
WORKING TOGETHER TO ADDRESS OBSTACLES TO CLIMATE FINANCE IN CONFLICT AND FRAGILE SETTINGS

Discussion paper for a virtual expert roundtable

This discussion paper is designed to inform a virtual expert roundtable on working together to address obstacles to accessing climate finance in conflict and fragile settings. This event will focus on identifying why these gaps and shortfalls in climate finance exist, the consequences of these shortfalls, and propose practical ways to unlock climate finance for populations that are particularly vulnerable to climate risks. This policy dialogue will provide a neutral, non-political space for expert discussions on ensuring that climate finance leaves no one behind.

The event is organized by the International Committee of the Red Cross and the World Bank, and co-convened by the African Development Bank, Asian Development Bank, International Centre for Climate Change and Development, Islamic Development Bank, International Council of Voluntary Agencies Overseas Development Institute, Red Cross and Red Crescent Climate Centre, and United Nations High Commissioner for Refugees.

When: Thursday, **October 21st, 2021** at 14h00 CEST

Where: [Click here to join the meeting](#)

Mind the gap: Climate finance in conflict-affected countries

Conflict-affected countries are among the most vulnerable to the climate crisis.¹ Although their situations are far from homogeneous, their capacity to adapt to a changing climate is often drastically limited by the disruptive impact of wars that weaken institutions and essential services, and erode the economy, social cohesion and development gains (ICRC 2020; IDA 2021a, b). This acute vulnerability and severe capacity constraints should, in theory, ensure that countries in conflict are prioritized by climate finance.² However, in practice, these countries remain some of the most neglected by climate finance.³

Two critical imbalances characterize climate finance and limit the potential for adequate climate action in fragile and conflict-affected countries. First, there is a significant disparity between the provision of funding to stable middle-income countries and fragile or conflict-affected ones, a vast majority of which are among the world's least developed countries (LDCs). These receive a minor fraction of the funding, even when their vulnerability is high (Cao 2021; IFRC 2020). Despite the Paris Agreement's commitment to increase support for LDCs, between 2016 and 2018 they only received some 14 % of the total climate funding accounted for by the Organisation for Economic Co-operation and Development (OECD), with nearly 70% of all climate finance provided to middle-income countries (and 2 % to small island developing states [SIDS]) (OECD 2020:7). Even within the group of LDCs, funding is not equally distributed.⁴ In fact, "the more fragile a country is, the less adaptation finance it received" (Cao 2021:5). When climate finance is provided to countries in conflict, it often omits conflict-affected locations. This not only reflects the fact that conflict-affected zones in a country are often excluded to mitigate risks, but also that just a fraction of international climate finance is committed to local action (Cao 2021; IIED 2021:1; Sitati 2021:7).

Second, although states committed in the Paris Agreement to ensure a balance between finance for mitigation and adaptation, adaptation funding is still trailing behind.⁵ For many countries in conflict that are particularly vulnerable to climate change, it is urgent to strengthen their populations'

¹ Under International Humanitarian Law, an armed conflict refers to an armed confrontation between the armed forces of States or between governmental authorities and organized armed groups or between such groups within a State. Other situations of violence, such as internal disturbances and tensions are not considered to be armed conflicts. To identify countries in conflict, the World Bank uses a different indicator: the number of conflict-related deaths relative to the population. The term fragility is used to refer to countries that are not in conflict and have high levels of institutional and social fragility, based on a number of indicators.

² UN list of least developed countries: <https://unctad.org/fr/node/2972>; Paris Agreement, 9.4: "The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation."

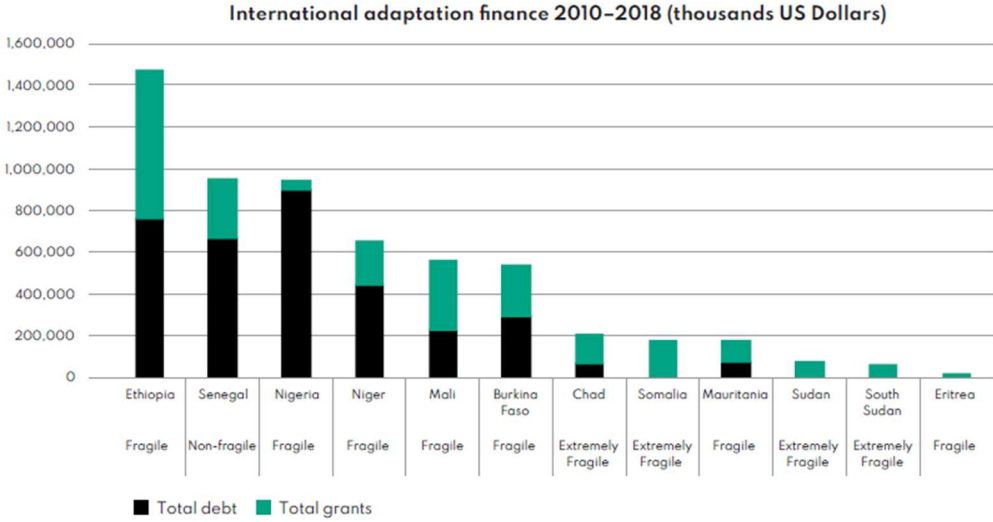
³ Climate finance refers to local, national or transnational financing that supports mitigation and adaptation action to address climate change and that can come from a variety of sources, public and private, bilateral and multilateral grants and loans, such as those channeled through multilateral climate funds, the largest of which are the Green Climate Fund, the Adaptation Fund and the Least Developed Countries Fund.

⁴ From 2014 to 2018, Bangladesh and Ethiopia were allocated over 30% of climate finance for LDCs (IIED 2021: 6).

⁵ It is commonly agreed that climate finance tracking is imperfect. All figures however indicate a significant unbalance between funding for mitigation and adaptation. OECD figures show that in 2018, 70 % of climate finance was dedicated to mitigation, 21% to adaptation and the rest was cross-cutting (2020: 7). The biggest multilateral climate fund, the Green Climate Fund, has allocated 40 % of its funding to adaptation (UNEP 2021).

capacity to adapt to growing climate risks and prevent that million more people are pushed into extreme poverty (Hallegatte 2016).⁶

FIGURE 1: ADAPTATION FINANCE FLOWS TO THE SAHEL AND HORN OF AFRICA



Source: Cao et al. 2021:22.

Why such imbalances?

High contextual risks, weak governance and institutional capacity, and unfit for purpose and burdensome access and accreditation requirements and programmatic modalities can largely explain the gap in climate finance to fragile and conflict-affected countries – such barriers tend to be equally prevalent in Official Development Assistance flows to fragile countries (Cao 2021:22; OECD 2014). In addition, in situations of conflict, organizations often focus on shorter-term action to address its direct consequences. Longer-term measures and finance to strengthen the resilience of communities to a changing climate may not be prioritized.

Climate donors’ risk appetite varies, but overall, donors tend to share a low acceptance for programmatic, financial, environmental and social safeguard risks. This often translates into rigid governing instruments and partnership procedures for climate actors, and an effective inability to fund projects to strengthen the resilience of communities in areas where conflict and instability might jeopardize their implementation. This explains the inclination to invest in relatively safer places that are expected to remain stable and in capitals, and not necessarily in the very locations that are the most vulnerable to climate change. Donors are particularly likely to stay away from parts of a country that are not under governmental control and where a non-state armed group has a strong presence. This is in part to avoid interfering with the dynamics of the conflict and because of concerns on the sustainability of interventions that may not be aligned with national development plans (Cao 2021:32). In practice, this can leave large groups of people behind, as millions of people across the world live on territories that are not under the control of the government (ICRC 2021:2).

⁶ The World Bank (2020) assesses that by 2030, up to two-thirds of the world’s extreme poor will live in countries characterized by fragility, conflict and violence.

The climate finance landscape is complex and fragmented. The Paris Agreement (9.9) underscores the importance of harmonizing procedures and enhancing the readiness of countries to ensure that LDCs and SIDS are not disadvantaged in accessing the funds, but for countries with limited institutional capacity, the transaction costs can still be inhibitive. Weak national institutions tend to have limited capacity and technical expertise to develop comprehensive and adapted long-term policies and strategies, undergo lengthy and uncertain accreditation and application processes and fulfil a wide array of institutional, procedural and fiduciary requirements to qualify for funds (ICRC 2020; Peters 2016, 2019; Savvidou 2021). For countries enduring protracted conflict and lasting insecurity, knowledge and data gaps can be significant barriers. Current and past climate data, granular socio-economic data or detailed spatial mapping required for proposals may be non-existent and participatory or gender assessments might be hard to complete, and environmental and social safeguards might be substandard. Internal tensions within governments, staff turnover, language itself, for non-English speaking countries, and requirement for co-financing can also be major obstacles (Cao 2021; Savvidou 2021). Although the Green Climate Fund's Readiness Program helps countries strengthen their capacity to tap into its funding, less than a quarter of the fund has been allocated to fragile or conflict-affected countries (Cao 2021:45).

For many countries, access is slightly easier through accredited development actors and intermediaries. But this can limit national ownership, and, in fragile and conflict-affected countries, these actors may not be present or may not have access to large portions of the territory. Then, the reality of conflict also means that the central government may not be in the best position to channel financial resources to the local level and support the implementation of projects because of institutional weaknesses, but also because of conflict dynamics. Lastly, the fact that finance is increasingly provided in the form of loans and other non-grant instruments is also a strong deterrent for countries that already carry a high debt load (OECD 2020:7).

The historic global gap in funding for adaptation is even harder to explain, given the common recognition that even with strong mitigation action, the world needs to prepare for and adapt to the current and future impacts of climate change. Hence, countries have also committed to balancing funding for mitigation and adaptation. Yet, in practice, a striking gap remains, and evidence shows that vulnerability does not significantly influence the allocation of climate adaptation finance (Cao 2021). In addition, when funding is provided, it might neglect current climate impact and not support comprehensive adaptation, but overly focus on agriculture, livelihoods and water and sanitation. Sectors that are equally core to climate adaptation, such as health, education or ecosystems, are often neglected (Savvidou 2021; Sitati 2021:12).

Moving forward

These imbalances and obstacles are relatively well known but remain unaddressed, and measures to strengthen the resilience and preparedness to climate shocks of communities suffering from conflict or other forms of violence are inadequate.⁷ Unless strong efforts are made to fix this gap, it will only continue to grow, as will the vulnerability of those left behind. As a result, the

⁷ See, for instance, the outcome documents of a series of roundtables on people's experience of conflict, climate risk and resilience, co-organised by the ICRC, the Red Cross Red Crescent Climate Centre and ODI, <https://odi.org/en/publications/double-vulnerability-the-humanitarian-implications-of-intersecting-climate-and-conflict-risk/>

humanitarian consequences of climate shocks are likely to be greater, forcing larger humanitarian responses.

Avenues to ensure that climate finance reaches those who need it the most, in line with international commitments, likely revolve around rethinking the mechanisms of access to climate finance in conflict and fragile situations, and finding ways to ensure that climate adaptation is adequately supported at the local level. Some preliminary pathways could be:

Rethinking tolerance to risk – To ensure that funding from major climate funds and bilateral donors reaches countries in crisis, and the most vulnerable and remote communities within these countries, a certain level of risk must be accepted, while the scale and modalities of implementation of programs need to be tailored to contextual realities. For instance, donors could coordinate to ensure that a certain proportion of funds is disbursed based on a slightly simplified or fit-for-purpose process and an alternative set of criteria, and that flexibility to adapt to fluid situations is built in.⁸ Carving out clear exemptions for critical short and longer-term activities that are humanitarian in nature from the scope of sanction regimes and counterterrorism regulations might also be necessary (ICRC 2019: Chap.5). As currently structured, externally financed climate action can be brought to a halt for long periods when a change in situation occurs (Cao 2021:38).

Reducing fragmentation – Ensuring that the requirements to access climate finance are harmonized across funds and donors would ease the burden and reduce transaction costs for all applicants, and would be particularly enabling for those in conflict settings (IIED 2021:3).

Reaching the local level - In countries enduring conflict, where the central government might have a limited capacity and access to parts of the territory, locally driven climate change adaptation and disaster risk reduction that complements centralized efforts is critical and in line with the *Principles for Locally Led Adaptation* (GCA 2021). This entails finding ways to channel support to the subnational level and ensure that local governments, civil society or the private sector have the required skills to design and implement quality programs that do reach and is tailored by the most vulnerable segments of societies (Cao 2021; Harries & Jaime 2019).

Enabling the diversification and complementarity of partners – There are significant differences between crisis, notably in terms of scales, drivers, strength of institutions and governance, and therefore, between adequate ways of ensuring suitable climate action. Diversifying the types and sizes of organizations eligible for funding – and notably community-based groups and organizations and local authorities that can leverage their local experience and knowledge – ensuring complementary and nurturing multi-stakeholder and multi-sectoral engagement could help ensuring adequate climate action at all levels, taking into account the specificity of each crisis situation (ZFRA 2021).

Improving the availability of information on climate finance flows in countries enduring conflict, violence or fragility – Although figures are mentioned above, no complete overview of climate finance at the national and local levels exists. A clearer definition of climate finance, a fuller picture of how it flows, and the reasons why the most vulnerable countries are having access

⁸ This can notably take the form of specialized windows, or specific formulas for country allocations of fast-tracked investments, or specific targets for fragile and conflict-affected situations, as put forward by the International Development Association (IDA 2021a,b).

difficulties despite being prioritized, would help improving the targeting and the identification of real gaps, and improve the transparency of reporting by donors (CARE 2021; IFRC 2020:305-7).

Among the most important channels for climate finance, major multilateral climate funds such as the Green Climate Fund, the Adaptation Fund or the Global Environment Facility, multilateral development banks and bilateral support stand out. Addressing gaps at that level as a first step might already yield significant results and could help unlock climate finance for fragile and conflict affected settings more broadly.

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