

# Financing social assistance in crisis situations

Rachel Slater, Daniel Longhurst and Paul Harvey

February 2022

---

## Theme summary

Protracted crises are increasing and becoming compounded, but financing solutions for humanitarian and social assistance in fragile and conflict-affected settings (FCAS) are not keeping up.

UN consolidated (humanitarian/emergency) appeals have, over the past decade, been around 60 per cent-funded, despite growing exponentially in size. Social protection coverage globally remains limited, with only an estimated 45 per cent of the world's population having access to any form of social protection. This figure dips below 10 per cent in many low-income countries (Development Initiatives 2020; ILO 2017). The lack of coverage comes at a time when global

extreme poverty increased in 2020 for the first time in decades (World Bank 2020).

Indeed, by 2030, 85 per cent of the extreme poor – some 342 million people – will live in FCAS (Samman *et al.* 2018). Financing assistance in these contexts is complex, often arriving late, and/or is earmarked for certain actors and activities, when what is required is flexible, multi-partner programming. This is despite commitments made by the signatories to the Grand Bargain and at the World Humanitarian Summit to improve the timeliness, flexibility, transparency, and efficiency of aid. Solutions to these challenges remain poorly understood or caught in humanitarian or social protection silos.

*This thematic brief is a shortened version of a BASIC Research Working Paper. To explore this research theme in more detail please refer to:*

Longhurst, D. (2022) *Financing in Fragile and Conflict-Affected Situations for Basic Assistance: What is Known, and What are the Opportunities and Barriers to Improving Financing?*, BASIC Research Working Paper 15, Brighton: Institute of Development Studies, DOI: [10.19088/BASIC.2022.015](https://doi.org/10.19088/BASIC.2022.015)

A full list of the references cited in this brief can be found at the [BASIC Research Zotero library](#).

Implemented by



Better Assistance in Crises (BASIC) Research (funded by UKAid) aims to inform policy and programming on how to help poor and vulnerable people cope better with crises and meet their basic needs through more effective social assistance. All costs related to BASIC Research are covered by the UK Foreign, Commonwealth and Development Office.

## State of the evidence and debate

The terrain is shifting rapidly. There has been an increased focus in recent years on crisis and risk financing as part of high-level reform agendas, and an increase in the range of innovative financial instruments available to finance crises. This has resulted in new actors, avenues, approaches, and instruments, as the table sets out:

	Actors	Avenues	Approaches	Instruments
Opportunities	New configurations of actors have emerged, including the private sector, humanitarian and development agencies, and international financial institutions.	New avenues to better finance crisis situations have opened up in the past decade, such as through disaster risk finance, shock-responsive social protection, the Comprehensive Refugee Response Framework (CRRF), and the World Bank's IDA sub-window for refugees.	Approaches have broadened beyond response to anticipatory action measures and risk financing approaches in the humanitarian sector; and the potential for climate finance, especially adaptation and loss and damage finance, to support resilience and shock-responsive approaches in fragile contexts.	International financial institutions are developing a growing range of financial products and mechanisms adapted to fragile contexts, including grants and contingent loans, pre- and post-crisis.
Challenges and constraints	Overall official development assistance (ODA) is dominated by bilateral flows, but this is not the case for the social protection sector, where 69 per cent of ODA was provided by multilateral agencies in 2019, a share which has increased steadily over the past decade.	While globally, social protection is funded domestically (through taxation, deficit financing, and contributory social insurance), low-income countries, especially those affected by conflict, are highly dependent on external ODA and other donor funding for systems development and implementation. Due to limited domestic resource mobilisation, capacity programming is externally funded and off-budget.	Despite the focus on adaptation and ex-ante responses, very little climate finance is understood to be channelled to the social protection sector. For climate finance delivered through bilateral and multilateral agencies, there is anecdotal evidence of more funding going to social protection, albeit with limited levels of detailed evidence.	Experience with ex-ante risk financing instruments is heavily skewed towards climate shocks. While in theory ex-ante risk financing principles and instruments can be applied to different types of shocks, in practice there are a limited number of institutions that offer ex-ante risk finance instruments applicable to contexts of conflict or forced displacement.
	Despite the Grand Bargain signatory donors committing to channel at least 25 per cent of international humanitarian assistance to local and national actors by 2020, progress has stalled. In 2019, this figure stood at 2.1 per cent (US\$444 million), decreasing from 3.5 per cent (US\$782 million) in 2018.	Most assistance to the refugee populations still flows outside national government systems. This leaves an adequate roadmap to harmonise fractured responses to displacement and to link or transition to national systems and services.	During the Covid-19 pandemic, evidence shows that countries were able to mobilise domestic or international resources to respond to the pandemic, though in the majority of cases this has proven to be the reallocation of budgets as opposed to sourcing new financial sources (Longhurst <i>et al.</i> 2021; Beazley <i>et al.</i> 2021).	New instruments to tackle the refugee crisis are emerging but are heavily focused on middle-income countries hosting large refugee populations, for example, the Global Concessional Financing Facility that provides concessional financing in Lebanon, Jordan, Colombia and Ecuador.

# Gaps in the evidence

Some of the emerging avenues, approaches and instruments identified hold substantial potential, and are being rolled out in numerous, generally peaceful and stable contexts. However, the instruments face a series of challenges in FCAS.

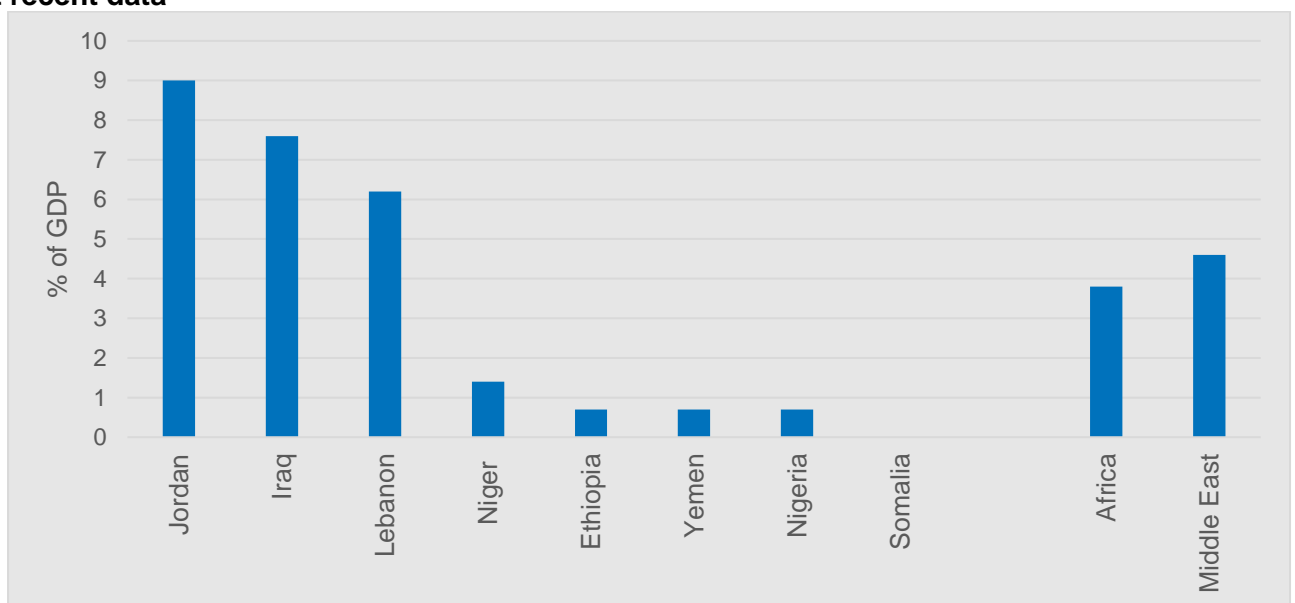
### Technical:

- The needs and capacity gaps in government and specialised agencies to source and manage social assistance financing via different avenues and instruments are poorly understood.
- The benefits, drawbacks, and entry points for more sustained financing of social assistance are understood in theory but not in practice, in specific countries, with particular types of crises, with distinct dimensions.
- Better knowledge is required on why certain financial instruments, in isolation or combination, succeed or fail in particular situations.
- Effective cooperation and coordination among an increasingly large range of actors requires better identification of the layering and pooling of risk within finance instruments, alongside improved understanding of who owns – and should ‘own’ – risk in specific instruments.

### Political:

- Scope for reform and expansion of social assistance financing moving towards more nationally led and sustainable sources depends fundamentally on national and global politics; and on the willingness of donor and crisis-affected governments to prioritise investment in social assistance, and to develop the public financial management systems to enable reform and use of a wider range of financing instruments. All this is poorly understood in situations of protracted crisis.
- A lack of data and evidence persists on financing flows in protracted crises and what instruments can help overcome problems with timeliness and alignment with national systems, while not creating a saturation and capacity challenge at country and sub-national level.
- Existing studies of financing in situations of protracted crises tend to focus very little on domestic financing and resource allocation (despite this being an important element in the Middle East (Figure 1), or on the politics (at national level, and among actors) that drive decisions to resource social assistance.

**Figure 1: Expenditure on social protection (excl. health and consumption subsidies), 2020 or most recent data**



Source: ILO 2021

Note: Somalia – no data available

# Directions for research

Potential directions for research include:

- **Using ecosystem mapping to build a composite picture of financing in FCAS of activities that cross the social protection–humanitarian–climate spectrum of financing.** This could examine existing data sets across humanitarian, development, and domestic financing at global and country levels to provide an accurate picture of how social assistance (both social protection and humanitarian) is currently being financed in the four focus countries and in protracted crises globally. Climate finance has potential to support social assistance in crises, but currently the metrics on the amount of support are unclear, and multilateral climate finance facilities are not yet fully committed to supporting social protection.
- **Analysing the political constraints and opportunities to social assistance financing reform.** This might focus both on donor and international aid financing and on the incentives and obstacles for reform, as well as the types of political settlements around social assistance that enable or disable new patterns of domestic taxation, resource mobilisation and redistribution in situations of protracted crisis. Examples can include how domestic and international financing dovetail in situations of protracted (including cross-border) displacement, or how to benefit from fossil fuel revenues in ways that do not leave social assistance financing susceptible to price (and therefore) revenue volatility or fiduciary risks.
- **Exploring the potential for expanding financial protection strategies from climate- and weather-induced covariate shocks to cover other complex risks.** While, in theory, risk financing principles and instruments can be applied to different types of shocks, they have not yet been applied to contexts of conflict or forced displacement. More evidence is needed on how to finance shock-responsive social protection in FCAS, and how to align financial instruments, sources, and actors, which in contexts of insecurity can be quite different.

## Acknowledgements and Disclaimer

This document was developed by the Better Assistance in Crises (BASIC) Research programme. BASIC is implemented by the Institute of Development Studies (IDS), the University of Sussex and the Centre for International Development and Training, funded by UKAid from the UK government. The views expressed in this document are entirely those of the authors and do not necessarily represent views or policies of the UK governments official policies.

© IDS copyright 2022. Copyright in the typographical arrangement and design rests with IDS.

This publication (excluding the logos) may be reproduced free of charge in any format or medium, provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as IDS copyright with the title and source of the publication specified.

Published by IDS.

DOI: [10.19088/BASIC.2022.021](https://doi.org/10.19088/BASIC.2022.021)