

Funding Sources for Mainstreaming Environment and DRR in Humanitarian Shelter and Settlements Programming

Technical Document

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This document was developed jointly by the United Nations Office for Disaster Risk Reduction (UNDRR) and the Global Shelter Cluster to provide technical support for humanitarian actors to identify potential funding (and finance) sources for disaster risk reduction (DRR) and environmental action in humanitarian shelter operations. It is an evolving document, updated periodically to reflect changes in the funding landscape. It, however, does not include comprehensive guidance on funding procedures, nor an exhaustive list of funding sources.

Introduction

DRR and environmental action are essential for saving lives and making humanitarian shelter responses to disasters resilient and safe. Identifying potential funding sources for mainstreaming DRR in humanitarian shelter and settlement programs is an important step in this process. To search for funding sources, humanitarian actors should have clearly defined DRR and environmental objectives and activities, corresponding to specific entry points for DRR and environmental action in the humanitarian response cycle (as discussed in [Entry-points to Mainstream DRR in Humanitarian Shelter Projects](#)).

The term “funding” usually refers to financial sources available as grants (without a requirement to repay), whereas broader finance sources may include mechanisms such as loans, bonds and insurance. Funding sources may vary according to the type of organisations offering them (e.g. funding programs of humanitarian partners, UN sources, multi-partner trusts, private sector funding) and also the focal themes of funding programs (e.g. climate action, disaster preparedness, information management, development assistance).

New funds and instruments are under development and the details of what they will pay for and how are not always clear – for example, the “[Fund for Responding to Loss and Damages](#)” currently being set up. Even for existing financing vehicles, it is not easy to access up-to-date information on exactly how much funding is available, to whom and for what activities. Sometimes only the information related to funding pledges by organisations and countries is available in a disaster aftermath, which often does not translate into actual amounts disbursed. Notwithstanding these challenges, it is beneficial for the humanitarian actors striving for DRR and environment mainstreaming in humanitarian shelter operations to understand the available funding sources and their applications.

Types and Sources of Funding Applicable to DRR/Environment Action

There are many climate and disaster management-focused funding sources usually available in the form of grants that can be mobilised for DRR and environmental action during shelter responses. Some funding sources will only be accessible to certain actors, for example, the [Central Emergency Response Fund \(CERF\)](#) is only accessible to UN agencies, whereas other instruments will only be available for particular NGOs or government bodies. Funding sources are distributed across Public, Non-Governmental and Private sectors, and at the transnational, national and sub-national scales. See *Table 1* below for some examples, *Annex 1* for further information

Table 1: Examples of funding and finance sources across scales and sectors

	Transnational	National	Sub-national
Public	Central Emergency Response Fund (CERF) World Bank - Green Bonds Green Climate Fund	National Contingency Funds National Climate Adaptation Funds	Municipal Contingency Funds Municipal Bonds
Non-Governmental	IFRC Disaster Response Emergency Fund Start Ready	Country-based Pooled Funds (CBPF) Red-Cross Red-Crescent National Societies	Micro-financing and revolving funds
Private	Deloitte Humanitarian Innovation Program Regional Risk Pools (e.g. ARC, PCRIC, SEARIF, CCRIF)	Corporate Social Responsibility Schemes	Individual philanthropic donors Private insurance

Main orientation: **Response & Recovery**, **DRR**, **Climate Action**, Development

Other financing mechanisms available in the form of loans and insurance schemes may also have provisions to support environment and DRR activities. *Table 2* gives some finance mechanisms specifically developed for environmental protection, climate action and disaster response/resilience, which are usually offered as loans, bonds or insurance schemes, through multinational development banks (MDBs), other international financiers and insurance companies.

Table 2: Climate, environment and disaster resilience-oriented finance mechanisms

Type of Instrument	Providers	Funding Recipients	Description
Debt for Nature Swaps	Financiers, Environmental Agencies	National government with state/ non-state partners	A mechanism to exchange a portion of the international debt of a country for investment in environmental protection, and/or climate change adaptation or mitigation.
Catastrophe Bonds	Insurance companies	Insured parties	High risk, high yield bonds issued to investors by insurance companies, against particular types of disasters. In a disaster, the bonds may be fully or partially forfeited to pay claims or response activities.
Green and Blue Bonds	Multilateral Development Banks (MDBs), National Governments	State Agencies, Private sector and For-profits, NGO's	Fixed income financial instruments used exclusively to fund existing or new projects in environmental protection, climate change adaptation or mitigations, or related social development activities, subjected to " Green Bonds Principles ."
Parametric insurance	Insurance companies	Insured parties	Insurance instrument that pays out pre-specified amounts based on a trigger event which exceeds a specific magnitude (e.g. flood exceeding a given flood level), without a damage assessment.
Multilateral climate finance instruments	International agencies (e.g. Green Climate Fund)	State Agencies, NGOs	Dedicated financing sources to assist emerging economies in climate change adaptation and mitigation.
Crisis modifiers	Financiers, MDBs	State Agencies, Local Governments, NGOs, CBOs	Contingency allocations within a project or agency to address small crises (or disasters) during a larger humanitarian or development undertaking.
Contingent loans	MDBs / bilateral donors	National Governments, State Agencies,	Loans provided after disasters to help the countries avoid development setbacks caused by the crisis.
Impact Investment / Environmental, Social, and Governance (ESG)	MDBs, Development-Finance /Microfinance Institutions.	Private sector and For-profits, NGO's, CCOs	Investment to generate tangible social and environmental benefits (including DRR) alongside financial gain.

Disaster management-oriented small to medium financing facilities will be directly accessible to country-based humanitarian actors (e.g. through country-based pooled funds [CBPF]). Often these are available as grants. Sustainable development-oriented larger finance schemes, which are more often available as loans or insurance mechanisms are less accessible to humanitarian partners. There are, however, provisions available within some larger finance schemes which are designed to be accessed easily during disaster situations (e.g. [Crisis Modifier](#) provisions, see *Table 2*). Some strategies to access such finance provisions are discussed in the next section.

Humanitarian actors can consider integrating the environment and DRR into anticipatory action, targeting **Anticipatory Finance (AF)**. AF is released before the onset of a specific disaster, based on forecasts, to fund pre-identified response or DRR activities. There are two types of AF:

1. *Build finance*: Supports activities such as developing forecasts and planning
2. *Fuel finance*: Finance that can be triggered for Anticipatory Action

A three-step approach for identifying funding at country cluster level

As the type of financing available varies greatly depending on the type of work proposed, it is necessary to categorise the identified DRR activities broadly according to themes, scale and durations. For example, several long-term activities related to coping with climate risks can be grouped and presented in a single proposal to a climate-oriented funding source. Similarly, shorter-term disaster preparedness activities can be pooled aiming at emergency funding sources.

Once the activities are categorised, the funding requirements for each group of activities can be estimated and the gaps in current funding availability can be assessed. The humanitarian partners and country clusters can then identify the potential funding sources matching these requirements, and brainstorm how to approach them. Forming alliances among the in-country humanitarian partners, and other state and non-governmental actors to seek and apply for funding is a useful strategy. Such partnerships unite the strengths of the individual organisations and provide additional credibility to the funding proposals. For example, Zimbabwe Resilience Building Fund (ZRBF), which is a UNDP initiative in Zimbabwe working in partnership with seven state and non-governmental organisations across 18 districts, has [activated its Crises Modifier provisions seven times](#) between 2017-2022 for flood, cyclone and drought and risk reduction. Another example is the 5th Phase (2024) of the Asian Development Bank's Pacific Regional Disaster Resilience Program (initially launched in 2017), which provided [Contingent Financing to several Pacific nations](#) for disaster response and DRR/Climate action.

An initial process for identifying funding at the country cluster level is described below and broadly covers key areas related to resource mobilization. This approach should be tested and further refined at the country level, in collaboration with cluster partners. This approach can support the identification of funding sources for DRR, climate and environment-related activities and partners for joint funding requests.



Identify funding requirements and priorities: Building on identified needs and priorities, highlight gaps and categorise the identified Environment and DRR activities, estimate amounts of funding required, and assess funding gaps (*output: funding needs analysis, 3 pages*)



Identify existing funding sources/funding landscape: Search for key funding sources and categorise them according to the nature of organisations, focal themes, and applicable regions, and match the finding needs with the sources (*output: funding sources analysis, 3 pages*). The sources outlined in the annex can work as a basis for this analysis, which should have a country focus, outlining the specific criteria and priorities of various funding sources and donors.



Match needs with funding options and develop an action plan: Workshop with cluster partners and key actors on main needs, activities, and priorities to develop a strategy to partner and approach funding sources. UNDRR's [DRR Financing Exercise](#) can be used as an interactive activity for the workshop (*output: DRR funding strategy, 2 pages*)

Annex 1 gives an example of different funding sources available according to the nature of organisations and focal areas of the programs, with notes on their applicability to different DRR activities. It is difficult to provide a comprehensive global mapping of available financing sources because of the number of different actors and instruments.

Resources

- United Nations Office for Disaster Risk Reduction. [Anticipatory Finance: An Introductory Guide, United Nations Office for Disaster Risk Reduction](#). Geneva, 2024.
- Choi, Seonmi, and others. [Tracking the money for climate adaptation and disaster risk reduction](#). London: International Institute for Environment and Development, 2023.
- United Nations Office for Disaster Risk Reduction. [Financing Disaster Risk Reduction in Humanitarian and Crisis Settings](#). Geneva, 2023.

Annex 1: Example of categorising funding sources for DRR and environmental activities

#	Program Title & Description	Type	Funding Organisation	Region	Focal Areas	Accessible to cluster partners	Remarks
1	ECHO Funding or Humanitarian Aid [LINK]	Humanitarian Partner funding	European Civil Protection and Humanitarian Aid Operations (ECHO)	Global	All aspects of disaster management	Yes	Any humanitarian funding for DRR from ECHO should be called “Disaster Preparedness” or it is not considered humanitarian. ECHO has a history of funding environment-related projects, particularly in reducing the environmental impact of response.
2	Country-based pooled funds [LINK]	UN or multi-partner funds	OCHA	Global	Country-based humanitarian response, including anticipatory action	Yes	Established when an emergency occurs. Supports high-priority humanitarian projects being undertaken by those best placed to respond.
3	CERF Grants	UN or multi-partner funds	Central Emergency Response Fund (CERF) – UN	Global	All types of humanitarian appeals	Yes	Provides grants for multiple focal areas in different formats - Rapid Response, Anticipatory Action. There has been a dedicated wallet for Climate Action [LINK] since 2023. See no. 4 below.

#	Program Title & Description	Type	Funding Organisation	Region	Focal Areas	Accessible to cluster partners	Remarks
4	CERF Climate Action Funding [LINK]	UN or multi-partner funds	Central Emergency Response Fund (CERF) – UN	Global	Humanitarian appeals for climate action or climate risk reduction	Yes	Directly connects humanitarian response funding with DRR, climate and environmental action.
5	Bilateral donors	Humanitarian or Development	Different country development agencies or humanitarian partners	Global	Priorities will depend on the region	Possible	The nature and focus of funding and accessibility to cluster members will vary widely according to the donors.
6	START Fund - Anticipatory Funding [LINK]	Humanitarian Partner funding	START Network	Global	DRR, decentralisation, community engagement	If a START member organisation	Provides risk-based, anticipatory and rapid response financing. Especially Focused on Anticipatory Finance.
7	IFRC Early Action Protocol (EAP) - Anticipatory Funding [Link]	Humanitarian Partner funding	IFRC National Red Cross/ Red Crescent Societies	Global	Forecast-based early actions and anticipatory action	Only if RCRC National Societies	Provides risk-based, anticipatory and rapid response financing. Especially Focused on Anticipatory Finance.
8	ESCAP Disaster Preparedness Fund [LINK]	UN or multi-partner funds	Economic and Social Commission for Asia and Pacific	Asia and Pacific, Low- capacity countries	Early warning, Disaster resilience in high-risk, low-capacity countries	Possible	Highly focused on access to early warning and preparedness.

#	Program Title & Description	Type	Funding Organisation	Region	Focal Areas	Accessible to cluster partners	Remarks
9	Humanitarian Innovation Fund [LINK]	Humanitarian Partner funding	elrha	Global	Humanitarian Innovation	Yes	Currently focused on gender, disability and age inclusion, and water & sanitation. DRR is considered a cross-cutting issue in all these themes.
10	Complex Risk Analytics Fund (CRAF'd) [LINK]	UN or multi-partner funds	CRAF's	Global	Sustainable provision of risk-related data	Yes	Can be a useful instrument in data-critical and data-poor contexts.
11	Deloitte Humanitarian Innovation Program [LINK]	Private Sector funding	Deloitte	Global	Humanitarian Innovation	Possible	Funding is provided thru a comprehensive selection and evaluation process, more suitable for medium-term projects.
12	Global Shield In-Country Process [LINK]	UN or multi-partner funds	Global Shield	Global, climate vulnerable countries	Climate Risk Reduction	Possible (through govt. partner)	Supports, governments in risk finance, social protection, Disaster Risk Reduction (DRR), and market development, preferably to multi-partner projects.
13	Green Bonds [LINK]	Financiers	World Bank	Global	Climate Change mitigation and adaptation	Possible (through govt. partner)	Supports a wide range of mitigation and adaptation themes, including disaster risk reduction.

#	Program Title & Description	Type	Funding Organisation	Region	Focal Areas	Accessible to cluster partners	Remarks
3	IMF Resilience and Sustainability Trust [LINK]	Financiers	International Monetary Fund	Global, (Vulnerable low/ middle-income countries	Resilience, sust., dev., longer-term balance of payments stability	Possible (through govt. partner)	Lending mechanism with a long grace period and concessionary terms
8	UN-REDD Program Fund [LINK]	UN or multi-partner funds	UN Multi-partner Trust Funds Office	Global	Achieving REDD+ objectives, Communities dependent on Forests	Possible (through govt. partner)	Highly focused on REDD+ objectives. Can be relevant to Eco-DRR activities in humanitarian shelter activities.