



The impact of Covid-19 on climate change and disaster resilience funding

Trends and signals

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Key messages

Prior to Covid-19, concerns were being raised that funding for climate and disaster resilience was insufficient to meet the goals of the Paris Agreement and Sendai Framework. Since the pandemic, initial signals are that the funding gap will widen. Opportunities exist to harness co-benefits for pandemic recovery and climate and disaster resilience. To leverage climate and disaster resilience finance, especially during the Covid-19 response, decision-making needs to be more risk-informed and incorporate risks from multiple threats.

We recommend:

- Adapt existing anticipatory action/early warning and response finance mechanisms to a broader range of threats, including pandemics, and continue to improve their design and implementation.
- Do not create standalone Covid-19 recovery plans, but integrate them into low-carbon and resilient development plans, building on existing efforts.
- Donor countries need to get back on track in leveraging finance towards climate change adaptation and disaster risk reduction and ring-fence such commitments, including those within the 0.7% gross national income targets.
- Further consideration is required to offer de-risking financial instruments to engage the private sector.

Introduction

The effects of the Covid-19 pandemic are crippling economies, inverting development trajectories and stunting economic growth. Global gross domestic product (GDP) is projected to decrease by 4.9% in 2020 (IMF, 2020a), and by the end of the year 265 million people could be pushed into acute food insecurity (WFP, 2020). While understandably action is geared towards responding to immediate needs, other threats, including conflict, climate extremes and economic shocks, were still affecting more than 168 million people as of early 2020 (OCHA, 2020). Although this year was designated the ‘year of climate action’ by the UN Framework Convention on Climate Change (UNFCCC), Covid-19 has set back progress, including the postponement of COP26 from 2020 to 2021 and delayed submissions of the revised Nationally Determined Contributions (NDCs). Developing countries already facing multiple threats now confront further vulnerabilities with immediate and long-lasting impacts on climate risk profiles. As such, the need to build resilience through climate change adaptation (CCA) and disaster risk reduction (DRR) actions is becoming ever more urgent.

It has become increasingly apparent that the emergence of Covid-19 is affecting the availability, accessibility, mobility and execution of CCA and DRR finance in multiple ways. This includes:

- The pandemic response and recovery process dominating the political agenda.
- The diversion of humanitarian and development funds to Covid-19, with funds set aside to deal with natural hazards being spent instead on the pandemic response.
- The emergence of massive secondary impacts: a global economic downturn, increased unemployment and poverty and in some contexts increased social upheaval.
- Reduced capacity to absorb finance, affecting CCA and DRR investments on the ground.

Broader trends include a reduction in official development assistance (ODA) in absolute terms

as donors’ gross national income (GNI) falls, and a reduction of external finance for developing countries, including both public and private sector finance. Despite the global nature of the crisis, many countries have turned inwards to manage the pandemic. As a condition of the G20-driven debt service suspension initiative (DSSI), each participating country must agree to use the resources they would have spent servicing debt on social, health and economic spending related to the impacts of Covid-19.¹ No environmental aspects are considered, despite calls to use the current pandemic as an opportunity to ‘build back better’.

Serious questions have been raised about whether governments and donors will uphold pre-Covid commitments to CCA and DRR. Concerns include whether climate and disaster resilience will be deprioritised, funding commitments withdrawn or, at worst, measures taken as part of pandemic recovery and economic stimulus that directly or indirectly increase vulnerability to climate and disaster risks.

Significant time and energy has been spent by think tanks, non-governmental organisations (NGOs) and development and humanitarian actors in persuading policy-makers of the benefits of upholding existing climate commitments. This is now more important than ever, as the gains in and opportunities for building climate risk resilience are being lost due to Covid-19 pressures. This briefing paper documents current trends and signals in international CCA and DRR finance since the emergence of Covid-19 in early 2020, and proposes four key recommendations to ensure that funding for CCA and DRR is maintained in the immediate and long term, and that the pandemic recovery is resilient, equitable and green.

- Funders that have the financial capacity and stability to do so should cover the predicted shortfalls in climate finance and support climate-informed Covid-19 response.
- Do not create standalone Covid-19 recovery plans but integrate them into low-carbon and resilient development plans, especially building on existing and ongoing efforts.

¹ In addition, beneficiaries agree not to contract new non-concessional debt for the period and disclose all debt commitments to the World Bank and other reporting entities.

- Adapt existing anticipatory action/early warning and response finance mechanisms to a broader range of threats, including pandemics, and continue improving their design and implementation.
- Donor countries should increase their ODA budget to meet the 0.7% of GNI target, and scale up and ring-fence funding to principally target climate action, including for CCA and DRR.

Methodology

This paper draws on interviews and a literature review conducted between June and August 2020. It does not claim to be a comprehensive review of all CCA and DRR funding, but prioritises the global level (including the World Bank, the Green Climate Fund (GCF), the Pilot Program for Climate Resilience (PPCR), the Asian Development Bank and the African Development Bank, key donors (including the UK, Germany, the Netherlands and the European Union (EU)), and a sub-set of country contexts (including Nepal, El Salvador and Indonesia).

Trends and signals

Prior to Covid-19, CCA and DRR finance was already insufficient to attain the goals set out in the Paris Agreement on climate change (UNFCCC, 2015) and the Sendai Framework for Disaster Risk Reduction (UNDRR, 2015). Both public and private sectors were struggling to meet the target of \$100 billion of funding per year by 2020 to help low-income countries fight climate change (UNFCCC, 2009) through both adaptation and mitigation. Furthermore, finance allocations for mitigation have dominated those for adaptation. Only around \$30 billion was allocated to CCA in 2017/2018 (CPI, 2019). Meanwhile, the multifaceted nature of DRR financing has made tracking such efforts difficult. Finance for the entire risk management cycle is widely regarded as insufficient – evidenced by the severe impacts of hazard-related events across the world. Funding focuses on preparedness and response, with the majority of funds going to post-disaster humanitarian mechanisms.

The economic downturn triggered by the Covid-19 pandemic is projected to reduce global

GDP growth by 4.9% in 2020 (IMF, 2020a) affecting the livelihoods of billions of people. The disproportionate effects on developing countries increase the pressure on their ability to raise adequate funding for Covid-19 recovery. Even before Covid-19 struck, debt servicing costs for developing and emerging economies had more than doubled between 2000 and 2019 (UNDESA, 2020); and global debt stocks had already surpassed levels seen during the global financial crisis of 2008 (UNCTAD, 2019), with the fastest growth since the 1970s (Ayhan Kose et al., 2019). Concerns are being raised about the ability to close the CCA and DRR financing gap alongside current pressures on budgets as governments struggle to tackle the pandemic. Despite efforts to increase climate ambition, including replenishments of the GCF in 2019 and COP26 in 2021, there remain concerns that funding for climate change mitigation will continue to dominate the climate finance landscape.

Covid-19 impacts on ODA

The impact of Covid-19 on donor countries' economies is expected to lead to a fall in ODA in absolute terms due to the depth of the crisis and the economic recession it has triggered.

Historical trends suggest that donors' sense of solidarity during a crisis has countered expectations that ODA will fall. Total ODA disbursements from donor members of the Development Assistance Committee (DAC) have continued to rise for decades despite several economic crises where geopolitical factors seem to be more influential (OECD, 2020b). The global financial crisis in 2008 saw ODA flows marginally increase, but the economic crisis prompted by Covid-19 is estimated to be deeper and more widespread. Given the complexity and future uncertainties of the Covid-19 crisis, the Organisation for Economic Co-operation and Development (OECD) (2020b) suggests three possible scenarios:

- ODA budgets could rise to meet the needs created by the crisis.
- Budgets could hold steady at recent levels despite the global slowdown in economic growth.
- Budgets could decline in line with contracting donor economies.

In their Communique in April 2020, OECD DAC members stated that they would strive to keep ODA at 2019 levels, but the third scenario is most likely. Using International Monetary Fund (IMF) and OECD projections (IMF, 2020a; OECD, 2020c) of economic recovery from Covid-19 and evidence of the elasticity of ODA to GDP growth² in previous crises, ODA flows are projected to fall over 2020 and 2021 by approximately 7.1% and 11.8% in real terms, equivalent to \$10.3 billion and \$17.6 billion respectively (Carson et al., forthcoming; see also Box 1). In June 2020, the OECD estimated that total external finance (public and private) for low- and middle-income countries eligible for ODA will fall by \$700 billion, a drop 60% larger than in the 2008 global financial crisis, when inflows declined by \$425 billion (OECD, 2020b). This has a direct effect on ongoing development efforts and may even set back such efforts, increasing vulnerability to future pandemics, climate change and other global threats.

The projected falls in ODA could be reduced by two-thirds or a half if donors do not cut ODA budgets more than the fall in their respective GNI (Carson et al., forthcoming). ODA has traditionally been the most stable source of external financing to developing countries, though not the largest in volume. The 0.7% GNI donor target for ODA set by the UN³ is legally binding in the UK. Other donor countries, such as France, have started processes to tie a legal ODA target to their GNI (0.55% in France), but such efforts have been postponed due to Covid-19 (Donor Tracker, 2020a). Donor countries with ‘unprotected’ ODA targets may cut their aid budgets more than the fall in their GNI as a response to the economic downturn.

While it has been noted that political leadership plays a large role in providing continuity of ODA (OECD, 2020b), the

pandemic has seen geopolitical shifts and a move away from multilateralism (Pantuliano, 2020) which will affect the overall financing environment for developing countries. The OECD (2020b) anticipates that:

- foreign direct investment will fall by 30% globally, disproportionately affecting developing countries;
- remittances, which have become a stable and growing source of foreign income, could fall by \$100 billion;
- government tax revenues, which were already insufficient to deal with current shocks and stresses, will decline.

ODA allocation for CCA and DRR

Future availability of CCA and DRR finance will depend on the ability of different donors to meet pre-existing climate and disaster risk reduction commitments in light of Covid-19. While expectations are that the volume of finance for ODA will decline overall (as this research suggests), flows will also be allocated more specifically on development (health, poverty alleviation, economic recovery). This may mean that climate-related ODA also stands to be affected by the redirection and reallocation of funding, as well as an overall reduction in funding. The UK government, for example, was set to be a significant champion for climate-related activities given its role in hosting the postponed COP26 in 2021 and a commitment of £11.6 billion for international climate finance (ICF), which falls under ODA. The UK’s GNI is forecast to fall by 11.5% (OECD, 2020c), with interviewees claiming that ongoing and new aid programmes, including those on climate resilience, are already being asked to reduce budgets by up to 30%⁴ as a response to Covid-19. The ICF

2 Elasticity of ODA to GDP growth here is the extent of change in ODA due to a change in GDP growth. The calculations of ODA reductions due to Covid-19 cited in this paper assume that the elasticity factor will be the same as in previous global crises.

3 The 0.7% GNI/ODA target was first agreed in 1970, and has been repeatedly re-endorsed at the highest level at international aid and development conferences. The 0.7% target served as a reference for 2005 political commitments to increase ODA from the EU, the G8 Gleneagles Summit and the UN World Summit.

4 Donors and development partners, interviews, July 2020.

commitment, however, has been ‘ring-fenced’, and determining what it means for upcoming funding allocation warrants further exploration.

Donors are refocusing their development budgets to finance the international response to Covid-19. By how much and from which sectors is still not fully known as the pandemic is still ongoing at the time of writing and data is piecemeal. According to some interviewees, multi-year CCA and DRR programmes have been sacrificed to alleviate funding pressures caused by the Covid-19 response,⁵ although the full magnitude of this is not known.

Recipient countries have requested funding intended for CCA and DRR to be diverted in order to respond to Covid-19. For instance, India, Nepal and Pakistan have made such requests to the Global Facility for Disaster Reduction and Recovery. Many donors are allowing this, and are providing additional flexibility to implementers in the use of funds through no-cost extensions and adapted results frameworks, and by including Covid-19 in ongoing and new funding calls (Donor Tracker, 2020b). Within the DRR community, diversions of existing project activities in response to Covid-19 have fallen into three categories, which align to intended benefits from disaster risk management (DRM) activities. This has shown the positive synergies between DRM and health risk management systems. The three categories are:⁶

- **Communication of pandemic risks** – helping to raise awareness of the current and future risk.
- **Coordination on multi-agency responses** – including emergency operating centres, the utilisation of emergency response plans and supporting DRR agencies to coordinate with different sectoral agencies.
- **Management and deployment of resources and building capacity** – including for emergency and relief facilities, and management of personnel.

Box 1 Warning for future climate and disaster events

There are already concerns around meeting UN humanitarian appeals for ongoing crises. For example, only 42.1% of the funds required for the Syria Regional Refugee and Resilience Plan of February 2020 have been secured (FTS, 2020). Donors usually reserve a percentage of specific programme budgets to respond to crises, including those affected by climate- and non-climate-related disasters. These reserves have been tapped by the response to Covid-19. By how much is not yet fully known, though the humanitarian community is concerned about the ability to respond to the next climate and disaster emergency, and in particular supporting people who are also vulnerable to the impacts of Covid-19. OCHA (2020) estimates that nearly 168 million people are in need of humanitarian assistance in 2020, requiring \$28.8 billion – higher than the calculated falls in ODA of between \$10.3 billion and \$17.6 billion.

Climate implications of international and development finance institutions’ responses to Covid-19

The majority of international finance institutions (IFIs), including multilateral development banks (MDBs), have fast-tracked funding allocations to respond to Covid-19. This has included financing new interventions and reprioritising existing funding, albeit the balance between refocused funds and new resources is not yet known. MDBs have the financial power to support developing countries facing the impacts of Covid-19, with the potential to expand lending by at least \$750 billion (160% above current levels) while still maintaining their AAA credit rating (Humphrey, 2020). Given the MDBs’ mandate to deliver the Paris Agreement, exploration of the applicability of this expanded

5 Donors and development partners, interviews, July 2020.

6 Donor interviews, July 2020.

lending to leverage further climate finance is warranted. In turn, the IMF, as a response to Covid-19, has outlined guidance to governments on policy measures for ‘green’ recovery and social protection for low-carbon, resilient growth, though it is not known how applicable this is to economic relief already supplied. Such measures include: supporting green, rather than brown,⁷ activities; making support to brown activities conditional on transitioning to green activities; pricing carbon right; assessing the climate impact of support measures; making the financing green; and developing new medium-term climate plans (IMF, 2020a). Further exploration is needed to ensure the ‘resilience’ aspect is integrated into these ‘green’ measures.

The challenges involved in engaging the private sector in financing CCA and DRR will become even more prominent after Covid-19. In addition, any private sector investment classified as climate finance is likely to continue to flow to climate mitigation projects rather than adaptation. Any investment, including for mitigation, should have a climate resilience lens, giving importance to resilient, low-carbon development. Barriers to private sector adaptation finance include undervaluing of positive externalities (the benefits of investments that do not generate additional cash flows and are not reflected in financial returns), imperfect capital markets (when markets are unable to provide long-term credit for investments that would otherwise be able to cope with longer-term climate shifts) and incomplete or asymmetric information (Alcayna, 2020). Multilateral and bilateral development finance institutions (DFIs) – specialised institutions set up to crowd-in private sector financing by de-risking investments – increasingly have green (and, to a much lesser extent, resilience) investment objectives, and their role will be crucial as the effects of the global recession hit the private sector. The UK’s DFI, CDC Group,

has increased its portfolio commitments for climate finance from 20% in 2017 to 30% in its new climate change strategy release in 2020 (CDC, 2020). However, successful implementation will depend on government leadership and, in turn, in order to be more future-oriented and climate-smart, the private sector needs to be encouraged to invest more in such strategies, and to do that they need to be more open to novel financial risks.

Donors made large replenishments to the GCF in 2019, with some doubling their commitments, placing the GCF as a strong actor to ensure mobilisation of climate finance during the recovery from Covid-19. As of July 2020, \$8.31 billion in announced and confirmed pledges (GCF, 2020a) had been made to the GCF, guaranteeing grant cashflow to developing countries up to 2028. Overall, the GCF aims to allocate 50% of its resources to adaptation, where funding for adaptation currently accounts for only 25% of approved projects, but this amount increases to 60% if cross-cutting projects are included (GCF, 2020b). There is also the potential of at least \$5 billion in additional funds to the GCF from the United States if the Democratic Party wins the elections in November 2020.⁸

The GCF offers grants, concessional loans, subordinated debt, equity and guarantees through projects, which means that it can be more flexible and take more risks in supporting developing countries in the recovery from Covid-19, as opposed to often limited grants (and technical assistance and loans) earmarked from particular donors and disbursed through MDBs. However, Covid-19 has led to project delays from due diligence processes, the acquisition of no-objection letters and finalising subsidiary agreements. The pandemic has also postponed or prevented consultations with local stakeholders and civil society due to physical distancing requirements. The GCF

7 Brown activities refer to activities that emit CO₂.

8 Democrats have committed to not only match the \$3 billion from the Initial Resource Mobilisation (IRM) to the GCF-1, but also make up the lost \$2 billion. In addition, given the popularity of doubling climate finance commitments from donors, the best-case scenario is that US additional contributions to the GCF reach \$8 billion, a medium-case scenario of \$5 billion, and a worst-case scenario of zero if Republicans win. Source: interview.

is prioritising public over private lending to support developing countries in their response to Covid-19.

Going forward, and given the high levels of support needed by developing countries, the GCF is focusing on maximising the co-benefits of project outcomes and needs from Covid-19 recovery. This includes ensuring green jobs, social and environmental protection, and increasing the ability of governments to respond and deliver quickly. They are doing this by identifying new climate investments that have strong social and economic co-benefits, and providing flexibility to partners, including the provision of a six-month no-cost extension on Readiness Programme and Project Preparation Facility grants.

Room for optimism: recognition of resilience

The magnitude of the global Covid-19 crisis has forced many societal actors to acknowledge and understand the costs of not incorporating resilience thinking into decision-making. As the pandemic runs its course, attention is gradually turning from short-term response to longer-term recovery. The economic costs of Covid-19, in terms of lives lost, lost GDP and employment due to lockdowns, and increased government spending and borrowing to stimulate economies, will be extensive. At the same time, the impacts of climate change will continue to worsen, and the costs of adaptation will significantly increase (UNEP, 2016). Given such an outlook, many policy-makers have become acutely aware of the importance for the global recovery of building both socioeconomic and climate and disaster resilience. If done smartly, economic recovery can also address climate and disaster resilience needs; if not, the recovery will create more risks and increase future adaptation costs. As such, the pandemic recovery should be framed as part of a wider effort to bolster system-wide responses to multiple, concurrent threats to foster risk-informed sustainable development (Opitz-Stapleton et al., 2019).

Increased value of early and anticipatory action

For some time, those working on CCA and DRR have advanced knowledge and practice of early and anticipatory action. The value of such approaches has been recognised and used in Covid-19 responses. For example, in Pakistan technology used to map flood risk is being leveraged to identify Covid-19 hotspots (UNDP, 2020). There are opportunities to capitalise on, scale up and promote the benefits of creating synergies between CCA/DRR and pandemic recovery through early and anticipatory action, including through strengthening risk assessments, capacity-building of disaster management authorities and knowledge transfer between health and disaster specialists. It is also worth noting that ‘biological hazards’, including pandemics, are under the remit of the Sendai Framework for Disaster Risk Reduction, and therefore action on pandemic preparedness and response is part of strengthening risk management systems.

‘Build back better’ for green and resilient recovery

‘Build back better’, a concept with origins in the DRR cadre, has been adopted in discourse on Covid-19 to link the pandemic recovery to broader societal challenges, including the need for food and job security and resilience to climate change. Emphasis is being placed on tackling rising unemployment through labour-intensive, low-carbon investments that can be implemented quickly. Attention has also shifted towards inclusive recovery. ‘Funding for social protection has increased four-fold’,⁹ primarily through cash transfer programmes, building on existing safety net programmes.

There is much optimism that Covid-19 green recovery packages can be designed and delivered in ways that accelerate the transition to low-carbon development pathways, as well as building climate and disaster resilience. Such opportunities are already in movement and often in need of funding and the right enabling environment. Options include clean physical

9 Expert interview, July 2020.

infrastructure, efficiency retrofits, investments in education and training, nature-based solutions and clean research and development (Hepburn et al., 2020) (see Box 2).

As green recovery packages support the leveraging of investments to support the transition to resilient, low-carbon development, they will continue to be influenced by:

- an increased focus by financial regulators globally on ensuring that investments consider physical and transition risks of climate change, including avoiding the risks of stranded assets;
- governments' NDCs;
- continued commitment by the MDBs to the Paris Agreement;
- more generally, an international effort to ensure that all financial flows are consistent with low-emission, climate-resilient pathways (i.e. are Paris-aligned).

Social protection mechanisms

Covid-19 has highlighted the devastating consequences of systemic shocks for societies and economies in the absence of universal and adequate social protection, with the effects being disproportionately felt by the poor. Governments and bilateral and multilateral donors have adapted existing social protection mechanisms, such as cash transfer and safety net programmes, and have created new temporary ones to disburse funding quickly to vulnerable communities (ILO, 2020). However, pre-existing mechanisms are targeted towards selected categories, including youth, women, older people and people living with disabilities, rather than directly assisting the jobless (Vaziralli, 2020). The Special Rapporteur on extreme poverty and human rights has identified eight challenges to the equitable and effective delivery of services in response to Covid-19 (UN, 2020). These include: reaching informal and undocumented workers

Box 2 Sectoral approaches to integrate climate change adaptation and disaster risk reduction into Covid-19 recovery

Examples of CCA and DRR activities that can be advocated further in the Covid-19 recovery include:

- **Protection of public services:** Increasing people's resilience to climate change involves effective, efficient and resilient provision of public services such as clean water, wastewater treatment, energy for heating or cooling, health services and access to information for anticipatory responses. Many developing countries already face low capacity to provide and access such services adequately. Thus, investing in and increasing protection of these services will increase social and environmental protection and generate jobs – outcomes that are needed for Covid-19 recovery.
- **Infrastructure:** CCA actions involve building retrofits, and are encouraged in the medium term as they provide jobs, cut costs and often reduce carbon emissions through efficiency gains. These benefits are needed in the Covid-19 recovery. Large-scale infrastructure investments are another option to guarantee similar benefits, but can take 5–10 years to plan and implement, and depend on the capacity of the corresponding country to carry them out, which often is low in developing countries.
- **Nature-based solutions:** These are likely to become a focus of resilience-building in the long term as they are labour-intensive and thus create jobs (although gender considerations must be taken into account). There will be an opportunity to rethink the relationship between the economy and nature. China, as the host of the next UN Biodiversity Conference (COP15) in mid-2021, is well-placed to influence legally binding commitments from key international players.
- **Tourism:** One example of adaptation investments with the potential to be showcased post-Covid-19 is ecosystem-based solutions for eco-tourism. As the tourism sector has been hard hit in many developing countries that depend on its revenue, and is particularly exposed to natural hazards, such investment could help to build resilience and increase job opportunities.

and indigenous people; continuity of coverage and adequacy of amounts; understanding the intersectional characteristics of people in poverty; gender-responsive protection; and the digital divide. All need to be addressed and are already considered important in CCA and DRR activities to build climate resilience.

Recommendations for action

The need to dedicate finance to Covid-19 responses has taken priority, but this should not crowd out finance for CCA and DRR. The pandemic has provided a unique opportunity to break away from ‘business as usual’ by shedding light on pre-existing societal inequalities and the interconnectedness and fragility of current systems to withstand global threats. Rebuilding economies to be green, equitable and, above all, resilient to a multitude of threats and hazards, especially compound ones, will ensure that they will not collapse when the next global disaster surfaces. Policy-makers must incorporate climate and disaster resilience thinking into recovery packages to ensure that they do not increase societal and economic vulnerability to future climate impacts. At the same time, they must continue funding CCA and DRR to achieve this systemic resilience, given the existential risk that climate change poses for humanity (Centre for the Study of Existential Risks, 2020).

This briefing paper has identified several unfavourable signals with regard to CCA and DRR funding as a result of Covid-19, including predicted falls in ODA from donor countries, the reprioritisation of CCA and DRR funding in both donor and recipient countries towards health, employment and poverty reduction, and uncertainty around meeting pre-existing climate commitments. Strong political will is required globally to counter them. There are several policy areas where action is necessary to ensure that the recovery is both pro-poor and resilient, and that adequate commitment and funding for CCA and DRR is maintained in the long run.

Adapt existing anticipatory action/early warning and response finance mechanisms to a broader range of threats, including pandemics, and continue improving their design and implementation

With the right funding mechanisms, it would arguably not be necessary to divert funds from development, CCA and DRR to address pandemic threats. For example, as Covid-19 did not satisfy the seven predetermined thresholds of the World Bank Pandemic Emergency Financing Facility early enough, due to the pandemic’s speed and complexity, the reliability of the model behind the trigger is in question. These experiences, however, provide opportunities for learning, in order to continue improving such anticipatory finance mechanisms. For instance, better understanding of the relationships between pandemic risks, climate change and other threat multipliers could be integrated in risk modelling and surveillance systems to help develop new pay-out triggers. This will require strengthened risk management and better action on biological threats, as covered under the Sendai Framework.

Do not create standalone Covid-19 recovery plans but integrate them into low-carbon and resilient development plans, especially building on existing efforts

This should be linked to the NDC process first and foremost, but should also strive to increase existing ambitions to meet the Paris Agreement and the Sendai Framework goals. While building economic resilience (through green jobs and reducing greenhouse gas emissions) remains a priority, care should be taken to ensure that the resilience characteristics of investments are not sidelined. This will require increased international and national advocacy, and for climate and disaster expertise to consider Covid-19 recovery packages as part of their business, to provide ideas for climate co-benefits and to hold governments accountable for the compatibility of Covid-19 recovery packages with climate commitments. COP26 in 2021 will be crucial to break down the silos between mitigation and adaptation, and ensure that the green recovery is also resilient and pro-poor.

Funders that have the financial capacity and stability to do so should cover the predicted shortfalls in climate finance and climate-informed Covid-19 response

CCA and DRR funding were already insufficient to meet the goals of the Paris Agreement and Sendai Framework prior to the pandemic (CPI, 2019). This funding gap may widen further due to the diversion of funds from CCA and DRR activities to respond to Covid-19, the predicted drop in ODA and inflows of external finance (public and private) into developing countries and uncertain resource allocation for climate action.

- Major MDBs and regional development banks can expand their combined lending by at least \$750 billion (160% above current levels) while maintaining their AAA rating (Humphrey, 2020). The IMF has a lending capacity of \$1 trillion, and had lent \$252 billion to member countries by the end of June 2020 (IMF, 2020a). The applicability of this potential lending to leverage climate finance for CCA and DRR is an opportunity to be exploited.
- DFIs, both regional and national, will need to scale up de-risking strategies (e.g. blended finance models) to attract investment and recalibrate their portfolio to increase support for CCA, DRR and sustainable development.
- Where health and DRM systems are linked to the response to Covid-19, philanthropic donors focusing on health have an opportunity to contribute to building broader social resilience to climate threats as well.
- Further debt standstills and renegotiations will be required as the current DSSI is insufficient (Fresnillo, 2020), with no monitoring mechanisms in place; these will need to include private creditors as ‘it is pointless and unfair for the G20 to provide debt relief for developing countries if the freed resources flow immediately into the hands of hedge funds’ (Bolton et al., 2020).
- Above all, care should be taken that finance is targeted where it is most needed (including climate-vulnerable areas), and to those most in need (i.e. local communities, women and other disadvantaged groups).

Donor countries should increase their ODA budget to meet the 0.7% of GNI target, and scale up and ring-fence funding to principally target climate action, including for CCA and DRR

As the rising cost of capital due to Covid-19 diminishes the attractiveness of emerging and developing markets for private investors, the case for public finance intervention becomes even stronger in the recovery phase. Only six countries (Denmark, Luxembourg, Norway, Sweden, Turkey and the UK) met the 0.7% target in 2019 (OECD, 2020a), and only in the UK is that target legally binding. Funding for CCA and DRR may benefit from other ring-fencing mechanisms to make up for shortfalls where ODA is tied to a percentage of GNI. In turn, reforming the international lending system will be key to ensuring continuity of funding. This requires exploring further debt relief for developing countries and the integration of climate and pandemic risks (and risks from other threats) into lending practices and debt service. Ideas include updated models of Debt-for-Climate and -Nature swaps (Steele and Patel, 2020) and integrating environmental criteria into private debt restructuring (Gokoluk and Bartenstein, 2020). These could be expanded to include criteria for moratoriums or standstills to address natural hazards or pandemics – but would not be limited to these.

These recommendations will need to be operationalised into decision-making processes at every level during the pandemic recovery. The World Bank’s *Proposed sustainability checklist for assessing economic recovery interventions* (World Bank, 2020b) and the Zurich Flood Resilience Alliance’s *Building back better: ensuring Covid-19 response and recovery builds long-term resilience to climate impacts* (Norton et al., 2020) provide actionable approaches to support this.

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The Zurich Flood Resilience Alliance is a multi-sectoral partnership which brings together community programmes, new research, shared knowledge and evidence-based influencing to build community flood resilience in developed and developing countries. We help people measure their resilience to floods and identify appropriate solutions before disaster strikes. Our vision is that floods should have no negative impact on people's ability to thrive. To achieve this, we are working to increase funding for flood resilience; strengthen global, national and subnational policies; and improve flood resilience practice. Find out more: www.floodresilience.net.



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