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# The Challenges of Climate Financing in Conflict Contexts



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## **About the author**

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## CONTENTS

<b>Introduction .....</b>	<b>5</b>
<b>The Global Landscape of Climate Financing .....</b>	<b>6</b>
<b>Climate, Conflict and Vulnerability in Somalia and Yemen .....</b>	<b>12</b>
<b>Unpacking the Obstacles.....</b>	<b>16</b>
<b>Concluding Reflections and Recommendations .....</b>	<b>17</b>



## SUMMARY

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*“768 million people [are] living in countries where societal resilience is unlikely to be sufficient to withstand the impact of their ecological threats.” 2022 Ecological Threat Index<sup>1</sup>*

Amidst a general global underfunding of climate action, fragile and conflict-affected states struggle to secure adequate climate financing, even as they face elevated and urgent climate risks. This is a worrying gap that has been identified by numerous actors, but the solutions are not so straightforward.

The challenges posed in trying to prepare communities and governments in conflict-affected states for climate impacts call for a new imagination, new mechanisms, and a commitment to ensuring that these countries and communities are not left to their own devices as the impacts of the changing climate worsen their already dire situations.

For background, the global response to climate change is built around three pillars – deep cuts in carbon emissions (mitigation), preparing for the climate impacts (adaptation) and mobilizing funding for both efforts (climate financing). Global climate agreements also articulate an understanding that: (i) because the world’s wealthiest nations are disproportionately responsible for global warming, they have a responsibility to help poorer low-emissions countries adapt to the resulting hazards, (ii) because the effects of global warming will be felt heavily by developing countries, adaptation financing should be prioritized to allow these countries to prepare adequately, and (iii) for developing countries to forego the traditional fossil-fuel economic development model and commit to a path of low-emissions growth, they will need significant investment.

The need for ‘loss and damages’ financing has also gained attention as it becomes clear the world will not be able to adapt fast enough or comprehensively enough. The magnitude of the economic and humanitarian damage threatens to overwhelm developing countries and, after decades of intense lobbying, a loss-and-damage fund was finally agreed at COP27.

In addition to the problem of insufficiency, climate financing is opaque, fragmented, and lacks a unifying accounting or measurement framework. Total annual global flows of climate-related finance in and between countries, defined in the broadest sense, averaged a little over \$600B in 2019/2020, however this is only about a third of the IPCC’s estimate of spending levels required to reach our climate targets. Also, only 10% of global spending goes towards adaptation, even though it is the priority for developing countries who are expected to face the brunt of unavoidable climate change impacts.

Not all developing countries are alike, however – some face a triple vulnerability threat of chronic war, chronic poverty, and severe climate impacts. The resources that these fragile and extremely fragile countries have received for funding climate responses lags far behind what has been promised and what is needed. Climate funding per capita to extremely fragile states averaged just \$2.1 per person and to fragile states averaged \$10.8 per person, compared to \$161.7 per person for the non-fragile developing countries.

The main obstacles to climate financing being directed towards conflict-affected states are the risks posed by conflict and the risk aversion of development institutions and private investors. Bureaucratic obstacles and institutional constraints also limit access. Development actors are urged to develop new mechanisms and

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<sup>1</sup> Institute for Economics and Peace (Oct 2022). [Ecological Threat Report 2022: Analysing Ecological Threats, Resilience and Peace](#), Sydney. The index identifies 27 hotspot countries that face catastrophic ecological threat with extremely low societal resilience; these countries are home to 768 million people.

practices to permit climate action in these difficult contexts, by envisioning new paradigms and learning from actors who do manage to operate in these contexts.

Mobilizing political will is critical in imagining and developing the mechanisms and risk-appetite needed to direct more climate financing to extremely fragile and conflict-affected states. This is particularly important in a global context of competing crises where existing financing flows need protection.

Similarly, climate responses in conflict-affected fragile countries can and should run alongside conflict resolution efforts, remembering that well-designed climate action can serve as an opportunity to consolidate peace.

Climate adaptation efforts and financing will be intrinsically linked as part of the overall approach to development and the transition out of fragility. Humanitarians cannot be expected to take on development and climate adaptation in conflict contexts by default because of the risk intolerance of all the other actors.

While adaptation financing is most important for fragile and conflict-affected states, mitigation finance can still play a positive role by supporting conflict-sensitive energy access interventions. Abundant and affordable energy is a foundational development requirement and can reinforce positive adaptation and peace. Finally, there are examples of successful private sector engagement in clean energy projects in fragile and conflict-affected states, which warrant greater publicity.



## Introduction

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It has been widely reported and acknowledged that the impacts of climate change will fall disproportionately upon poor countries who, have contributed little to the problem, and already, the changing climate has started to cause the most significant disruption and harm to the most vulnerable around the world.

The impacts are even more devastating in countries and communities experiencing conflict, where war-weary populations have limited capacity and resources to prepare for and respond to climate impacts.

Numerous studies have focused on the 'climate-conflict nexus', exploring how climate change may exacerbate conflict, and how conflict in turn lessens the ability of communities and institutions to adapt to climate change.<sup>2</sup> Regardless of their assessments on the causal links between climate and conflict, these studies unanimously conclude that the only way to break the vicious cycle is to support the communities and institutions by (1) helping them peacefully co-manage natural resources, (2) strengthening their livelihoods and resilience, and ultimately, (3) bolstering their ability to adapt to the changing climate, whether through changing their way of earning a living, fortifying their homes, or making the decision to move to a safer place.

However, such resilience-building or adaptation interventions require resources. In the context of competing demands for limited resources, and especially when governments, civil society, donors, and humanitarian actors struggle to provide emergency support to populations experiencing conflict, displacement, poverty and devastated livelihoods, climate adaptation often falls to the bottom of the list. This is true even when climate change is expected or is already worsening the humanitarian or development situation.

Humanitarian emergency response funding and development assistance in fragile or conflict-affected situations have a long history, but financing for climate adaptation is a much newer concept. Unfortunately, resources available for funding climate responses in fragile and conflict-affected contexts lag far behind what has been promised and even further behind what is needed.

Why is this a problem? Responding through a development lens, the answer would be that in the 2030 Sustainable Development Agenda the world has committed to inclusive, sustainable growth for all, and to leaving no one behind. While climate change poses an urgent humanitarian and developmental risk to all developing economies, it can potentially drag fragile and conflict-affected countries from their low starting point even deeper into crisis. Viewed through a security lens, the answer would be that failure to address these issues might lead to increased instability in some of the most volatile regions of the world, specifically increased resource wars, insurgencies, and criminal resource extraction. Failure to support adaptation or resilience building in these contexts can lead to mass population displacements as regions become uninhabitable due to extreme heat or sea level rise, droughts, degraded water supplies, famine, and food insecurity.

Given the urgency of addressing the triple vulnerability of conflict, poverty and a climate emergency, this paper reviews the global climate financing landscape and some of the challenges of deploying climate financing resources in these contexts. Using Somalia and Yemen as case studies, the paper will take a closer look at how these two countries have fared and conclude with some reflections and recommendations.

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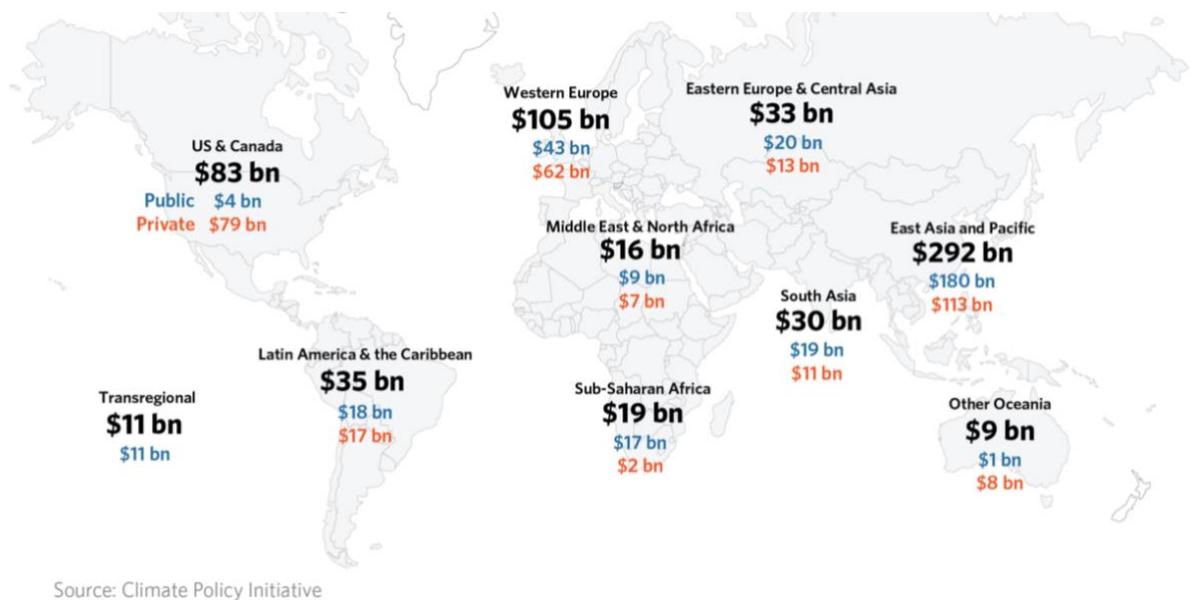
<sup>2</sup> Van Baalen, S. and Mobjörk, M. (2016). A Coming Anarchy? Pathways from Climate Change to Violent Conflict in East Africa (Stockholm University and Stockholm International Peace Research Institute: Stockholm, 2016); Abshir, S., (2020). Climate Fragility Policy Paper: Climate Change and Security in the Horn of Africa: Can Europe Help To Reduce The Risks? (Climate Security Expert Network).

## The Global Landscape of Climate Financing

The global response to climate change is built around three pillars – deep cuts in carbon emissions to slow global warming (mitigation), preparing our societies, institutions, and infrastructure to withstand the impacts of the ongoing and forthcoming climate-induced hazards (adaptation), and mobilizing the funds necessary to do both things (climate financing). This framework was developed under the auspices of the United Nations Framework Convention for Climate Change (UNFCCC), taking shape with various climate agreements over the decades.

The first point is that there is no globally agreed definition of the term ‘climate finance’ and the concept encompasses funds flowing through the multilateral UNFCCC channels, other multilateral channels, bilateral and national channels as well through private mechanisms. It includes local, national, and transnational financing, and in some calculations, it goes beyond grants to include market and below-market-rate loans and export credits. There is no agreement on what counts and no accepted accounting protocols, making tracking and measurement difficult.

**The Climate Policy Initiative (CPI) estimates that global flows of climate-related finance in and between countries amounted to \$632B annually in 2019/2020.** The CPI’s analysis is important because it presents the most comprehensive global mapping of such flows and provides a useful anchoring for exploring flows to different parts of the world. While the source of the \$632B mobilized in 2019/2020 is split almost evenly between public and private financing, approximately 90% was spent purely on mitigation (with 7% on adaptation and 3% on mixed use), 75% flowed domestically, and geographically 75% flowed to countries in East Asia and the Pacific region, Western Europe and North America.<sup>3</sup>



**Figure 1:** Destination region of climate finance, by public/private (2019/2020 average). Source: CPI Landscape of Global Climate Finance 2021.

<sup>3</sup> Climate Policy Initiative (2021). [Global Landscape of Climate Finance 2021](#). CPI is a non-profit research group based in San Francisco, California.

This preponderance of spending on mitigation in the industrialized carbon-emitting countries (including China) is not entirely misplaced because serious emissions reductions can only come from them – “the battle to preserve the global climate will be won or lost in wealthier countries, depending on the speed they research, develop and roll out low carbon solutions covering energy, transport, construction, and agriculture.”<sup>4</sup>

- **However, the IPCC estimates that \$1.6 trillion–\$3.8 trillion is required annually to avoid warming exceeding 1.5°C.**<sup>5</sup> This means that at approximately \$600B/year, we are currently grossly underspending on climate action at the global level. To put these figures into the grim context of our global priorities, annual fossil fuel subsidies still average about \$500B and annual global military spending has reached \$2 trillion.<sup>6</sup>
- **Climate financing is a key part of a ‘grand bargain’ between developed industrialized countries and developing countries.** The topic of climate finance from developed to developing countries is highly political because of the inherent climate and economic justice aspects. The argument goes that: (i) because the world’s wealthiest nations are disproportionately responsible for global warming, they have a responsibility to help poorer low- or barely any-emissions countries adapt to the resulting hazards, (ii) because the effects of global warming will be felt heavily by developing countries, adaptation financing should be prioritized to allow these countries to prepare adequately, and (iii) for developing countries to forego the traditional fossil-fuel economic development model and commit to a path of low-emissions growth, they will need significant investment. Accordingly in 2009 at COP15 in Copenhagen, developed countries promised to mobilize \$100B in ‘new and additional’ funding per year by 2020 to address the mitigation and adaptation needs of developing countries. The Green Climate Fund was established the next year, in 2010, to work alongside the Global Environment Facility and speed financing up. The 2015 Paris Agreement reaffirmed the \$100B pledge, added a commitment that about half would be spent on adaptation,<sup>7</sup> and cemented the overall ‘grand bargain’ – developing countries would help to solve a problem they didn’t create if the developed countries would provide the necessary resources.<sup>8</sup>

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<sup>4</sup> Kenny, C. (Oct 2020). “[On Aid and Climate, Don’t Make the Poor Pay Twice](#)”, Center for Global Development.

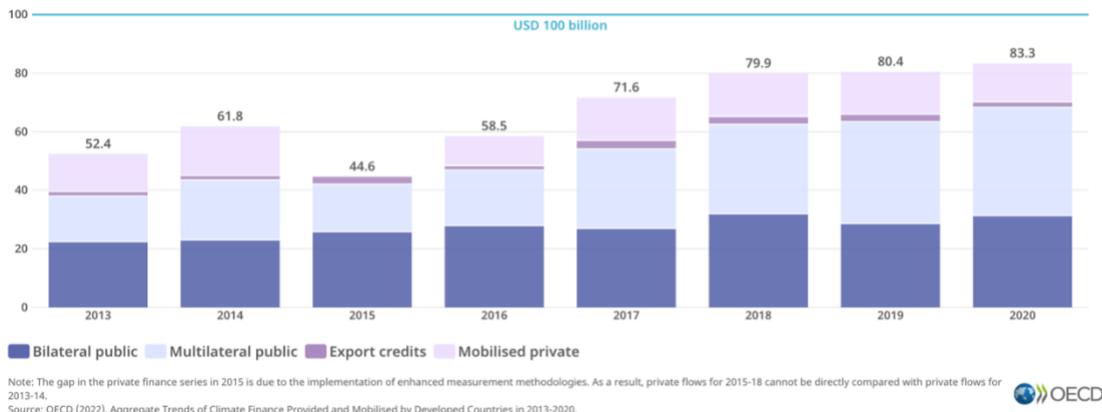
<sup>5</sup> Timperley, J. (Oct 2021). “[The broken \\$100-billion promise of climate finance — and how to fix it](#)”, Nature.

<sup>6</sup> Roberts et al, Nature (Feb 2021). “[Rebooting a failed promise of climate finance](#)” Stockholm International Peace Research; Institute (Apr 2022). “[World military expenditure passes \\$2 trillion for first time](#)”, Stockholm International Peace Research.

<sup>7</sup> Timperley, J. (Oct 2021). “[The broken \\$100-billion promise of climate finance — and how to fix it](#)”, Nature.

<sup>8</sup> B. Tripathi (Oct 2021). “[The Paris Agreement ‘Grand Bargain’ Is Falling Apart](#)”, CarbonCopy.

- Despite a steady upward trend, the \$100B/year-by-2020 goal was not met. The OECD estimates that the annual climate financing mobilized from developed to developing countries in 2020 was \$83B.<sup>9</sup>



**Figure 2:** Climate finance provided and mobilised by developed countries in USD billions. Source: OECD Climate Finance and USD 100 Billion Goal (2020).

Furthermore, some analysts have challenged the OECD’s reported figures as an overstatement, arguing loans should not be counted towards the \$100B<sup>10</sup> and pointing out that the funds were not all ‘new and additional’ but instead included previously committed funds reallocated, displacing finance for other objectives.<sup>11</sup>

The shortfalls have raised tensions because the pledge was more symbolic than anything – trillions are needed to avoid dangerous levels of climate change, and failure to deliver \$100B/year is inauspicious. At COP26 in 2021, an agreement was made to develop a new, larger climate finance goal to go into effect after 2025, with an agreement to determine the new goal through technical expert dialogues – no serious headway was made on defining his new goal at COP27 in 2022. The number will be significantly higher than \$100B – a recent UN high-level expert group on climate finance confirms the need for trillions. They reported in 2022 that emerging markets and developing countries (excluding China) will need to spend around \$1 trillion per year by 2025 and around \$2.4 trillion per year by 2030 on climate-related issues, with approximately half of that sum provided domestically and other half in external finance.<sup>12</sup>

<sup>9</sup> OECD (2022). [Aggregate trends of Climate Finance Provided and Mobilised by Developed Countries in 2013-2020](#).

<sup>10</sup> Oxfam (Oct 2020). [Climate Finance Shadow Report 2020, Assessing Progress to the \\$100 Billion Commitment](#).

<sup>11</sup> Ritchie, E. and Kenny, C. (Mar 2021). [If We’re Going to Fund Climate Mitigation from ODA, We Need to Double It](#), Center for Global Development.

<sup>12</sup> Songwe V., Stern N., Bhattacharya A. (2022) [Finance for climate action: Scaling up investment for climate and development](#). London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.

- **The UN climate funds currently play a smaller than expected role in channelling climate finance flows from developed to developing countries.** While \$68B or 82% of the 2020 total comes from public sources such as bilateral aid and multilateral institutions, only \$3.5B of that flowed through the climate funds set up under the UNFCCC to support developing countries (Global Environmental Facility, Green Climate Fund, Least Developed Countries Fund, Adaptation Fund).<sup>13</sup> Despite their high profile, the climate funds are smaller players on the climate financing landscape than expected – over the last 30 years since their set up, they have been funded collectively with approximately \$50B.<sup>14</sup>

It is important to note that developing countries are not solely recipients – climate action is a growing part of developing country budgets. For example, Bangladesh spent \$1B or 6% of its 2014 budget on climate adaptation.<sup>15</sup> In addition, South-South international climate finance flows also exist and are increasing, but data on these remains limited and is not included in OECD reporting. On the bilateral side, countries like China are providing significant aid to developing countries. On the multilateral side, up to 20 development finance institutions that are International Development Finance Club (IDFC) members are based in non-OECD countries, and multilateral development banks led by developing countries (e.g., Asian Infrastructure Investment Bank and the New Development Bank) continue to increase finance flows. UNFCCC estimates of South-South climate finance flows averaged \$18B/year in 2017-2018.<sup>16</sup>

- **Not enough of the financing mobilized for developing countries was for adaptation, the main priority of developing countries.** Despite promises to direct half the total funds mobilized towards adaptation, only about a third of the 2020 total to developing countries was spent on financing adaptation (or a quarter of the five-year total).<sup>17</sup> This is a striking gap because of the common recognition that even if emissions were to be magically reduced to zero today, certain climate risks are already baked-in and the world urgently needs to prepare for and adapt to the current and future impacts of climate change.

Why are adaptation efforts underfunded? Most climate financing is spent on mitigation efforts to sharply reduce carbon emissions (e.g., renewable energy plants, electric transportation, retrofitting buildings, and carbon capture). Mitigation projects such as wind and solar generation initiatives, attract much more funding than adaptation projects (e.g., building sea walls and flood gates, upgrading irrigation systems, restoring ecosystems and where necessary, resettling communities) because (a) emissions reductions are measurable, unlike adaptation interventions and thus easier to justify,<sup>18</sup> and (b) more importantly, mitigation projects tend to be profitable and offer a potential upside for private money (for public finances, they offer a greater possibility of loans being repaid).

Furthermore, the UN highlights that the international adaptation finance gap is even wider – a 2022 UNEP report estimates annual adaptation costs/needs in developing countries are in the range of \$160–340B by 2030 and \$315–565B by 2050, between five and ten times higher than current flows.<sup>19</sup>

<sup>13</sup> Climate Policy Initiative (2021). [Global Landscape of Climate Finance 2021](#). CPI is a non-profit research group based in San Francisco, California.

<sup>14</sup> Combined data from the [data dashboard](#) of Climate Funds Update and the GEF website overview of [contributions](#).

<sup>15</sup> UNEP Press Release (May 2014). [Bangladesh Uncovers The Crippling Cost of Climate Adaptation](#). A 2019 report estimates that Bangladeshi rural families themselves spend \$2B a year on preventing climate-related disasters or repairing damage caused by climate change (IIED, Sep 2019, [Bearing the climate burden: how households in Bangladesh are spending too much](#)).

<sup>16</sup> Specifically, USD 17.8-18.0 billion in 2017 and USD 18.0-18.2 billion in 2018 - Summary by the Standing Committee on Finance of the fourth (2020) Biennial Assessment and Overview of Climate Finance Flows.

<sup>17</sup> In figures - \$29B or 34% of the 2020 \$83B to adaptation (or 24% of the 2016-2020 total). OECD (2022), [Aggregate trends of Climate Finance Provided and Mobilised by Developed Countries in 2013-2020](#).

<sup>18</sup> Timperley, J., Nature (Oct 2021). [The broken \\$100-billion promise of climate finance – and how to fix it](#).

<sup>19</sup> UNEP (2022). [Adaptation Gap Report 2022: Too Little, Too Slow – Climate adaptation failure puts world at risk](#). Nairobi.

- **Within the developing countries, the least developed countries receive less climate financing.** From 2016 to 2020, the OECD estimates that the total climate finance provided and mobilized for LDCs (least developed countries)<sup>20</sup> was \$63.5B, which works out to an average of \$12.7B a year in that period.<sup>21</sup> Despite representing over a third of the developing countries grouping, LDCs are only managing to secure about 15% of the funds being mobilized for all developing countries. This corresponds with the research undertaken by CPI in their deep dive on the climate finance landscape in Africa. They found that 10 countries (out of 54 total African countries) absorb more than half of all climate finance flowing to Africa – only 2 out of these 10 are LDCs.<sup>22</sup>

Least developed countries have organized to form the LDC Group on Climate within the UNFCCC – 46 developing nations that are especially vulnerable to climate change and work together on climate negotiations to get their specific needs addressed. LDCs have pointed out for a while that they are not receiving adequate financing for climate action, that adaptation is underfunded, that loans are unsuitable for their economies, and that the onerous access requirements need to be eased for LDCs.

- **Even less climate financing flows to countries experiencing conflict.** UNDP reports that over the period 2014-2021, out of a total of \$14B implemented from the UN climate funds, climate funding per capita to extremely fragile states averaged just \$2.1 per person and to fragile states averaged \$10.8 per person, compared to \$161.7 per person for non-fragile developing countries.<sup>23</sup> Similarly, building on research exploring the blind spots in climate adaptation finance, between 2010-2018, only 8% of global adaptation finance was committed to countries in the Sahel and Africa,<sup>24</sup> identifying a trend that “the more fragile a country is, the less adaptation finance it received, supporting the idea that donors tend to favour safe places,” and concluding quite bluntly that “climate finance does not reach the people who need it most.”<sup>25</sup>

The OECD States of Fragility 2022 report reaches the same conclusion from a different direction. The report analyses all official development assistance (ODA) flowing to 60 fragile countries (ranked as fragile along economic, environmental, human, political, security and societal dimensions), of which 15 are classified as extremely fragile. Total official development assistance to fragile contexts was \$91.4B in 2020 – of this total, \$15.6B had an environmental objective or objectives (including climate adaptation), and of this only \$2B flowed to extremely fragile contexts.

<sup>20</sup> The LDC definition is a special category of countries identified by the UN as having low income, human assets and economic vulnerability on a particular scale, and face severe structural impediments to sustainable development. Countries must also agree to the classification.

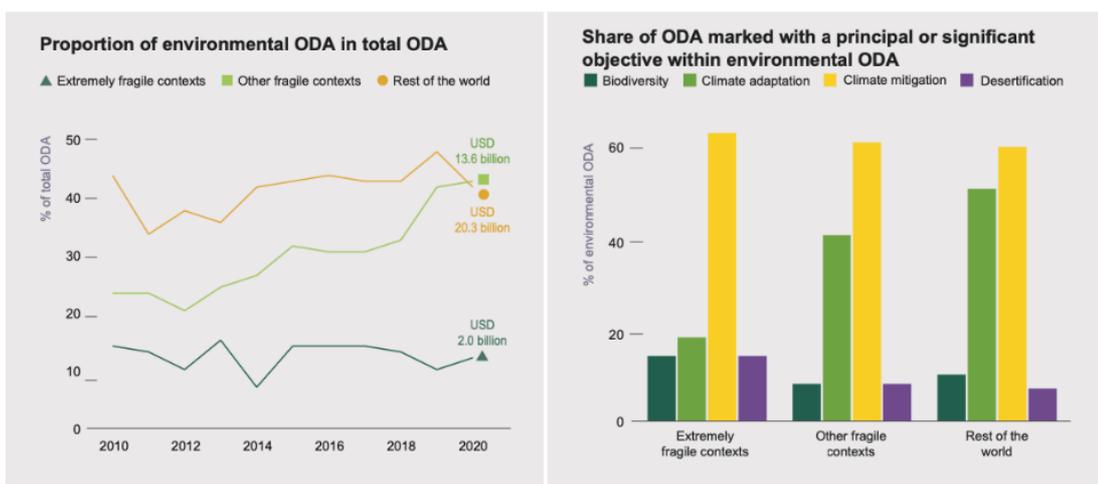
<sup>21</sup> OECD (2022). Climate Finance Provided and Mobilised by Developed Countries in 2016-2020: Insights from Disaggregated Analysis, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, <https://doi.org/10.1787/286dae5d-en>.

<sup>22</sup> CPI Africa Landscape report – the 10 countries that receive half of all Africa-focused climate finance are Egypt, Morocco, Nigeria, Kenya, Ethiopia, South Africa, Mozambique, Cote D’Ivoire, Tunisia and Ghana – only Ethiopia and Mozambique are considered LDCs.

<sup>23</sup> Wong, C. and Reda, D., UNDP Climate Security Mechanism, 2021, [Climate Finance for Sustaining Peace](#).

<sup>24</sup> Cao, Y., Alcayna, T., Quevedo, A. and Jarvie, J. (2021). [Exploring the conflict blind spots in climate adaptation finance](#). SPARC, 2021.

<sup>25</sup> Ibid.



**Figure 3:** Share of environmental ODA and their principal or significant objective. Source: OECD States of Fragility 2022.

- **After decades of intense lobbying from developing countries, especially the most vulnerable countries, an agreement has finally been reached on the topic of financing for loss and damage.** The mounting physical and economic costs caused by climate-related disasters are already overwhelming for poor countries. The UNFCCC had originally included this concept to refer to the inevitable impacts of climate change that countries could not reasonably adapt to – adaptation efforts have moved too slowly or not happened at all, and the losses are here. The V20 Group of Finance Ministers from climate vulnerable economies estimate that climate change has already eliminated one fifth of the wealth of their countries, or \$525B, over the last 20 years.<sup>26</sup>

Their calls for the immediate establishment of a separate and dedicated international funding for loss and damage crisis-level adaptation action came to fruition at COP27 when an agreement was reached on a new Loss and Damage fund to help developing countries that are particularly vulnerable to climate change.<sup>27</sup> Significant work lies ahead to implement this decision and to set up and resource this fund, but the acknowledgement of the concept represents a significant milestone.

<sup>26</sup>Climate Vulnerable Group of 20 (June 2022). [Climate Vulnerable Economies Loss Report: Economic losses attributable to climate change in V20 economies over the last two decades \(2000-2019\)](#).

<sup>27</sup> UNFCCC Press Release (Nov 2022). [COP27 Reaches Breakthrough Agreement on New “Loss and Damage” Fund for Vulnerable Countries](#).

## Climate, Conflict and Vulnerability in Somalia and Yemen

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Fragility and vulnerability are complex. Not all fragile countries are poor (Iran), not all poor countries are fragile (Bhutan); not all conflict-affected countries are fragile and poor (Ukraine); and not all fragile countries are experiencing war (Equatorial Guinea). Similarly, looking at climate vulnerability, not all countries at extreme risk of climate impacts are poor, fragile or in conflict (Barbados). There are however several countries that face the triple threat of chronic war, chronic poverty, and severe climate impacts – Somalia and Yemen are two of them and will help focus this discussion.

In 1992, as the UNFCCC was being agreed at the Rio Summit, Somalia's civil war was raging and entering the second year of what would be a three-decade struggle with conflict. Also in 1992, Somalia was facing a famine brought upon by the terrible confluence of war, drought, and the diversion of humanitarian aid into a war economy.

Today, Somalia is slowly emerging out of the protracted state collapse with a shaky, contentious federal system. There is an ongoing battle between the government, government-allied forces and a western-supported AU peacekeeping mission of almost 20.000 troops on one side, and Al-Qaeda's most powerful ally on the continent, Al-Shabaab, on the other. Somalia is also facing its worst drought in more than 40 years and catastrophic food shortages from the combined effect of the drought and the global spike in food and fuel prices resulting from the Ukraine war. More than 7 million people are currently facing grave hunger, and 300.000 facing starvation.<sup>28</sup>

In 2015, as the world negotiated the historic Paris Agreement limiting global warming to below 2°C above pre-industrial levels (ideally below 1.5°C) and agreed on the Sustainable Development Goals formulated specifically to help lift countries like Somalia and Yemen out of poverty, another civil war was erupting in Yemen. The conflict is between and among government forces, an international military coalition allied with the government,<sup>29</sup> and armed forces around the country of which the most notable are the Ansar-Allah or Houthi armed forces in the north, separatist movements in the south, and Al-Qaeda forces in pockets around the country.

This civil war is characterized by a brutal bombing campaign and port blockades by the international coalition. Yemen is facing a critical humanitarian crisis – more than 370.000 dead, 17.5 million people food insecure and 4 million people displaced<sup>30</sup> – a situation also worsened by the global spike in food and fuel prices resulting from the Ukraine war.

While each country is unique, and each has a very specific history and path taken to today's situation, Somalia and Yemen share some relevant characteristics. State collapse and civil war in both countries have shattered institutions and infrastructure, displaced large parts of the population, and triggered severe humanitarian crises. Both countries are extremely poor and food-insecure and are part of a group of countries described as least likely to end extreme poverty by 2030.<sup>31</sup>

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<sup>28</sup> USAID Statement by Administrator Samantha Power (Sep 2022). [Projected Famine In Parts Of Somalia This Year As Drought Crisis Cripples The Region](#); Multi Agency Drought Alert (Nov 2022). [Immediate global action required to prevent Famine in the Horn of Africa](#).

<sup>29</sup> Led by Saudi Arabia, the coalition includes the United Arab Emirates, Kuwait, Bahrain, Qatar, Sudan, Morocco, and Jordan. The US is providing material support.

<sup>30</sup> O. Karaspan (Apr 2022). [Yemen in the shadow of Russia's war on Ukraine](#), Brookings Institute, Future Development Blog.

<sup>31</sup> G. Gertz and H. Kharas (Feb 2018). [Leave No Country Behind: Ending Poverty in the Toughest Places](#), Brookings Institute, Global Economy and Development Working Paper.

On the climate front, both countries are projected to have significant temperature increases (1.5–2.3°C by 2050 in Somalia; 1.2-3.3°C by 2060 in Yemen),<sup>32</sup> and are expecting more intense and unpredictable rainfall and experiencing both droughts and floods. Both countries have extended coastal lines exposing them to sea level rise, coastal erosion, and storm surges, with Yemen particularly impacted by tropical cyclones.

Both countries are highly water stressed. In Yemen, agriculture employs more than half the workforce and uses 85% of the available water – however, the country’s water table is declining by about 2-7 meters per year. The Yemeni government estimates that with the combined effect of high aquifer usage and the projected rainfall decline due to climate change, the country’s groundwater reserves will be exhausted by about 2025-2030.<sup>33</sup>

Somalia is currently in the grip of an epic two-and-a-half-year drought with four failed rainy seasons and a fifth one almost guaranteed. A recent UN report confirms that over the last 30 years, recurrent droughts and floods in Somalia have become more intense, frequent, and unpredictable, and that these changes are linked to climate change.<sup>34</sup>

In both countries, conflict further compromises the ability of people and institutions to adapt to the changing climate. For example, in Yemen, landmines and other munitions are often planted or left in farmlands, grazing lands and wells, preventing harvesting, or killing people and livestock. These mines will also continue to impact Yemenis for years to come, further limiting their resilience.<sup>35</sup> Meanwhile, in Somalia, even during Somalia’s worst drought, Al-Shabaab destroys water wells, boreholes and communication masts of communities or towns, and burns trucks delivering food aid to the hungry.<sup>36</sup>

How much of the damage and destruction in these countries is caused by war (whether civil war, terror groups or international responses to terrorism) and how much by climate change, and how much do these factors interact? Using the IPCC framework for analysing climate impact and risks to humans, both countries are a prime high-risk example of the interplay of (1) existing and worsening climate-related hazards with (2) their natural social and ecological exposure and (3) the intense vulnerability of the Somali and Yemeni populations and ecological systems.

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<sup>32</sup> For Somalia projections, the adelphi and Potsdam Institute for Climate Impacts Research [Climate Risk Profile](#) and for Yemen, the [2017 Yemen USAID Climate Change Risk Profile](#) – Somalia NAPA pg.29 says 3-4 degrees by 2080.

<sup>33</sup> Yemen’s [Intended Nationally Determined Contribution](#), Nov 2015.

<sup>34</sup> UN Office for the Coordination of Humanitarian Affairs (OCHA), [“Somalia’s Deadly Drought-Flood Cycle,”](#) Nov 2019.

<sup>35</sup> United Nations (April 2022). [The Long Term Price of Yemen’s Conflict](#); Norwegian Refugee Council (Jan 2020). [Yemen: 900 airstrike and shelling hits on farms in three years](#); Doctors Without Borders (Jan 2019). [Yemen: Land mines take heavy toll on civilians](#).

<sup>36</sup> Dahir, A.L. (Sep 2022). [Militants Attack Trucks Carrying Food Relief in Somalia](#), New York Times; Goobjoog News (Sep 2022). [Al-Shabaab blows up water wells, boreholes and communication masts in Galmudug](#).

**Table 1: Climate-related hazards, exposure and vulnerability in Somalia and Yemen.**

	Somalia	Yemen
<b>Climate-related hazards</b>	Increasing heat, variable rainfall, increasing droughts, floods, coastal degradation	Increasing heat, variable rainfall, increasing flash floods, coastal degradation
<b>Exposure</b>	Reliance on rain-fed agriculture and pastoralism	Reliance on rain-fed agriculture and fishing, groundwater aquifers drying out
<b>Vulnerability</b>	Prolonged/chronic armed conflict, displacement, weak governance, high levels of poverty	Prolonged/chronic armed conflict, displacement, weak governance, high levels of poverty

Despite their challenges, both governments have developed and submitted climate adaptation plans and priorities to the UNFCCC over the years, highlighting how they propose to address these risks. Some examples from their top priorities:

- Supporting conservation, management, and sustainability of water resources (Yemen NAPA 2009, Somalia NAPA 2013)
- Sustainable land management for national food security, by addressing charcoal production, overgrazing, poor soil management practices, etc. (Somalia, NAPA 2013)
- Strengthen sustainable agricultural programs and the protection of Yemen’s agricultural diversity (Yemen, NAPA 2009)
- Strengthening disaster risk response and management capacities to prepare for increased droughts and floods (Somalia NAPA 2013, Yemen, NAPA 2009)
- Conservation and sustainable use of marine and fishery resources (Yemen, NAPA 2009)

How much money will be needed to undertake all this work? Somalia submitted its most recent Nationally Determined Contribution (NDC) in July 2021 and calculates that for the 10 years 2021-2030, \$55B will be needed to undertake all the necessary measures outlined in the NDC (\$48.5B for adaptation and \$7B for mitigation), or roughly \$5B a year for the next 10 years.

To put this figure into context, climate-related development finance flowing to Somalia in 2020 was \$285M (out of \$3.4B in 2020 total development assistance), and all climate-related development finance flowing to Somalia over the past 20 years added up to \$1.5B.<sup>37</sup> The delta between the current flows of roughly \$300M per year to the requested \$5B a year seems insurmountable.

<sup>37</sup> ODA financing figures pulled from the [OECD database](#).

Yemen received \$170M of climate-related development finance in 2020 and approximately \$900M over the last 20 years.<sup>38</sup> Yemen’s Intended Nationally Determined Contribution submitted in November 2015 does not include a costing, yet also strongly emphasises the high level of fragility and extensive support needed to help the country and communities adapt.<sup>39</sup>

**Table 2:** Climate-related development finance flows to Somalia and Yemen in USD millions. Source: OECD DAC External Development Finance Statistics. Recipient perspective. 2020 and cumulative 2000-2020.

		Adaptation	Mitigation	Dual purpose	Total
Somalia	Most recent year - 2020	260.8	3.7	20.2	284.8
	Last 20 years - 2000 to 2020	1,188.2	87.2	188.8	1,464.2
Yemen	Most recent year - 2020	162.0	6.4	1.4	169.7
	Last 20 years - 2000 to 2020	548.8	258.8	79.3	886.9

**Box 1: FSO Safer – averting environmental disasters in conflict**

FSO Safer, a decaying oil tanker off the coast of Yemen holding four times the amount of oil spilled by the Exxon Valdez, has been described as a ticking environmental time bomb. Since 1988, the ship had served as a floating storage and offloading facility for oil transferred by pipeline from inland. With the onset of war in 2015, the FSO Safer ceased operations and maintenance of the ship almost completely halted.<sup>40</sup> The area in which it was docked fell under the control of the Houthis armed group who have used the tanker as a deadly bargaining chip.

The political, security and logistical challenges of averting a potential spill or explosion have been dramatic and after many months of trying and with great difficulty, the Yemeni government and international partners have managed to secure access from the Houthis and raise the \$80M required for the emergency operation to transfer the oil to a safe vessel.

Inaction, however, would have been much more costly. The cost of cleanup alone is estimated at \$20 billion. In addition, millions of Yemenis would lose their fishing livelihoods. A spill or explosion could also lead to the closure of the port of Hodeidah, a vital lifeline for millions of Yemenis who depend on the food, fuel, and lifesaving supplies, at a time when Yemen is already facing a risk of famine.

Beyond Yemen, desalination plants off the Red Sea coast could be impacted, affecting the water supply of neighboring countries. Global shipping trade through the Bab al-Mandab Strait could be disrupted, to the tune of billions of dollars per day. And finally, the Red Sea marine ecosystem would be irreparably damaged.

Two points to make here – while this is not directly a climate finance issue, this example shows the difficulty of raising even \$80M in a conflict-context, even when the risks and costs to be avoided were so apparent and staggering. This case should also serve as a warning about the potential weaponization of environmental disasters by armed groups, as extreme weather events ramp up and start to destabilize stranded or poorly maintained infrastructure.

<sup>38</sup> Ibid.

<sup>39</sup> Even though Yemen signed the Paris Agreement in September 2016, the country never ratified the agreement, hence their Intended NDC (INDC).

<sup>40</sup> Security Council Report (Jun 2021). [Yemen: Briefing and Consultations on the FSO Safer Oil Tanker](#) and plus updates from [UN Yemen](#) and [UN Dept of Economic and Social Affairs](#).

## Unpacking the Obstacles

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What are the barriers blocking climate finance from reaching fragile conflict-affected countries facing significant climatic risks? International organisations analysed the challenges and proposed potential solutions.

- **Risk Aversion.** Investors do indeed favour safer places – while private capital is known to have a much lower appetite for risk, this risk aversion also applies to public funding. Beyond climate financing, this is a recognized issue with SDG financing as well. The risk aversion translates into an unwillingness to fund projects in areas where conflict and instability might jeopardize implementation or returns. Donors end up avoiding entire countries or alongside beleaguered governments, parts of countries where non-state armed groups dominate, thus leaving the communities in these countries or areas behind. The exclusion is further compounded when conflict economies are constrained by international sanctions or terrorist designations, thus limiting financial flows and growth of their financial sectors.

The humanitarian sector<sup>41</sup> calls on the governing bodies of the climate funds to “embrace discomfort” and develop new policies and risk management processes to permit action in these contexts. They propose two specific ways of doing this – for the climate funds to factor the humanitarian and financial risks of inaction into funding decisions, and to draw expertise from other sectors, including local and international humanitarian and peacebuilding actors who have experience in operating in conflict zones. The UN Climate Security Mechanism also proposes factoring in insufficient access to climate finance as a climate-related security risk, as the cost of adapting compounds and increases over time.<sup>42</sup>

- **Bureaucratic Obstacles and Institutional Constraints.** Multilateral climate funds are criticized for being overly rigid and having onerous access and accreditation requirements. However, significant institutional and capacity constraints exist in fragile and conflict-affected states. Despite some LDC-friendly mechanisms to make climate finance more accessible, access is still challenging because of limited government institutional capacity and technical expertise, limited climate and mapping data to feed into grant proposals, and the governance challenges of conflict contexts.

Other technical recommendations suggest streamlining application processes, simplifying accreditation, and providing support for proposal writing. There have been calls for fragile and conflict affected states to have their own UNFCCC grouping to negotiate directly on their issues.<sup>43</sup>

On the more conceptual side is an acknowledgement that climate action in extremely fragile or conflict-affected states must look different. Humanitarians proposed a paradigm shift – to move beyond the current fixation on large transformative scale multi-million-dollar climate interventions that may indeed be impossible to achieve in conflict settings and to envision and enable smaller projects.<sup>44</sup> This would require facilitating local actors and authorities to apply directly for smaller sums of climate finance, potentially through much simpler specialized windows. UNDP recommends implementing smaller conflict-sensitive adaptation projects to avoid exacerbating conflict drivers, negative impacts on political economy or power dynamics, and to build trust with local partners and communities in preparation for larger interventions.<sup>45</sup>

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<sup>41</sup> ICRC, ODI, ICVA, Mercy Corps, RCCC, UNHCR, WFP (2022). *Embracing Discomfort: A Call to Enable Finance for Climate-Change Adaptation in Conflict Settings*. London.

<sup>42</sup> Wong, C. and Reda, D. (2021). [Climate Finance for Sustaining Peace](#), UNDP Climate Security Mechanism.

<sup>43</sup> Cao, Y., Alcayna, T., Quevedo, A. and Jarvie, J. (2021). [Exploring the conflict blind spots in climate adaptation finance](#). SPARC.

<sup>44</sup> See note 42.

<sup>45</sup> Wong, C. and Reda, D. (2021). [Climate Finance for Sustaining Peace](#), UNDP Climate Security Mechanism.

## Concluding Reflections and Recommendations

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This paper has outlined some of the issues surrounding climate finance for countries facing the triple threat of chronic conflict, chronic poverty, and significant climatic risks. Below are several key factors for further consideration.

- **Acknowledgement is important; mobilizing political will comes next.** The shortfall in climate financing to fragile and conflict affected states has been acknowledged broadly by many different stakeholders, and this represents a positive narrative shift.

The challenges posed in trying to prepare communities and governments in conflict-affected states for climate impacts call for a new imagination, new mechanisms, and a commitment to ensuring that these countries and communities are not left to their own devices as the impacts of the changing climate worsen their already dire situations.

As the search for practical solutions proceeds, it will be important for the technical proposals to be accompanied by efforts to mobilize the necessary political will on the part of funders to champion this issue. This will involve making a strong argument for why acting now to build resilience and to support vulnerable communities living in fragile and conflict situations is better than waiting for disaster to strike, and further, in a global context of competing crises, why existing financing to fragile contexts should be protected.<sup>46</sup> Political will is also needed from the leadership in vulnerable countries – to get the politics right to make room to prioritize resilience building and the path out of fragility.

- **In the same vein, conflict resolution efforts to consolidate peace need to be prioritized.** While the overriding theme of this paper is that climate responses in fragile and conflict affected contexts are urgent, cannot be postponed and must be resourced, it is equally critical that efforts to sustainably and inclusively resolve active conflicts and to strengthen political settlements are continued. The answer to the sequencing concerns is that, though difficult, both must proceed in parallel.

More stability ultimately unlocks more finance in the international financial system. For example, even though the Somali government's war of attrition with Al-Shabaab continues, the overall political situation seems to be stabilizing thereby allowing Somalia to reengage with international financial institutions, secure debt relief and start to mobilize development finance on a more ambitious scale. This positive trajectory will come to an abrupt halt if the security situation worsens, so consolidating peace is key. The same applies for Yemen – the recent truces are tentative first steps in a very long series of steps that will hopefully result in economic relief for Yemenis (on the currency, embargoes, and predatory taxation)<sup>47</sup> and a credible peace process. Also, and this is stating the obvious – war is expensive, and these are resources (both domestic and international) that could and should be going towards peace and development.

That said, failure to address climate or environmental issues can delay the peace or make it less sustainable. The “co-benefits” or peace dividend argument makes the important point that in fragile contexts, carefully and sensitively designed climate action can serve as an opportunity to build peace –

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<sup>46</sup> OECD (2022). States of Fragility 2022, OECD Publishing, Paris.

<sup>47</sup> Al-Akhali, R. (Oct 2021). [Yemen's Most Pressing Problem Isn't War. It's the Economy](#), Foreign Policy; International Crisis Group (Jan 2022). [Brokering a Ceasefire in Yemen's Economic Conflict](#).

for example, by facilitating technical cooperation, confidence-building over environmental issues and natural resource co-management and, eventually, possible peaceful conflict resolution.<sup>48</sup>

- **Climate adaptation is intertwined with development and so climate financing will be intertwined with SDG financing.** The changing climate brings a new urgency to the work of helping countries and communities to move out of fragility, however the steps remain the same. Climate financing does not offer a panacea and can only work alongside existing development assistance.

Inclusive and legitimate political settlements remain central to transitioning out of conflict and a consistent long-term approach to livelihoods strengthening remains central to transitioning out of poverty. In fragile contexts, humanitarian, development and peace challenges and responses are interwoven. The inherent tensions in the different mandates, expertise, and timeframes (emergency response vs. longer term interventions) and the importance of eliminating silos have been recognized to some extent with innovations such as the triple-nexus approach, country platforms, and new fragility focused strategies (e.g., World Bank FCV strategy, the US Fragility Act).

Climate adaptation is an additional factor to weave in and not a standalone issue. Accordingly, while climate financing to fragile contexts may be limited at the moment, the total amount of ODA assistance to fragile countries in 2020 was \$91B and this should not be programmed without factoring in the short- and long-term risks of the changing climate. As Dr. Saleemul Huq, director of the International Centre for Climate Change and Development in Dhaka, says: “Every dollar spent is climate money spent. You either spend it wisely or you spend it unwisely.”<sup>49</sup>

Furthermore, humanitarian financing is not climate financing, nor can humanitarian intervention resolve the problems that cause humanitarian crises. In the context of climate, humanitarians can undertake small climate adaptation projects (e.g. building cisterns and flood walls, rehabilitating stone terraces, or installing irrigation systems), but as ICRC says: “there are limits to our ability and fitness to compensate for the comprehensive development that provides solid avenues for climate adaptation.”<sup>50</sup>

- **Mitigation financing can support abundant and affordable energy and thus also have positive adaptation and peace impacts.** Mitigation financing often gets passed over in analyses of climate finance to fragile and conflict-affected states, partly because of the overriding focus on much needed adaptation investments. However, abundant and affordable energy is one of the foundational requirements for development and can play an important role in consolidating peace in fragile contexts.

On the most basic level, reliable electricity (for example, from the off-grid renewable energy sources identified as mitigation interventions in both Somalia and Yemen’s NDCs) would replace diesel generators and wood burning stoves; power hospitals and schools and provide street lighting for safety. By eliminating the need for diesel or charcoal, electricity would reduce deforestation and reduce the revenues of armed groups from illicit charcoal or diesel markets. Finally, with more affordable electricity, businesses can create more jobs and hire more young men who might otherwise be recruited by armed groups.<sup>51</sup> (See Box 2 for an example of such a project.)

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<sup>48</sup> Wong, C. (Mar 2022). [Climate finance and the peace dividend](#), UNDP Blog; United Nations Department of Political and Peacebuilding Affairs (Sep 2022). [Practice Note: The Implications of Climate Change for Mediation and Peace Processes](#), NY.

<sup>49</sup> Timperley, J. (Oct 2021). [The broken \\$100-billion promise of climate finance — and how to fix it](#), Nature.

<sup>50</sup> International Committee of the Red Cross (2020). [When Rain Turns to Dust: Understanding and Responding to the Combined Impact of Armed Conflicts and the Climate and Environment Crisis on People’s Lives](#).

<sup>51</sup> Aynte, A., Chen, E. and Mozersky, D. (Mar 2022). [Powering Ahead: The United Nations and Somalia’s Renewable Energy Opportunity](#), Stimson Center.

Control over oil and gas resources are a critical aspect of the most civil wars, including Yemen, and touch on conflict drivers such as grievances around wealth sharing and marginalization. While it would be overly simplistic to suggest that building solar plants, for example, can help stop a war, it is however worth exploring whether there can be creative ways to use climate mitigation financing in these contexts as a kind of peace dividend. For example, in Yemen, alongside the ongoing political ceasefires, many have noted the need for a parallel or intertwined economic ceasefire<sup>52</sup> – could potential climate mitigation financing for the rehabilitation of critical gas infrastructure and production capacity bring the feuding parties to the table?

Finally, remaining open to conflict-sensitive and potentially profitable mitigation projects can help to attract private investment (international or domestic) as it is an accepted fact that public or development financing alone will not be enough, not for climate, and not for the SDGs. While de-risking instruments and guarantees can go some way to incentivizing international private capital to flow into extremely fragile contexts, thinking creatively about how to incentivize the local private sector and publicizing the positive case studies (see Box 2) can also help to signal to the broader market that it is feasible to invest in peace-positive climate action in fragile contexts.

#### **Box 2: Energy, Peace and Security Nexus<sup>53</sup>**

Somalia relies primarily on electricity generated by diesel-fueled mini-grids at one of the most expensive electricity rates in the world – \$0.80 to \$1.00 per kWh in small and medium sized towns and \$0.30 to \$0.40 per kWh for residents and businesses of major urban centers. Electricity service providers struggle to access financing to transition to cheaper cleaner renewable energy because of limitations in Somalia's banking sector.

A solar hybrid electricity project has been designed and implemented by Kube Energy, a Norwegian-Mauritius solar company partnering with a local Somali electricity service provider, and made possible by a United Nations power purchase agreement that secures the UN as a long term anchor client. Furthermore, the project has been guaranteed by the World Bank Multilateral Investment Guarantee Agency (MIGA) providing cover for up to \$5.4M against the risks of expropriation and war and civil disturbance for a guaranteed period of up to 15 years.

This project offers an example of a creative partnership and blended financing in a fragile context, a model that can be replicated so all UN peace operations can meet their own power requirements, while leveraging the purchasing power of the UN to support private-sector finance and construction of clean-energy infrastructure that can contribute to sustainable peace and development.

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<sup>52</sup> ICG report, Foreign Policy report, OECD Report <https://www.oecd.org/mena/competitiveness/economic-dimensions-conflict-Yemen-october-2020-wennmann-davies-eu-ocha-undp.pdf>.

<sup>53</sup> See note 51.



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