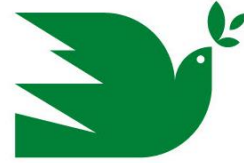


## *Building Trust, Securing Future*

# CLIMATE FINANCE FOR PEACE

## *Takeaways from UNGA Roundtable Discussion on 13 September 2023*



The *Building Trust, Securing Future: Climate Finance for Peace* meeting, co-hosted by adelphi and the Permanent Missions of the Republic of Slovenia, Kenya, Germany and the United Arab Emirates on 13 September 2023 in New York, explored challenges to and opportunities for more and better climate funding reaching fragile and conflict affected contexts. The event builds on conversations started at the Berlin Climate Security Conference in Nairobi and the [Nairobi Statement on Climate Change, Peace, Security and Stability](#), which called for mobilising climate finance for peace in Africa. With an eye towards informing climate justice and finance discussions at COP28, the event was guided by three questions:

1. How can we show climate action in fragile states works? What examples and evidence do we already have?
2. What are the challenges? What are the specific challenges to climate finance actors of investing in fragile contexts?
3. What would workable solutions for climate financing to support sustainable peace look like?

The event brought together participants from climate finance institutions, representatives of donor governments as well as affected governments, and UN agencies. Participants' reflections on these guiding questions are summarised below.

### **Why invest in fragility?**

Most fragile and conflict affected contexts are also highly affected by climate change. Yet the more fragile the context, the less climate finance it statistically receives. Access to climate finance for fragile and conflict affected contexts is often hindered by structural, technical, or institutional barriers both nationally and locally, and complicated by the fragmentation of the finance landscape. Overcoming these challenges is not only a lynchpin of climate justice, it is also a foundation for building sustainable peace in the face of climate change. It requires the climate finance architecture to understand how to operate in fragile contexts and ensure the delivery of funds for climate adaptation to the local level in a just and conflict sensitive manner. For the first time ever, this will be an important focus at the upcoming COP28.

### **Does climate action in fragile states work?**

In discussing current examples and evidence of climate financing for sustainable peace, participants especially highlighted the work of the Peacebuilding Fund (PBF). Already since 2016, the PBF has adopted a risk tolerant approach to its portfolio, offering small funding to pilot climate security projects in fragile and conflict affected contexts. From 2016 to 2022, it invested [USD 167 million in 74 peacebuilding projects](#) with a climate security component, with 33 of these having a full focus on climate security. For projects it deems particularly high risk, it disburses funds in tranches; for example,

it may provide 30% of funding initially and require a detailed risk mitigation strategy before disbursing the next portion.

The PBF's portfolio puts an emphasis on local engagement and empowering women, which also aligns with the localisation agenda. An example of an intervention that demonstrates the co-benefits of the climate, peace and security agenda in fragile contexts is a PBF-funded project looking for opportunities to provide green jobs to youth in Haiti with a view to reduce gang recruitment. Such projects can foster climate adaptation while also improving communities' resilience and livelihoods. While the PBF is advancing action and testing new approaches on climate, peace and security, its investments can only be a conversation starter: other financing partners are needed to take on the successful pilots and bring them to scale.

The World Bank's platform on locally-led climate action already includes projects that aim at addressing climate risks across several sectors including environment, agriculture, and disaster risk reduction, while at the same time strengthening systems and capacities at the local level and supporting partnerships between governments, communities and civil society. The World Bank is now looking at how to scale up its locally-led climate action channels funds in fragile and conflict affected contexts; a flagship study towards this end will be launched in the coming months.

### What are the challenges?

From the donor side, risk aversion is a major deterrent to investing in fragile and conflict affected contexts, particularly in larger vertical funds. The absence of government or state authorities is a significant challenge. Some conflict affected states do not have the accreditation necessary to apply for climate funds. States may also lack the institutions and capacities necessary to absorb the funds and implement projects. Finally, another barrier is posed by the lack of traditional implementing partners, which makes it difficult to connect local actors and providers of climate finance and scale up interventions.

From the side of receiving countries, barriers include overly complicated procedures to apply for funding and lack of predictability in funding cycles. Other complaints are the lack of local ownership, with many donors simply presenting projects to countries or communities, leaving limited room for them to shape the project according to their needs and priorities.

### What would workable solutions look like?

Participants agreed that both more and better climate finance for fragile and conflict affected contexts is needed. In the climate finance context, many are typically preoccupied with the more. However, there must also be a focus on the better and how to harness existing funds more effectively. An upcoming opportunity to this end is the thematic day on Relief, Recovery and Peace at COP28, which will feature the launch of a declaration on climate action for countries, people and communities affected by conflict and fragility, aiming to galvanise political support from the international community and alleviate barriers to climate action in practice. Among the calls to be made in the declaration are to simplify absorption capacity and improve governance. Incorporating the subsidiarity principle into the climate finance architecture to ensure funds reach local communities and to

circumvent the issue of absent state authorities will be another important step, as is the provision of additional readiness support to fragile and conflict affected contexts so that projects can be more effectively and promptly approved and implemented.

Participants pointed to some changes that have already been introduced by existing funds, and which could provide a way forward. For example, the updated strategy of the Green Climate Fund (GCF) aligns the fund with the 1.5 °C limit, aims to green financial systems in developing countries, and improves access to the fund through faster procedures and smaller projects. There are additionally regional institutions accredited to GCF, which can be used to access adaptation funds for those countries that otherwise have limited capacities to do so.

In addition to improving access, better climate finance means conflict-sensitive finance that not only does no harm, but also supports peace. For this, climate funds need to ensure they have a strong mitigation strategy in place, as well as easily adaptable projects that can respond to rapidly changing circumstances on the ground. Climate action in very fluid political, security and humanitarian contexts requires adaptive, flexible programmatic approaches.

Finally, participants emphasised the need for an integrated approach that combines the efforts of governments, civil society, climate experts, as well as development, humanitarian and security actors. Some saw public-private partnerships with insurance companies as opportunities. Investing in prevention was another important solution identified, to ensure that currently peaceful countries that are still susceptible to conflict risks remain at peace. The Secretary-General's *New Agenda for Peace* offers an entry point for this prevention lens.

## Conclusion and next steps

Overall, participants agreed that in addition to more climate finance, financing institutions need to get better at managing risk tolerance and there is a need for clear metrics and indicators to make the business case for climate financing for peace. Focusing from the outset on how to design new funds and adapt existing ones to meet the needs of fragile and conflict affected contexts will be crucial to promote climate justice.

Climate finance will feature at COP28, with the operationalisation of the newly established Loss and Damage fund high on the agenda alongside a declaration and solutions package for accelerating climate action to fragile states. Ahead of it, the following takeaways from the discussion could support the shaping of more and better *climate finance for peace*:

1. Ensuring that all funds, including the new Loss and Damage Fund, have a dedicated policy or **specific guidance on conflict sensitive planning, programming and impact evaluation**.
2. **Sectoral risk analysis and guidance** to help funds better understand and manage risk, which may in turn help increase risk appetite and tolerance to work in fragile contexts. This needs to go hand in hand with strong incentives (see below).
3. **Creating incentives** for climate action at the level of climate funds to pursue the reinforcing co-benefits of climate and peacebuilding objectives. These could be drawn from the strong call on a prevention agenda in the UN Secretary General's *New Agenda for Peace*.



4. **Establishing small grant facilities** with a tranche modality of financing based on project risk categorisation (based on the PBF model) to manage risk and allow flexibility in fragile contexts.
5. **Harmonising requirements** and procedures such as social and environmental safeguards across the four key vertical funds, and/or even informally amongst likeminded donors to reduce the burden of accessing climate funding for fragile states. This could be a low-cost option for donors contributing to a concrete package of solutions.
6. As a hub for sharing projects and experiences, the **Climate for Peace initiative** could help build up a **pipeline of projects which advance both climate and peacebuilding goals**. This pipeline could be used by donors interested in supporting climate security programming and allow for better streamlining of efforts and cooperation across funds and donors.