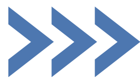
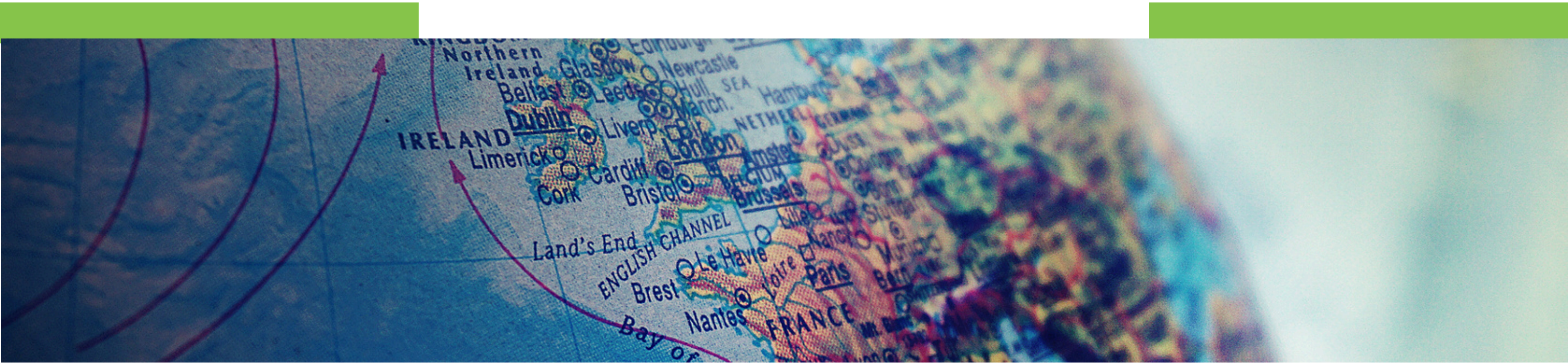
Humanitarian
Finance Forum

IF GLOBAL PARTNERSHIPS ARE TO WORK, THEY MUST WORK IN FRAGILE CONTEXTS

RETHINKING HUMANITARIAN FINANCE, RISK, AND DELIVERY



FORUM NOTE
May 2026



By Colum Wilson and Simon Meldrum

The Global Partnerships Conference must tackle fragility

Next week's Global Partnerships Conference will recognise the tricky corner that the global development endeavour has arrived in. It will also acknowledge the importance of equitable relationships with national governments; the importance of bending technology towards public good; and the challenge of sustainable finance. It will call for new partnerships to address unprecedented challenges arising from unstable times.

These are laudable aims. However, fragility must be centre to these discussions, not relegated to a side-event or exceptional case, because **addressing fragility is fundamental to achieving the SDGs**. The most fragile contexts are messy - characterised by the convergence of poverty, climate risk, and conflict, and they are where the SDGs are most off-track. They are also where humanitarian spend increasingly predominates development spend[1,2].

The last decade has also seen a shift in what humanitarian funding is being asked to cover. In 2014, just 29% of UN appeal requirements were for protracted crises; by 2024, this had risen to 91%[3].

[1] Hoeffler, A. and Justino, P., 2023. Aid and fragile states. WIDER Working Paper 2023/83. UNU-WIDER, Helsinki. doi: 10.35188/UNU-WIDER/2023/391-8.
[2] Development Initiatives, 2023. Global Humanitarian Assistance Report 2023: Executive summary. Bristol: Development Initiatives. Available at: https://devinit.org/resources/global-humanitarian-assistance-report-2023/executive-summary/
[3] ALNAP (2024) The State of the Humanitarian System 2022 Edition. London: ALNAP/ODI.

ABOUT THE FORUM

The Humanitarian Finance Forum (HFF) brings together leading experts from humanitarian institutions, international organisations, foundations, investment banks, insurance companies, and governments, with a common mission to increase the use of financial markets to address pressing global humanitarian challenges.

Humanitarian funding and institutional response are doing the heavy lifting for official development assistance (ODA), but they are short term, reactive, and not well matched to protracted crises. It is as if donors have not adjusted to a world that has changed.

At a catastrophic moment in humanitarian resourcing, it is now imperative that we shift our approach to financing interventions in fragile contexts. We must move from our current model with siloed humanitarian response to one that optimises resources, mitigates and manages protracted risks, and mobilises capital to support a different operational approach.

The shift can only happen when we acknowledge two truths:

- **First, humanitarian crises are no longer extraordinary events.** In a 1.4 degree C and geopolitically fractured world, we need to get used to crises as business-as-usual;
- **Second, humanitarian need is no longer a standalone challenge.** Most contexts are persistent and overlapping crises rather than discrete events. Our humanitarian project-based and short-term approaches are ill-suited to address them.

These issues are a wider development financing challenge. Addressing them requires more than improved coordination or "nexus" thinking - it requires a reworking of how ODA is budgeted, deployed, and aligned across humanitarian, development, conflict, and climate objectives. It needs a shift towards integrated approaches that manage risk over time, align incentives across actors, and support more durable outcomes in complex settings.

The Conference presents a great opportunity for action. While it should focus on new partnerships, it needs to ensure that these drive a new approach to financing in fragile contexts.

Fragility is risky – but humanitarians should not be the only ones carrying the can

In fragile and conflict-affected contexts, **the core constraint is not just the volume of funding, but how it is structured and deployed.** Much of the focus to date, including under Grand Bargain commitments, has been on improving the efficiency of existing humanitarian tools. That remains necessary, but it is no longer sufficient.

We need to change how financing flows are conceived. At present, the impacts of fragility's volatility are concentrated in the humanitarian sector; humanitarian financing is the shock absorber. Spikes in need, or political pressure, are addressed with relatively small, short term, and discretionary budgets, post hoc. This insulates development programming from risk, allowing it to be structured around predictable, multi-year cycles which treat crises as disruptions, rather than embedded risks.

At individual instrument level this makes sense, particularly if crises are discrete and exceptional. But in a persistent and overwhelming state of crisis, it no longer makes sense to concentrate risk in the part of the system that is stretched, least equipped to deal with it systemically, and is the most expensive.

The nexus was meant to bridge these divides. In practice, while it has resulted in some coordination between separate funding streams: it has not reallocated how risk is managed across them. The system is out of balance because the impacts of volatility are not shared.

This entrenches a reactive model, increases long term fiscal and humanitarian costs, and weakens the ability of both humanitarian and development actors to build resilience over time. It is one of the reasons why today's

crises remain protracted rather than resolved; while larger pools of development and climate finance continue to operate in isolation from the risks that ultimately shape their outcomes.

Managing risk by layering funding and displacing grant funding

The humanitarian endeavour is – rightly – focused on priortising the needs of the most severely affected. However, more can be done to improve the financing logic behind this.

Our suggestion is that we **displace precious humanitarian grant funding with other types of capital where risk can be structured and shared and deploy grant funding only where there is no alternative**. This is a deliberate and systematic approach to the use of grants in the most volatile and risky environments, which are un-investable or un-insurable.

In practice, that means moving towards an integrated and layered financing approach for ODA, one that recognises that crises are persistent and that financing needs to behave like risk management - not emergency exception - and embracing the use of private capital and financial markets[4].

We suggest that much could be achieved if ODA donors converged around four principles:

1. Preserve grants for the most volatile, vulnerable, and difficult-to-reach contexts: the humanitarian core;
2. Expand disaster risk finance and pre-arranged finance, insurance, and risk-pooling mechanisms to manage predictable shocks;
3. Where possible, capitalise on the use of humanitarian grant-funding as catalytic capital, absorbing risk, and unlocking wider finance in high-risk contexts;
4. Leverage concessional and then private capital in fragile or frontier contexts where risk is partially mitigated.

The bright spots

Some progress has been made, although it is patchy. **Insurance is one area which we know works and holds significant undeveloped potential**[5]. IFRC's DREF Insurance demonstrates that risk transfer extends coverage and improves predictability, ensuring that financing is in place when risks have been identified and modelled. Similarly, mechanisms such as START Ready use **risk pooling and reinsurance to stretch limited donor funding to guarantee earlier action based on forecasts.**

[4] The UK Humanitarian Framework commits the UK to looking beyond the humanitarian system, drawing on IFIs, development, and climate actors, Disaster Risk Finance institutions, and the City of London, and to encouraging innovative finance and insurance mechanisms to help countries manage and recover from crises.
[5] Knowledge4Policy (European Commission Joint Research Centre), 2024. Global Humanitarian Assistance Report 2024. Knowledge4Policy.

Using Pre-arranged Finance such as the DREF Insurance and START Ready recast interventions (and associated funding) not as 'crisis response' but as the planned budgetary reaction of a more resilient, efficient, and appropriate ODA system. BMZ has noted improved financial resilience, rapid assistance in emergencies, the mitigation of poverty, hunger, and debt if resources are managed in this way.[6]

Of course, insurance is not providing money for nothing: someone must pay the premiums. However, unlike a response to a crisis spike, predictable premium payments can be economically rational for donors interested in smoothing finance flows.[7] More importantly, risk pooling and transfer mean that money spent on premiums will cover a greater target population than the same money spent on response. This is humanitarian money working harder when its needed most – the financial corollary to priortising the most in need.

The innovation here is not the insurance product but how it is combined with other instruments. Grant funding should be integrated into a comprehensive package, with insurance, guarantees, and concessional loans deployed around it to fill gaps; private capital is drawn in where risk is partially mitigated. Adopting a strategic, systematic, and layered approach to financing in fragile contexts can provide the framework for addressing needs where hyper-prioritisation means that humanitarian budgets are no longer providing coverage.

The "ickiness" problem and balancing the profit-principle sweet spot

Getting wide buy-in for such a framework will be challenging. Humanitarians still feel "icky" at engaging private capital for saving lives and providing public goods. Legitimate concerns about incentives and profit ultimately hinge on whether engagement with capital markets risks distorting humanitarian principles and priorities. But there is a risk that these concerns close down the conversation too early before we have properly tested the boundaries, established safeguards, and engaged with practical design questions.

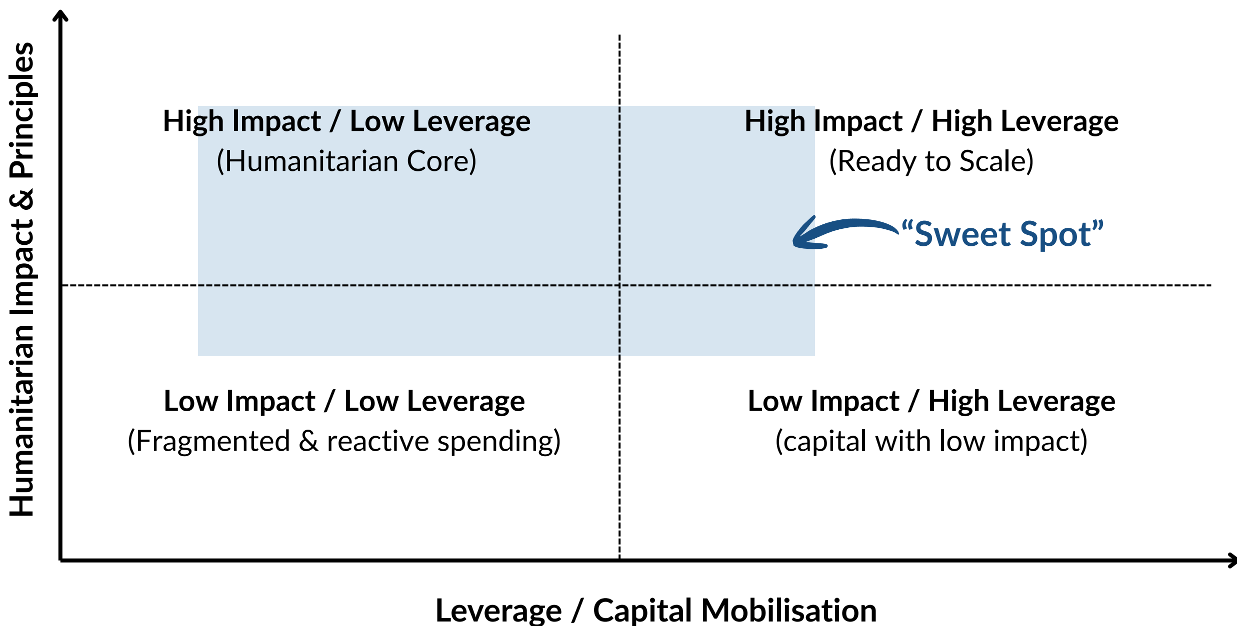
The reality is that our established model is no longer working, so we cannot bury our heads in the sand. **We must pragmatically discuss trade-offs, benefits, and the red lines associated with scaling innovative finance and arrive at an approach where each instrument is carefully targeted and bounded in its use.** The key will be to make sure that the profit incentive is reconciled to principled humanitarian action and accountability to affected populations: these are the non-negotiables. It will require vision and careful design to work out how risk is allocated, returns are structured, outcomes are defined and protected and accountability is maintained.

(Refer to the Matrix in the following page.)

[6] See BMZ, "Global Shield against Climate Risks" and "BMZ achievements in climate and disaster risk finance and insurance".
[7] See Government Actuary's Department, "Value for money in pre-arranged financing for disasters", GOV.UK, 7 April 2025, which defines pre-arranged financing as funding and response planning set up before disasters occur, and frames value for money assessment as relevant for governments, donor agencies, humanitarian agencies, risk finance providers, and MDBs

Aligning Humanitarian Impact & Principles with Capital

Suggested analytical framework:



The other challenges

If the ethical questions can be resolved, the practical challenges are still significant. Amongst these, the most intractable in these fragile contexts is **the private sector's perception of risk** arising from political instability, domestic regulatory uncertainty, sanctions legislation, weak pipelines, and limited exit options. Impact bonds and blended finance structures are attempts to address this, but they come with their own limitations.

The second challenge arises from **the modelling and forecasting that would allow the risk in these fragile environments to be fully understood**. Financial instruments depend on data and data infrastructure which are thin and patchy, and under even more pressure with the contraction of donor funding. This major disincentive to deploying private capital in fragile contexts must be explicitly acknowledged in the Conference discussion.

There is also **a human capability gap**. Development Finance Institutions (DFI) that often have the most relevant skill sets are still not incentivised to work and deliver in the most fragile contexts. For their part, humanitarian organisations, donor agencies, and country teams struggle to design, assess, and manage more complex financial instruments. This is partly due to staffing levels but is also about technical expertise in risk-modelling, financial structuring, insurance, guarantees, portfolio management, and the legal and regulatory dimensions of blended finance. Without this human capability and the right incentives, even well-designed, proven instruments are not being utilised, developed, or expanded. New partnerships should be judged by whether they deliver on leveraging the City of London and the UK's financial services expertise for the world's most vulnerable people.

Finally, there is also **a structural issue on the donor side**. It is the uncomfortable reality that it is politically more attractive to respond directly to crises than to fund financial mechanisms at one step removed. Budget lines, management, approval processes, and institutional incentives still reward visible response over earlier risk management, and keep humanitarian, development, and climate finance siloed, despite the language of the nexus.

At a watershed moment for the humanitarian system, we need to address these challenges.

The Global Partnerships Conference

The Conference is a golden opportunity at a moment of consequence. The increasing importance of fragility in defining humanitarian and development outcomes means that fragile and conflict-affected contexts should be at the centre of Conference deliberations. In particular, **fragile contexts should be treated as a primary use case, not a downstream exception**.

The ambition to build equitable and diversified partnerships is important, but in fragile contexts, the test will not be whether partnerships can be convened, but whether they can be structured to operate effectively under conditions of sustained risk and constraint in fragile contexts.

Given the importance of fragility, we suggest that the conference should make three commitments:

1. **Pre-arranged finance should move from niche practice to a core part of crisis financing.** Where risks are predictable, financing should be arranged before shocks escalate by default, rather than mobilised after the damage is done.
2. **Donors should protect and prioritise funding for shared risk infrastructure, including data, forecasting, modelling, and locally grounded early warning systems.** Without this, risk-based finance will remain fragmented and difficult to scale.
3. **The system must invest in human capability.** Donor agencies, DFIs, and NGOs/humanitarian organisations need the technical skills to design, assess, and manage financial instruments in fragile contexts, including risk modelling, financial structuring, insurance, guarantees, and portfolio management.

The Conference needs to move from principles to practicalities. That means identifying specific mechanisms, institutions, and coalitions willing to test, scale, and fund risk-based financing approaches in fragile contexts. It also means tracking whether partnerships are changing the timing, structure, and allocation of finance, rather than simply adding new actors to an already crowded and fragmented system. Humanitarian actors will continue to be at the sharp end, but humanitarian action and its financing must be situated within a broader strategic framework for addressing fragility, one that recognises the persistence of risk and the need to manage it across the wider system.

To the extent that principled action allows, this requires humanitarians to engage more actively with how financing is structured, exploring the use of different instruments, layered approaches, and pre-arranged mechanisms, **to address the effects of fragility holistically rather than in isolation**.

Unless fragile contexts, with their associated humanitarian structures and financing, are integrated as a core design case rather than an exception, there is a risk that new partnerships will reinforce existing gaps rather than address them.