United Nations Nations Unies

Office for the Coordination of Humanitarian Affairs

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A Casement Lecture: Towards a Better System for Humanitarian Financing

Iveagh House, Dublin, Ireland, 23 March 2018

I am delighted to be in Dublin today. Ireland has always been a champion of principled humanitarian action, and has been a great support to my office, OCHA, for many years.

And I am honoured to be delivering a talk in the series of Casement lectures. I have always been a bit conflicted about my allegiances: I am 5/8 Irish, and we spent our honeymoon here. But I am also British and worked for more than 30 years for Her Majesty's Government.

Roger Casement, whose origins were also mixed, was a true 20th century humanitarian. He was an original champion of what we define today as humanitarian principles. He spent his life seeking to protect local people from the predation of colonial regimes, not least in Congo, Nigeria, Mozambique and South America.

He may have been first to coin the phrase "crimes against humanity". He certainly fought against them throughout his adult life. His legacy provides a role model for my post - the UN Under-Secretary-General for Humanitarian Affairs, even though this job was only created 75 years after he was killed. I hope he would approve of what I am about to say.

I want to talk today about how we can make the humanitarian response system better, faster and cheaper. Getting the right help to people who need it as soon as they need it. In a way that provides good value for those who pay for it.

I have spent over 30 years working on emergency assistance. My first job was on the response to the Ethiopia famine in the mid-1980s. I subsequently worked on famines and floods, earthquakes, typhoons, hurricanes, cyclones and wars in more than 50 countries.

So, I want to be crystal clear about the starting point. The humanitarian system is neither broke nor broken.

In the last year, I have seen first-hand all the biggest crises, from Maiduguri to Mogadishu, from Hajjah in Yemen to Homs in Syria. I have seen the work of dozens of humanitarian agencies, spoken to hundreds of their staff, and met and listened to thousands of people they are helping.

The humanitarian system has never been more effective. We reach tens of millions of vulnerable people each year. We unquestionably save millions of lives.

Last year the humanitarian community helped stave off famines in South Sudan, Somalia, north-east Nigeria and Yemen. We provided life-saving aid and protection to over 620,000 Rohingya refugees fleeing violence and persecution in Myanmar. And we helped millions of displaced people throughout the world, from Afghanistan to Colombia, from the Congo to Ukraine.

We are better – and quicker – at identifying different groups' specific needs in crises.

Humanitarian agencies are more competent and professional than ever before. Response plans are more coordinated, comprehensive, innovative and well executed.

Agencies are more generously financed. UN appeals alone raised a record US$14 billion in 2017, up from $4 billion in 2005.

Collaboration between local first responders and international agencies like the UN, Red Cross and Red Crescent and the NGOs is more joined up.

And never have humanitarian organizations been so focused on making every dollar and euro go as far as it can in saving lives and reducing suffering.

People rightly observe that we claim that the system is better than ever, but needs seem to be rising every year and we are appealing for more money every year. How can that be, they ask?

It's a fair question.

There is a paradox. On the one hand, over the last 40 or 50 years, 100 countries have enjoyed dramatic economic and human progress. Increasing life expectancy, ending acute hunger, reducing child and maternal death, expanding education, and making electricity, water and the internet available to almost everyone.

On the other hand, though, 30 or 40 countries, mostly in Africa and the Middle East, have either not seen those gains or have had them destroyed by conflict. Those are the places where humanitarian need is concentrated. Ok, I can hear you think, but that does not explain why needs in the smaller group of countries are so much larger and more expensive to meet than they used to be.

You're right.

There are three main reasons why UN humanitarian appeals, which amounted in 2005 to $6 billion, have grown this year to a record $24 billion.

The first is simply that the world is bigger. The population has grown by 1 billion since 2005. And much of the growth has been concentrated in places with severe humanitarian problems.

Second, the recent wave of horrific conflicts in places like the Lake Chad basin, the Horn of Africa, Syria, Yemen and Iraq, in some cases linked to terrorism and extremist insurgencies, has created enormous and expensive need.

The third and biggest explanation for the growth in appeals, though, is that standards in meeting humanitarian need have got higher. Decades ago, humanitarian response often focused on the bare minimum life-saving requirements, typically revolving around food, shelter and water. Now—and this is a good thing—we aspire to cover health, education, protection (especially for women and girls), livelihoods and early recovery. That's a big part of why the size of appeals and the amount of funding have grown.

Humanitarian work is increasing life expectancy. Through the work of UNICEF, the World Health Organisation and others, it is reducing child and maternal death. Fewer people die in humanitarian crises now because both the quality and coverage of the response is higher than it used to be.

Nevertheless, there is ample scope to improve the global humanitarian response system.

Disasters and emergencies are predictable. Not in the sense that we know exactly when and where the next one will be, but in the sense that we know droughts, earthquakes, floods, hurricanes, cyclones and storms are a fact of life and, linked to climate change, are on the rise.

We know that many countries still need help dealing with these problems. And we also know that crises caused by conflict typically last a long time. That means they require sustained responses.

So—and this is really the only point I am making today—what we need to do is to move from today's approach, where we watch disaster and tragedy build, gradually decide to respond and then mobilize money and organizations to help; to an anticipatory approach where we plan in advance for the next crises, putting the response plans and the money for them in place before they arrive, and releasing the money and mobilizing the response agencies as soon as they are needed.

Does that sound like rocket science?

No, I don't think so either.

Would it really make a difference though? Well yes, actually, it really would.

Take the example of Ebola in West Africa, which I spent a lot of the second half of 2014 and much of 2015 working on. The signs of trouble were evident in March and April 2014. Had there been a bit more money - $10 million would probably have done it – and a few more organizations alongside the heroic MSF (Doctors without Borders) and a better understanding in the countries concerned that gripping the problem early would have saved many lives and prevented much economic damage, the pandemic could have been brought under control quite quickly.

But because it was allowed to get out of control, the ultimate cost of dealing with it exceeded a billion dollars and required the mobilization of thousands of international public servants, including from the US and British military, working alongside their west African counterparts. By the time the outbreak had been contained, more than 11,000 people had died, including over 800 West African health workers.

Our aim in future should be to prevent crises reaching that level. For many of them, not just health pandemics, that is entirely possible. And even where it is not, we can organize humanitarian relief to reduce suffering faster and play a bigger part in solving the underlying problems.

I am going to spend the rest of my time with you running through a six-part agenda for doing just that.

The first thing we need to do is to make much greater use of disaster risk insurance. Insurance is taken for granted in high-income countries, where almost half of natural hazard costs are covered by insurance. That is not in the case in poorer countries, which on average have just 5 per cent coverage.

My colleagues at OCHA have estimated that 20-30 per cent of the needs we identified in our Global Humanitarian Overview for 2018, which we published last December, could in principle be met through insurance.

Interestingly, insurance companies like Swiss Re and Munich Re, asking the same question, have got to roughly the same answer.

Some of this is already happening. You will recall the Caribbean Hurricanes Irma and Maria, which dominated our TV screens last September.

Within days, the Caribbean Catastrophe Risk Insurance Facility paid out to four countries hit by the storms. These countries' governments had paid into a parametric insurance scheme to protect them from the impact of earthquakes, cyclones and flooding.

Last month, a big cyclone wreaked havoc in Tonga. The Pacific Catastrophe Risk Insurance company, owned by five countries and supported by the World Bank, has already paid out to help finance the recovery.

Similar models are being tested for food crises. Many African countries – often supported by donors and now also by the African Development Bank – pay into the Africa Risk Capacity initiative. It offers insurance against food insecurity caused by drought.

Crucially, it is automatically triggered, based on rainfall or other parameters. Automaticity is the most effective way to depoliticize response. And just as crucially, the money released is used to finance response plans that have been developed and approved in advance.

Since its inception, ARC has made payouts for eight countries. The latest, to fund drought response in Senegal, Malawi, Mauritania and Niger, totaled $34 million, helping 2 million people with food, water and livelihoods.

A similar initiative, Global Parametrics, backed by the British and German governments, is launching an insurance scheme potentially protecting 4 million people in Africa and Asia from climate related threats to their livelihoods.

And a leading NGO, the International Rescue Committee, is developing proposals for displacement insurance, which could trigger financing as soon as refugees or people movements are a trickle rather than waiting for the flood.

Other insurance products and mechanisms are being developed through public-private partnerships. Like the Insurance and Development Forum, which brings together UN agencies and insurance partners to extend insurance to build resilience in at-risk countries. And the Centre for Global Disaster Protection in London, which will provide a hub for leveraging expertise in risk, science and insurance to help developing countries with disaster planning and risk-transfer insurance.

But when it comes to insurance, the devil is in the detail. Some people think some humanitarian crises are not insurable. I'm not sure if that's true. My guess is that, for the right price, some insurer somewhere will take on almost any risk.

In some cases, though, that might not be the best approach. Let me offer a personal example: I, like, I'm guessing, all of you, insure my house. I do not, however, insure my son's laptop.

My insurance company's experience over the years with me on that has led them to be willing to offer cover only at an annual premium somewhat greater than the replacement cost of the computer. I have concluded that it is better to accept the risk myself, and organize my affairs so that I can handle the contingency myself when it arises.

That brings me to my second proposition: that crisis response would be improved by greater use of pre-agreed, contingency financing windows by the multilateral system.

Most governments organize contingency financing for themselves through their budget processes. But a minority are unable or unwilling or too constrained to do so.

The multilateral system already recognizes this in some of the help it offers.

One example is the deferred draw-down lending option the World Bank offers its better off – i.e. IBRD – borrowers. They access money at rates related to the Bank's own cost of borrowing, which is typically much lower than the borrowers can obtain themselves.

This is a form of contingency financing: the deal is that the money is available instantly at the request of the borrower, but that if it's not needed, it's not drawn and of course not paid for.

Exactly the same principle can apply to the poorer clients of the development banks. This approach means that financing can arrive in days, rather than the months that it can take to mobilize funds from the donors or institutions at the moment.

There are already examples of this. The Pacific cyclones I mentioned earlier triggered such a contingency financing payout just last month from the Asian Development Bank. The Inter-American Development Bank has a similar contingent credit facility for natural disasters.

One of the most important developments in crisis financing in recent years has been the creation of the World Bank's Crisis Response Window in IDA – the Bank's window for its poorer clients. Under the current IDA provision – IDA 18 - there is $2 billion available for the Crisis Response Window.

The current system for the window involves negotiating response packages as each crisis appears. That takes time. A natural next step, for the most clearly vulnerable countries, is to put the arrangements in place in advance. Obvious candidates would be Nepal for earthquake risk, and Somalia and Ethiopia for drought risk.

The big advantage of an anticipatory approach like this to crisis management, as with insurance, is that it cuts response times and costs, facilitates better-quality programme design and impact, and reduces suffering.

I believe that a similar approach would be desirable for some of the funds under my responsibility. OCHA currently manages both the Central Emergency Response Fund (CERF) and Country-Based Pooled Funds. Combined, they account for about 10 per cent of the total funding provided for UN humanitarian response plans – or about $1.3 billion in 2017.

I think we should experiment and test some innovations to demonstrate the benefits of applying more anticipatory, data-driven models of allocating funding.

One option would be a CERF Early Action window, whereby CERF funding would be released by early warning information and agreed triggers to contain the impact of imminent shocks.

Independent analysis validates this idea. A review of the added value of CERF's response to the 2016 El Niño phenomenon found that CERF grants were some of the first international funding available, and that they catalyzed increased donor support. But it also found that CERF would have had a greater impact had it kick-started action before humanitarian needs unfolded.

To get ahead of disasters, action triggers must be backed up by strong data and predictive analytics.

Last December, OCHA and the Dutch Government set up the Centre for Humanitarian Data in The Hague to increase the use of accurate data to inform evidence-based humanitarian action. The Centre is asking some hard questions. What new sources of data can we use to predict needs? Who can fill the gaps? How do we speed up the flow of data and its analysis?

To illustrate the value of data in triggering appropriate action, let's look at the example of the UN Food and Agriculture Organisation's forecast-based financing model. It was used to reduce the impact of severe drought on pastoralists in Ethiopia, Kenya and Somalia in late 2016. Response triggers were based on the analysis of lots of socio-economic, health and climate indicators. Things like data on milk production, stunting rates in children, pasture coverage and soil moisture levels.

An impact study of the intervention showed that for every $1 FAO invested in the project to keep livestock healthy, pastoralist households received a cash benefit of $3.50. The World Food Programme has a similar forecast-based quick response model.

But predictive analytics can also be drawn from unexpected places. Some reporting from Somalia suggests that when a community is on the brink of food insecurity, mobile phone data usage is one of the first things to decline. This strong correlation means that we should be able to use data from mobile phone companies to predict when we need to scale up social safety nets for vulnerable communities.

These evidenced-based, trigger-propelled, anticipatory financing models, when put together, and scaled up, can start to change the mind-set of decision-makers across the international community.

Clearly, it would be much better and cheaper to act based on rational data triggers, rather than the emotional pull of annual and flash appeals, which tend to have their biggest effect only when enormous suffering is already on display.

I know that others, like a collaboration between the German government and the International Federation of the Red Cross and Red Crescent are exploring other possibilities for forecast based financing. I greatly welcome that. I am sure this is one of the most promising areas for further innovation.

Third, beyond pure insurance models, and contingency financing models in the multilateral system, we should explore other forms of risk sharing with the private sector.

Possible solutions come in the form of a range of market-based instruments including social impact bonds, guarantees and other initiatives which tap into the global capital markets.

Since the Ebola Crisis, for example, the World Bank has developed a Pandemic Financing Facility, in conjunction with Swiss Re and Munich Re. One element is the launch of pandemic bonds to support an emergency financing facility, which will surge funds to developing countries facing the risk of a pandemic. This not only marks the first time World Bank bonds will be used to finance an effort against infectious diseases, but also the first time that risk in low-income countries is being transferred to the financial markets.

Similarly, the International Committee of the Red Cross has launched a humanitarian impact bond through which donors put money up front and investors are reimbursed only once the results have been delivered. In this case, the funding will support three physical rehabilitation centres in Nigeria, Mali and the Congo over a five-year period.

These kinds of schemes could also enable Governments to provide increased services to help people rebuild their lives and shift the focus onto implementation quality, which is too often neglected.

Likewise, the International Finance Facility has turned donor pledges into bonds sold in the capital markets to procure the Ebola vaccine in advance of a future Ebola outbreak.

In a similar approach, Gordon Brown has launched an International Finance Facility for Education in Emergencies, as a partnership between developing countries, international finance institutions and public and private donors to mobilize additional financial resources. Donors would provide guarantees to allow the World Bank and regional banks to borrow money for education, which is then turned into loans and grants to finance educational activities.

This is particularly attractive as a way of ensuring that generations of children whose countries are caught up in conflict do not forever lose the chance of an education. That would not just be an unacceptable tragedy for them, but also a social, economic and political disaster for their countries.

Some of these ideas will probably prove to have more mileage than others. One thing it is important to do for all of them is to analyse and catalogue the experience. And to identify the models with the most promise and potential for scale up and replication.

The fourth thing we need to do is to promote development which builds resilience against crises, and design humanitarian interventions in a way which secures greater development co-benefits.

Humanitarian agencies currently spend too much effort easing symptoms in a palliative mode, rather than operating in a way that contributes to solutions as well as relieving suffering.

One of the reasons food security has improved in dozens of countries in recent decades, and famine has become much rarer, is that even many of the poorest countries have established safety net schemes which guarantee people entitlements to food or income when their crops fail or their animals die.

Often set up with international support, such schemes have the potential to be scaled up and down as harvests fail or succeed. Productive safety net schemes – which contribute to development goals as well as saving lives - are in place in Bangladesh, Ethiopia, Kenya and many other countries.

Humanitarian organizations need to find ways to link into these safety net schemes to ensure they can be scaled up quickly when drought or other shocks threaten large numbers of people.

Modern technology used for identification, like biometric data, combined with new secure means of recording transactions and transferring cash, like the blockchain, are creating new ways of getting help to people even in the most insecure environments.

UNHCR, the refugee agency, and UNICEF are exploring the potential uses of the blockchain in their innovation teams.

The average conflict now lasts twice as long as in 1990. In six countries we have had annual UN appeals for 13 years in a row.

In other words, responses to crises which we know will be long lasting are still financed as though they are short term problems.

To over simplify the issue a bit, rather than expensively trucking water around drought-prone parts of the Horn of Africa, it would be much better to support longer term efforts to improve water resource management systems including boreholes, irrigation systems and drought-resistance seeds.

And rather than simply providing food and shelter to displaced people in camps for years in succession, it would be better to invest in solutions, including through the provision of access to land and housing, and to jobs and schools.

These solutions require the right mix and sequencing of humanitarian and longer-term recovery and development financing.

Such approaches are gaining traction across the world. But financial siloes still prevail between the international development and humanitarian finance systems. There is scope for much more join up, and that is something we are working on as part of the UN Secretary General's development system reforms. Last month, Achim Steiner, who runs the UN Development Programme, and I went to Somalia and Ethiopia, where we saw some excellent examples of good practice.

There is also a good deal we still need to do to make the existing humanitarian financing system more efficient and more effective. That is my fifth proposition.

We have made progress.

Fifty donors and aid agencies have signed up to the Grand Bargain, which came out of the High-Level Panel on Humanitarian Financing, and the World Humanitarian Summit in Istanbul in 2016.

It aims to make humanitarian aid more flexible, transparent, effective, and better-suited to people's needs.

We have seen significant progress since then. There has been a scale-up of multi-year and unearmarked funding by several of the largest donors.

There is greater commitment to cash programming, which studies consistently determine to be better up to 50 per cent better value than in-kind aid, as well as supporting local markets and empowering recipients.

There is much more use of local organizations, who we know are often the first responders. In 2017, nearly a quarter of the money we raised for OCHAs Country-Based Pooled Funds went directly to national NGOs, making them the largest source of directly accessible funding for these organizations.

We in the response agencies also take our duty to be efficient very seriously. We know that every dollar spent on unnecessary or inefficient overhead is another child not getting a meal or another baby not getting a life-saving vaccination. The International Organisation for Migration, under the leadership of Bill Swing, are global leaders in this area, and it is something my peers and I are all committed to.

There is more to do on all of these issues. And the multilateral humanitarian system is still too reliant on too few donors.

Sixty-five per cent of the money we raised in UN-coordinated humanitarian appeals in 2016 came from just five donors.

The World Humanitarian Summit emphasised the potential contribution of Islamic social financing instruments.

Business leader Badr Jafar is identifying ways in which Islamic philanthropy – estimated to amount to between $250 billion and $1 trillion each year - can be channeled through more coordinated systems. We are keen to support such initiatives.

Sixth and finally, we need to aggregate, analyse and share the findings from pilots and experiments so we learn what works best in different scenarios.

One of my predecessors commented recently that there has been more innovation in humanitarian funding in the last two years than in the previous 38.

Knowledge on new approaches is starting to be shared, but we need to scale up and connect findings from the numerous schemes now being looked at or tested. A strong evidence base is essential to make sure we focus on the best ideas, not just the newest ones. We do need to learn by doing, but it is essential that the lessons are spread as they become clear.

As a convener, a coordinator, and a large-scale resource mobiliser, OCHA has a role to play here. We are keen to build up our research and knowledge sharing capacity to foster better lesson learning.

As part of our recent restructuring, we have established in my office a new humanitarian financing Division. We aim both to improve the efficiency and effectiveness of the financing tools that are already in play, and to contribute to helping inform and shape a financing system that is more fit for the future.

All of these activities will require us to build our financial skills, including by hiring more finance professionals, economists, data analysts and statisticians, as well as people with experience in banking, insurance and development finance institutions.

If we do that, I believe we can play a pivotal role in creating a more nimble, flexible, solutions-driven sector in the years to come.

The future of humanitarian financing is now, and there is no doubt that we will continue to see a lot of exiting innovations. I look forward to engaging in the discussion to come, and in particular, I welcome the opportunity to participate in a USAID-funded conference on this at the Centre for Strategic and International Studies in Washington this autumn.

A recent study conducted by the UK's Government Actuary Department—not normally known for the raciest of conclusions—said "there is a growing evidence base that suggests that if well designed, risk finance linked to pre-arranged systems with clear decision-making processes can lead to faster, more cost effective and more reliable response to emergencies."

I would like to see us reach a place where data-driven, automatic, and anticipatory response more often becomes our default activity. That will help us deliver the most effective, cost-efficient humanitarian response possible.

To do so, the humanitarian system will need to embrace one of its biggest drivers of success: its ability to perpetually adapt to change and to innovate out of problems.

To paraphrase George Bernard Shaw, while the unreasonable man [or woman] persists in trying to adapt the world to him [or her] self, "the reasonable man [or woman] adapts to the world." Thank you.