



COHAFA session

Innovative Approaches to Partnering and Financing

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Lead / Organiser: Ministry of Foreign Affairs of Denmark

Key Recommendations for COHAFA Members

Amidst record ODA cuts and growing humanitarian needs driven by compounding conflict, climate, and economic shocks, innovative finance has emerged as an essential *complement* (not a replacement) to traditional grant funding.

To meet the scale of the challenge, we must collectively move from ad-hoc pilots to a strategic, system-wide adoption. Given the demonstrated viability and efficiency of these instruments, COHAFA members can play an essential enabling and catalytic role in driving this shift, integrating these tools across the humanitarian-development-peace (HDP) nexus.

We call on COHAFA members to champion three key, evidence-based actions:

I. Demonstrate Leadership Commitment and Establish a Clear Policy Framework

We ask you to champion a formal, strategic EU-level framework on innovative finance in humanitarian and fragile settings, aligned with the Grand Bargain 3.0, the Humanitarian Reset and the EU Fragility Approach. This provides direction, sets clear goalposts, and drives the crucial shift in mindset: seeing innovative finance not as a peripheral add-on, but as a strategic complement to core funding, especially within the new **Multi-annual Financial Framework (MFF)**.

Specific Actions:

- **Define** individual and collective funding allocation targets (or aspirations) that foster the de-risking and uptake of innovative finance activities.
- **Capitalise layered disaster risk financing and insurance models.** Support the design and capitalisation of multi-layered disaster risk financing and insurance architectures. This approach matches different risk profiles with the most efficient financial instrument—from contingency funds for frequent, low-impact events to parametric insurance and capital market solutions like catastrophe bonds for severe, less frequent shocks.
- **Scale** investments in **Anticipatory Action**. Direct reliable, multi-year, and flexible funding to scale Anticipatory Action in the most vulnerable settings, using and leveraging pooled funds for rapid disbursement.
- **Share your Data:** Contribute your financial data to ongoing tracking efforts to enable the coordinated investment needed to truly scale these activities.

II. Build Systemic Capabilities and Actively Mitigate Risk

We need your support for initiatives that build financial literacy and operational capabilities across the humanitarian ecosystem, and within stakeholders. This includes providing grants

for feasibility studies, early-stage technical assistance, and incubating a pipeline of investable projects, thereby enhancing the readiness of humanitarian activities to mobilise multilateral and private sector investments.

Specific Actions:

- **Support** initiatives that build financial literacy and technical skills for both COHAFA members and humanitarian partners, enabling all stakeholders to effectively design, manage, and scale innovative finance.
- **Commit to piloting new mechanisms:** We urge each Member State to invest in 1-3 new innovative finance projects to build a practical evidence base. The portfolio is diverse; you can champion mechanisms that align with your national strategies and comparative strengths.
- **Provide** grants as seed capital for feasibility studies, technical assistance and the incubation of a pipeline of investable projects.

III. Encourage Engagement and Integration Along the HDP Nexus

We encourage you to use your influence to bring all actors to the table and break down silos. This requires integrating humanitarian, development, and climate finance streams.

Specific Actions:

- **Promote** humanitarian blended finance models as a scaling approach, leveraging grants catalytically to attract and mobilise multi-lateral and private sector capital, making humanitarian assistance more impactful and sustainable.
- **Advocate** internally with governmental colleagues in development and climate finance to provide capital to reduce financial risks—such as guarantees or first-loss capital—adapted to the specific risk profile of humanitarian and fragile settings.
- **Convene** and **incentivise** strategic partners—including Development Financial Institutions (DFIs) and Multilateral Development Banks (MDBs)—to place a greater emphasis on partnering with humanitarian organisations in fragile settings and adapting their instruments, risk, and investment criteria accordingly.
- **Encourage** humanitarian appeals, where appropriate, to leverage HDP nexus structures and integrate a broader range of financing instruments beyond grants. This will ensure more comprehensive and flexible responses to crises.

Conclusion

Realising and expanding the demonstrated innovative finance early successes requires multi-year commitment including dedicated funding, appetite for innovation, and a reimagined partnership across the humanitarian ecosystem.

We look to you to help build the enabling infrastructure that will finally move this agenda from a series of isolated transactions to a scalable, systemic solution.

Thank you again for your time and consideration. We remain available to address any queries or engage in follow-up discussions.

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