

GETTING AHEAD OF DISASTERS:

A Charter on Finance
for Managing Risks

INTRODUCTION

This Charter sets out principles for collaborative action to ensure better use of finance to manage risks and protect people in the most vulnerable countries from climate-related disastersⁱ.

Estimates suggest annual loss and damage costs associated with climate change will range from USD 290 to USD 580 billion by 2030ⁱⁱ. These losses are most devastating in low-income settings, where an average of 189 million people per year have been affected by extreme weather-related events since 1991. The Vulnerable Group of Twenty (V20) economies are estimated to have lost 20% of their Gross Domestic Product (GDP) over the last 20 years and significantly increased their indebtedness due to the adverse impacts of climate changeⁱⁱⁱ. Over the same period humanitarian needs have escalated, with 83% of all disasters in the 2010s attributable to climate and extreme weather events, and many appeals left seriously under-funded.^{iv}

However, climate-related hazards and their impacts are increasingly predictable - we can get ahead of disasters, using finance to protect development gains and avert and minimize disaster impacts, reducing humanitarian needs. There is much that can be done in advance, often well ahead, to ensure that risks are reduced, adaptation is supported, and finance is in place to enable action ahead of climate impacts. For example, only 2.7% of finance for crises^v is arranged in advance, leaving major scope for improvement.

Progress will require actors to come together across states and regions; development, climate, peace and humanitarian communities; public and private sectors; from the global to the local^{vi}. International efforts^{vii} are already underway to encourage a shift to earlier action and predictable finance that supports comprehensive risk management. This Charter complements and reinforces existing efforts, using the occasion of COP28 to build shared understanding, consensus, and momentum around a set of principles that can benefit all who provide, design or have need of finance for climate-related disasters. COP29, and future COPs, will provide further opportunities to raise ambition for getting ahead of disasters. The Charter and its principles aim to catalyse systemic change, ultimately leading to better protection for people and communities on the frontline of climate change.

GETTING AHEAD OF DISASTERS

In committing^{viii} to the principles of this charter, we (governments, international and regional organizations, international financial institutions, and organizations from the climate, environment, development, humanitarian, and peace sectors) join together to pursue a shared objective of ‘getting ahead of disasters’ through improved use of finance.

Acknowledging that existing funding arrangements fall short of responding to current and future impacts of climate change, and in line with the United Nations Framework Convention on Climate Change and the Paris Agreement, the Sendai Framework for Disaster Risk Reduction, and ultimately the 2030 Agenda for Sustainable Development,^{ix} we share the view that we must take further action in the face of rising loss and damage from climate impacts, to protect lives, livelihoods and development gains, and help ensure the dignity and rights of those who endure the worst impacts of climate change.

More money must be distributed to those most at risk to reduce, manage, respond to and recover from the impacts of disasters. We also need to become more effective with the funds that are at our disposal, ensuring comprehensive support before, during and after disasters. We commit to focus on how the allocation and use of finance can be improved to better support people and communities.

By endorsing this Charter, we therefore commit to the following:

- 1. We will shift to acting ahead of disasters to reduce risks, adapt, anticipate disasters when possible, and ensure that funds arrive as early as needed.**

What this means:

We will integrate risk information into decision-making, developing risk-informed and shock-responsive activities and programmes across sectors, creating an environment that enables a shift to proactive action. We will reduce risks, scaling up funding for and integrating disaster risk reduction (DRR) into development, climate-related and humanitarian activities. For risks that remain, by planning and taking action in advance of disasters, we can improve the effectiveness of response, recovery and reconstruction. For example, anticipatory action – acting on forecasts in order to provide finance and assistance to people before disaster impacts – is a risk-informed approach that we will scale up and mainstream across humanitarian, development and climate sectors.

- 2. We will align efforts over the long term to ensure coherent and coordinated finance across climate change adaptation, development and the disaster risk management cycle.**

What this means:

We will increase efforts to overcome silos and fragmentation by better linking finance across timelines and sectors. This includes linking up finance for adaptation, resilience, risk reduction, early warnings, risk understanding and preparedness with complementary initiatives in early action, response, recovery and reconstruction. For example, efforts to increase multi-hazard early warning systems coverage must be connected to resources so that warnings can be converted into prompt and effective actions that reach communities; and finance for recovery and reconstruction can be most transformational when it builds back better, supporting resilience to the next crisis. We will collaborate between, as well as within, states and organisations to promote a holistic approach and build synergies and coordination.

3. We will maximize our efforts to arrange finance in advance of disasters so that support is faster, more reliable and better targeted.

What this means:

We will increase use of pre-arranged finance^x so that money can arrive earlier, and even before, a disaster. All types of organisations that provide money for crises, including national governments, humanitarian agencies, donor agencies, climate funds and development finance partners, should make greater use of pre-arranged instruments and approaches in order to reach scale and sustainability. More preparedness, anticipatory, response, recovery and reconstruction funding should be arranged in advance, leading to more timely and effective support. We support flexible and multi-year approaches to match evolving needs on the ground, for example using crisis modifiers that enable programmes to quickly pivot in the context of a disaster. We will give specific consideration to the context, challenges and opportunities of arranging finance in advance of disasters for people, communities and countries threatened or affected by fragility or conflict. We commit to considering debt sustainability in our allocation of finance and development of new instruments, recognising that loans are currently the dominant source of finance yet are less accessible to the most climate-vulnerable countries.

4. We will improve delivery systems so the most at-risk communities and most marginalised people^{xi}, including those threatened or affected by conflict and fragility, get timely support before, during and after disasters.

What this means:

We will link our pre-arranged finance to robust 'money-out'^{xii} delivery plans and systems that focus on supporting at-risk communities and the most marginalised people within those groups, in order to deliver larger impacts and greater accountability. For example, we will increase the use of social protection as a delivery mechanism for finance before or when a shock occurs, while also investing in strengthening core systems and programmes as part of broader resilience. We will shift approaches so that at-risk communities and the most marginalised people within them drive the design, development and implementation of plans and delivery systems to ensure they are effective and reach those most in need. We will also invest more in monitoring and evaluation, sharing findings in order to improve global understanding of the impact of finance provided before, during and after disasters on lives and livelihoods. We commit to increasing transparency and accountability around how financing is used, whether it reaches the intended population and achieves its objectives.

5. We will prioritise locally-led and people-centred approaches to taking action ahead of disasters, with government leadership and greater involvement of local actors and systems.

What this means:

We recognise that governments, including national and sub-national levels, should lead processes related to the allocation, design and distribution of finance to ensure a fit with wider policies, systems, strategies and programmes, and improve the chances of sustainability and future scale-up. In cases where this is not feasible, financing and systems to enable action to get ahead of disasters could be supported by international and local organisations with the expertise to navigate conflict-related risks, including humanitarian agencies, non-governmental organisations, civil society and alternative mechanisms. To facilitate risk-informed government and local leadership, we will invest in generating accurate and useable information, considering the needs of the end-user. We will also scale up the use of government-led social protection systems and programmes for delivery of support, either before or after a shock, as well as to support longer-term resilience. In recognition of the value of diverse local actors in contributing knowledge, relationships and resources and their importance as leaders and designers of solutions, we will channel more funding to local organisations and make better use of local delivery mechanisms and people-centred approaches.

ENDNOTES

- i The Charter focuses specifically on climate-related disasters, as it is an initiative being launched at COP 28, but the principles within it are applicable to many different types of disaster.
- ii UNFCCC Transitional Committee (2023) **Synthesis Report on Existing Funding Arrangements and Innovative Sources Relevant to Addressing Loss and Damage Associated with the Adverse Effects of Climate Change**, Second meeting of the Transitional Committee, UNFCCC.
- iii UNFCCC (2023).
- iv IFRC (2020) **'World Disasters Report 2020'**, IFRC; and Development Initiatives (2023) **'Global Humanitarian Assistance Report 2023'**, Development Initiatives.
- v Plichta, M. and Poole, L. (2023) *The State of Pre-Arranged Financing for Disasters 2023*, Centre for Disaster Protection, London.
- vi This charter was developed through an extensive and broad consultation process guided by the COP28 Presidency and the **Risk-informed Early Action Partnership**. Implementation of the Charter's principles will be pursued following its launch at COP28.
- vii Including, but not limited to, the G7-V20 Global Shield Against Climate Risks and the United Nations Secretary-General's Early Warnings for All Initiative.
- viii This Charter is not legally binding. States and organisations are invited to endorse the Charter to demonstrate their support of the Principles contained within it. Those endorsing the Charter are encouraged to make pledges and commitments demonstrating how they will put the Principles into action – examples for different types of organisation are included in a Companion Piece
- ix For more information on how the Charter aligns with and supports these, and other relevant policy frameworks, please see a Companion Piece
- x For definitions, see Plichta, M. and Poole, L. (2023) *The State of Pre-Arranged Financing for Disasters 2023*, Centre for Disaster Protection, London
- xi Including, but not limited to women and girls; children and young people; displaced populations; informal workers; people with disabilities and particular ethnic groups.
- xii For a definition of 'money-out', see Centre for Disaster Protection (2020) **'Disaster Risk Financing: A Guide to our Quality Assurance Service'**, Centre for Disaster Protection, London.

