Foreign, Commonwealth & Development Office

The Federal Government

Wilton Park



Summary

Financing for Early and Anticipatory Action

Friday 17 June 2022 | WP3090

Organised in partnership with:

REAP Risk-informed Early Action Partnership

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Background

1. The Risk-informed Early Action Partnership (REAP) and Wilton Park, co-sponsored by the UK and Germany, convened a discussion for early action donors aiming to take stock of the findings of a REAP-commissioned report titled *Finance for Early Action: Tracking Commitments, Trends, Challenges and Opportunities*.

2. The report makes six recommendations for scaled up and more effective finance, outlining the need to: bridge silos across the humanitarian, development and climate sectors; reduce fragmentation by encouraging greater coherence and alignment; adapt existing financing approaches to make them more anticipatory; ensure leadership by climate vulnerable governments; engage with the private sector more broadly; and align early action financial instruments with good practice principles laid out in the report. During the discussion, participants were challenged to identify concrete actions to ensure progress against the recommendations.

Opening remarks

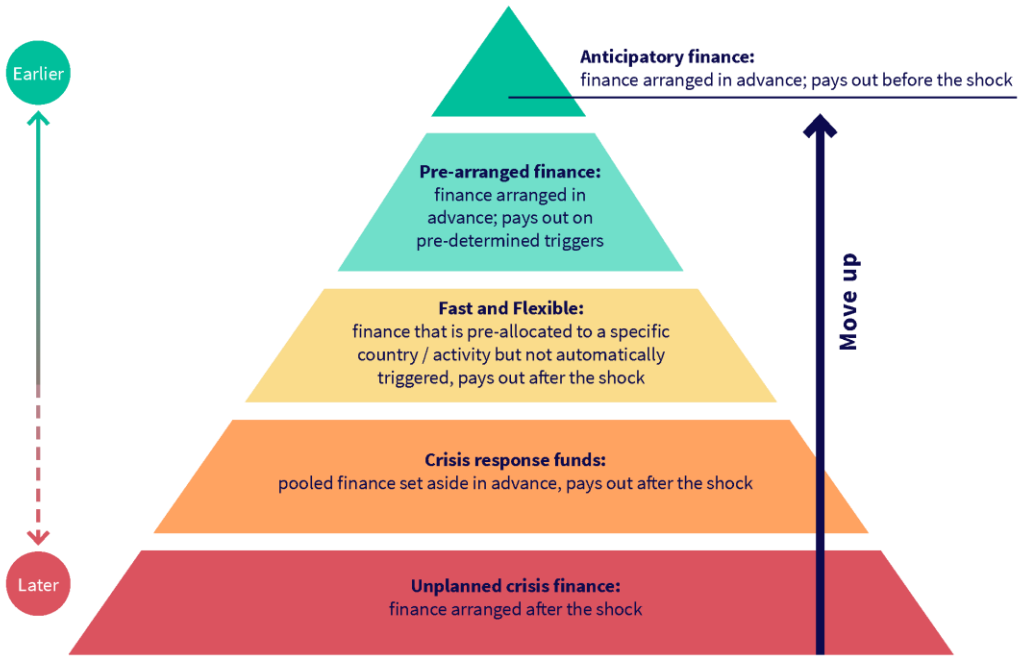
3. Despite anticipatory action being a fast, effective and efficient approach to humanitarian crises, climate adaptation and resilience building, funding gaps are large, and a very small amount is arranged in advance despite our increasing ability to accurately predict crises before they happen. The funding that is provided is often piecemeal, fragmented, and focused on pilot projects that do not deliver at the necessary scale. Finance must be more anticipatory, based on a range of different instruments dependent on context and needs, and seek to reduce the fragmentation in existing approaches that creates complexity and reduces impact.

4. For example, the G7, under the 2022 Presidency of Germany and building on the work of the UK Presidency in 2021, has proposed a Global Shield against Climate Risks to respond to these challenges and build a more aligned, sustained, and comprehensive pathway to scale up the good but fragmented work on anticipatory action which is underway. It will be based on three pillars that will deliver: better coordination; a comprehensive, effective and efficient finance architecture; and a package of financial instruments including premium subsidies and capital support. The Global Shield proposal reflects many of the recommendations within the Finance for Early Action report, but more needs to be done including engaging the governments of climate vulnerable countries, and the months before COP27 will require concerted action in this regard.

Presentation of the 'Finance for Early Action' report

5. The aim of the *Finance for Early Action* report is to assess how finance for early action has been and might continue to evolve. It establishes a typology of crisis finance based on the speed at which finance is delivered, and the extent to which it is pre-arranged, i.e. in advance of a shock following climate impacts. This typology is represented in the pyramid below. It is not until finance falls into the 'pre-arranged finance' category that it is regarded as finance for early action, i.e. paying out on pre-determined triggers, providing levels of surety that support climate vulnerable communities to take relevant action in the face of a crisis. While pre-arranged finance and 'anticipatory finance' are both

categorised as finance for early action by the report, anticipatory finance also pays out before the shock based on pre-determined triggers, enabling anticipatory action that saves lives and livelihoods.



6. Although the pyramid is not drawn to scale, it is the case that the majority of funding falls into the category of 'unplanned crisis finance'. Of the total amounts spent on annual humanitarian and crisis assistance (upwards of USD 30 billion), pre-arranged finance only accounts for 1-3% of the total, and amounts for anticipatory action are even less. For example, in 2020, the five main humanitarian funds providing anticipatory finance (as defined by the report) triggered only USD 41.5 million across 20 countries.

7. Other key findings of the report include that public pledges of finance are, in many cases, reannouncements and do not constitute additional investment. It is also difficult to confirm whether pledged money has been programmed. Silos persist within donor governments, leading to fragmentation among climate, development and humanitarian departments and reducing the effectiveness of investments. There is a need for deeper consideration over, among others: the appropriate balance of funding for systems building vs. ensuring early action plans have funds to pay out, earmarking by donors (which can be detrimental for anticipatory funds); and retrospective approvals for releasing funds on pre-determined triggers (reduces surety).

Priority actions

8. Participants had the opportunity to enter small group discussions on how to progress the recommendations of the report. The groups reported back the following priority actions.

    a) **Donor Ministries/departments need to** develop more flexible and adaptive approaches across funding streams; layer and coordinate resources better; enhance complementarity with funding streams of multilateral development banks; and integrate relevant instruments such as crisis modifiers into development programmes.

    b) **Donor governments need to** systematically engage the multilateral development banks and international financial institutions and initiate conversations on financing early action at high levels to drive strategic momentum.

    c) **Donor governments, particularly those of the G7, need to** work to expand the pool of donors and improve relevant competency frameworks.

    d) **Capable agencies and initiatives must be supported to** investigate the scope and relevance of targets for finance, e.g., on system strengthening/build vs. fuel money (using country-by-country contextual analysis), building on existing work in this area such as that undertaken by the

Start Network.

e) **Donor governments must work bilaterally, multilaterally and through convening bodies to** change the donor/recipient dynamic by creating an environment that incentivises collaboration, based on risk-informed analyses with clear articulation and understanding of recipient needs.

f) **Investments must be directed to** support work beyond existing (international) pooled funds that deliver anticipatory finance, developing the potential of country-based pooled funds. Concurrently, they must enable localised action through national social protection programmes and deeper engagement with civil society organisations.

g) **Donor Ministries/departments need to** champion integrated approaches, e.g. by aligning early action with disaster risk reduction and management, and ensuring complementarity with and inclusion in Nationally Determined Contributions and National Adaptation Plans under the climate track.

h) **All relevant stakeholders need to** establish practical and propositional conversations with the private sector regarding aligned actions.

i) **Donors must work with implementing partners to** identify and develop examples of good practices and proven interventions, and use them for shared learning and ongoing advocacy.

Next steps

9. This roundtable was designed to initiate an ongoing discussion over how to scale up finance for early action, and ensure it is more effective. Parties to the discussion have been encouraged to take the priority actions back to their departments/Ministries and determine a plan of action for carrying them out. Details of the next stage of discussion and progress review will be made available in due course.

Summary provided by the REAP Secretariat
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