



Ezra Millstein

CRISIS MODIFIERS

Breaking the cycle: practical solutions to unlock climate finance for fragile states

JANUARY 2023

Key Messages

- › Crisis modifiers (CMs) provide a mechanism for pre-planned climate adaptation interventions to improve their operational flexibility in adapting to the types of unpredictable crises that will almost inevitably arise in conflict or fragile contexts.
- › CMs can also lower climate finance providers' risk-based aversion to investing in such contexts, which is often caused by the perception of high risk rather than actual risks, by supporting more accurate assessment of conflict risks and setting out in advance clear strategies to manage them.
- › There is now sufficient evidence, from pilot programmes, that properly designed and implemented CMs can provide a timely and rapid response to emerging crises, allow the delivery of programme services to

continue, and support the achievement of programme objectives.

- › Moreover, CMs have also expanded the standard risk management mentality to create more enabling and risk-aware internal environments for projects, and have enabled local development actors to respond to humanitarian emergencies, accelerating and complementing humanitarian response.

Therefore, in highly uncertain conflict contexts, CMs and other flexible budgeting and adaptive programming approaches should be made standard in all cooperative agreements between funders and implementing organisations.

- › **Recommendation 1:** multilateral climate funds should systematically adopt flexible budgeting tools and adaptive programming principles, including CMs, into their programmes in conflict and fragile places.
- › **Recommendation 2:** implementing organisations such as international NGOs and local NGOs should request the use of flexible budget lines (such as CMs) from donors, and build it into their budgets during proposal development
- › **Recommendation 3:** multilateral development banks, as well as other climate finance providers, who are already using flexible budgeting tools and adaptive management principles (including CMs) should ensure that their design and implementation arrangements are fit for contexts of fragility and conflict, learning from the increasing robust evidence on CMs and adaptive programming.

Introduction

The more fragile a country is, the less adaptation finance it receives. Previous research into why this is the case strongly suggests that complex operating environments, often characterised by weak governance institutions, higher risks due to rapidly changing situations, fast-evolving conflict dynamics, and security threats, are not aligned with the risk appetite and tolerance of climate funders (Cao et al. 2021). This has created challenges in implementing climate change adaptation efforts in fragile and conflict-affected contexts – challenges that have been well documented (Gilder and Rumble 2020; Cao et al. 2021; ICRC 2021; Reda and Wong 2021; CCCPA 2022). The question, however, remains: what can be done to overcome them?

This is one of four case studies undertaken with the aim of identifying concrete solutions that could be implemented by major climate funders to increase climate adaptation finance delivery to fragile and conflict-affected situations (FCS). It draws on examples and learning from a few selected funders and specific mechanisms, both in the climate and non-climate space, which are already working effectively in FCAS. The other case studies are:

- › The UN Peacebuilding Fund
- › Peace bonds by Interpeace
- › COVID-19 Vaccines Global Access (COVAX)

An overarching analysis, the learning from the case studies, and overall recommendations are drawn together into an umbrella document *Breaking the cycle: practical solutions to unlock climate finance for fragile states* which synthesizes overall key messages and learnings. The case studies and the umbrella document can be found at this link: <https://www.mercycorps.org/research-resources/breaking-the-cycle>

Understanding climate finance challenges through a lifecycle lens

The journey of climate finance, including barriers in access, disbursement and implementation, is best understood via its life-cycle (see Figure 1). Using a life-cycle framework, it is possible to map the common challenges across donors and recipient countries, and use this as a springboard to identify organisations implementing innovative practices that may offer solutions worth featuring as case studies.

METHODOLOGY

The case studies highlighted in this research were identified based on their relevance in offering potential solutions to the challenges of accessing and implementing climate finance in FCS. First, the different challenges for accessing and utilising climate finance in FCS were scoped. These challenges were developed into a lifecycle framework. Case studies which offered potential solutions across the whole lifecycle or for specific components of the lifecycle were then identified. Interviews were held with representatives from target organisations to collect further information, and strategic, programme and project level documentation was reviewed to triangulate findings. For each case study, a minimum of one representative and two external experts provided peer review and feedback to ensure the accuracy of the information presented. Whilst these case studies provide some innovative solutions, they are not exhaustive and there are likely to be other solutions, piloted in different contexts from which climate funders could also learn.

Overview: Crisis modifiers

Development programmes are increasingly testing crisis modifiers (CMs) with the aim of anticipating or acting earlier in situations of crisis. CMs are ring-fenced contingent funds built into programmes to flexibly respond to shocks and emerging crises that would otherwise jeopardise the delivery of programme services and the achievement of programme objectives. They are used to fund responses to geographically limited, smaller crises (e.g. localised flooding in the project area), which are often unaddressed by traditional humanitarian funding (Willitts-King et al. 2020), or to continue with a development intervention but approaching it differently due to a changing situation (e.g. training community health workers online instead of in person, as a response to COVID-19). As such, CMs can contribute to programme continuity, complement humanitarian response, and ultimately protect development gains.

Crisis modifiers can be designed following a variety of models that differ in their i) access rules (e.g. using or not using triggers), ii) funding arrangements (e.g. built directly into the implementing organisations' budget, pooled contingency fund), and iii) types of crisis response (e.g. specific geography, sector, response window and

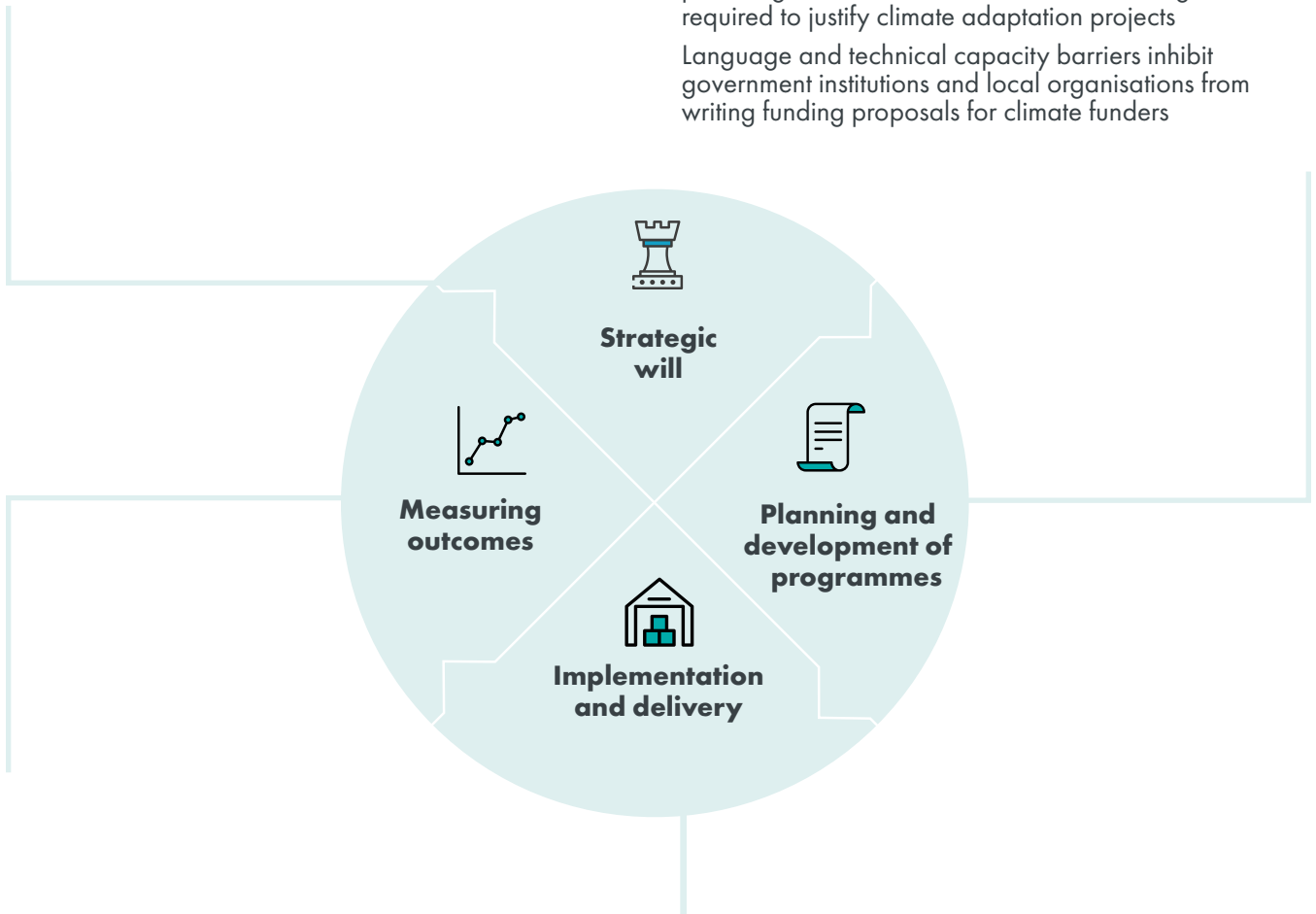
FIGURE 1 – CHALLENGES TO ACCESSING AND UTILISING CLIMATE FINANCE IN FCS

Strategic will

Perceived risk in FCS is too high for climate funders
 Funders’ risk aversion deprioritises vulnerable communities in less-secure areas from support
 Climate finance is delivered through state authorities, weakening delivery in non-state controlled areas
 Funders lack long-term strategies and organisational structures to manage compound climate–conflict risks
 Funders’ climate and conflict teams are siloed, preventing operational collaboration

Planning and development of programmes

Multilateral climate funds’ complex/rigid accreditation standards are too much for government institutions and national organisations in FCS
 Accreditation barriers prevent local communities and CSOs directly accessing climate finance
 Climate funders’ project approval processes may mean 1–2 years’ unfunded work for applicants, without guarantee of application success
 Structural damage/access issues in FCS lead to difficulty providing the socio-economic and meteorological data required to justify climate adaptation projects
 Language and technical capacity barriers inhibit government institutions and local organisations from writing funding proposals for climate funders



Measuring outcomes

Standard project M&E processes, where information stays between executing organisations and communities, limit climate funders’ monitoring of fiduciary risks and accountability
 Project M&E cycles are too short for effective evaluation of integrated climate–conflict programming

Implementation and delivery

Inflexibility in pre-planned climate projects prevents adaptation to volatile FCS contexts, leading to delays, closure and waste
 Conflict-sensitive guidance for climate projects in FCS is inconsistently adopted and adaptation projects lacking conflict sensitivity may exacerbate conflict
 Funders and multilateral implementers may struggle to find right local organisations to operate in areas of conflict, or with relevant climate expertise

activities) (Harrity 2020). There are advantages and costs associated with each design, which ultimately affects CMs' effectiveness (i.e. timeliness of activation, swiftness of response, and safeguarding of programme continuity). However, to be effective, all CMs should have a preparedness/contingency plan with clear decision-making pathways (Harrity 2020; Peters and Pichon 2017; Lung 2020), including the following elements:

- › **Scenarios of unpredictable, but likely, shocks and stresses** (such as natural hazards, health hazards, or conflicts). These are identified and assessed together with local communities, institutions, and other on-the-ground development partners who are intimately familiar with the local context. In addition to pre-identified shocks and stresses, an 'unknown threat' scenario should be considered, by envisioning the humanitarian impacts on the programme services and targeted population instead of a description of the details of the actual event. This can enable a rapid shift of focus to unpredicted crises, though it would not be possible to establish the exact triggers and actions that ought to activate the CM (see next point) in this 'unknown threat' scenario.
- › **Triggers to activate a CM and release funds, which are regularly updated based on local circumstances.** Key indicators are identified to provide early warning of each crisis scenario (e.g. increase in the number of internally displaced persons (IDPs) in the project area due to an intensification of conflict). For each indicator, thresholds (triggers) measuring the level and speed of change are set to activate the CM and release funds (e.g. 30% increase of IDPs in host community (with a baseline of 1,000 people) or an influx of 60 people within 24 hours). Setting the triggers is challenging because it requires a balancing act between over-relying on pre-agreed triggers and using no triggers at all. On the one hand, pre-agreed triggers may automate decisions excessively, hindering the capacity of project personnel to continually evaluate how to adapt to changing circumstances. On the other hand, not using triggers leaves project personnel unsure about when to intervene, leading to ad hoc solutions that often result in delays and resource misallocation. Therefore, pre-planned triggers should be considered an important starting point for risk management that needs to be complemented by a rapid and reliable decision-making system centred on those working in the field. Human judgement will be particularly important in responding to unforeseen threats where setting pre-agreed triggers is impractical or not possible.
- › **Pre-authorized response actions for each crisis scenario**, such as managing processes to rapidly purchase goods and services when the needs arise. These would include contacting suppliers in advance, having them pre-qualified, reaching agreements on goods and services' specifications, regular monitoring of stock levels and potential supply chain bottlenecks, designing tender processes in advance, and ensuring pre-qualified suppliers are prepared to bid for tenders in a timely manner. Pre-authorized actions should also consider whether other local or regional actors are better positioned to respond to the specific crisis (no-action option).
- › **Locally based monitoring system to track key indicators and associated triggers.** Together with anticipating crisis scenarios and setting of triggers, this is a key component in shaping effective CMs. Local actors' surveillance is key and should have adequate resources and clear decision-making protocols to track the emergence of crises. A mixture of programme-generated data, crowd-sourced information, and the judgement of programme personnel and local communities would be used to track key indicators. Where useful, quantitative data from existing larger initiatives can be integrated, though complex predictive approaches require adequate capacity for interpretation.
- › **Dedicated and protected budget** to fund the additional activities and interventions to address the crises. Funding arrangements are usually built directly into the budgets of implementing organisations, or structured as a (pooled) contingency fund within a larger multi-year programme or under a humanitarian actor to service multiple projects or programmes. The higher the context of fragility and potential for crises, the more budget can be set aside for the CM without denaturing the development programme.

Challenge being addressed: implementation and delivery flexibility

Experience of climate and development programmes in contexts affected by conflict or fragility illustrates that preparedness is not so much a question of whether a shock will occur, but rather of when and where it will occur. Originally developed to address natural hazards, CMs have increasingly been adopted in health programmes to respond to epidemics – most recently to COVID-19 – and have been tested for other human-induced hazards such as conflict. Thus, CMs provide a mechanism for pre-planned climate adaptation interventions to improve their operational flexibility to adapt to rapidly shifting contexts, the outbreak or escalation of conflict and violence, unpredictable but likely shocks, and spikes in humanitarian need (see Figure 2).

FIGURE 2 – PRACTICAL SOLUTIONS IN THE CLIMATE ADAPTATION PROJECT LIFE-CYCLE: CRISIS MODIFIERS



What have been the results

There is now sufficient evidence, from pilot programmes, that properly designed and implemented CMs can mitigate emerging crises and preserve gains earned under development, resilience, or humanitarian projects, by enabling flexible responses to crises in real time. A rapid review of 22 aid programmes and projects incorporating CMs between 2005 and 2022 shows that 12 were effective in i) providing a timely and rapid response to the initial shock or crisis, mitigating its effects, and/or ii) continuing the delivery of programme services, and/or iii) supporting the achievement of programme objectives (see Table 1).

TABLE 1 – AID PROGRAMMES’ CRISIS MODIFIER PILOTS (2005–2023)

Year	Programme name	Implementing organisation	Hazard/threat	Country	CM Budget (\$ million)	Effective?
2005 – 2009	Pastoralist Livelihoods Initiative Programme Phase 1	USAID	Droughts	Ethiopia	1.23	No
2009 – 2012	Pastoralist Livelihoods Initiative Programme Phase 2	USAID	Droughts	Ethiopia	4	Yes
2011 – 2015	Malaria and Child Health Programme	DFID	Epidemics	Zambia	2	No data
2012 – 2017	PRIME	Mercy Corps	Droughts	Ethiopia	6	Yes
2013 – 2015	La Nina Consortium	ECHO	Droughts	Kenya	0.3	Yes
2013 – 2017	Multi-year humanitarian programme Internal Risk Facility	DFID	Emergencies	Somalia	36	Yes
2015 – 2018	BRACED	RECOPA	Conflict-related displacement	Burkina Faso	1.5	Yes
		Near East Foundation	Flood	Mali		No
		PRESENCES	Rainfall and pest	Niger		Yes
2015 – 2021	Zimbabwe Resilience Building Fund	ZRBF	Climate shocks	Zimbabwe	6	Yes
2016 – 2021	Health System Strengthening Programme	WHO	Epidemics	Zambia	3.6	No data

Year	Programme name	Implementing organisation	Hazard/ threat	Country	CM Budget (\$ million)	Effective?
2017 – 2021	Tackling Deadly Diseases in Africa Programme	WHO	Epidemics	Africa	21	Yes
2018 – 2020	Saving Children’s Lives in Vulnerable Communities in Yemen	Save the Children	COVID-19	Yemen	Unclear	Yes
2018 – 2023	Somalia Resilience Programme	SomReP	Droughts	Somalia	Unclear	No data
2019 – 2023	Responses to Risks for Sustainable Development Project (R2D2)	ITECA, ADEMA and Veterimed	COVID-19 and earthquake	Haiti	0.63	Yes
2020 – Present	RIPA	Mercy Corps and CARE	COVID-19 and flood	Ethiopia	7.15	No data
2020	Dutch Relief Somalia Joint Response	Havoyoco	COVID-19	Somalia	0.2	No data
		TASCO	COVID-19	Somalia		No
		ZamZam	COVID-19	Somalia		No
		Dawa	COVID-19	Somalia		No
		KAALO	COVID-19	Somalia		Yes
		Candlelight	Cyclone	Somalia		Yes

Source: author synthesising from Peters and Pichon 2017; Mock, Stack, and Sundsmo 2019; Clarke and Battistelli 2021; LaGuardia and Poole 2016; Harrity 2020; USAID 2016; Lung 2020; Cantin and Yirga 2021; interview with R2D2 project team in Haiti, 3 October 2022

In addition, findings from analysing successful CMs highlight three other key positive results:

i) Crisis modifiers have expanded the standard risk management mentality to create more enabling and risk-aware internal environments in projects. Albeit regarded as routine good practice, the traditional ‘static’ approach to risk management in the development sector seldom extends beyond risk identification and limited mitigation plans (Clarke and Battistelli 2021). In contrast, the CM process of developing concrete and detailed contingency plans improved people’s risk-awareness within projects, leading to swifter and more effective mitigation of crises and response to disasters as they happened. For example, while the original design of the CM in Save the Children’s child health and nutrition programme in Yemen did not plan for COVID-19 as a specific risk scenario, it was successfully activated to mitigate the impacts of the pandemic through a quick pivoting of the CM’s lens to the new threat (see Box 1 for more details). As Save the Children’s evaluation of the CM concluded, ‘pivoting the Crisis Modifier to address the COVID pandemic took a matter of days, whereas experience of re-designing and authorising changes in previous phases of the same programme had commonly taken many months’ (Clarke and Battistelli 2021, 22)

ii) CMs have enabled local development actors (including communities, civil society organisations, local

governments and development partners) to respond to humanitarian emergencies. CMs provided those implementing development programmes on the ground with the tools and agency to identify, prioritise and respond to humanitarian crises through existing programme delivery structures or social protection channels. Mercy Corps, for example, utilised existing market-based channels to inject cash and protect household assets in response to droughts in Ethiopia, rather than doing this directly through the programme (see box x for further details). This element designed into the programme's CM maintained the resilience of key market systems in addition to mitigating the direct impacts of the crisis on households. In general, CMs have created synergies between the humanitarian and development sectors by supporting the humanitarian localisation agenda and fostering adaptive management principles in development programmes (Harrity 2020; Peters and Pichon 2017).

iii) Crisis modifiers have accelerated and complemented humanitarian responses. International humanitarian finance is often unavailable to respond to smaller national crises that have not yet turned into large ones (Willitts-King et al. 2020). By enabling early local response, CMs have filled this gap, complementing traditional humanitarian support (Lung 2020).

Challenges to designing and implementing effective Crisis modifiers

While CMs have increased the operational flexibility of aid programmes in the face of crises and shocks, they do not come without challenges. In the five unsuccessful CM pilots reviewed in this analysis (see Table 1), third party assessments showed that failures could be attributed to ineffective design, or implementation which did not follow the robust practices outlined earlier in this document:

- › Concerning design problems, the CM in the Pastoralist Livelihoods Initiative Programme Phase I was created as a budget reallocation mechanism which ended up diverting funds from other programme areas to respond to droughts, challenging the delivery of overall programme objectives (Lung 2020; USAID 2016). The BRACED Mali CM did not clarify in advance pre-authorized response actions for flooding, and delays occurred due to the donor rejecting the use of humanitarian funds for what it considered development work, i.e. building flood-protective infrastructure (Peters and Pichon 2017).
- › In terms of implementation issues, three local NGOs in the Dutch Relief Somalia Joint Response programme who implemented CMs – TASCO, ZamZam and Dawa – all experienced delays in funding disbursement because none of them were budget holders of the crisis modifier fund, and their international NGO partners allocated it based on partnership frameworks that did not reflect the design of the crisis modifier mechanism (Harrity 2020).

Other challenges to the effective design and implementation of CMs have been well documented elsewhere (see Peters and Pichon 2017; Mock, Stack, and Sundsmo 2019; Clarke and Battistelli 2021; LaGuardia and Poole 2016; Harrity 2020; USAID 2016; Lung 2020; Cantin and Yirga 2021). The key implication is that careful planning and adaptability are required to 'get CMs right'.

SAVE THE CHILDREN'S COVID-19 CRISIS MODIFIER IN YEMEN

Save the Children has implemented a programme to increase access to, and the quality of, child health and nutrition services in Aden, Yemen since 2018. The context in Yemen is extremely fragile, after six years of civil conflict, and the programme area was vulnerable to a multitude of shocks, including shifting conflict dynamics, influxes of refugees and internally displaced people, flash floods, and outbreaks of cholera along with high levels of malnutrition.

Within this context, the programme incorporated a CM in its design to enable programme services to continue despite emerging crises, and to provide rapid mitigation responses. The CM was initially designed to target four specific threats or crisis scenarios, featuring targeted response actions for each scenario:

The four crisis scenarios	Preparedness plan
1. The conflict intensifies resulting in an increased influx of IDPs in the current areas of operations	Training of staff and identification and training of surge staff
2. Deteriorating nutrition conditions for children under 5 and pregnant and lactating women (PLW)	Purchase and management of pre-stocks of emergency nutrition kits
3. Control outbreaks of disease, cholera and diarrheal outbreaks, Vaccine preventable diseases such as measles and diphtheria; Malaria and acute respiratory infections	Prepositioning of water, sanitation and hygiene (WASH) and drug supplies for outbreaks response
4. Loss of supplies due to theft during increased insecurity	Alternative supply and storage systems to avoid theft

Specific activation triggers and measurement indicators for each crisis scenario were created:

Trigger indicators	Measurement	Baseline (August 2018)	Threshold
% of increase of IDPs to host community in each HF catchment area	No. of new IDPs registered at the village level / catchment population in the HF area	191 HH	30% increase of IDPs in each HF catchment area
# people each HF sees every day	Sum of all people seen at each HF every day over the last week	The average no. of people seen daily at each HF was 35 in July 2018	More than 50 people a day per facility
# of confirmed cholera and diphtheria cases in the targeted community	Sum of new cases	Not applicable	1 confirmed case by culture; 1 death case confirmed by culture; # (more than 5) confirmed cases by rapid test as cholera
# of Severe Acute Malnutrition and Moderate Acute Malnutrition cases admitted per HF per day	Sum of new SAM and MAM cases in functioning IYCF centres	The average no. of cases with SAM and MAM seen in the HF per week were 10	50% new cases each day for a week (SAM+MAM)
% of increase of pneumonia, malaria and diarrheal disease cases in the last month	No. of new cases identified in HF / total consultations	15.9%	50% more than the previous month per disease per facility
% of loss of essential medical supplies	No. of lost items in the inventory Den. Total number. Items in inventory	HF registers/ Reports Security incident report	More than 10%
Reports of robberies at HFs in the area	No. of events	# events	1 event
# and % of HFs and SC warehouse maintenance supported			

An early warning surveillance system – consisting of local community committees, Save the Children’s Field Office in Aden and Save the Children UK – was created to monitor risks on the ground. Monthly reviews were carried out to track the measurement indicators and adjust the system based on the evolving local situation. Funded through ring-fenced budget (amounting to 20% of the total programme budget), this system empowered the Field Office team in Aden to decide when to activate the CM in agreement with Save the Children’s Yemen Country Director, Save the Children UK and the donor GlaxoSmithKline (GSK).

In March 2020, with COVID-19 being declared a global pandemic, the CM was activated to respond to the looming impacts. Because there was no crisis scenario for COVID-19 in the original design, the programme team pivoted the focus of the CM by creating six new objectives with associated measurement indicators, as well as support actions: i) supporting an active system-level response to COVID-19, reaching from household to hospital care; ii) ensuring access to essential maternal child and reproductive health care at all health facilities; iii) maintaining community-based access to essential child health care, nutritional support and advice; iv) protecting health facility and community health workers’ safety from COVID; v) reducing risks of community transmission from COVID; and vi) increasing level of readiness of health facilities.

The pivoting and activation of the new CM took three weeks overall, starting from an internal discussion for activation on 23 and 24 March 2020, and only 3 days from the official request by Save the Children UK to GSK on 6 April, to the approval on 8 April. This was in contrast to programme changes in previous phases of the same programme which had taken several months without a CM.

The evaluation of the CM’s use showed that all six objectives were met, where the CM response actions i) enabled support across the spectrum of care, from households and communities through primary health care facilities and secondary hospital care; ii) maintained essential services at all health facilities during the early months of the pandemic – whereas services in other areas were disrupted or closed down; iii) made health workers in communities and at health facilities feel safer, having received personal protective equipment; and iv) ensured that community utilisation of health services did not decrease compared to previous years. Overall, the CM allowed the majority of programme activities and services to continue, preserving development gains.

Source: Clarke and Battistelli 2021

AFD'S MULTI-CRISIS MODIFIER IN HAITI

Started in 2019, Responses to Risks for Sustainable Development (R2D2) is a disaster risk reduction (DRR) programme in Haiti, funded by Agence Française de Développement (AFD). Implemented by the established local civil society organisations (CSOs) ITECA, ADEMA and Veterimed, the programme focuses on activities including disaster risk education, risk management training, first aid training, and coordination with relevant authorities, to prepare Haitian CSOs to better prevent and mitigate the consequences of natural hazards and improve response to emergencies across the country. Indirectly, the programme also supports the operationalisation of the National Risk and Disaster Management System, bridging the gap between national and local responses to disasters.

The programme's overall budget is €2 million. The crisis modifier is composed of two parts: €380,000 earmarked for the provision of rapid local responses to recover from and support the development of communities in the event of a disaster, and a supplemental unearmarked protected budget line of €250,000 to respond to crises. In case of crisis, CSOs can use their regular budget lines for programme activities to finance emergency responses. Once the emergency phase ends, AFD reimburses the cost of the emergency to the CSOs. Annual budgets include a line item for possible emergency situations, and the nature of the R2D2 programme (to improve disaster risk management) ensures that the yearly procurement planning anticipates the risk of shocks and crises.

No pre-agreed triggers or pre-approved response interventions have been designed to activate the CM, but decisions are taken by a steering committee close to the ground, composed of leaders of the CSOs, a technical team whose coordinator is the secretary of the steering committee, an official from the Haiti Civil Protection Directorate General (DPGC), and a member of the local AFD country office as an observer. The steering committee meets every four months to monitor the progress of the programme, but can also be convened quickly when a crisis arises. A manual specifying the different responsibilities was created at the beginning of the project.

The steering committee decides the type of response actions required and can quickly authorise the allocation of the CM's protected resources. A first envelope of €30,000 from the CM can be used by each CSO intervening in the crisis-affected area to implement activities defined in conjunction with local DPGC structures, and on the basis of a rapid assessment of losses, damage and needs, or via a formal request for support from civil protection structures. If the magnitude of the crisis justifies it, the mobilisation of additional funds from the CM must be authorised by the entire programme consortium through a request to the coordination unit, which will seek the opinion of the other partner CSOs before deciding. This will be supported by a needs assessment document. AFD provides a non-objection notice when the funds allocated exceed the initial envelope.

The CM was activated in 2021 to respond to the 7.2 magnitude earthquake in Haiti. The programme steering committee met 15 minutes after the earthquake hit on 14 August, before the national declaration of emergency, to plan adequate responses. Road clean-up activities started the same day, followed by provision of emergency food kits, shelters, canned drinking water, and hygiene kits within five days, in coordination with local Civil Protection Committees, to areas that had not been reached.

After the initial emergency response, which lasted four months, the steering committee designed and sent proposals to AFD for two recovery projects: i) a project to replace house windows to help families rebuild,

and provide women farmers' organisations with chickens and breeding support, and ii) provide farmers with goats and breeding support. The projects have already identified beneficiaries but are currently monitoring the evolving security situation. Alongside this, the R2D2 programme resumed DRR training activities in March 2022.

According to the project team, several elements contributed to the successful use of the CM and response to the earthquake. The steering committee was able to make decisions quickly, as it was locally led and had the autonomy to decide the best course of action due to the protected CM budget and the funder acting in an advisory role without dominating decisions. The crisis response also coordinated well with national responses and plans owing to the official of the DPGC sitting on the steering committee. The project team, however, also recognised a few challenges in the implementation of the CMs. Communications between the central and local structures of the General Directorate of Civil Protection could have been better managed to avoid some delays.

Source: AFD (n.d.) and interview with R2D2 project team in Haiti, 3 October 2022

Conclusion

What can climate actors learn from this experience?

Crisis modifiers can be an effective tool to increase operational flexibility, and to enhance and complement risk management planning, so that development programmes can address the unpredictable crises that will almost inevitably arise in conflict or fragile contexts. They can also lower climate finance providers' risk-based aversion to investing in such contexts, which is often caused by high risk perceptions rather than actual risks, by supporting more accurate assessment of conflict risks and setting out in advance clear strategies to manage them.

So far, those testing flexible budgeting and adaptive programming approaches the most in conflict contexts have been bilateral climate finance providers, but in such uncertain environments these approaches should be made the standard arrangement in all cooperative agreements between funders and implementing organisations. This will mitigate, if not fully prevent, problems such as project delays, project closure and waste of resources, and the risk of ultimately depriving these places of much-needed climate adaptation finance. CMs can be part of the solution.

This applies especially to multilateral climate funds, given their existing inflexible protocols. For instance, the procedures of the Global Environment Facility (GEF) require the GEF Council to approve 'substantial changes' to a project – which are defined as changes in project objectives or a substantial portion of activities – such as those that would be required when violent conflicts break out. However, the GEF Council meets only twice a year and there is no clear guidance on what constitutes a 'change in objectives' or a 'substantial portion of activities'. Moreover, the rules governing the budgeting of GEF projects do not allow project budgets to include a budget line for contingent costs and new budget lines need to be approved by the GEF Council (GEF 2020). These all prevent timely, nimble and necessary adaptations to the conflict situation. As a result, implementing agencies are reluctant in going back to the GEF Council 'for any reason' (GEF 2020, 95), and only make marginal changes, often resulting in delays, additional costs and less effectiveness – even when projects can still proceed, let alone when they have to be cancelled (GEF 2020).

- › **Recommendation 1:** Multilateral climate funds should systematically adopt flexible budgeting tools and adaptive programming principles, including CMs, into their programmes in conflict and fragile contexts.
- › **Recommendation 2:** Implementing organisations such as international NGOs and local NGOs should request the use of flexible budget lines (such as CMs) from donors, and build it into their budgets during proposal development.

Learnings from this case study are also relevant to those organisations who may already be implementing forms of CMs, but who recognise that room exists to improve their design or implementation, especially to target conflict and fragile contexts. For instance, the World Bank has a crisis modifier mechanism – the Contingent Emergency Response Component (CERC) – that can be included in all investment projects to address any crisis through budget line reallocation. However, certain design features of the CERC have limited its use in the past, such as the need for a national declaration of state of emergency, which has prevented it from addressing smaller crises, and the requirement to draft an emergency protocol, which was not always done (Lung 2020). More recently, these limitations have started being addressed with increased ex ante planning for CERCs to enable faster implementation. CERCs are now being systematically included in the health portfolio, with plans to adapt triggers for greater sensitivity to health emergencies.

- › **Recommendation 3:** Multilateral development banks, as well as other climate finance providers, already using flexible budgeting tools and adaptive management principles (including CMs) should ensure that their design and implementation arrangements are fit for contexts of fragility and conflict, learning from the increasing robust evidence on CMs and adaptive programming.

Acknowledgements

This case study was authored by Yue Cao (independent consultant). The author is grateful to Tilly Alcayna (independent consultant), Adrianna Hardaway (Mercy Corps) and Debbie Hillier (Mercy Corps) for their guidance, advice, and thoughtful comments on this research project, as well as to Simon Levine (ODI), Guillaume Bouveyron (AFD), Florian Torteau (AFD) and Gerdy Ithamar Pierre-Louis (AFD) for their comments on earlier drafts.

How to cite this work

Yue, C. 2022. Breaking the cycle: practical solutions to unlock climate finance for fragile states – Crisis modifiers case study. Washington, D.C.: Mercy Corps

References

AFD (n.d.) 'Projet R2D2 : des réponses aux risques pour un développement durable' afd.fr/fr/carte-des-projets/projet-r2d2-reponses-risques-pour-developpement-durable [Accessed 4 October 2022]

Cantin, P. and Yirga, M. (2021) 'PROTECTING DEVELOPMENT GAINS – Leveraging the Crisis Modifier in Mercy Corps' Ethiopia Programs'. Mercy Corps

- Cao, Y., Alcayna, T., Quevedo, A. and Jarvie, J. (2021) 'Exploring the Conflict Blind Spots in Climate Adaptation Finance: Synthesis Report'. London: SPARC
- CCCPA (2022) 'Accelerating Climate Finance for Sustaining Peace in Africa: Towards Integrated, Sustainable and Innovative Financing – Chair's Summary'. Aswan Forum, Cairo: Cairo International Center for Conflict Resolution, Peacekeeping and Peacebuilding (CCCPA)
- Clarke, A. and Battistelli, C. (2021) 'Development and Pilot Implementation of a Crisis Modifier Framework in Yemen'. Save the Children.
- GEF (2020) 'Evaluation of GEF Support in Fragile and Conflict-Affected Situations'. GEF
- Gilder, A. and Rumble, O. (2020) 'Improving Sub-Saharan African Access to Climate Change Finance: An Alternative View'. Policy Briefing 194. South African Institute of International Affairs
- Harrity, R. (2020) 'Somalia Joint Response – CRISIS MODIFIER LEARNING PAPER'. Dutch Relief Alliance
- ICRC (2021) 'Working Together to Address Obstacles to Climate Finance In Conflict and Fragile Settings: Outcome Paper and Next Steps' [icrc.org/sites/default/files/topic/file_plus_list/outcome_document_climate_finance_roundtable_0.pdf](https://www.icrc.org/sites/default/files/topic/file_plus_list/outcome_document_climate_finance_roundtable_0.pdf)
- LaGuardia, D. and Poole, L. (2016) 'DFID's Internal Risk Facility: Changing the Humanitarian Financing Landscape for Protracted Crises? Final Report'. TRANSTEC
- Lung, F. (2020) 'How Donors Can Use Crisis Modifiers to Fund Response after Health Shocks'. Maintains
- Mock, N., Stack, J. and Sundsmo, A. (2019) 'Assessment of the Zimbabwe Resilience Building Fund Crisis Modifier Mechanism'. ZRBF Resilience Knowledge Hub, UNDP resilienceknowledgecentre.co.zw/sites/default/files/2020-06/Crisis-Modifier-Mechanism-Assessment-6-Jan-20-For-Web.pdf
- Peters, K. and Pichon, F. (2017) 'Crisis modifiers: a solution for a more flexible development–humanitarian system?' BRACED Knowledge Manager cdn.odi.org/media/documents/11861.pdf
- Reda, D. and Wong, C. (2021) 'Climate Finance for Sustaining Peace: Making Climate Finance Work for Conflict-Affected and Fragile Contexts'. UNDP
- USAID (2016) 'EARLY RESPONSE TO DROUGHT IN PASTORALIST AREAS: Lessons from the USAID Crisis Modifier in East Africa'. USAID alnap.org/system/files/content/resource/files/main/usaids-crisis-modifier-review_final_draft_jan_2016.pdf
- Willitts-King, B., Weingärtner, L., Pichon, F. and Spencer, A. (2020) 'Risk-Informed Approaches to Humanitarian Funding: Using Risk Finance Tools to Strengthen Resilience'. London: ODI HPG odi.org/en/publications/risk-informed-approaches-to-humanitarian-funding-using-risk-finance-tools-to-strengthen-resilience

CONTACT

ADRIANNA HARDAWAY

Program and Advocacy Advisor | Policy and Advocacy
ahardaway@mercycorps.org

DEBBIE HILLIER

Head of Zurich Flood Resilience Alliance | Policy and Advocacy
dhillier@mercycorps.org

About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.



45 SW Ankeny Street
Portland, Oregon 97204
888.842.0842

mercycorps.org