

TRENDS IN HUMANITARIAN FINANCING



PHOTO:

In the Dagahaley refugee camp in Dadaab (Kenya), maternity supervisor Consolata Mwaniki helps a mother with her newborn.

© PAUL ODONGO

1

INTRODUCTION

Humanitarian financing in the context of rising global need

In 2021, the Covid-19 pandemic continued to overlay other pre-existing and emerging crisis risks, driving need and complicating response. Following the rapid rise in demand for humanitarian assistance in 2020, needs remained at historically high levels in 2021. As multiple drivers of crisis increasingly intersect, crises are becoming more complex and protracted.

Despite this rise in need, provision of international humanitarian assistance has stalled. Worsened by the Covid-19 pandemic, as donors increasingly have their hands tied on funding. The Russian invasion of Ukraine in 2022 is only going to increase this strain further. The system is fragile and reliant on a small donor base. These problems are leading to a growing humanitarian financing gap, highlighted by underfunding of most appeals. Gender-related needs have grown rapidly since the pandemic and funding increases have not kept pace. Furthermore, the deepening of climate change is increasing strains on the humanitarian system, exacerbating existing crises and creating new ones.

These overlapping vulnerabilities increase the need for joined up approach to addressing crises, across humanitarian, development, peacebuilding and climate systems. To address large-scale protracted crisis and reduce need over the long term to free up humanitarian finance to focus on immediate crisis response.

The humanitarian system needs to adapt and step up to promises made in Grand Bargain, exploiting new funding channels and pushing more funding directly into the hands of local actors to improve efficiency and effectiveness.

This chapter presents an overview of the financing landscape in crisis contexts in 2021. This includes traditional humanitarian assistance, as well as alternative funding sources, and analysis of how funding is provided.

2

PEOPLE AND CRISIS

In 2021, the number of people in need of humanitarian assistance continued to increase: reaching 306 million people, 90 million more than in 2019 before the Covid-19 pandemic. People in need are facing increasingly overlapping risks, especially in the wake of the pandemic and as climate change impacts deepen. As a result, crises are becoming more protracted, complex, and severe. In 2021, 36 countries were experiencing protracted crisis (5 or more years of UN-coordinated appeals), accounting for 74% of all people in need. Half of the 73 countries with people in need experienced more than one type of humanitarian crisis (natural hazard, conflict-related or displacement crisis), and 16 experienced all three types. The number of countries with crises classified as 'very high' severity doubled since 2020, reaching 10.

In 2021, the number of people in need of humanitarian assistance reached 306 million

Countries with protracted crises accounted for 86% of all humanitarian funding in 2021

Multiple drivers of crisis, such as high-intensity conflict, high levels of socioeconomic fragility and high vulnerability to climate change, intersect to compound risk and exposure to crisis. These intersecting dimensions serve as both drivers and multipliers of crisis. They can worsen the impacts of crisis, lower resilience, and frustrate efforts to provide long-term support and crisis recovery. In 2021, 86% of people in need of humanitarian assistance were experiencing at least one of these intersecting dimensions.

In 2021, 61% of people in need (187.4 million people) were living in countries with at least two dimensions, and two-fifths of people in need (119.9 million people) were living in countries facing all three dimensions. Half of all people in need lived in countries with high levels of vulnerability to the impacts of climate change. The intersection of conflict and climate vulnerability is particularly problematic. High levels of fragility and conflict not only increase climate risk but can also limit access to climate resources.

Understanding where people are exposed to any of these risks can help identify where the impact of shocks is likely to be greatest and where cohesive interventions are needed. The need for a joined-up approach, addressing immediate humanitarian need, as well as building resilience to socioeconomic and climate shocks and addressing underlying development and peacebuilding needs in crisis settings is widely acknowledged. However, this has rarely been achieved, and long-term complex crises have become increasingly normal.

Figure 1

The number of displaced people continued to rise in 2021, reaching 88.1 million (6.1% higher than 2020). Most of the displaced population (50%) were displaced internally, with increasing numbers of internally displaced persons (IDPs) in 2021 largely driving the overall increase. A further 26.5 million (30%) of the displaced population were refugees. There were 3.9 million Venezuelan's displaced abroad and 4.4 million asylum seekers (the only group to fall, down from 4.1 million in 2020).

Escalating conflict in several contexts drove the increase in IDPs. Ethiopia saw the largest increase in forced displacement, by 53% (over 1.5 million people), due to the ongoing war in the Tigray region. Deteriorating security situations also drove the displacement of a further 0.9 million people in Sudan, 0.8 million in Afghanistan, and 0.6 million in Yemen.

A small number of countries continued to host the majority of forcibly displaced people. In 2021, the 10 largest hosting countries hosted 54% of all displaced people, and the 20 largest hosted 76%. The largest hosting countries are Syria, Colombia, DRC and Turkey, all hosting over 5 million displaced people each. Nine of the 20 largest hosting countries are classified as low-income countries. Sub-Saharan Africa hosted over 32.4 million displaced people in 2021, accounting for 37% of the global total, up 12% on 2020. The majority of these (25.1 million people) are displaced internally due to conflict, and in 2021 the region hosted 47% of all global IDPs. 34% of global refugees are hosted by the Middle East & North Africa region (8.8 million people). South Asia saw an 11% increase in the number of displaced people, largely driven by increases both internally and regionally by the Afghanistan conflict.

The picture in 2022 already looks markedly different. As of July 2022, the outbreak of war in Ukraine has displaced an estimated





f1

Dimensions of risks and vulnerability facing people in need

Source: Development Initiatives based on UN Office for the Coordination of Humanitarian Affairs (OCHA) Humanitarian Programme Cycle (HPC), ACAPS, Notre Dame Global Adaptation Initiative (ND-GAIN), Organisation for Economic Co-operation and Development (OECD) States of Fragility (SoF) and Heidelberg Institute for International Conflict Research (HIIC).

Notes: Numbers of people in need are aggregated by country-level risk, vulnerability and fragility. Conflict risk is based on the presence of high conflict intensity (HIIC); high socioeconomic fragility is based on the top 20% of average social, economic and political fragility score (OECD); high climate risk is based on the top 20% of ND-GAIN score (ND-GAIN). Country dimensions missing data are classified as low vulnerability/hazard.



-  Total number of persons in need
-  High Intensity Conflict
-  Socio-economic fragility
-  Climate vulnerability

12.8 million people since February 2022, to neighbouring countries and internally. Furthermore, the growing numbers of people displaced internally by the increasing frequency and severity of crises related to climate change is not reflected here.

Figure 2

In 2021, 144 countries received international humanitarian assistance, 20 fewer than in 2020. Of these, 108 received more than US\$1 million (33 fewer than 2020) and 84 received more than US\$5 million (27 fewer than 2020). Countries experiencing protracted crisis accounted for 86% (US\$20.1 billion) of all country-allocable humanitarian assistance in 2021.

In 2021, the 10 largest recipients received 60% of country-allocable international humanitarian assistance, a slight increase from 58% in 2020, but below the average of 63.8% in the past decade. Over time, the make-up of the largest 10 recipients has changed relatively little. Only 14 countries appeared in this group over 2017-2021, with South Sudan, Somalia, Syria, Lebanon, Ethiopia, Yemen, and DRC present every year. In 2021, Afghanistan and Nigeria entered the 10 largest recipients, displacing Turkey and Iraq.

Following two years of large falls in funding, Yemen received US\$2.7 billion in 2021, 23% more than in 2020, and 12% of all funding in the year. This remained well below US\$4.8 billion peak in 2018. Funding to Syria fell 20% in 2021 to US\$2.1 billion. Afghanistan saw the greatest increase in funding, more than doubling to US\$1.8 billion, as the Taliban take-over in 2021 caused drastic deterioration in the humanitarian situation. Assistance to Ethiopia also grew considerably in 2021 to \$1.6 billion from US\$967 million. Lebanon saw the greatest decrease in funding, falling 44% to US\$914 million.

Figure 3

3 CRISIS FINANCING

Total international humanitarian assistance grew slightly in 2021 to US\$31.3 billion, an increase of US\$0.8 billion on 2020. However, assistance has only increased 2.6% between 2018 and 2021, despite continuing increases in needs. This is following sustained growth between 2012 and 2018, when total assistance grew by an average of more than 10% each year, almost doubling over the period (increasing 86%).

In 2021, governments and EU institutions provided US\$24.9 billion of international humanitarian assistance. This is an increase of 3.6% on 2020, following two years of decline in 2019 and 2020. This accounted for 79% of total assistance, consistent with between 78% and 81% over the last five years.

Estimates for 2021 suggest that funding from private donors fell slightly to US\$6.4 billion, from the highest recorded volume of US\$6.5 billion in 2020.

Figure 4

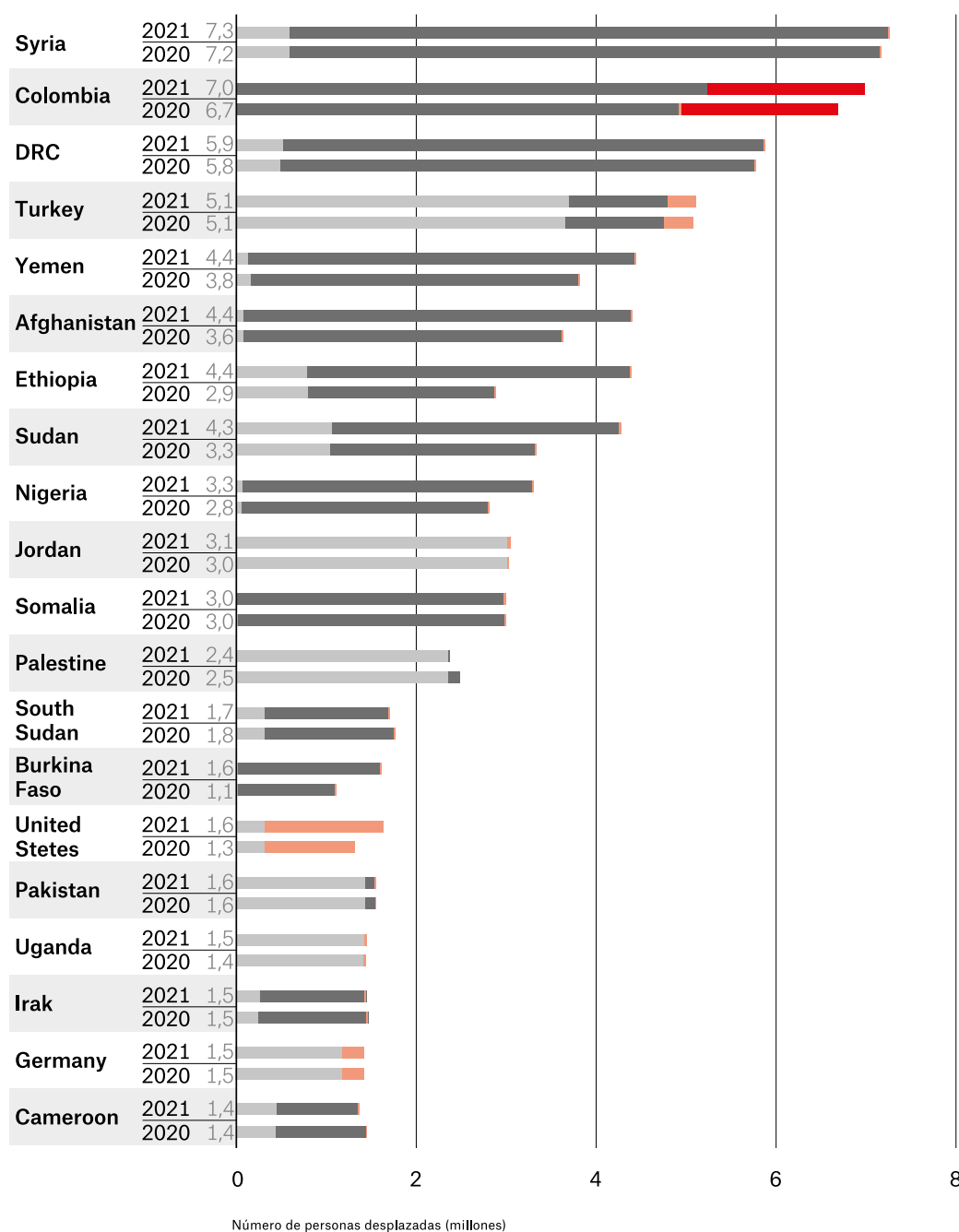
The top ten HA recipients received 60% of the total funds allocated to countries

20 countries with the largest forcibly displaced population, 2020-2021

- Refugees (includes refugee-like situations)
- Internally displaced persons
- Asylum seekers
- Venezuelans abroad

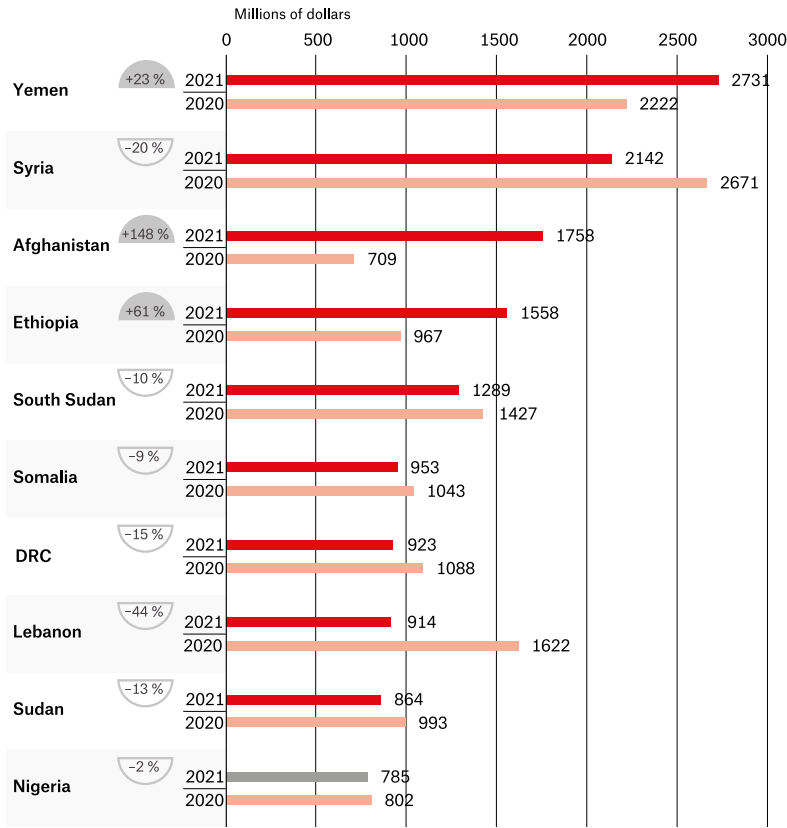
Source: Development Initiatives based on data from UN High Commissioner for Refugees (UNHCR), UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and Internal Displacement Monitoring Centre (IDMC).

Notes: DRC = Democratic Republic of the Congo. The 20 countries are selected based on the size of displaced populations hosted in 2020. 'Displaced population' includes refugees and people in refugee-like situations, internally displaced persons (IDPs), asylum seekers and other displaced populations of concern to UNHCR. 'Other displaced populations of concern to UNHCR' includes Venezuelans displaced abroad. IDP figures refer to those forcibly displaced by conflict, and exclude those internally displaced due to climate or natural disaster. Data is organised according to UNHCR's definitions of country/territory of asylum. According to data provided by UNRWA, registered Palestine refugees are included as refugees for Jordan, Lebanon, Syria and Palestine. UNHCR data represents 2021 mid-year figures, and UNRWA data for 2021 is based on internal estimation.



f3

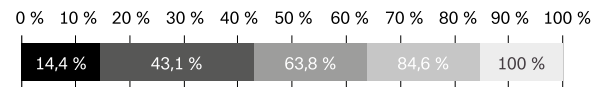
10 largest recipients of international humanitarian assistance, 2020-2021



■ 2021 ■ 2020 ◐ % change, 2020-2021

Source: Development Initiatives based on UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS) data. Notes: DRC = Democratic Republic of Congo. Data is in constant 2020 prices. Totals for previous years differ from those reported in previous Global Humanitarian Assistance reports due to deflation and updated data.

Breakdown of financing in 2017-2021 by main annual recipients



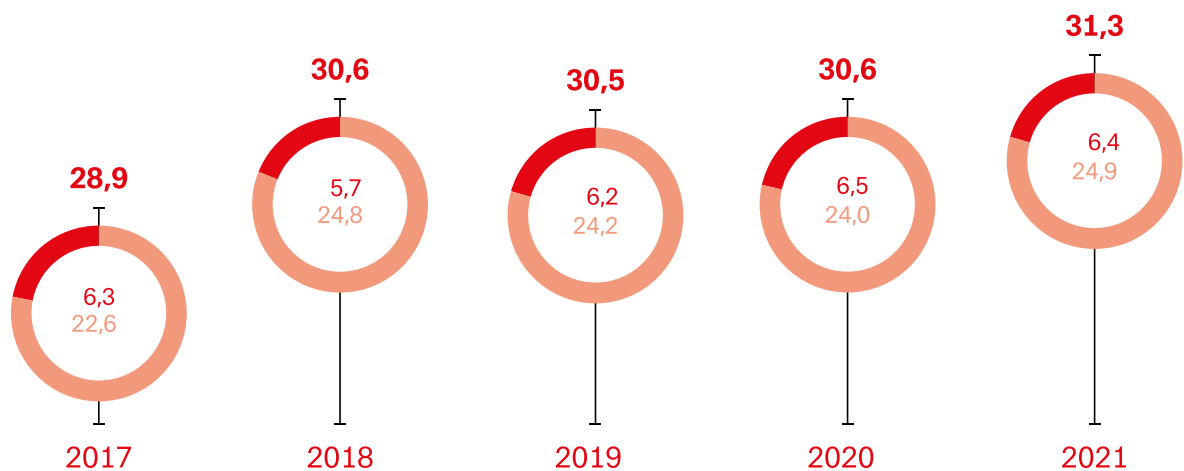
■ Top 1 ■ Top 5 ■ Top 10 ■ Top 20 ■ All other receivers

f4

International humanitarian funding volume in 2017-2021

- Private
- EU governments and institutions

Billions of dollars



Source: Development Initiatives. Based on data from OECD DAC, OCHA's FTS, the UN's Central Emergency Response Fund (CERF) and our database of private contributions. Note: Figures for 2021 are preliminary estimates. Totals for previous years differ from those reported in previous GHA reports due to deflation and updating of data. Data are at constant 2020 prices.

The donor landscape remained largely unchanged in 2021, with the same small number of donors providing nearly all international humanitarian assistance and no shifts towards greater burden-sharing and diversification. As in previous years, the 20 largest donors in 2021 provided 97% of all public international humanitarian assistance.

The US, Germany, and UK have been the largest donors each year for the past decade. In 2021, they accounted for 59% of public international humanitarian assistance, down from 60% in 2020. While assistance provided by the UK declined significantly, rises in contributions from the US and Germany cushioned the impact of the UK decrease. The US and Germany increased their allocations by 12% (US\$9.8 billion) and 11% (US\$3.2 billion) respectively. The two countries accounted for 52% of all public assistance in 2021.

The reduction in assistance from the UK dwarfed any other falls, declining by US\$1.0 billion to US\$1.6 billion in 2021 (fall of 39%). This follows a 16% reduction between 2019 and 2020. Despite a fall in contributions, the UK remained in the three largest donors and has recently announced a new three-year international development strategy, which suggests levels of funding will stabilise, but at lower levels than 2020.

Japan's contribution saw the largest increase in 2021, as funding from Japan more than doubled from 2020 to US\$1.2 billion. Vastly fluctuating contributions from the UAE and Saudi Arabia continued, as following two years of declines, they increased their funding 74% (to US\$745 million) and 87% (to US\$553 million) respectively.

Figure 5

In 2021, the pattern of severe underfunding of UN-coordinated humanitarian appeals remained unchanged. Only 56% of funding requirements were covered, a shortfall of US\$16.9 billion. This was the second largest shortfall ever behind only 2020 at US\$19.1 billion, with 51% of requirements met.

Total appeal requirements in 2021 remained historically high, with US\$38.4 billion requested through UN-coordinated appeals, to meet the needs of 48 appeals. This was 2.3% lower (fall of US\$895 million) than the amount requested for 55 appeals in 2020, when several were launched in response to the Covid-19 pandemic. However, the number remains a third higher than the 36 coordinated appeals in 2019. Total funding requirements were 26% greater in 2021 than 2019, and nearly four times as high as in 2012. This was largely a result of Covid-19 continuing to exacerbate need and complicate response, and large-scale crises worsening. In 2021, the scale of requirements to respond to crises in Syria and Yemen continued to dwarf other appeals. The Yemen and Syrian crises have accounted for 41% of total appeal requirements since 2015. Following the Taliban take-over, funding requirements for Afghanistan grew to US\$1.5 billion, from US\$1.1 billion in 2020.

Funding towards UN appeal requirements grew for the sixth consecutive year, rising to US\$21.4 billion in 2021, an increase of US\$1.3 billion on 2020. However, in 2021, 23 appeals received less than half of their requested funding. Coverage varied greatly with the best-funded appeal — the Afghanistan Flash Appeal — being 187% funded, and the worst — the Nepal Response Plan — only 7% funded. Six appeals were less than 25% funded (Nepal, Myanmar, Zimbabwe, Kenya, South Sudan RRP, and DRC RRP). The largest funding volumes were given to the Yemen HRP (US\$2.4 billion), the

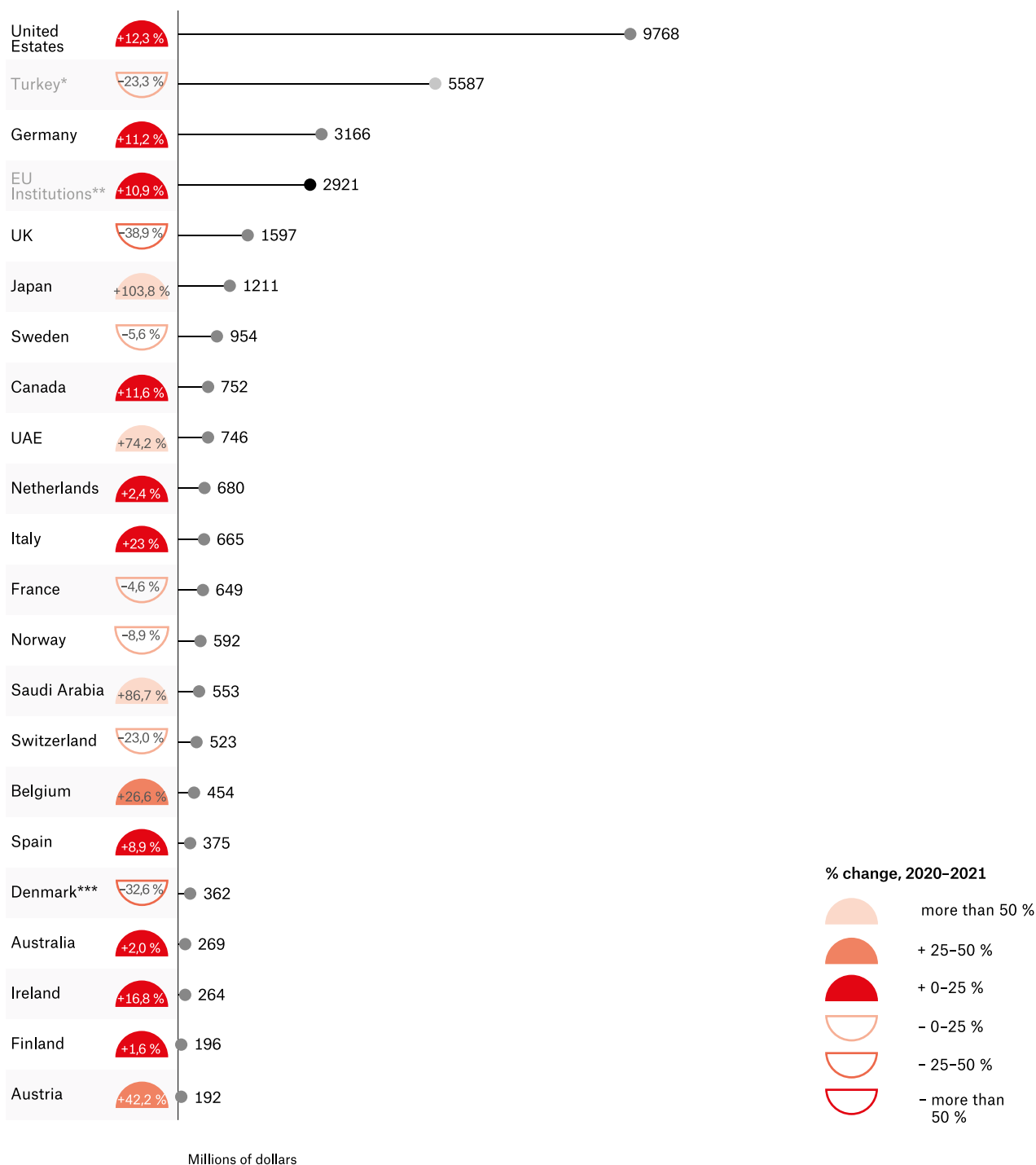
2021 has represented the second largest funding gap in history

f5

20 largest public donors of humanitarian assistance in 2021 and percentage change from 2020

Source: Development Initiatives based on Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC), and UN Central Emergency Response Fund (CERF) data. Notes: GNI = Gross national income. 2021 data for OECD DAC is preliminary. *Turkey is shaded differently because the humanitarian assistance it voluntarily reports to the DAC is largely expenditure on hosting Syrian refugees within Turkey, and so not strictly comparable with the

international humanitarian assistance from other donors in this figure. **EU institutions are also included separately for comparison and are shaded differently to distinguish from government donors. ***Preliminary 2021 figures for Denmark have only been partially reported to the OECD DAC and will be revised upwards in final reporting at the end of 2022. 2020 figures differ from the Global Humanitarian Assistance Report 2021 due to final reported international humanitarian assistance data.



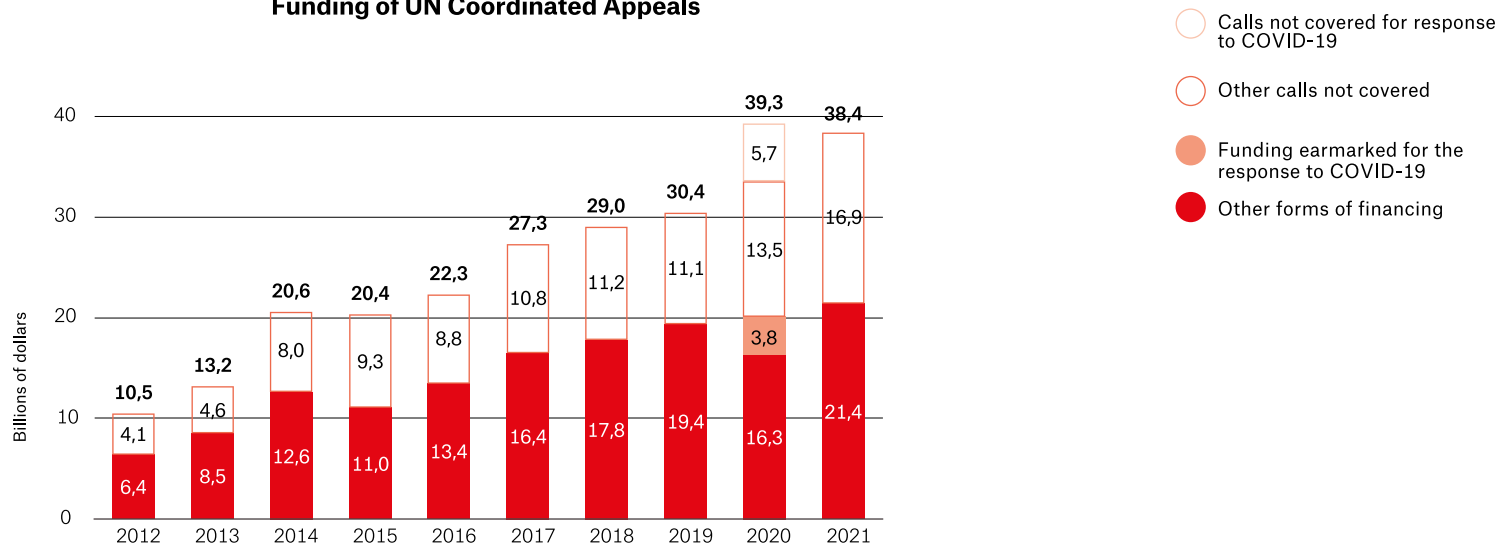
Fundings and unmet requirements, UN-coordinated appeals, 2012-2021

Source: Development Initiatives based on UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS), Syria Regional Refugee and Resilience Plan (3RP) dashboards and UN High Commissioner for Refugees (UNHCR) data.

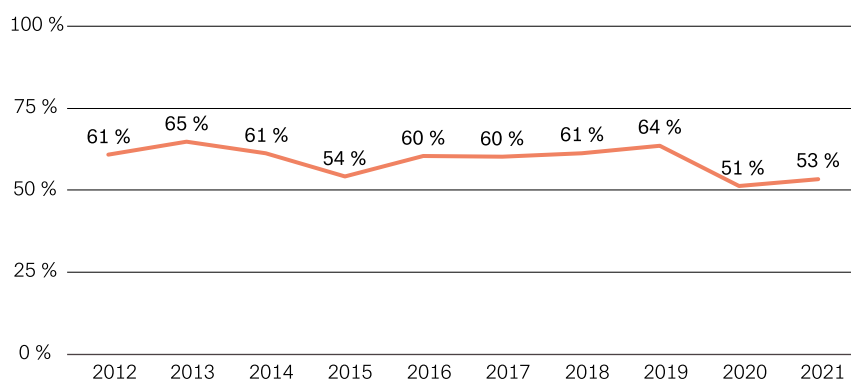
Notes: Data from 2012 onwards includes regional response plans for Afghanistan, Burundi, the Central African Republic (CAR), the Democratic Republic of the Congo (DRC), Nigeria, South Sudan, Syria and Yemen, as well as Regional Refugee and Migrant Response Plans

for Europe and for refugees and migrants from Venezuela coordinated and tracked by UNHCR. Data is in current prices, last updated on 22 June 2022. Funding and requirement totals for the Syria Regional Refugee and Resilience Plan (3RP) are sourced from 3RP reports and dashboards in 2018–2021. Requirements and funding for Covid-19 response in 2021 were for almost all response plans included as part of total requirements and funding and therefore not tracked separately that year.

Funding of UN Coordinated Appeals



Total percentage of appeals covered



Syria HRP (US\$2.0 billion), and the Syria Regional Refugee Resilience Plan (US\$1.9 billion).

In 2021, 71% of all country-allocable assistance was provided within UN-coordinated appeals. This is a notable increase from the 42% in 2012, although has been relatively stable around 70% since 2017. The 10 largest appeals in 2021 had 82% of funding channelled through UN appeals. Funding outside appeals to large crises flowed predominantly to Red Cross Red Crescent organisations. Smaller recipients of assistance had only around 55% of funding channelled through UN appeals.

Figure 6

Gender-related needs have grown rapidly, with the Covid-19 pandemic having reversed gains in gender equality and empowerment of women and girls. There have been widespread commitments in recent years to channel more funding for gender-related humanitarian responses. However, there is no easily accessible reporting from which to estimate funding or requirements to meet gender-related needs. Requirements and funding for Gender Based Violence (GBV) are the exception, and they indicate that underfunding has worsened. In 2021, only 29% of GBV funding requirements were met. Despite a fourfold increase in funding for GBV from 2018-2021, funding requirements increased more than fivefold.

Beyond reporting to GBV, it is possible to estimate various forms of gender-related funding, by analysing data from UNOCHA's FTS using a keyword search methodology. Two types of funding can be estimated; gender-specific funding (with a key focus on gender-related needs), and gender-mainstreamed funding (which seeks to implement funding in a way considerate of gender-related needs).

Funding specifically targeted to gender reached US\$587 million in 2021, up from US\$268 million in 2018. Assistance targeting GBV accounted for a growing proportion of this, increasing from US\$67 million (25%) to US\$224 million (38%). Figures for gender-mainstreamed funding¹, where an element of the programme addresses gender-related needs, rose significantly from US\$167 million in 2018 to US\$466 million in 2021. Total gender-relevant funding has grown to over US\$1 billion by 2021, however it still represents just 3.4% of total international humanitarian assistance. Gender-specific funding made up just 1.9% of total assistance.

Figure 7

As climate change deepens, climate-related crises are increasingly compounding existing vulnerabilities in countries already experiencing crisis. This is putting an ever-greater strain on the, already overstretched, humanitarian system. Climate finance offers an alternative form of assistance. Thus, we need a greater understanding of how it intersects with other finance and can alleviate the severity of crisis.

In 2009, developed countries committed to jointly mobilise US\$100 billion of climate finance per year for developing countries². This was expected to be 'new and additional' to pre-existing ODA, however it is often taken from donors bilateral ODA budgets. Most

¹ Note only an element of this funding addresses gender relevant needs.

² Originally set to be reached by 2020, but it was not met and has been extended to 2025.

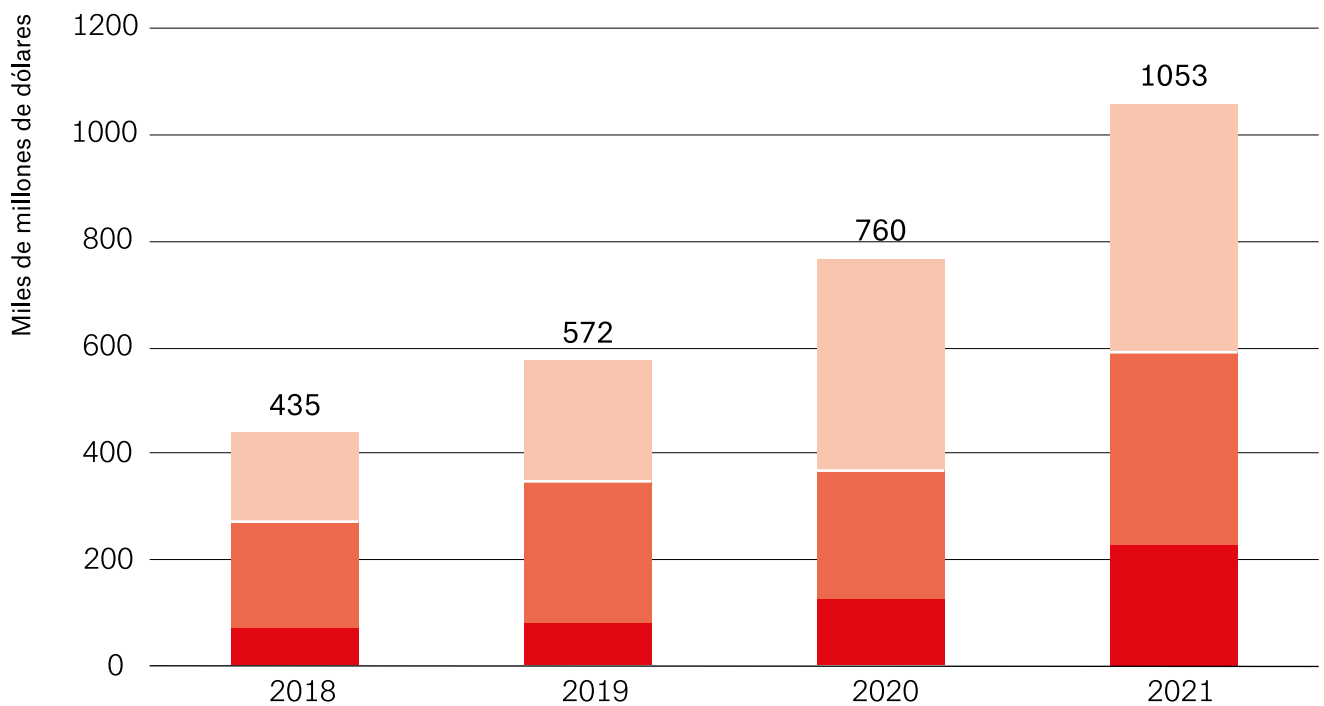
The impacts of climate change exacerbate and aggravate conditions of vulnerability and risk

Global volumes of gender-relevant international humanitarian funding, 2018-2021, split by GBV, other gender-specific and gender-mainstreamed funding

Source: Development Initiatives based on UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS).

Notes: GBV = gender-based violence. Data was updated to constant 2020 prices and US\$ millions, and was last downloaded on 6 May 2022.

- Gender-mainstreaming funding
- Gender-specific measures funding
- GBV



global climate finance targets emissions reduction (mitigation finance). The remaining finance aims to help communities adapt to the impacts of climate change (adaptation finance). Climate adaptation finance can reduce the impacts of disaster in countries at risk of crisis, potentially reducing humanitarian need. Evaluation of climate-relevant bilateral ODA offers insight into how much climate finance is flowing to developing countries and crisis contexts, and how it is spent.

In 2020, 8.9% of bilateral ODA (US\$10.8 billion) was dispersed to programmes with climate-related objectives, according to projects tagged with the 'Rio Marker' system. Of this, only 37.1% was for adaptation activities (and 17.8% for dual-purpose). Of the \$6 billion of ODA tagged with adaptation purpose, US\$270 million (4.5%) was spent on humanitarian interventions. This represents 1.7% of humanitarian ODA that year. Most of the funding for adaptation within humanitarian interventions was spent on emergency food assistance, with a further 15.5% spent on disaster prevention and preparedness, directly related to climate adaptation objectives. Countries in protracted crisis are among the most vulnerable and least able to adapt to climate change. Yet, the 34 countries experiencing protracted crisis in 2020 received only US\$1.6 billion in adaptation funding, only 2.8% of their total ODA funding, and only 27% of all climate-relevant ODA for adaptation.

Disaster risk reduction is an anticipatory element to limit the impact of climate change in humanitarian contexts

Climate finance is also allocated via multilateral climate funds. Only 12% of almost US\$11 billion in dispersed funding from these funds has gone to fragile and conflict-affected states to date, despite these states being most in need of international support to respond to climate change. Furthermore, only 5.6% of this funding goes to adaptation activities in these states. The insufficient climate funding directed to vulnerable communities to adapt to climate change leaves local actors and the humanitarian sector to bear the costs of responding to climate disasters.

Figure 8

Disaster risk reduction (DRR) aims to decrease the impacts of a potential disaster by reducing vulnerability to disaster and increasing capability to respond. It does this through developing infrastructure (such as early-warning systems), mapping risk and providing training on disaster management. DRR is a wider developmental intervention, however, it forms an anticipatory element to limit the impact of climate change in humanitarian contexts. DRR funding is delivered through targeted interventions or mainstreamed into wider programmes. In 2018 a specific marker was introduced on the OECD Development Assistance Committee (DAC) Creditor Reporting System (CRS) to report projects with a primary DRR objective. Therefore, there is an emerging picture of DRR trends.

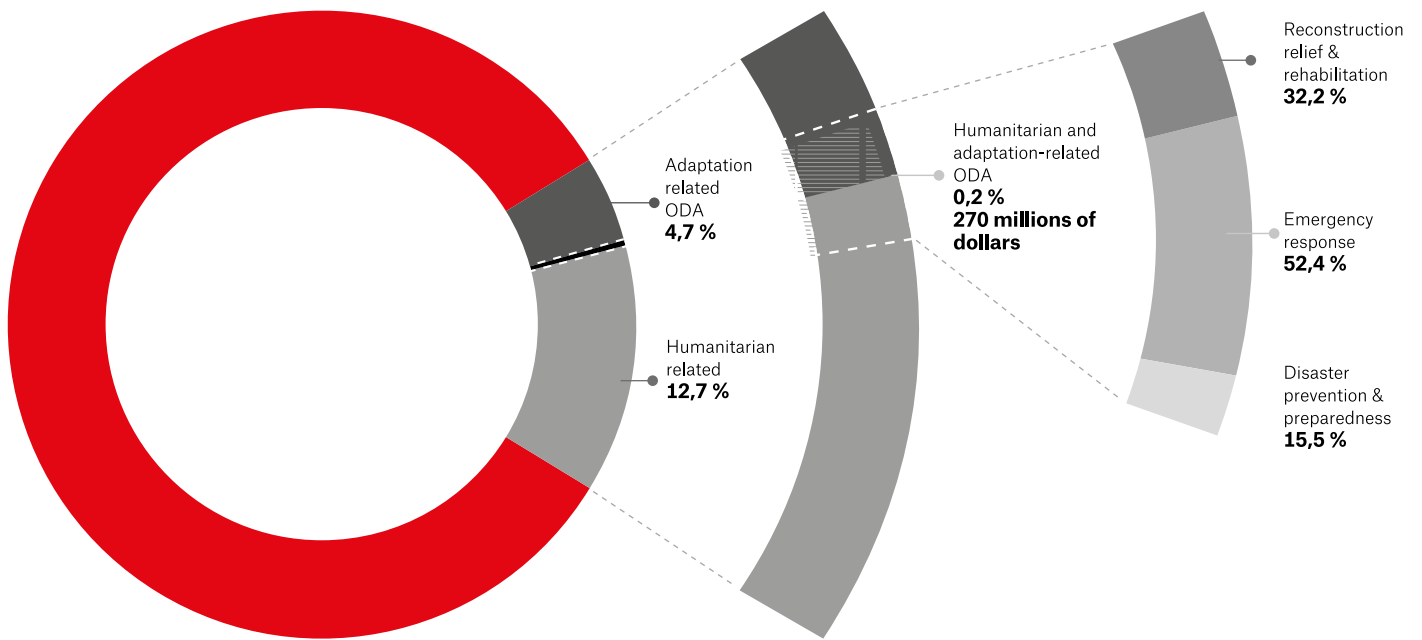
Between 2018 and 2020, ODA with a primary focus on DRR increased 45% to US\$2.4 billion. The UK provided the most primary DRR funding between 2018-2020, responsible for US\$1.0 billion (18%). The top six donors accounted for 55% of primary DRR funding between 2018 and 2020. These donors have remained consistently, the UK, Japan, Germany, EU institutions, the US and France. In 2020, Japan provided the most ODA with a primary focus on DRR (US\$604 million), an increase of 218% on 2019. In 2020, 16 donors increased their DRR specific ODA. However, 12 donors decreased funding in 2020, including the UK, France and Germany.

For DRR to potentially lessen need for humanitarian response, by

ODA for humanitarian assistance with climate change adaptation objectives, 2020

Source: Development Initiatives based on Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) Creditor Reporting System (CRS).

Notes: Proportions based on gross ODA disbursements 2020. 'Humanitarian' is defined here as the sum of ODA reported under the humanitarian OECD DAC sector codes. 'Adaptation-related' is defined here as the sum of ODA marked as having adaptation as either a principal or significant policy objective with the climate change adaptation policy marker

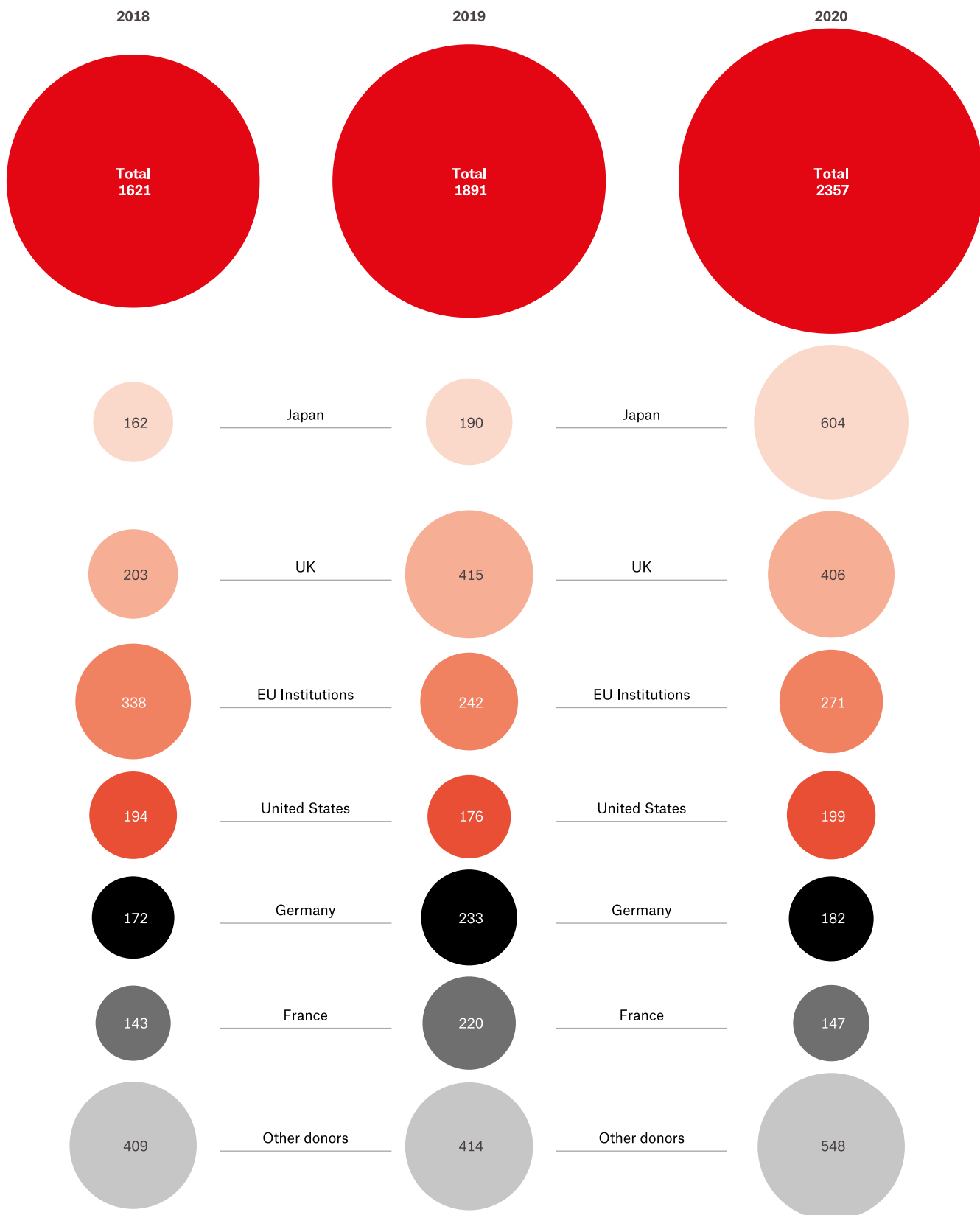


f9

Largest donors to DRR and disaster preparedness, 2018-2020

Source: Development Initiatives based on Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) Creditor Reporting System (CRS).

Notes: Official development assistance (ODA) totals are calculated from projects under the disaster risk reduction (DRR) purpose code, marked as 'principal focus' with the DRR marker, or identified by a tailored keyword search. Figures include country-allocable ODA only. Excludes ODA targeted to Covid-19. Data is in constant 2020 prices



Millions of dollars

improving coping capacity and the infrastructure to respond, the targeting of funding must consider the overall risk of crisis. In 2020, countries identified as at 'very high' overall risk of crisis received only 12% (US\$280 million) of ODA with a primary focus on DRR. Furthermore, only 3 of the 10 countries identified as at 'very high' risk were among the 10 largest recipients of primary DRR funding.

Figure 9

4

EFFECTIVENESS, EFFICIENCY AND QUALITY

Despite years of rhetoric around altering funding behaviour, the patterns of funding from public donors have remained largely unchanged in the past decade.

In 2021, funding to multilateral organisations fell to US\$13.9 billion, accounting for 54% of total assistance down from 60% in 2020. However, it still constitutes the majority of assistance from public donors. NGOs were the second largest recipients of funding from public donors, receiving 19% of contributions, down from 20% in 2020.

DAC donors continue to provide the bulk of international humanitarian assistance, providing 94% in 2021. The volume of funding from non-DAC donors increased markedly in 2014, driven mainly by increases from Saudi Arabia and the UAE, and has fluctuated greatly since then. In 2021 non-DAC donors provided 6.5% of assistance, significantly below the 16% reported in 2018. However, it is important to note reporting by non-DAC donors is voluntary, so inconsistency in reporting may influence variations.

Multilaterals are also the largest recipients of funding from non-DAC donors, receiving an average of 36% of non-DAC funding over the last decade. However, the proportion varies significantly year-on-year. The public sector typically receives a higher proportion of funding from non-DAC donors, reaching a high of 42% in 2021. While in 2021, only 2.6% of non-DAC funding was to the Red Cross Movement, allocations were as high as 35% in 2015.

Figure 10

Increasing the volume of direct, quality funding to local actors is critical to ensuring crisis preparedness and response capacity reaches those most affected. Despite this, and the seemingly high profile of localisation, substantive progress against commitments has not been made. Gains achieved in 2020 during the Covid-19 response have been lost in 2021, as direct funding to local and national actors fell to the lowest levels since before 2016.

In 2021, direct international humanitarian funding to local and national actors reported on FTS reached only US\$302 million, half that of 2017 (US\$603 million). This represents a proportional fall of 2.8% in 2017 to 1.2% in 2021. After a spike in direct funding to local and national actors in 2020, where it reached US\$824 million during the pandemic, 2021 saw a 63% decrease. This was largely driven by a reduction in funding to national governments, from US\$654 million in 2020 to US\$157 million in 2021.

Reported international humanitarian funding to local and national actors has fallen to 1.2%

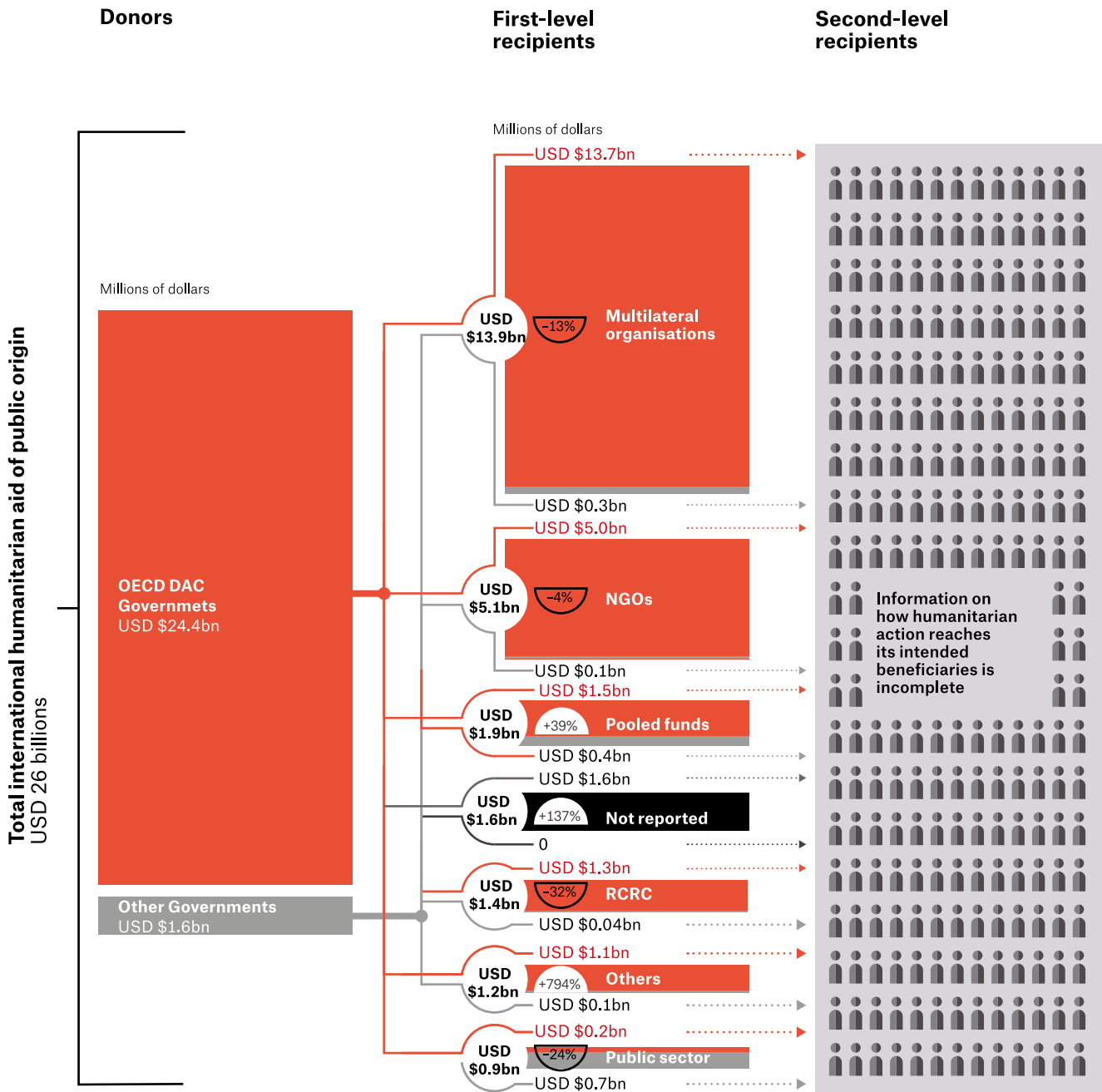
f10

Channels of delivery of international humanitarian assistance from public donors, 2020-2021

Sources: Development Initiatives based on UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS) data.

Notes: RCRC = International Red Cross and Red Crescent Movement. Data is in constant 2020 prices. Figures include first-level recipient data from government sources (DAC and other governments) and EU institutions as reported on UN OCHA's FTS. Data for private humanitarian assistance is not included, as figures collected via DI's

manual data collection annual exercise are available only up to 2020. 'Pooled fund' refers to funding to UN Central Emergency Response Fund (CERF), Country-Based Pooled Funds (CBPFs) and other pooled funds. 'Public sector' refers to funding to national governments and inter-governmental organisations. The following categories of: Academia/think/research, Foundations, Other, Private individual/organisation, Private organisation/foundation, Private sector corporations and Undefined have been merged under 'Other'.



% change in IHA received 2020-2021

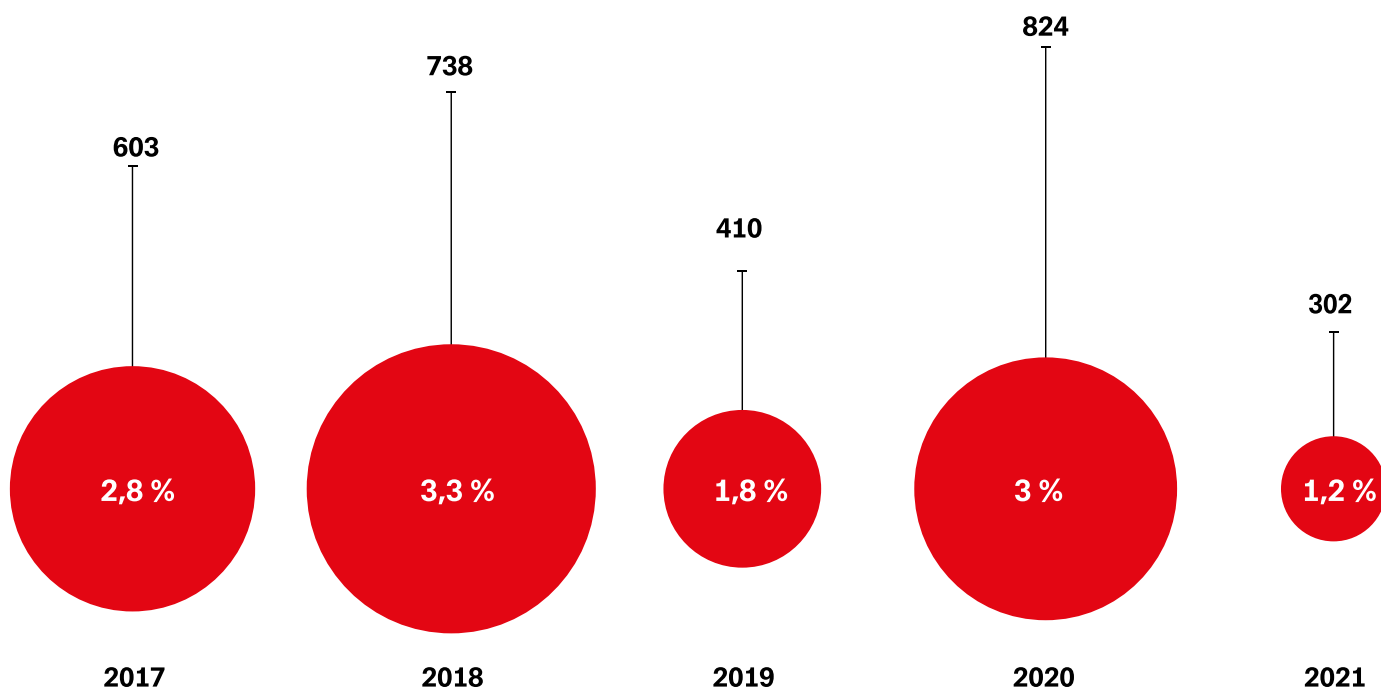
f11

Total volumes and proportion of direct funding to local and national responders, 2017-2021

Source: Development Initiatives based on UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS) data.

Notes: Local and national actors include all local, national or local/national non-governmental organisations (NGOs), determined by internal organisation coding. Southern international NGOs, which receive funding to operate within the country they are headquartered in, are

included as national actors. RCRC national societies that received international humanitarian assistance to respond to domestic crises are included in local and national actors. Similarly, international funding to national governments is considered as funding to national actors only when contributing to the domestic crisis response. Funding is shown only for flows that reported with information on the recipient organisation. Data is in constant 2020 prices.



Millions of dollars



Direct funding to local and national actors



Direct funding to local and national actors as a percentage of total international humanitarian financing

The volatility in direct funding to local and national actors is largely driven by fluctuations in funding to national governments throughout the period. In 2019, the fall in funding to national governments was mostly due to a 70% reduction in funding to the Yemeni Government from Saudi Arabia. In 2020, the pandemic response saw a broader disbursement of humanitarian assistance directly to national governments: 41 national governments received over US\$5 million, compared to only 10 in 2018.

Following an increase in funding in 2020, direct funding to local and national NGOs also fell in 2021, from US\$140 million to US\$129 million.

Figure 11

In 2021, humanitarian assistance provided in the form of cash or vouchers (CVA) increased for the sixth consecutive year. Preliminary partial data³ shows the volume transferred to recipients rose to US\$5.3 billion in 2021, an increase of 3.7% from 2020. Including programming costs, humanitarian CVA reached US\$6.7 billion in 2021.

The reform of the whole system has seen slow progress

Assuming similar levels of CVA in 2021 as 2020 for NGOs who could not yet provide data, the global transfer value would be US\$5.7 billion, with total programming costs around US\$7.1 billion. Implementing organisations of CVA largely managed to consolidate or increase the volumes of CVA they transferred to recipients, following a rise in CVA operations in 2020 during the pandemic response. It is expected that NGOs missing data also saw increasing CVA programming; DI estimates the level of yearly growth in 2021 to be 12%.

In 2021, partial data suggests CVA made up 19% of international humanitarian assistance. When accounting for missing data, it is likely to make up approximately 21%. UN agencies give the largest proportion of CVA (61% of preliminary data in 2021). However, in 2020 the CVA given by NGOs increased more than that by UN agencies, with increases of US\$469 million and US\$240 million respectively. Preliminary data suggests both organisation types increased by similar volumes again in 2021. Cash remains the preferred method of delivery, accounting for 71% of CVA in 2021 with the remaining 29% as vouchers.

The growth in global volumes of humanitarian CVA is reflected in the existence of the multipurpose cash (MPC) clusters in some response plans. In 2021, requirements for MPC clusters reached US\$339 million, almost five times requirements in 2016. Despite the increased profile of CVA programming, publicly available data on CVA remains sparse and it is not possible to trace how much international humanitarian assistance is implemented as CVA from publicly reported data.

Figure 12

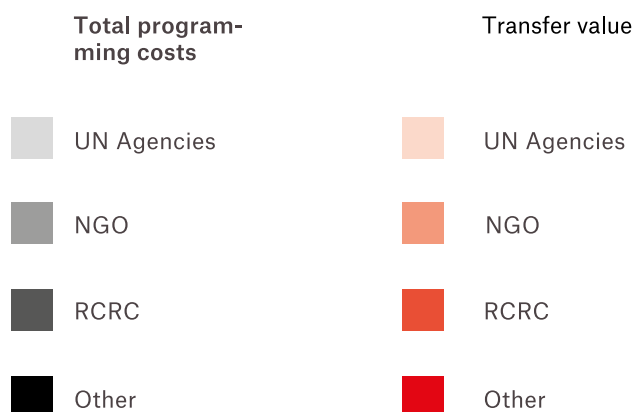
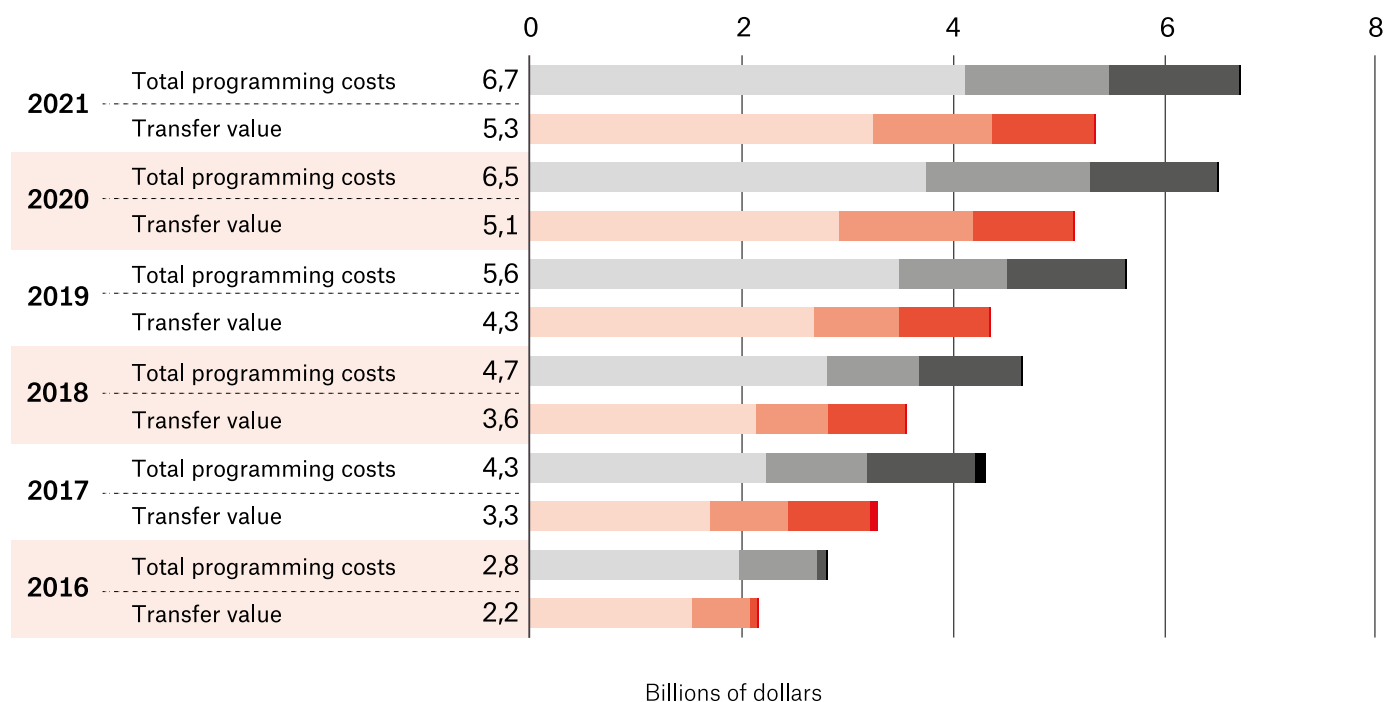
³ Data for 2021 is incomplete, as data from a few NGOs is yet to be captured.

Total funding for humanitarian cash and voucher assistance, 2016-2021

Source: Development Initiatives based on data collected with the help of the CALP Network from implementing partners and on UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS) data.

Notes: CVA = cash and voucher assistance; NGO = non-governmental organisation. RCRC = International Red Cross and Red Crescent Movement. Data for 2021 is preliminary, as data for some organisations has not yet been

provided or is based on estimations. Double counting of CVA programmes sub-granted from one implementing partner to another is avoided where data on this is available. Programming costs are estimates for organisations that provided only the amount transferred to beneficiaries. Data is not available for all included organisations across all years. For instance, the RCRC started to systematically track CVA only in 2017. Data is in current prices.



5

CONCLUSION

This chapter presents a detailed picture of humanitarian needs and the financing landscape in 2021. Section 1 examined overlapping vulnerabilities driving crisis, the resulting increasing numbers of forcibly displaced people, and the major recipients of humanitarian assistance. Section 2 presented trends in total international humanitarian assistance, including information on who provides it, and alternative funding streams that could support the humanitarian system in the face of climate change. Section 3 examined how funding was delivered to affected populations to improve the efficiency and effectiveness of humanitarian response.

The Covid-19 pandemic and impacts of climate change added to the already large challenges faced by the humanitarian sector in 2021. The number of complex and protracted crises has continued to grow, increasing and compounding humanitarian need, as funding levels have continued to stagnate. System-wide reform has seen slow progress, particularly evident in the reversed gains on funding localisation since 2020. To meet rising humanitarian need, despite severe funding shortages, the sector needs to; commit to reform to ensure existing funding is used most effectively, and to exploit alternative funding sources to work to increase resilience.

Development Initiatives (DI) is an international development organisation that focuses on putting data-driven decision-making at the heart of poverty eradication.

Our vision is a world without poverty that invests in human security and where everyone shares the benefits of opportunity and growth.

We provide rigorous information to support better decisions, influence policy outcomes, increase accountability and strengthen the use of data to eradicate poverty.

Copyright © 2022 Development Initiatives

We encourage dissemination of our work provided a reference is included.

Contact:

Kirsty Lazer
Analyst
kirstyl@devinit.org

To find out more about our work visit:

www.devinit.org

Twitter: @devinitorg

Email: info@devinit.org

Development Initiatives is the trading name of Development Initiatives Poverty Research Ltd, registered in England and Wales, Company No. 06368740, and DI International Ltd, registered in England and Wales, Company No. 5802543. Registered Office: First Floor Centre, The Quorum Bond Street South, Bristol, BS1 3AE, UK.

GLOBAL HUB

Development Initiatives
First Floor Centre, The Quorum Bond Street South, Bristol
BS1 3AE, UK
+44 (0) 1179 272 505

EAST AFRICA HUB

Development Initiatives
Shelter Afrique Building
4th Floor, Mamlaka Road
Nairobi, Kenya
PO Box 102802-00101
+254 (0) 20 272 5346

AMERICAS HUB

Development Initiatives
1110 13th Street NW,
Suite 800, Washington DC
20005, US