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POLICY NOTE

Making climate finance fit for a world in conflict

Recommendations for governments,
multilateral development banks and
financial institutions

About International Alert

International Alert works with people directly affected by conflict to build lasting peace. We focus on solving the root causes of conflict with people from across divides. From the grassroots to policy level, we bring people together to build sustainable peace.

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Cover: People crossing a dry riverbed on foot near the Jamuna river in Bogura, Bangladesh. © ZUMA Press, Inc./Alamy

Summary

International trends show that conflict and instability are increasing.¹ Countries affected by violent conflict are among the most vulnerable to the effects of climate change, but receive the least climate finance to help their populations adapt to climate change² and address loss and damage. The finance these countries do receive, if poorly suited to their circumstances, can make conflict worse, and make them even more vulnerable to climate impacts.

Introduction

The countries that are hardest hit by climate emergencies are also those worst affected by conflict. Tensions over access to land, water or other natural resources are exacerbated by the impact of climate change. Ten of the 12 countries experiencing the highest ecological threats are in conflict. They stand little chance of adapting to climate pressures, or protecting resources vital to our planet, without an end to violence.

The climate crisis intensifies the vulnerability of populations in conflict situations, and conflicts lower their resilience and adaptive capacity to deal with climate shocks and pressures. Challenges experienced by a country affected by violence can range from hollowed-out institutions and the limited provision of public goods to extreme poverty, forced displacement, and environmental degradation. Climatic shocks like floods, droughts, wildfires and rising temperatures and sea levels, all exacerbate human insecurity, including food and water insecurity, and competition for resources. These stressors on vulnerable populations interact with conflict dynamics, heightening existing tensions and potentially creating new ones, and stretching governance mechanisms for natural resources beyond their limits.

Violent conflict makes climate adaptation and mitigation action far harder, meaning projects are stalled or even endangered. Both the impacts of climate change and conflict are highly gendered and can affect men and women very differently.

In 2022, for the first time, the Intergovernmental Panel on Climate Change (IPCC) recognised that climate change can contribute to conflict along indirect pathways, also noting that adaptation can contribute to reducing volatility in climate aftershocks by “reducing impacts of climate change on climate sensitive drivers of conflict”.³

Those working globally to address the climate crisis must start addressing conflict to avoid the impacts of climate change in exacerbating violence, and to ensure that climate action works in the world’s most fragile places.

Is climate finance reaching those in conflict settings?

Climate finance is not meeting the needs of countries affected by conflict. Many such countries are some of the most vulnerable to, and the least prepared for, the impacts of climate change.⁴ Yet people living in fragile and conflict-affected settings currently receive less climate finance for adaptation,

Disparity in current investment on adaptation in conflict vs. non-conflict affected settings



US\$2.1
per person in extremely fragile states



US\$161.70
per person
in non-fragile states

Source: D. Reda and C. Wong, *Climate finance for sustaining peace: Making climate finance work for conflict-affected and fragile contexts*, New York: United Nations Development Programme, 2021

despite suffering from higher vulnerability due to the double burden of violent conflict and climate change. Between 2014 and May 2021, extremely fragile states received on average US\$2.1 per person per year in adaptation financing, compared to US\$161.7 per person for non-fragile states.⁵

The cost of inaction is not factored into the analysis of climate donors and investors. Combined adaptation and mitigation finance flows in 2020 fell at least US\$17 billion short of the US\$100 billion pledged to developing countries. Significant acceleration is needed if a doubling of 2019 finance flows by 2025 is to be met, as urged by the Glasgow Climate Pact, adopted at COP26 in 2021. Without this, estimated annual adaptation needs are US\$160-340 billion by 2030 and US\$315-565 billion by 2050.⁶ As some of the most vulnerable to climate change, a significant proportion of these costs will come from conflict-affected countries. By 2030, at least two-thirds of the world's extreme poor will live in fragile and conflict-affected states – so this is a central challenge if climate action is to meet the needs of the world's most vulnerable.

Additionally, climate finance projects that do reach fragile countries or areas often fail to address the complexities of the context, including drivers of conflict such as disputed or weak governance, marginalisation of communities, tensions over resource access, or human rights violations. Ignoring these challenges and dynamics, climate finance may increase rather than decrease peoples' vulnerability, both to climate stressors and to violence.

If conflict-affected settings cannot adapt to climate change, and if adaptation programmes exacerbate or create conflicts, the cost of tackling climate change will only rise in the future. Donors and contributor governments cannot afford to not act. Therefore, International Alert is calling for:

- 1. Increased access to finance for conflict-affected settings:** Contributor governments and multilateral financial institutions need to work with national and local institutions in conflict-affected settings to design climate financial flows, projects and programmes targeted for the specific needs of countries affected by conflict. This requires a better understanding of risk, adjusting of accreditation requirements, an increase in flexibility for programming, and a fast-track process for accessing the funds.

- 2. Conflict-sensitive climate finance:** All actors – governments, international institutions, financial institutions, and civil society alike – working on climate change need to be conflict sensitive. In practice this involves considering how climate finance interacts with causes and drivers of conflict, and working together to ensure climate finance does not contribute to, create, or fuel tensions, power imbalances and discriminatory policies and practices, but provides fair and inclusive benefits for all local communities.

Ensuring access to climate finance in conflict-affected settings

Implementing climate finance in conflict-affected settings can come with challenges such as higher costs, safety and security concerns, corruption and lack of accountability, poor governance, weak or absent institutions, and difficulty in ensuring national ownership. As a result, multilateral and bilateral donors tend to deprioritise conflict-affected countries or particular regions within a country that are considered too risky due to violent conflict or underlying volatility. Yet this leaves marginalised communities without support. Barriers to access climate finance are high for countries affected by conflict, leading to the needs of their populations going unmet. The current response to climate finance is failing conflict-affected countries – they need their own adapted climate finance response that considers the link between climate and conflict.

Policy recommendation 1: Accommodate the risks

Climate funds need to reflect the realities of conflict-affected countries. They need to provide more incentives to their accredited entities to invest in high-risk areas. Higher operational costs need to be planned to accommodate the realities of operating in higher risk areas, providing for better logistics and supporting the costs of working in complex environments, thus reducing the risk felt by contributors for operating in such areas in terms of their return on investment.

This must start with a **better understanding of what the risks in these areas are**. This can be done by comprehensive risk management, starting with conducting risks assessments and feasibility studies, and by aligning agendas across donors, governments, and intermediaries, allowing for common action plans that reflect best practices from other sectors working in conflict-affected countries. Many donors, international peacebuilding and humanitarian actors and, particularly, locally-led organisations have considerable experience in implementing in fragile settings. International Alert has been working in fragile settings where implementation is complex, for example, convening peacebuilding dialogue over water management in Mali.⁷ **The lessons from existing work in conflict-affected settings should be applied to climate finance.**

Policy recommendation 2: Adjust requirements for accreditation

The climate finance landscape remains dominated by international institutions. International intermediaries have amassed the trust, knowledge, skills, and capacities to navigate the complex processes. For example, 81% of the Green Climate Fund's (GCF) finance is accessed by international intermediaries.⁸



People walking through flood waters in Kurigram district in northern Bangladesh. The country is one of the world's most vulnerable to the devastating effects of climate change, including increased risk of flooding. © Rehman Asad/Alamy

In the complex environments of conflict-affected countries, those closest to the context best understand the risks and how to deliver effectively. Yet the accreditation processes and requirements to be eligible for climate funding are over-burdensome for conflict-affected countries, whose governments are often overstretched, inhibiting them from accessing finance. The first step in reducing the barriers to access climate finance is for bilateral and multilateral donors to recognise the precarious context of such countries and make their access to finance a priority.

The same can be observed for the ability of local civil society organisations (CSOs) to access finance. Indeed, in the case of the GCF in 2020 only 22% of all projects were directly accessed by regional and national accredited entities, while 78% of all projects were implemented by international implementing entities.⁹

Simplified accreditation processes need to be made available, accompanied by diversification of intermediaries.

To ensure funding for climate actions such as adaptation is effective, **support must be delivered to national and local institutions** to enhance their capacity to help navigate financial frameworks, administrative requirements, and identifying finance opportunities. The end goal is for the country and its local institutions, authorities, and CSOs, to have the capacity to apply for levels of climate finance that meet their needs.

Policy recommendation 3: Flexibility and long-term goals

Given the volatile contexts of conflict-affected settings, **more flexibility is required** from those designing climate finance, so projects can adapt should violence erupt or escalate. Armed confrontations, security operations, and events like mass protests paralyse project implementation and cause delays. This requires adaptive programming that offers scope to adjust in fast-changing contexts, and reporting adjusted to fit those needs, as well as predictability and reliability of finance.

Given the protracted nature of conflict, and the time needed to build trust and partnerships with local stakeholders, climate project funding in those contexts needs to set **longer-term goals, over longer periods**. Long-term commitments also contribute to achieving sustainability of projects and are essential for the effective transformation of harmful gender norms.

Policy recommendation 4: Fast track access

Flexibility in the modalities for finance is required. Current climate finance mechanisms tend to prioritise large-scale multi-million-dollar projects, with the aim of contributing to national development plans and guaranteeing a return on investment. However, to ensure that climate finance reaches the communities impacted by conflict and climate, other modalities should be considered, such as considering **smaller-scale funding, tailored to the current capacity of conflict-affected countries**, in the form of a fast-track process, accessible by local institutions, authorities, and CSOs.

Debt vulnerabilities are increasing in all low-income countries, but the challenges facing conflict-affected settings exacerbate these vulnerabilities. In addition to heightened risks in the face of shocks that could drive otherwise solvent countries into debt distress, those in conflict-affected settings also struggle significantly more to ensure critical spending for stability and long-term development needs. Therefore, adding an extra layer to this via a loan (even if concessional) could further hinder the country. The growing share of finance delivered as loans, not grants, raises troubling questions around the extent to which contributor countries are providing a net transfer of climate assistance, and paying their fair share in line with their historical responsibility for the climate crisis. Setting **a target for grant-based climate finance** should therefore remain a priority, with the priority in conflict-affected settings being grants, then highly concessional finance, rather than non-concessional loans and equity (finance). For multilateral development banks (MDBs), international financial institutions (IFIs), or contributor governments to announce substantial commitments to grant-based climate finance could inspire others to follow suit and help build momentum for more grant-based finance under the US\$100 billion target.

Increasing conflict-sensitive and inclusive climate finance

Once climate finance reaches conflict-affected settings, contributor governments and climate finance institutions must take a conflict- and gender-sensitive approach, which ensures interventions do not unintentionally contribute to conflict but rather strengthen opportunities for peace and inclusion. Without this, they will design plans and frameworks that have the potential to do more harm than good.

Policy recommendation 5: Integrate a conflict- and gender-sensitivity analysis into climate finance

There is limited engagement from donors regarding the potential for adaptation measures to exacerbate and/or create vulnerability and tensions within or between communities. Projects also have the potential to play into existing gender and other intersectional dynamics that subjugate women, meaning the needs of women and girls are not represented or met. Actors driving finance and programming to combat climate change need to consider how their actions could have adverse impacts on marginalised and vulnerable groups and take inclusive action that brings benefits to



People transporting water along a highway in Turkana county in northwestern Kenya. Prolonged periods of drought such as that seen in east Africa increase the risk of conflict over scarce natural resources like water. © ZUMA Press, Inc./Alamy

communities. This is taking a conflict-sensitive approach. While there is increasing recognition of the need for conflict sensitivity, it is far from being mainstreamed across the range of climate finance mechanisms, from investments in renewable energy, adaptation programmes, and conservation efforts, to the new COP27 Loss and Damage Fund.

These issues can start to be addressed **by conducting and acting on a peace and conflict analysis** before designing climate policies and actions. A peace and conflict analysis enables actors to better understand a conflict in terms of history, the groups involved and their perspectives, and the causes and trends of the conflict.¹⁰ This will help pre-empt policies and actions having a negative effect on conflict dynamics. Such an analysis could be made mandatory for all climate plans (national adaptation plans and nationally determined contributions), to guarantee a harmonised approach.

Donor governments need to **identify intermediaries within their climate departments that carry expertise on conflict sensitivity to be able to conduct these analyses**, or build partnerships with others to achieve this. Climate funds should take similar steps. Furthermore, those implementing climate finance have a responsibility to have an in-depth understanding of community conflict dynamics and local-level evidence during such an analysis, to inform national and global level decision-making on climate security risks and action. Within this, it is critical to understand how both conflict dynamics and climate change differently impact women and girls as well as other groups who may be marginalised in conflict-affected settings.

Policy recommendation 6: Break down silos

Those working on tackling conflict and climate change in conflict-affected countries, such as development actors, climate actors, governments, and local CSOs across multiple sectors, rarely work in a coordinated way and may lack cross-sector exchanges of expertise and knowledge sharing, leaving communities with inadequate and unsustainable solutions that only address part of the problem they are facing. National governments and international institutions are slowly opening up towards climate and environmental approaches. However, poor communication between departments, including climate departments, still leads to disjointed responses that don't reflect the needs and realities of people directly affected by climate action. The climate and peacebuilding communities urgently need to come together and embrace a joint approach that utilises all their expertise. The benefit of this would be two-fold: conflict sensitivity mainstreamed through climate projects but also climate mainstreamed through peacebuilding, development and humanitarian actions.

The Water, Peace and Security partnership¹¹ is an example where organisations from hydrology, water management, and peacebuilding join forces to better understand and address water scarcity, climate change, and related conflicts to support conflict-sensitive water management in Mali, Kenya, Ethiopia and Iraq. In Mali, the Water, Peace and Security partners organised monthly meetings to bring together the local water management actors such as farmers, fishers, herders and also local authorities and customary law authorities.¹² They were able to discuss how best to resolve conflicts between themselves. This has led to a reduction in conflict related to the management of dams, and in conflicts between farmers, fishers, and herders through the creation of a pastoral track (a small corridor for livestock to pass).

A context analysis indicating various drivers of climate and conflict vulnerability calls for concerted efforts by a range of sectors and actors to seek innovative solutions and approaches. The climate sector must work together with humanitarian, development, peacebuilding, environmental, and human rights actors. **Everyone has the responsibility – governments, institutions, the private sector and NGOs – to reach across sectoral silos to promote holistic and conflict-sensitive climate action.** Donors have a role to play as well by incentivising this through their funding requirements.

An illustration of knowledge sharing and working across sectors can be found in an International Alert project involving Tajikistan, Kazakhstan, Uzbekistan, and Kyrgyzstan.¹³ The project addresses climate change and transboundary water management as an entry point for evidence sharing, dialogue, collaboration, and joint action between affected communities, civil society organisations and government actors. When political dialogue was stalling, the project maintained a space for dialogue through the exchange and cooperation between climate and water experts and civil society stakeholders. In Bishkek, Kyrgyzstan, discussions between climate experts and conflict sensitivity specialists became tense when people from distinct disciplines with varying technical perspectives struggled to communicate sensitively and effectively about the crisis.¹⁴ After overcoming the initial difficulties, the discussions managed to establish a new cross-border civil society dialogue mechanism which included researchers, independent climate and conflict experts, national government representatives, and local authorities, all willing to work together on climate security issues.

Policy recommendation 7: Devolve decision-making

The most common causes of maladaptation triggering or aggravating tensions are the exclusion, or tokenistic consultation, of key groups of people. For example, after climate-induced flooding in



The dried up Jubba river in Jubaland in southern Somalia. The country, which recently emerged from over two years of drought that pushed its people close to famine, is now facing severe flooding. Such climate shocks exacerbate human insecurity and competition for resources. © ZUMA Press, Inc./Alamy

the Terai region of Nepal, the distribution of relief packages overwhelmingly benefited people from higher castes because party leaders tend to control distribution, often favouring their supporters. This further marginalised the historically vulnerable Nepalese Dalit class, causing tensions and unrest.¹⁵ We must move away from a top-down approach to climate finance to a new paradigm where decision-making power is devolved, diverse local voices are heard, and resources are redistributed to empower a diversity of local actors to build resilience against climate impacts.

Prioritising **locally-led projects** will enable climate action to respond to the needs of the local context and increase the chance of trust with and within a community. Fostering participatory approaches, and delegating more decision-making power to the very local level, ensures finance can be tailored to the actual needs of communities. Alert's work¹⁶ in northern Kenya is exploring how ensuring that climate adaptation initiatives are locally led, can help avoid elite capture and ensure they reflect peoples' perceptions of the impacts of climate change and conflict.

Within patriarchal societies that are a frequently the norm in conflict-affected settings, women and youth are often sidelined from important discussions. This means that their perspectives are not included in the design of locally-led initiatives, which then risk not meeting their needs or undermining their resilience to conflicts and climatic shocks. To build long-term positive peace and climate outcomes, women need full and equitable representation in decision-making.

Conclusion

The impact of climate change on fragile and conflict-affected countries will only increase in the years to come. The solutions laid out in this paper would allow for communities affected by this double burden of climate change and conflict to become more resilient and adopt locally tailored solutions to climate-conflict risks.

Recommendations for contributor governments, MDBs and IFIs



Increase understanding of risk.



Simplify accreditation process to access funding.



Enhance capacity of conflict-affected countries, local authorities, and CSOs, to increase pool of intermediaries for finance.



Increase flexibility, predictability and time span of finance.



Implement a fast-track financing window for local authorities and CSOs.



Include mandatory conflict analysis into national adaptation plans and nationally determined contributions.



Collaborate across sectors.



Devolve decision-making to local level.

At COP28, the United Arab Emirates (UAE) will hold the first thematic day on peace. This is an opportunity to call for conflict-sensitive climate finance to reach those who need it most in conflict-affected settings. While these are positive steps in the right direction, a lot remains to be done to address the link between climate and conflict.

There are various fora in which policy-makers can implement these recommendations. The United Nations Framework Convention on Climate Change (UNFCCC) is where climate finance is discussed, representing the starting point for bringing conflict and gender sensitivity into the discussion. The Glasgow Dialogue and the decisions to be taken at COP28 on loss and damage funding arrangements and fund, and subsequent decisions, represent an important opportunity for raising the status of conflict-affected settings as a full part of these discussions, and for guaranteeing that the new fund is conflict sensitive. The decision to establish the Loss and Damage Fund at COP27 will likely channel finance to conflict-affected countries: it needs to mainstream conflict sensitivity from the outset. The process around the global Goal for Adaptation has been slow, but there is momentum for increased recognition of the need for locally- and women-led initiatives, moving away from the top-down approach. Likewise, work on the new collective quantified goal (NCQG) to be set by 2024 and to be implemented by 2025 shows that the current climate finance governance framework has not delivered for the most affected by climate change and needs to be transformed.

The international community has come a long way towards recognising the severity of the climate crisis and the funding needed to address it. Now is the time to work together to ensure this contributes to a peaceful, as well as sustainable, future for us all.

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