic improvement in the second half of 2020 suggest ODA could fall from $153 billion in 2019 to $149 billion in 2021 (Dodd et al 2020). More recent economic forecasts (IMF, 2020a), however, suggest such a scenario is extremely unlikely. Under a longer outbreak scenario ODA is projected to fall to $142 billion, and under a second outbreak scenario to $134 billion (Dodd et al 2020).

Aid budgets for 2021 are difficult to anticipate. We do not yet know how governments will weigh their priorities and determine their ODA allocations. Expectations that ODA would fall following the 2007/8 global financial crisis were unfounded. In fact it increased, but the economic impact of the pandemic is far worse.[36] The political environment in many donor countries has also changed significantly since the financial crisis. Many governments are struggling to defend their aid budgets against rising public, media and political scepticism and opposition.

Informal indications from donors suggest policymakers will have to reckon with a constrained funding environment for the foreseeable future and should plan on the assumption that ODA is more likely to decrease than increase. The global recession is also expected to reduce private funding. International stakeholders have already reported a fall in private donations and are planning for the trend to continue into 2021.

How donors and aid organisations will prioritise their funds is also hard to predict. There are already indications that development funding has been reprogrammed toward the health and humanitarian response. Based on past experience, we might expect donors to prioritise short-term responses over longer-term development priorities. In response to the Ebola outbreak in Guinea, Liberia and Sierra Leone, ODA spending on the health sector increased by 300 per cent in the first two years of the crisis, while funding for agriculture fell by 43 per cent and for water and sanitation by 23 per cent (Dodd et al 2020).

The role of international humanitarian actors may narrow in scope.

The pandemic is primarily a public health crisis with profound socioeconomic impacts, both of which call for government-led responses. It may stimulate a deliberate adjustment of the scope and focus of humanitarian action, and increase the development sector's emphasis on strengthening government systems to respond to immediate needs and provide safety nets and basic social services to their own populations, including in fragile settings.

The humanitarian sector most clearly adds value and will be able to secure operating space in providing direct technical assistance and material support, and in targeting highly vulnerable and marginalised populations, including those in "forgotten places" and those at risk because of their status or identity. These include refugees, migrants, IDPs and detainees.

Lockdowns and travel restrictions have limited the scope for direct humanitarian programming. This has led to increased reliance on local partners and national staff, and on digital communication to coordinate, manage and monitor remotely.

Governments have also been reluctant for humanitarians to be seen to be leading the response, in some cases adding bureaucratic requirements making the response more challenging. These factors have encouraged reflection on the scale and even necessity of an international footprint in the humanitarian response (Barbelet et al 2020).

In the immediate future, however, demand for humanitarian services is likely to increase as the pandemic's secondary impacts drive up needs. The extent to which development stakeholders, including IFIs, are willing and able to scale up programming, particularly in fragile settings, will also influence the scope for humanitarians to scale back and refocus their activities.

Reduced funding may accelerate "natural selection" and an adjustment in the focus and division of labour among civil society organisations.

International NGOs have already begun to feel a funding squeeze. They are cutting back programmes, laying off staff and reflecting on their comparative advantages and operational presence.[37] [38] [39] There is a risk that increased competition for limited funds will lead to the survival of the largest, most influential and best resourced and connected organisations.[40]

There are also opportunities, however, for international NGOs to improve their partnership models, target their programming better and adopt more efficient business approaches.[41] [42] In the absence of international funding and presence, meanwhile, some local and national organisations have led their own responses, mobilising domestic resources and designing and adapting their own funding mechanisms.[43]

What does the pandemic response tell us about the fitness of the system?

The pandemic shines a spotlight on constraints in accommodating peaks in demand for crisis financing.

The international crisis financing system is not designed to accommodate such spikes, or to sustain financing across the long tail of major crises. If the world faces more large-scale systemic crises on top of annual humanitarian caseloads of chronic needs, new financing settlements and instruments will be required to accommodate periodic peaks in demand.

International humanitarian funding is almost entirely reliant on voluntary contributions, which makes the extent to which it will respond to increases in demand highly unpredictable. There is currently very little scope to draw on contingency funds, borrow or access insurance-like supplementary financing. The High Level Panel on humanitarian financing appointed by the UN Secretary General in the lead-up to the World Humanitarian Summit in 2016 questioned whether humanitarian funding was sufficient and recommended measures including solidarity levies to broaden the funding base and reduce reliance on voluntary contributions from a narrow group of ODA donors (UN, 2016).

The subsequent Grand Bargain financing reforms, however, focussed on the much narrower set of issues. They were intended to improve delivery within the existing financing system, and there remains little appetite to reopen discussions on alternative sources of financing such as assessed contributions through the UN system, transaction taxes and service levies. Given the challenging ODA and voluntary private funding outlook, there may be merit in reviewing options for alternative funding models.

IFIs have clearly played a major role in responding to the pandemic and have made a range of adaptations to respond to shocks, particularly since the global financial crisis. They have not, however, fundamentally tested their scope to raise additional funds for crisis responses. The World Bank, for example, drew on remaining funds under the 18th replenishment of its International Development Association (IDA18) while it waited for IDA19 in July (Hill et al 2020).

IFIs have some scope to raise additional funds on the financial markets. AfDB issued a record-breaking $3 billion Fight Covid-19 Social Bond, the world's largest US dollar-denominated social bond ever on the international capital market.[44] There are, however, strict legal and prudential limits on the extent to which IFIs can borrow and increase their lending. There is potentially scope to leverage their balance sheets further to mobilise additional resources and increase lending.[45] [46]

The pandemic has prompted a rapid and substantial pivot toward crisis response. If IFIs are increasingly called upon to help the world's poorest countries prepare for and respond to shocks, their shareholders may need to undertake fundamental reviews of their capacity to deliver this international public good.

Hopes that private capital would provide additional financing through insurance and other risk-transfer products may need to be moderated.

Risk-transfer products may play a vital role in a balanced approach to managing financial risk and have the potential to provide critical incentives to invest in risk management and preparedness. Designed well, they provide access to early and reliable capital.

Market-based risk-transfer products have been a major area of policy interest and investment in recent years, and there has been substantial donor-funded investment in experimentation. Stimulating markets for risk-transfer products was a goal in itself for interested donors, multilaterals and partners in the insurance industry. PEF's second stated objective is to "help catalyse the creation of a global market for pandemic insurance instruments by drawing on resources from insurance, bonds and/or other private sector financial instruments" (PEF, 2020).

The recent experience of PEF, however, raises serious questions about the affordability and value for money of risk-transfer products compared with straightforward grant funding or government contingency funding. Plans to launch PEF 2.0 have been quietly cancelled.[47] The global recession is also likely to have shrunk the market for risk-transfer products, with reduced investment capital available overall and investors potentially wary.

This may be an appropriate moment to take stock of lessons from recent experiences of donor-supported risk-transfer products, and to moderate expectations about the extent to which market-based products will be affordable and appropriate solutions to fill an obvious and growing risk-financing gap.

The pandemic response has highlighted the difficulties the financing architecture faces in moving money quickly to where it is needed most.

IFIs responded quickly, but their reliance on lending and GDP-linked allocation criteria have impeded their ability to move funds to countries that may need them most. This experience highlights the need for allocation criteria that prioritise need over ability to pay, and a requirement for far greater use of grant funding for the poorest and most heavily indebted countries.

Voluntary humanitarian financing contributions have tended to follow a familiar pathway via the UN system, which has slowed the movement of funding to the frontline. There are many opportunities to invest in alternative pathways and funding infrastructure. Financing mechanisms that are pre-primed with funds and whose decision-making processes are pre-agreed and transparent – such as CERF, CBPFs and the Start Fund - have fared relatively well in providing rapid and flexible funding in a situation that made decision making highly challenging.

In contrast, the role for instruments that rely on heavily engineered and data-dependent trigger mechanisms may be limited, particularly for shocks where there is a high level of uncertainty in decision making and prioritisation.

Flexible funding delivers high returns, but it is increasingly at odds with political realities.

The pandemic response clearly demonstrates the added value of flexible funding in enabling rapid, needs-based responses with low transaction costs. The Grand Bargain set a target in 2016 for 30 per cent of humanitarian funding to be unearmarked or softly earmarked by 2020. There have been notable increases in volume terms from some donors, but the overall trajectory has been downwards, particularly for the most flexible types of funding, including unearmarked core support.

Increases in flexible funding have been outstripped by the growth in earmarked funding, and large UN agencies fall well short of the Grand Bargain target. Only 15 per cent of UNHCR's funding was unearmarked 2019, and the figures for UNICEF and WFP were lower still, at seven and five per cent respectively (ODI, 2020).

The lack of predictable and flexible funding is a well-known brake on WHO's ability to carry out its core functions. GPMB notes: "Nearly 80 per cent of the WHO budget is voluntary and highly earmarked, precluding holistic preparedness efforts and hindering WHO's ability to provide a global safety net" (WHO, 2019). WHO's funding challenges and its need for predictable and sustainable funding are even more acute now that the US, its largest donor, has announced its intention to withdraw its support.

There are in reality powerful disincentives to provide flexible funding, particularly in the pandemic response, and donors providing predictable and front-loaded contributions were less visible and received little recognition for following good practice compared with those who retained and allocated funds against later indicators of needs. Agencies also report growing requirements from donors to demonstrate the added value of flexible funding to increasingly sceptical and potentially hostile parliaments and publics.

This is a make-or-break moment for coherence across the nexus.

The UN and IASC share a commitment to leave no one behind, and to end needs by reducing risks, vulnerabilities and the drivers of conflict (IASC, 2020a). Doing so is also the subject of a recommendation from the Organisation for Economic Co-operation and Development's development assistance committee (OECD, 2019), which in principle makes it a concrete unifying challenge around which the humanitarian, development and peacebuilding sector can coalesce. In practice, however, the participation of stakeholders necessary to deliver coherent approaches across the nexus is highly variable, with governments, IFIs and bilateral development organisations less likely to be forthcoming (NRC, 2019).

Coordination, planning and ways of working have yet to catch up with high-level policy commitments. Under pressure to respond fast, opportunities to develop a coherent shared analysis and strategies have been passed over. Instead organisations have rushed to develop operational plans, mobilise resources and programme funds. There is a risk that unaddressed competition for resources and relevance will lead to further fragmentation and disincentives to cooperate.

Opportunities exist to revisit country-level analysis, planning and prioritisation, and to build systems that support coherent approaches. Humanitarian processes have adapted to the new challenges posed by the pandemic, and demonstrate the value of investing in advance in systems, networks and relationships that encourage collaborative working. As the crisis evolves, the UN's Humanitarian Response Plan (HRP) process continues to adapt. The initial appeal was issued quickly, based on limited information drawn from other existing UN appeals. This provided welcome guidance in the early stages, but it was also criticised for excluding non-UN partners.

NGO networks engaged in subsequent analysis and prioritisation, and later iterations on 7 May and 17 July have followed a more typical consultative and inclusive process driven from the country level. GHRP was integrated with the regular HRP with the addition of Covid-19 monitoring indicators after the July revision. Countries are also beginning to revise their funding requests to take interruptions and suspensions to regular programming into account. The Somalia HRP issued requirements for planned programming unrelated to Covid-19 revised downwards to $1.01 billion in May based on a pragmatic assessment of operational and funding constraints (OCHA, 2020d).

Decision making in crises leaves much to be desired.

The pandemic highlights the need to improve our ability to interpret and use risk monitoring data and modelling, consult outside our own field and be prepared to change course based on new information. Decision making in crises could be streamlined and pressure on decision-makers reduced by agreeing in advance "how to decide". This includes identifying who should be in the room and who should be consulted; building in the capacity and discipline to use data, modelling and expert opinion; and a strong commitment to transparency over how decisions are reached.

The amount of work involved in developing and adapting planning, prioritisation and funding appeals has been huge, and it has benefitted from long-standing investments in country-level coordination and networks. The GHRP revision also illustrates that the depth of consultation and quality of analysis taking place among country teams and partners is variable. It is notably weaker in countries which do not have established humanitarian coordination structures in place. This highlights the need to invest in advance in networks and coordination structures that can be activated during times of crisis, which in turn would help to strengthen a more coherent response across the humanitarian-development-peacebuilding nexus.

At the global policy level, IASC has played a key role in convening and brokering practical solutions to challenges. These include increasing the flexibility of funding terms and improving the flow of funding to frontline responders (IASC, 2020b). Equivalent global policy structures than span the nexus and which could be activated in times of crisis should be considered.

The case for investing in local, national and regional response capacity has never been stronger, but the international system is still reticent.

Despite high-level policy commitments to localisation under the Grand Bargain, the humanitarian financing system defaulted to familiar partners under pressure. Humanitarian organisations failed to articulate the purpose and desired outcome of localisation adequately. The discussion has been driven largely by grievances about the distribution of power and resources in the international system. The encouragement of voluntary localisation has clearly not worked, and the distribution of power and resources is unchanged. Some international organisations have begun to express frustration at the narrow focus on funding equity, which crowds out debate on what "good" support for local and national crisis preparedness and response might involve.

The ability to navigate a world of large-scale systemic risk relies on adequate prevention and preparedness.

Responses to the pandemic highlight the fundamental importance of effective public health and welfare systems, and the ability to access financing rapidly to pay for the immediate response and manage secondary social and economic impacts. Governments which might under normal circumstances blanche at large programmes funded and managed by the state have rolled out huge public welfare and stimulus packages. This is a rare moment in which it may be possible to achieve support for new narratives on public health and safety nets.

While crisis response remains high on the political and policy agenda, there is an opportunity to advocate for a strong shift in emphasis in development investments toward public service provision, risk surveillance and preparedness, including financial preparedness against risks and shocks. This would require a major review of tools, incentives and institutional cultures and skills to ensure that risk is central to the core business of development.[48]

The pandemic has also opened new conversations on the need to invest in the preparedness of the international community and crisis response system for large-scale crises. This includes mitigating the risks that major disruptions of transport and key commodity markets might pose for operations, and embracing the potential need to invest in new approaches to secure global and regional stockpiles and alternative means of distribution.[49]

Conclusion and recommendations

Crises provide moments of opportunity for policymakers. Ideas that were once politically inconceivable become mainstream, forgotten policy proposals are revisited and neglected issues are suddenly prioritised. Politicians and policymakers may also recalibrate risk and place it higher on their priority list in the wake of a major crisis.[50]

It is also important, however, to heed the policy environment. The world is already much changed from the pre-pandemic era, and major economic and political transformations are underway. These include trends expected to be regressive in terms of aid and multilateral responses to shared challenges.[51]

The challenges facing the international crisis financing system have rarely if ever been greater. The Covid-19 pandemic demonstrates that we should be prepared for a new order of crises and an era in which large-scale systemic risks and shocks may overlay and aggravate existing risks and significant long-standing humanitarian needs.

Incremental reforms will not deliver a system fit to respond effectively to this type and volume of demand. A fundamental rethink of how we prepare and respond is needed, and it must go beyond the humanitarian community because the solutions require far greater resources, expertise and networks.

The following recommendations take all of these issues into account, and are intended as the beginning of a process that will also require the broad participation of development financing partners, national governments, civil society and the private sector.

- **Mobilise a system-wide "pivot to preparedness".** There is growing support in principle for scaling up investments in systems that enable government-led responses to shocks, including in resilient social protection, improved public health capacity and better risk monitoring, surveillance and preparedness. This includes financial preparedness against risk.

- Convening the collective firepower and technical capabilities of the humanitarian, development and peacebuilding communities to address the challenge of preparing for and responding to crises provides an opportunity to put commitments to work collaboratively across the nexus into practice. A system-wide pivot toward preparedness would require a major overhaul of current business practices, tools, skills, cultures and incentives, drawing on private sector expertise.

- **Prioritise risk.** Risk cannot be prioritised if it is not visible and understood. Risk monitoring and analysis must be built into planning and prioritisation tools at the country level and within institutions.[52] Financing stakeholders should prioritise funds to invest in preparedness against risk and shocks, and build in incentives for partners to do likewise.[53]

- **Agree an investment plan to build local, national and regional capabilities.** Agreement on priorities to build national systems able to anticipate and respond effectively to crises is needed to target resources effectively. This should include consideration of essential national systems, such as health and social protection, and the role of civil society and the private sector. Establishing a clear vision for the roles, capacities and functions of local and national stakeholders could provide an investment focus to deliver policy commitments on localisation.

    - **Invest in national and regional financial preparedness.** International financing for crisis responses should be catalytic and supplementary to core financial preparedness against shocks at the national and regional level. Financial preparedness against risk has the potential to provide a high return on investment. It enables earlier and predictable responses to shocks, reducing losses and costs. It also helps to identify and encourage risk reduction and operational preparedness. Expectations that transferring financial risks to the private sector will play a prominent role may, however, need to be moderated.
    - **Engage the private sector.** Businesses and investors should not be seen simply as a source of additional funding. Opportunities should be explored to draw in private sector expertise on risk monitoring, modelling and analysis; co-investment in risk-management and preparedness; and capacities to support response. International stakeholders should also engage with local business networks that act as first responders at the country level to highlight and manage the potential for their investments and actions to do harm, particularly in fragile settings and those affected by conflict.
- **Invest in the capacity of the system itself to respond.** The pandemic has exposed a range of limitations in the capacity of the international crisis financing system to respond to major shocks. If it is to function effectively as a global safety net against risks which cannot be managed locally, it will have to be upgraded in a number of areas.
    - **Explore options to increase access to financing.** The system already struggles to respond to peaks in demand and funding is likely to be constrained in future, so options to mobilise additional predictable humanitarian streams should be explored. Options to increase IFIs' scope to leverage their balance sheets at times of peak need should also be agreed before the next major crisis.
    - **Identify and address system vulnerabilities.** The pandemic has exposed vulnerabilities inherent in reliance on global supply chains in a world susceptible to systemic risk. A review of potential vulnerabilities tested against a range of possible crisis scenarios and the identification of mitigation strategies, investments and agreements are needed to strengthen the system's preparedness. Private sector expertise, particularly in risk monitoring and analysis and managing supply chain and communications vulnerabilities should form part of process.
    - **Decide "how to decide".** Doing so in advance of a crisis has the potential to significantly improve the speed and quality of decision making. This is another area of opportunity to develop practical collaboration across the nexus, strengthen relationships with the private sector and try to avoid exclusion bias. It could involve negotiating access to risk information in advance, investing in institutional capabilities to interpret and use evidence in decision making and establishing agreements on information sharing.

      It could also include prior agreement on common languages for decision making and commitments to transparency. Prior agreement on who should be included and how, and the establishment of information protocols and platforms or networks that can be quickly activated could help to improve the quality and coherence of decision making.
    - **Learn what works.** The pandemic provides a huge opportunity to learn and guide future investments to ensure that we are better prepared for future shocks. An independent evaluation of the crisis financing response would help to resolve disputed issues objectively, including the timeliness and efficiency with which money is moved between different stakeholders and mechanisms, whether the right priorities are supported and whether funding is put to its intended use.
- **Build a financing ecosystem that can move money quickly to where it is needed most.** How money moves through the system has major implications for the efficiency and effectiveness of crisis response financing. The pandemic has highlighted three priority areas for reform.

- **Write a new set of rules that prioritises the most vulnerable.** In order to meet the needs of those most at risk and in need of financing, IFIs should revisit their allocation criteria and their mix of loans and grants. Nor do bilateral donors' recent allocation patterns prioritise the poorest. They can counter political-level priorities by ringfencing flexible funding for partners and global-level mechanisms and prioritising sectors that help to build resilience.
- **Commit to scale up flexible funding.** Flexible funding is a low-key and low-cost, but high-impact means of dramatically increasing the system's responsiveness. The Grand Bargain and more recently the UN Secretary General's reform of the body's development system have placed flexible funding back on the policy agenda, but responses so far have been muted. This is a make-or-break moment for policymakers to push for a commitment to increase flexible funding. The feasibility of a substantial scale-up should be debated honestly with donors and practical next steps and next-best alternatives agreed.

  Progress made in increasing funding flexibility in response to the pandemic, particularly the arrangements agreed by IASC and already implemented by many UN agencies, should be retained permanently. Opportunities to further increase the flexibility of existing funding arrangements pursued by humanitarian and development financing stakeholders should also be systematically reviewed. In parallel, funding recipients should address donors' visibility and accountability concerns in order to protect and maintain these gains as outlined in recent recommendations from the Grand Bargain quality funding workstream.
- **Invest in alternative routes to move money to the frontlines in a timely manner.** Options to fast-track funding to frontline responders at the country level are needed as alternatives to the default tendency to channel funds via UN agencies. This should include strengthening mechanisms such as CBPFs that are proven to work well; the use of alternative mechanisms such as nationally led instruments, NGO consortia and dedicated funds at the country level; and investment in regional and global capacities to stand up new instruments quickly.

  The existence of alternative funding routes, however, provides no guarantee that donors will use them. Further analysis is required to understand why they chose not to do so in the early response to the pandemic and what might be done to remedy this.
- **Invest in making resources more traceable.** It is far too difficult to understand where money is in the system. This impedes the efficient allocation of resources and the scope to monitor performance and hold stakeholders to account. The problem is partly technical – there is no single system that brings financing responses together – and partly a reluctance to report.

  Efforts to improve transparency under the Grand Bargain have focussed on technical solutions without addressing disincentives to report. The latter must now happen if the system is to function effectively based on robust business intelligence, and if it is to be held to account.[54] Donors have the power to require that their partners report onward transactions and to ensure they are accountable. Their collective commitment is needed to achieve a critical mass of data and a change in culture and systems.

Priorities for the post-Grand Bargain policy agenda

Upcoming discussions on the policy priorities and reform vehicle to follow the Grand Bargain should consider:

- Achieving political commitment and a roadmap to deliver a major scale-up in "quality" - flexible, predictable, timely, and principled - funding as per the recent recommendations of the Grand Bargain quality funding workstream including the simplification and harmonisation of administrative requirements

- Resolving divergent opinions on technical solutions to increase funding transparency, and encouraging commitment among a critical mass of donors to hold partners to account over reporting onward funding transactions
- Tabling the fundamental issue of ensuring sufficient contingent financing to respond to peaks in demand, including re-opening discussions on options to “broaden the funding base”

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Endnotes

1 WHO's emergencies director, Dr Michael Ryan, advised on 13 March: "Be fast, have no regrets. You must be the first mover. The virus will always get you if you don't move quickly" (WHO, 2020).

2 As one of the eight pillars of response, WHO advised countries to learn and innovate because "This is a new virus and a new situation. We're all learning and we must all find new ways to prevent infections, save lives and minimise impact" (WHO, 2020).

3 IMF's executive director, Kristalina Georgieva, noted on 9 April: "The bleak outlook applies to advanced and developing economies alike. This crisis knows no boundaries. Everybody hurts" (IMF, 2020b).

4 The cost of sustaining ongoing humanitarian responses necessitated by conflict, climate change, disasters and other events will rise as a result of increasing food prices and reduced transport links (OCHA, 2020a).

5 "The quarantine measures and longer turnaround time at ports as a result of COVID-19 are expected to increase the cost of sea charter and containerized cargo by as much as 30 per cent; overland transport is foreseen to increase by 10-15 per cent. In South Sudan, the need to adapt food distributions for COVID-19, adjust cash-based transfer values, absorb COVID-19 compounded supply chain delays, and compensate for cost recovery losses will require an additional USD 57 million in operational requirements" (WFP, 2020).

6 "Trade contracted by close to –3.5 percent (year over year) in the first quarter, reflecting weak demand, the collapse in cross-border tourism, and supply dislocations related to shutdowns (exacerbated in some cases by trade restrictions)" (IMF, 2020a).

7 The World Bank estimates a drop of $110 billion to low and middle-income countries. Remittance flows are expected to fall globally, most notably in Europe and Central Asia (27.5 per cent), followed by Sub-Saharan Africa (23.1 per cent), South Asia (22.1 per cent), and the Middle East and North Africa (19.6 per cent). (World Bank, 2020d).

8 These trends pre-date the pandemic. GPMB noted in 2019: "Trust in institutions is eroding. Governments, scientists, the media, public health, health systems and health workers in many countries are facing a breakdown in public trust that is threatening their ability to function effectively. The situation is exacerbated by misinformation that can hinder disease control communicated quickly and widely via social media" (WHO, 2019).

9 https://www.worldbank.org/en/news/factsheet/2020/02/11/how-the-world-bank-group-is-helping-countries-with-covid-19-coronavirus

10 See: https://www.imf.org/en/Topics/imf-and-Covid19/COVID-Lending-Tracker [accessed 2nd July 2020]

11 IMF has set aside $50 billion of loans, but only about $500 million is available as grants in a special fund to help countries unable to repay existing loans: "The CCRT can currently provide about US$500 million in grant-based debt service relief, including the recent US$185 million pledge by the UK and US$100 million provided by Japan as immediately available resources" (IMF, 2020c).

12 https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-group-unveils-10-billion-response-facility-curb-Covid-19-35174

13 https://www.who.int/emergencies/diseases/novel-coronavirus-2019/donors-and-partners/funding [accessed 2 July 2020]

14 Based on contributions reported to OCHA FTS 2 July 2020

15 See: https://www.imf.org/en/Topics/imf-and-Covid19/COVID-Lending-Tracker [accessed 2 July 2020]

16 "Globally, lockdowns were at their most intense and widespread from about mid-March through mid-May" (IMF, 2020a).

17 https://www.icrc.org/en/document/international-red-cross-and-red-crescent-movement-appeals-31-billion-swiss-francs-319

18 "The funds received per capita are higher for countries that are ranked as having a higher pandemic risk (Inter-Agency Standing Committee/ European Commission INFORM COVID-19 Risk Index), and countries with a bigger expected shock to gross domestic product (GDP) growth (economic growth estimates from the IMF). But countries with the highest expected poverty impacts have received less per capita, showing that funds have been directed towards economic losses rather than the places where poverty will increase most because of the crisis (US$1.90 poverty rate estimates from the World Bank)" (Hill et a 2020).

19 "Each country would have access to 0.1 percent of GDP subject to floors and caps. A minimum allocation of US$2.5 million applies for countries with populations below 500,000 and a minimum allocation of US$5 million applies for countries with populations above 500,000. In addition, allocation caps are calibrated by population size" (World Bank, 2020b).

20 Based on data collated by the Centre for Disaster Protection and Development Initiatives, 2 July 2020 update, in turn based on data reported up to 10 June 2020. https://static1.squarespace.com/static/5c9d3c35ab1a62515124d7e9/t/5ef0be6d71a53670489dd52f/1592835696110/Centre_Paper_covid-19_22June.pdf

21 Anecdotal examples of development funding being reprogrammed for health and humanitarian needs include: "Germany's BMZ has announced plans to repurpose €1.2 billion (US$1.0 billion) of its 2020 budget to COVID-19 response measures. Norway's government is moving more funds from its 2020 development budget towards health, humanitarian assistance, and Africa, by taking funding from programs that have been delayed or stopped operating or moving. Meanwhile, South Korea has used its supplementary budget 2020 to shift more funding to humanitarian assistance for partner countries affected by COVID-19, among other areas" (Johnson, 2020).

22 The UN socioeconomic recovery plan notes on resource mobilisation: "The UN development system's socio-economic response outlined in this framework, is expected to be financed from multiple sources. These include the Secretary-General's new COVID-19 Response and Recovery Multi-Partner Trust Fund which is intended to manage resources for multi-agency/joint programming responses; agency-specific resource-mobilization efforts organized around agency Appeals or Trust Fund initiatives; Government-sponsored country-level Appeals (for example, Bangladesh and Niger have already launched appeals) or UNCT-sponsored country level pooled funds" (UN, 2020b).

23 See: https://www.undp.org/content/undp/en/home/news-centre/news/2020/UN_sets_out_COVID_social_and_economic_recovery_plan.html published on 27 April 2020.

24 The New York Times reported on 2 June 2020 that USAID and the US State Department "have committed more than $1 billion in pandemic

assistance to more than 100 countries since April. But the vast majority of that has yet to go out the door, tied up in what people with knowledge of the funding described as a complex grant process that had been slowed by micromanagement and delayed decisions. More than $500 million in additional funding — the balance of what Congress approved — has yet to even be committed to a humanitarian need, meaning it is likely to be months more before it is released." https://www.nytimes.com/2020/06/07/us/politics/coronavirus-humanitarian-aid-united-states.html

25 Between 2013 and 2017, private international humanitarian assistance is estimated to have contributed $27.3 billion, with 69 per cent of the total provided by private individuals (Development Initiatives, 2019).

26 Oxfam announced a major downsizing in May 2020: "Like many charities and businesses, the pandemic has hit our finances hard. We've had to close shops, cancel fundraising events and absorb rising costs. Fundraising conditions in many countries are really tough. We need to make significant savings and so we have had to accelerate our change." https://www.devex.com/news/opinion-in-the-face-of-Covid-19-a-new-direction-for-oxfam-97287

27 Nor is private funding the only "private sector" resource stream, including investors who would be willing to support but who often lack information on where they might channel their humanitarian investments. See also: https://thegiin.org/research/publication/impinv-survey-2020

28 CBPFs responded early to the COVID-19 pandemic with the first allocations launched in February (Afghanistan, Sudan), followed by March (Palestine, Jordan) and April (Afghanistan, CAR, DRC, Ethiopia, Lebanon, Myanmar, Nigeria, Somalia, Sudan, Syria, Syria cross-border and Ukraine). It took CBPFs an average of between two and four weeks to review and approve fund allocations to projects and less than a week to disburse the resources. This rate of processing was considered fast, given the strategic and technical reviews that are required to approve projects. Speed is particularly important for projects that are unable to start without receiving funds, most of them implemented by national partners

29 https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/49/Catastrophe-Containment-and-Relief-Trust

30 https://blogs.worldbank.org/sustainablecities/preparedness-can-pay-quickly-disaster-financing-and-Covid-19

31 "The insurance window is a larger pot of money that consists of private sector funds that are intended to be released for 'more infrequent, severe events.' In return for putting US$320 million on pandemic standby for three years, private market investors require two things: a return on investment ('insurance premium'); and a watertight, objective, and legally binding description of the circumstances under which money is taken out of the pot. During the three-year term, if the pre-agreed trigger thresholds are all simultaneously exceeded, payouts are made to the World Bank to give to IDA countries and key responders. If they are not met, then the investors take back their original money alongside the premiums and interest they have received in the interim. This relationship between the World Bank and the private markets is similar to the relationship between any buyer and seller of insurance" (Meenan, 2020).

32 Prior to the COVID-19 payout, the BMJ notes that "a recent appraisal of the scheme has shown that more money was paid out to investors than to eligible countries facing disease outbreaks. Only $51.4m has been disbursed through the cash window, but $114.5m had been paid out to investors by mid-2019; Australia, Germany, Japan, and the International Development Association have paid $175.6m into the scheme. As such, in its current format, the system seems to favour private sector investors over global health security" (BMJ, 2019)

33 Figures supplied by UN OCHA on 17th July 2020.

34 NRC's Secretary General, Jan Egeland, warned on Twitter: "The global pandemic response will soon be evaluated. Donors will then be critizised for putting nearly all funding through slow inter-governmental mechanisms while neglecting NGO frontline responders who stayed and delivered, with no extra resources, among the most vulnerable" (Egeland, 2020).

35 Relief International noted that funding from the Start Network allowed the organisation and a handful of partners to get money to local NGOs in Lebanon early in the COVID-19 response. By the time institutional funding from bilateral donors was released, conversations were already advancing about needs, activities had started and pilot programmes were being adapted (Smith and Chadwick, 2020).

36 See: https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020

37 A survey was conducted between 27 April and 3 May which questioned more than 500 global development professionals based in 118 countries. Forty-one per cent worked for an organisation that has lost funding as a result of the pandemic, and more than 50 per cent were worried their organisation may not survive (Smith and Chadwick, 2020).

38 An April 2020 survey among 93 UK-based NGOs suggested that more than 85 per cent of organisations in the UK were cutting programmes because they had lost more than a third of their funding from individual donations, charitable activities and public fundraising. Sixty per cent of the organisations surveyed had reduced staff costs via pay freezes, furlough and salary cuts, and another 25 per cent were planning to do so. Only 37 per cent thought they would be operating in six months' time, 51 per cent thought they could hold out for between three and six months, and 12 per cent thought they could only hold out for between two and three months (BOND, 2020).

39 Oxfam announced on 20 May 2020 that it would close 18 missions, lay off a third of its workforce and cut funding for almost half of its partners. It said the moves were in part related to a reorganisation that began in 2019 and was intended to build a "more diverse global footprint". Oxfam acknowledged that the impact of the pandemic has accelerated the transition (Oxfam International, 2020).

40 "Strategic donors will also be exploring how to leverage the crisis to encourage a more streamlined and efficient NGO sector. The crisis will result in a shake-out across the sector and force non-profits to consider merging as a means of survival, losing some independence and identity, and donors may be willing to support those efforts" (McDonald and Hanyes, 2020).

41 "While large global NGOs will only continue to grow, mid-sized NGOs will increasingly need to explore a wide range of options, from mergers to social enterprises, to survive and thrive. Many will face headwinds, and some will close. As we all adjust to the reality this pandemic necessitated, an opportunity has emerged to become even more agile and innovative. A crisis grants us a moment to embrace new ways of working, including new partnerships, commitments to local actors, and adaptive management approaches. International NGOs are among the most formalized and resilient sectors within civil society—the sector will survive. The question is whether NGOs dare to adjust and adapt their overall programming to be as relevant and impactful as possible during this pandemic. It is a risk to be brave, but this is one risk we must take" (Worthington, 2020).

42 "The localisation agenda in the Grand Bargain will need to be urgently accelerated. To do this, dichotomies between international and local actors should give way to more deliberate partnership and complementarity, based on comparative advantage. The role of international actors must inevitably evolve from delivery agents to enablers, monitors and advocates" (Konyndyk, 2020).

43 “What we’re seeing in Somalia is a huge volunteer effort from the diaspora, from community workers, doctors, businesses, coming together to see what they can do. Doctors in Minnesota offering telemedicine advice to people in Somalia. That sense of volunteerism and self-reliance could lead to a stronger sense of civil society – we don’t have to be beggars waiting for the northerners to save us from our problems” (Oxfam International, 2020).

44 https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-launches-record-breaking-3-billion-fight-Covid-19-social-bond-34982

45 Notably, the IMF can in principle, with agreement of its shareholders, increase the allocation of Special Drawing Rights allowing members access funds by exchanging its SDR currency reserves for cash. SDRs are allocated on a regressive basis however, with the largest shareholders (the US for example) holding the greatest SDRs and therefore potentially able to access far more cash than than low-income countries with fewer options to raise funds. Agreeing a reallocation of SDRs requires agreement of all shareholders and is currently politically contested however, notably by the US” (Plant, 2020).

46 The World Bank and regional development banks could increase their lending by up to $500 million to respond to the pandemic and still keep within their prudential rule of keeping their lending within a 1:1 ratio with their capital if they were to count “callable” capital, that is “a commitment on the part of shareholders to pay in additional capital if the banks are unable to meet their obligations to bondholders” (Landers et al 2020).

47 In a factsheet on PEF posted on the World Bank website on 27 August 2020 it is noted: “The World Bank is not planning to renew the PEF insurance window after the current pandemic bonds and swaps mature on July 15, 2020.” https://www.worldbank.org/en/topic/pandemics/brief/fact-sheet-pandemic-emergency-financing-facility

48 Risk is currently externalised by many key stakeholders. “Entities providing funding and programmatic support for countries, such as the Global Fund to Fight AIDS, TB and Malaria (Global Fund) and Gavi, do not explicitly include prevention and preparedness to achieve broader health security” (WHO, 2019).

49 “The global community must act now to avoid a repeat of this catastrophe by building global stockpiles of essential supplies and protective equipment” (IMF, 2020a).

50 “Many of the most significant sector-wide reform processes in recent times followed mega-crises. The birth of humanitarian standards of the late 1990s was facilitated by the reaction to the failures in delivering aid in the aftermath of the Rwandan genocide; the Indian Ocean Tsunami and the Darfur genocide engendered Jan Egeland’s clusters in 2005, changing the way in which humanitarian response was coordinated; and the 2010 Haiti earthquake and Pakistan monsoon floods saw the Valerie Amos-led creation of the transformative agenda to strengthen accountability for sub-optimal performance. One exception to this five-year reform cycle might be the Grand Bargain agreement of 2016 between donors and agencies, which was not directly triggered by a specific crisis on the ground, unless the unstoppable growth of the gap between humanitarian needs and available resources can be considered as such. COVID-19 may be the ultimate push to rethink better humanitarian preparedness worldwide” (Schenkenberg, 2020).

51 Masood Ahmed at the Center for Global Development notes: “Given the political necessity of dealing with the crisis at home, there is very limited bandwidth among political leaders for embarking now on a wholesale restructuring of international development finance architecture” (Ahmed, 2020).

52 GPMB recommends: “To mitigate the severe economic impacts of a national or regional epidemic and/or a global pandemic, the International Monetary Fund (IMF) and the World Bank must urgently renew their efforts to integrate preparedness into economic risk and institutional assessments, including the IMF’s next cycle of Article IV consultations with countries and the World Bank’s next Systematic Country Diagnostics for International Development Association (IDA) credits and grants. Funding replenishments of the IDA, Global Fund to Fight AIDS, TB and Malaria (Global Fund), and Gavi should include explicit commitments regarding preparedness.” (WHO, 2019).

53 GPMP notes: “Most poor countries will not elect to use their finite IDA envelopes for preparedness given the trade-offs with other development priorities.” (WHO, 2019).

54 IASC’s recent Proposals to Address the Inconsistency in Unlocking and Disbursing Funds to NGOs in COVID-19 Response” recommend: “Donors should call on all partners to report to the FTS on the volume of sub-granting to NGOs, including disaggregated data by type of recipient organisation (i.e. national or international NGOs, and when possible, on funding reaching women-led organisations). Likewise, larger NGOs should report on funds passed on to national and local partners. In addition to cash flows, a more holistic approach to reporting of funding flows for COVID-19 response should be applied, including on commodities provided to NGOs” (IASC, 2020c).

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