

# Submission to the UNFCCC Standing Committee on Finance on Behalf of Mercy Corps

Call for evidence: information and data for the preparation of the  
2020 Biennial Assessment and Overview of Climate Finance Flows

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action -- helping people triumph over adversity and build stronger communities from within. Now, and for the future.

## Main Message

**Existing climate finance flows are not meeting needs for the world's most fragile states, which include extremely climate vulnerable countries.** The lack of access to these flows must be addressed if the global community is serious about protecting the future wellbeing of those people most at risk from climate change. Though working in fragile states requires additional considerations and effort, we risk leaving people behind if we do not better target funding according to these needs.

## Overview

We appreciate the opportunity to provide inputs to the UNFCCC Standing Committee on Finance (SCF) preparation of the 2020 Biennial Assessment and Overview of Climate Finance Flows. This submission focuses specifically on *Assessment of the effectiveness of climate finance flows, including drivers, impact results, meeting needs and access*. Our work and research demonstrates that existing adaptation climate finance flows are not reaching the world's most fragile states. If we look at the countries through the lens of fragility (as measured by the Fragile States Index or the OECD's fragility rankings), there are a variety of 'aid orphans' within climate finance and extremely vulnerable countries that receive little if any multilateral adaptation financing assistance.

Adaptation finance tends to flow to countries with bigger absorptive capacities, strong governments who are generally recipients of ODA, rather than to extremely poor and fragile states. Donors seek to finance major infrastructure at the national level and big adaptation and development projects instead of basic resilience building in at-risk communities, where activities like early warning and action systems in communities, forecast based financing, shelters etc. are needed. Additionally, funding often stays in donor and national capitals and is focused centrally, with funds going to national agencies and not reaching the poorest at-risk countries or communities.

Approaches and definitions used to measure climate finance flows should include indicators of climate vulnerability and fragility in recipient states. There is a clear overlap between states experiencing low levels of economic development, conflict and fragility, and climate

vulnerability: analysis reveals that 33 of the top 50 most fragile states are LDCs, and that all 26 states with high compound fragility and climate risks have more than 10 percent of their population living in high climate exposure areas (USAID, 2018).

For the purposes of this submission, Disaster Risk Reduction (DRR) is considered a subset of Adaptation financing, but further clarification and reporting by donors is required to ensure there is no double counting of funding

### **Bilateral Funding- Key Facts Relating to Fragile States:**

- The majority of the most climate vulnerable countries received less than \$20 per person per year in climate change adaptation financing across the period 2010–2017. [Zurich Flood Resilience Alliance, forthcoming 2020, measuring 'lower bound' adaptation financing by bilateral donors]
- Between 2005-2010 in fragile and conflict affected states, for every \$100 spent on response, only \$1.30 is spent on risk reduction. (ODI, 2016)
- 28% (\$761 million) of total adaptation finance is allocated in fragile and conflict affected states. (ODI, 2016)
- In Sub-Saharan Africa - which includes 21 of the top 30 fragile states - adaptation costs are projected to double from USD 10-13 billion annually between 2010 and 2019, to USD 23-24 billion annually between 2040 and 2049. (UNEP 2019)
- Fragile states receive significantly less financing from international aid to help them adapt to the inevitable impacts of climate change than more stable countries. Across the 10 most fragile states according to the Fragile States Index (with some of the highest scores of climate vulnerability), less than \$400 million was provided in 2017 (less than \$40 million per country on average).
- Climate vulnerable countries are not receiving preferential targeting from donors. Only a quarter of bilateral financing, and less than half of the major multilateral financing, has targeted the most climate vulnerable countries with climate change adaptation funding across the period 2010–2017. [Zurich Flood Resilience Alliance, forthcoming 2020]

### **Multilateral Financing Lags for Climate Vulnerable Fragile States**

Fragile states have historically been left behind in international adaptation financing and planning by major climate funds such as the Green Climate Fund (GCF) and Adaptation Fund (AF). Of the \$78 million in Readiness funding requested from the GCF by the top 30 fragile states, only 37% (\$29 million) has been approved and even less (\$11 million) has actually been disbursed. Similarly, the AF has lagged on support for climate vulnerable fragile states, providing projects in 45 countries of which only 13 fall in the top 30 most fragile states. The AF has funded no projects in the top 12 most fragile countries, despite many of these countries having high levels of their population vulnerable to climate change. There are regulations around how much funding the GCF can give per year (1 million per country) but considering the needs in vulnerable countries, especially in capacity gaps around applying for GCF funding,

Parties should reconsider how to support the GCF in its efforts to increase readiness for this category of states.

Fragile States Index Ranking	Country	Percent of Population in Vulnerable to Climate Change	Projects from Adaptation Fund	Projects from Green Climate Fund
3	South Sudan	12%	0	0
5	Democratic Republic of Congo	26%	0	0
6	Central African Republic	10%	0	1
7	Chad	19%	0	0
8	Sudan	16%	0	0
11	Guinea	64%	0	0

\*Mercy Corps analysis of climate funds to fragile states based on the [2019 Fund For Peace Fragile States Index](#)

### **Recommendations**

The Standing Committee should report on how donor funds overlap with countries' climate vulnerability and present findings annually at COPs to increase attention and pressure on donors to meet their commitments and the intent of the Paris Agreement.

Increased climate funding, especially adaptation financing for fragile states, should support capacity building of governments, civil society and local organizations to absorb funding. Mercy Corps has experience implementing adaptation programming in fragile and climate vulnerable states, and previous learnings can help inform strategic investments in areas of high vulnerability/need:

**Build capacity of institutions to create an enabling environment for peace and sustainability.** Creating an enabling environment for peace and environmental sustainability is central to addressing natural resource and climate drivers of conflict. This includes identifying the knowledge and technical gaps of formal and informal institutions and building capacity to manage natural resources, address tensions and disputes, and respond to disasters effectively. Further, increasing community awareness about climate change, environmental degradation, and natural resource management can help to create a broader enabling environment for creating cooperation, building peace, and ensuring sustainability.

**Support strong and diversified livelihoods that are food secure.** Strengthening and diversifying natural resource-based livelihoods can lower the risk of conflict between groups over scarce resources and allow communities to better cope with climate shocks

and stresses, ensuring food security. Assessing vulnerabilities and risks of food systems and facilitating access to improved technologies, including information services, can help reduce crop loss and improve yields, while facilitating market linkages can increase household income. Further, working with communities, especially youth, to identify and support alternative economic opportunities can diversify sources of employment.

**Managing use and competition over natural resources to reduce conflict.**

Where natural resource scarcity leads to competition over resources, or where restricted access to resources is a source of tension, sustainably managing resources can reduce or prevent conflict. Developing resource sharing agreements and joint management across administrative boundaries can improve coordination and use, build trust through information sharing, and ultimately reduce resource tensions.

**Use the environment to build cooperation and peacebuilding.** Natural resources and the environment are often considered neutral topics, particularly in situations of protracted conflict and intercommunal tension. These topics can provide a tangible entry point for dialogue as well as a platform for shared activities and joint management, fostering social cohesion. In fragile and conflict-affected settings, transboundary basins often serve as lone examples of cooperation in politically challenged contexts (e.g. Indus, Lower Jordan River). With climate change, population growth, and environmental degradation all factors in changing resource availability, community mapping can identify sources of tension and determine priority areas for rehabilitation. Bringing communities together to work together on rehabilitation projects can build social cohesion while improving natural resource sustainability.

**Target prevention efforts to focus particularly on bolstering the capacity of moderately fragile states with very high climate risks.** As USAID's "Intersection of Global Fragility and Climate Risks" recommends, donors must also focus on moderately fragile states that are at risk. For example, "Several moderately fragile states (e.g. Bangladesh, the Philippines) have a large proportion of the population, and a large land area, facing very high exposure to climate shocks. While these states are not highly fragile, climate hazards place an extreme stress on them in terms of both the population and the land area exposed, creating broad additional requirements for states already experiencing substantial other stressors that place them in the moderate fragility category. If fragility worsens in these states, large numbers of people could become more vulnerable to the very high climate exposure they already face." (USAID 2018)

## **References**

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