NORWEGIAN REFUGEE COUNCIL

Mind the Gap: NRC's position on what to do when humanitarian funding can't support everyone in need

How to target humanitarian and development financing investments to meet and reduce needs.

BACKGROUND

The ongoing Humanitarian Reset and hyper-prioritisation of humanitarian appeals has resulted in a further narrowing of our collective efforts, rightfully prioritizing already limited humanitarian resources to support people with the most severe needs. However, a narrowing of humanitarian funding and the equally narrowed response that follows means that an enormous number of people in need are left without support, likely leading to worsening conditions for populations no longer served, potentially presenting an increased risk for conflict, and likely requiring assistance at a higher cost down the line.

This reality raises a critical question: if humanitarian funding can only reach a fraction of those in need, how should we think about financing responses for the wider caseload?

BY THE NUMBERS

At the start of the year, 300 million people were assessed as needing humanitarian assistance. Yet pre-existing and persistent funding gaps and anticipated shortfalls meant that our collective efforts would only target 60% of people in need. Hence, the Global Humanitarian Overview (GHO) aimed to target 178 million people with an appeal for USD 44 billion.

Fast forward 11 months, and we're currently facing a much more urgent and consequential problem precipitated by abrupt and severe funding cuts. This has forced us to face an uncomfortable reckoning: What do we do with a 50% increase in the number of people that will not be targeted by humanitarian assistance? How will these 65 million people dropped from humanitarian appeals receive support? And what about the other 122 million people who were never included 'in the books' in the first place? What do we do when at least 187 million people in need will not be targeted by humanitarian funding in 2025? And how did we get here?

Following the suspension of US funding and reductions by other major donors, the humanitarian system was forced to undertake a "hyper-prioritisation" process to ensure available funding would reach the people who need it most. The new hyper-prioritised appeal scaled down our collective target to less than 40% of People in Need (PIN), from 178 to 114 million people, with a funding request of USD 29 billion

As of mid-November, funding stood at USD 11.9 billion, approximately 35% of the new funding request. With that as our starting point, it's optimistic to think we could reach 50% of our funding goal. Using a simple, albeit crude, proxy that equates level of funding to people reached, the hyper-prioritised appeal funded at 50% would mean that four out of five people in the global PIN figure would not be reached by humanitarian assistance. This forces another set of impossible choices: 1) reach a significantly reduced number of people, or 2) deliver partial, inadequate packages of support to those with multiple needs.

LOOKING AT THE DRIVERS OF HUMANITARIAN NEED

The 2016 report from the UN Secretary General's (UNSG) High-Level Panel on Humanitarian Financing made a critical observation, *"The most effective way to bring down the cost of humanitarian aid is to reduce the necessity to resort to it…In the absence of determined and persistent political and diplomatic efforts to resolve conflicts, humanitarians are forced to assume a burden that should not be their responsibility."*

The Panel argued that one of the ways to reduce the humanitarian funding gap is by reducing needs, thereby calling for an urgent focus on reducing fragility and building resilience to shocks. The Panel highlighted that "*development is the best resilience-builder of all*" and recommended that the world's scarce official development assistance (ODA) be concentrated where it matters most—in fragile and protected emergency contexts.

Many good examples of prioritised ODA investments, with an overlay of humanitarian and development financing, already exist. These are approaches that meet basic needs after a shock or in an ongoing crisis; support basic service provision; remove barriers to exercising rights and supporting self-reliance; and build up local systems and capacities so communities and institutions can sustain services and manage future shocks independently. Yet none of them have achieved the scale required. As the Panel underlined, bridging the divide requires:

- **Joint planning** to address risks and vulnerabilities in a coordinated way.
- **Humanitarian responses** that prioritise solutions from the start.
- **Flexible development assistance** that can be quickly redirected—through tools like crisis modifiers—to where it is needed most.
- **Funding windows** that sustain livelihoods and basic services until longer-term development investments take hold.
- **Financial alignment at programming level** so that humanitarian and development resources can be effectively sequenced and layered to address both urgent and structural needs and ensure inclusion and protection of vulnerable populations.

The necessity to reduce needs and treat root causes that we heard a decade ago is directly relevant to today's situation. The reduced humanitarian target resulting from the significant reduction in humanitarian budgets has left at least 187 million people in need outside the reach of humanitarian appeals. Unless development and other forms of financing are mobilised to reduce the drivers of need, these populations risk being stranded—neither served by humanitarian actors nor supported through longer-term investments. This is not about channelling significant levels of development funds into short-term humanitarian programmes, but about making humanitarian programmes less necessary over time by addressing the underlying drivers of need and reducing dependence on humanitarian relief itself.

FINANCING HOLISTIC SOLUTIONS TO DISPLACEMENT

The 2021 report from the UNSG's High-Level Panel on Solutions to Displacement reached similar conclusions. It warned that, "t*he fact that internal displacement is still primarily viewed as a humanitarian issue is a key part of this problem. While humanitarian action is critical in saving lives and alleviating suffering, it alone cannot address all the elements necessary to enable durable solutions at scale.*"

The report underscored that appropriate financing is one of the most fundamental requirements for effective action on internal displacement. It called on development financiers to systematically include displacement solutions within fragility financing and articulate concrete plans for predictable, institutional engagement, including in fragile, conflict- and violence-affected (FCV) settings.

This recommendation was later codified in the UNSG's Action Agenda on Internal Displacement, which included a commitment to work toward ensuring that development financing proactively and systematically supports solutions, including in FCV settings.

The 2019 OECD Development Assistance Committee (DAC) Recommendation on the Humanitarian-Development-Peace Nexus used the same logic, with the aim being to shift *"from delivering humanitarian assistance to ending need."* The Recommendation emphasised that a diverse range of actors should work on the basis of comparative advantage with an approach that prioritises "*prevention always, development wherever possible, humanitarian action when necessary*".

Although clearly articulated in these policy commitments and others, implementation depends on having the right kind of financing, in the right place, at the right time; a trio of factors that has not yet come together at scale, as repeatedly documented in NRC's research (including Financing the Nexus, The Nexus in Practice, and Weathering the Storm).

We know that development financing is narrowing at the same time humanitarian money is going down, so it's worth nothing that this is how it should work in principle, while recognising that in practice, this will be challenging. However, the narrowing of humanitarian appeals has once again laid bare the simple truth: humanitarian assistance alone cannot carry the weight of today's crises.

With at least 187 million people left outside the reach of humanitarian funding, the collective humanitarian and development aid system faces a stark choice—either continue rationing relief ever more thinly, or act upon recommendations made over the last decade that seek to reduce the drivers of humanitarian need.

A MORE DISCERNING USE OF HUMANITARIAN FUNDS

The hyper-prioritisation process has also raised questions about what a more discerning use of humanitarian financing should look like. Does it mean we shouldn't work with a longer-term perspective in mind? Does it mean we have to go back to basic 'truck and chuck' modalities and providing one-off handouts?

The simple answer is *no*. At the same time as we need to get better at implementing layered humanitarian and development interventions, humanitarians must double down on 'Solutions from the start', an approach that offers the most cost-effective use of humanitarian money by scaling local systems and supporting local actors. 'Solutions from the start' approaches bring displaced people into existing systems to access services and, when needed, removes systemic barriers to inclusion. Focusing our humanitarian funding on meeting life-threatening needs in the most severely affected areas, as sustainably as possible, can and should include approaches that support people's resilience, coping capacities, and ultimately link into longer-term plans. If we are looking at longer-term solutions or recovery programming in areas where people have less severe needs, other sources of financing need to come into play.

THE WAY FORWARD

The way out of this is not to simply draw more funds into humanitarian programmes—although we do need more humanitarian funding just to meet the most severe needs—it's about making such programmes less necessary over time.

If the Humanitarian Reset is to be more than an exercise in narrowing caseloads, it must be accompanied by a parallel reset in how the international system funds prevention, resilience, and solutions. This cannot happen without development financing being systematically directed to FCV contexts as part of fulfilling the commitment to Leave No One Behind in the achievement of the Sustainable Development Goals.

Only if that happens will we be able to shift from a perpetual cycle of unmet needs to a trajectory where humanitarian assistance is timebound, links to longer term-plans, and leads to a future where people are independent from humanitarian assistance, have sustainable access to basic services, and can fully exercise their rights.

NRC'S POSITION:

- **Humanitarian funding should be allocated impartially**, i.e., on the basis of needs, focusing on the most severe needs first. This means humanitarian donors should direct their funds to severity 4/5 locations that have been prioritised in the 'hyper-prioritised appeal', until/unless there is sufficient funding across the sector to also meet needs outside these locations.

- **We need to pay particular attention to severe needs in hard-to-reach (H2R) areas.** Needs in these areas require our refocused attention, as they are often difficult to assess, can be contested or politicised by host governments in conflict-affected settings, and other actors may not be able or willing to respond in these locations. Without careful monitoring, needs in H2R areas may also slip into severity level 4 or 5 without anyone noticing. Likewise, responding to severity 4 and 5 needs in H2R areas is often more costly, time-consuming, and risky, which makes them less attractive for funding partners when resources are already constrained. However, these are exactly the contexts where humanitarian financing is needed and where humanitarian actors—particularly INGOs and the ICRC—must be present.
- **Solutions-oriented approaches can and should still be adopted within humanitarian responses aligned to the hyper-prioritised appeal** (and with humanitarian funds) in severity 4/5 locations. 'Solutions from the start' approaches provide the best value for money and can set the stage for local actors, local systems, and communities to be engaged and supported from the beginning.
- **We need more investment in systemic solutions to protracted and residual needs to support populations no longer targeted by humanitarian appeals or those who were never targeted in the first place. This should be increasingly funded by non-humanitarian budget lines** (e.g., through the domestic budgets of affected countries, institutional government development budgets, support from multilateral development banks (MDBs) or regional development banks, other development-finance mechanisms, or private funding) and focus on system-wide interventions and systemic solutions that promote resilience (capacity to cope), treat root causes of need over time, and contribute to self-reliance (reduced dependency). MDBs are likely the best placed to fill gaps in large-scale, systems level approaches.
- **Traditional bilateral and multilateral development finance mechanisms should be increasingly adapted to contexts of fragility, conflict and violence (FCV).** The world's poor are increasingly located in FCV settings—by 2030, up to two-thirds of the world's extreme poor will live in FCV-affected countries. Many of these settings have low institutional capacity, contested political authority or unconstitutional governments, high debt burdens and limited access to finance. To match these challenges, development financing instruments must become more nimble—able to scale up or down quickly, blend short- and long-term objectives, and work through diverse delivery partners, including local and municipal-level institutions and humanitarian actors. It also requires risk-tolerant funding models that allow for engagement even when fiduciary and governance risks are high.
- **There may be occasional exceptions.** Where clearly justified in H2R locations, humanitarian financing could be used to respond in severity 3 locations to prevent a deterioration into severity 4/5 conditions. For less severe needs in H2R areas, development or other non-humanitarian financing should be made available. In some cases, development financing may need to flow through humanitarian actors to sustain essential service provision and to link non-negotiable basic services with resilience, recovery and development outcomes when other financing channels are not available. In these circumstances, this financing should still contribute to

development-oriented and systems-level objectives, while also supporting humanitarian outcomes, and must allow humanitarian organisations to operate in a principled manner.

- **We understand that this change won't happen overnight.** We may see more exceptions in the short-term as we transition to a more targeted use of humanitarian budgets, a more adapted and fit-for-purpose approach to development investments, and a more unified approach across humanitarian and development funding streams.

Distinction between humanitarian and development financing

Humanitarian financing

- **Purpose:** To save lives, alleviate suffering, and protect people affected by conflict, disaster, or displacement. To lay the foundation for locally led provision of basic services and support people's ability to exercise rights independent of humanitarian assistance.
- **Timeframe:** Short-term, typically focused on immediate relief.
- **Modality:** Often delivered through grants to non-governmental and international organisations, but focused on supporting local systems, where possible, to remove systemic barriers to access services.
- **Principles:** Guided by humanitarian principles of humanity, neutrality, impartiality, and independence.
- **Funding sources:** Voluntary contributions of official development assistance (ODA) allocated to humanitarian budget lines; to a much lesser extent, philanthropy and the private sector.
- **Current challenge:** Funds are inadequate to meet level of need; often not used to meet most severe needs; push to fund 'basic' approaches with direct service delivery being the default, rather than activities that support 'Solutions from the start'.

Development financing

- **Purpose:** To foster long-term social and economic progress, strengthen governance, and reduce poverty and vulnerability.
- **Timeframe:** Multi-year, focusing on systems, infrastructure, and institutional capacity.
- **Modality:** Includes grants, concessional loans, and blended finance often channelled bilaterally to governments and commercial firms as project-based grants or through multilateral banks as budget support and loan financing that work directly with governments, sometimes with UN and international organisations supporting implementation.
- **Principles:** Emphasises national ownership, sustainability, and alignment with national priorities.
- **Funding sources:** ODA, domestic public finance, and, increasingly, private capital mobilization.

- **Current challenge**: Political shifts in ODA donor countries to prioritise investments that align with domestic agendas and economic opportunities; lack of linkage to humanitarian work and lack of significant investments in more fragile settings.

Why the distinction matters

Humanitarian aid responds to the *immediate symptoms* of crisis, while development financing aims to *address the causes*. Humanitarian aid is typically designed to *meet individual-,household-, and community-level needs* during crises, whereas development finance, by contrast, is structured to strengthen systems that *benefit society as a whole across a broader geographic area* and is not typically set up to fund individual-level service delivery. Effective responses in fragile and crisis-affected settings require the two to work together—sequenced, layered, and aligned—to both meet urgent needs and reduce them over time, strengthening more sustainable, locally and country led action.