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CLOSING THE GAP

Trends in Adaptation Finance for Fragile and Conflict-affected Settings



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Scaling Adaptation Finance in Fragile Environments (SAFFE)

The research carried out as part of this report is supported by the SAFFE activity. SAFFE seeks to tackle the adaptation finance gap found in FCS by increasing the capacity of funders and recipients to scale up commitments and distribution of adaptation finance in FCV settings. SAFFE activities focus on three priority areas:

1. Generating cutting-edge research on critical knowledge gaps
2. Bringing key stakeholders together to identify innovative ways of working
3. Getting new ideas off the ground by providing dedicated time and resourcing.

SAFFE has helped to create a community of practice focused on addressing finance gaps in FCS bringing together MDBs, bilateral donors, FCS governments, NGOs and other key stakeholders. This Brief provide preliminary insights from SAFFE's research into adaptation finance trends. This will be accompanied by further deep-dives that explore barriers and opportunities to scaling access to finance in fragile and conflict-affected settings.

SAFFE is a research and knowledge exchange initiative undertaken as an umbrella of the Global Crisis Risk Platform (GCRP) in the World Bank's Fragility, Conflict and Violence (FCV) Group. It is funded by the State and Peace-building Fund (see acknowledgements).

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by the State and Peacebuilding 2.0 Umbrella Trust Fund (SPF2.0), a global multi-donor fund administered by the World Bank that works with partners to address the drivers and impacts of fragility, conflict, and violence (FCV) and strengthen the resilience of countries and affected populations, communities, and institutions. The SPF2.0 is kindly supported by: Denmark, Germany, Netherlands, Norway, Sweden, and Switzerland.

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Executive Summary

Global funds to support climate adaptation are a lifeline for low-income countries, and nowhere is this more evident than in settings facing fragility and conflict. While there is little question that countries on the World Bank’s Fragile and Conflict-affected Situations (FCS) list are underserved in terms of adaptation finance received from international funders, the scale and nature of the financing gap compared to other low-income countries are less clear. Indeed, estimates from different agencies and think tanks vary widely. Even less is known about how adaptation finance is allocated across different fragile and conflict-affected settings, and whether the financing gap is growing or shrinking. Understanding these trends is crucial given the potential for adaptation investments in FCS to help countries respond to the impacts of climate change, address the root causes of conflict and fragility, and tackle poverty.

By consolidating a decade’s worth of climate finance data from international funders, this Report examines global financial flows to support adaptation in fragile and conflict-affected settings.¹ Using a database that covers international climate finance commitments from major bilateral, multilateral, and philanthropic funders, it explores the size and nature of adaptation finance to FCS. Our analysis goes further than existing studies, by comparing not just the financial flows going to FCS and non-FCS countries, but also those going to different FCS countries. This allows us to determine whether adaptation finance is targeting the most vulnerable countries and begin to explore factors associated with differences in funding allocations. This Report is part of a wider research program aimed at uncovering barriers and entry points to scaling adaptation finance as part of the World Bank’s Scaling Adaptation Finance in Fragile Environments (SAFFE) activity.

¹ The Aid Atlas database covers climate finance commitments from major bilateral, multilateral, and philanthropic funders. Our sample includes 2,394 adaptation projects from 2010 to 2020, totaling approximately USD 54 billion. Figures exclude the Green Climate Fund. Further information on data sources and analysis can be found in the methodology of the main report.

This SAFE Report is based on publicly available financing data. Its key findings and recommendation are as follows:

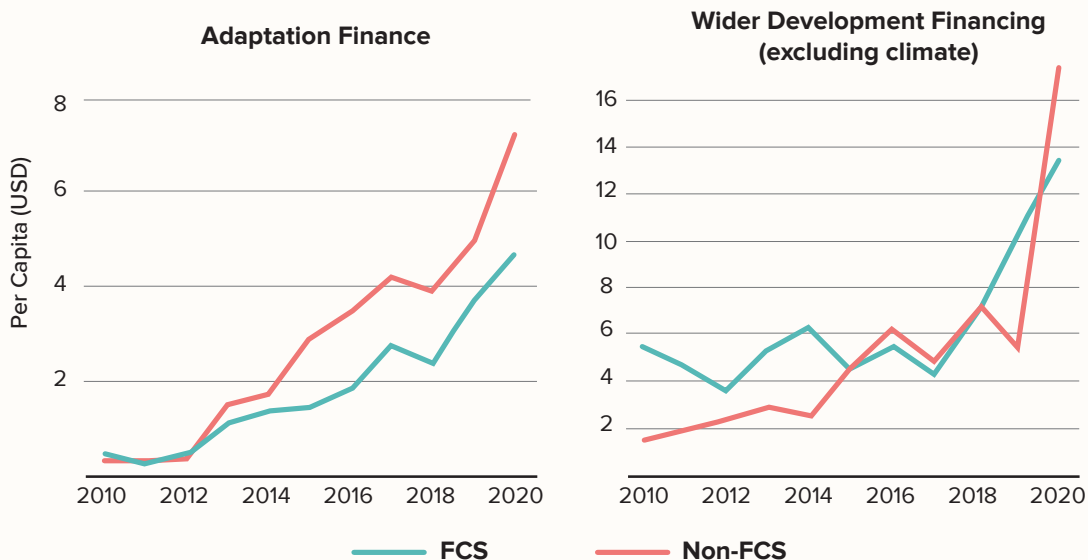


FINDING #1

FRAGILE AND CONFLICT-AFFECTED COUNTRIES RECEIVE SIGNIFICANTLY LESS ADAPTATION FINANCE

Countries affected by fragility and conflict receive less financial support for adaptation compared to other low-income countries. This is despite greater vulnerability and lower capacity to respond to the impacts of climate change. Figure 1 compares population-weighted per capita spending in FCS and non-FCS countries eligible for funding from the International Development Association (IDA), using data covering adaptation funds committed by all major donors. In 2020, FCS countries received less than two thirds of the funding that other low-income countries got per head of population. Figure 1 also shows that, while growth in adaptation funding begins to gain pace across the board around 2012, a gap emerged between spending in IDA-eligible FCS and non-FCS settings – one that has become more pronounced in recent years. Interestingly, the gap in FCS financing is not reflected in per capita commitments towards wider development financing. Instead, financing for a wide range of other development objectives between FCS and non-FCS groups appears to be at relative parity, and suggests that the adaptation finance gap is unlikely to be due to broader trends in wider development financing.

Figure 1: Population-weighted per capita commitments to IDA-eligible FCS & non-FCS across major funders



Note: For details on methodology and technical specifications of graphs included in the Executive Summary refer to the main report and Annex Section 1



FINDING #2

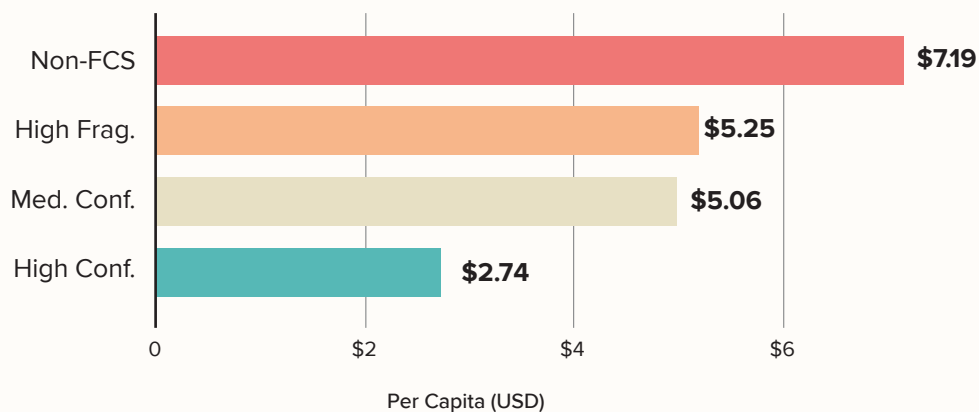
ADAPTATION COMMITMENTS VARY ACROSS FCS COUNTRIES: THOSE AFFECTED BY HIGH-INTENSITY CONFLICT FARE THE WORST

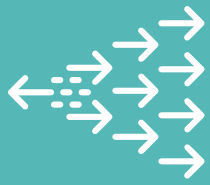
FCS countries vary considerably. While some are affected by medium or high intensity-conflict, others are predominantly characterized by institutional and social fragility. The stark difference between these countries is similarly matched in per capita spending across FCS categories, with those affected by high-intensity conflict receiving the least.

In 2020, adaptation commitments in countries gripped by high intensity conflict (High Conf.) were around half of what was committed to settings facing social and institutional fragility (High Frag.) or medium-intensity conflict (Med Conf.). Non-FCS received most of all – more than two and a half times that of conflict-affected countries.

These disparities are not altogether surprising. Settings affected by high-intensity conflict are extremely difficult to work in. Operations must contend with insecurity, challenges related to access and logistics, and governments preoccupied with ongoing crises amongst other constraints. Yet, conflict-affected countries are home to people and communities amongst those most vulnerable to the impacts of climate change. Leaving them behind is not an option.

Figure 2: Population-weighted per capita adaptation commitments to IDA-eligible FCS & non-FCS across major funders



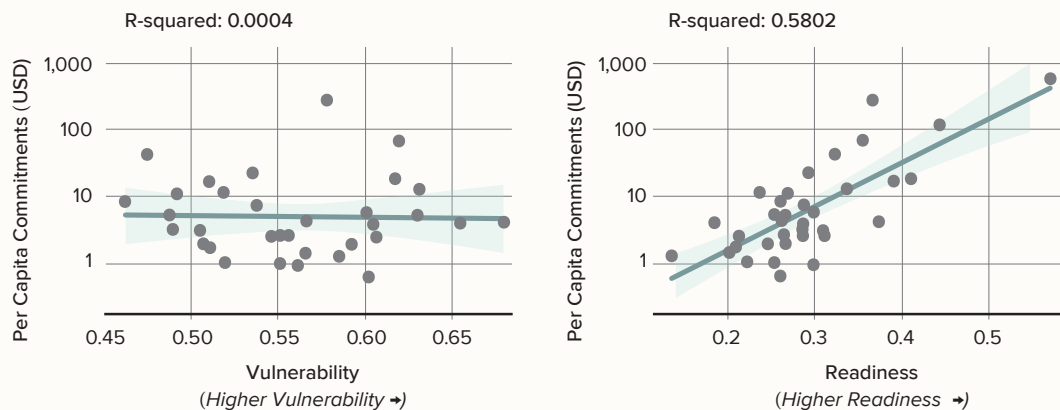


FINDING #3

VULNERABILITY IS NOT DRIVING INVESTMENTS IN FCS. FUNDS FLOW TO PLACES WHERE IT IS EASIER TO SPEND

Despite most vulnerable FCS countries requiring significant financial support, there is little to no correlation between the size of an FCS country’s per capita adaptation commitments and levels of vulnerability, as measured by the Notre Dame Global Adaptation Initiative’s index (ND-GAIN). There are several likely reasons for this. First, in settings affected by intense FCV challenges, tackling immediate security threats and humanitarian needs tend to be prioritized, which often comes at the expense of building longer term resilience. In turn, a host of factors can serve to lower international funders’ commitments to countries facing the most severe FCV challenges, including weak technical capacity to design and deliver effective climate adaptation programming, poor public financial management systems, and funder reticence to engage in contexts with weak government legitimacy.

Figure 3: Comparing climate vulnerability (Left-hand side) and financial readiness (Right-hand side) to population-weighted per capita adaptation finance commitments from major international funders amongst FCS countries.



Higher commitments are strongly associated with countries that have higher readiness to absorb and manage adaptation finance commitments. The strong correlation shown in Figure 3 points to the role that institutional governance and financial management systems can play in mobilizing, accessing, and executing climate finance. Using ND-GAIN data, this report finds that a 0.1 unit increase in a country’s financial readiness – the equivalent of moving from the readiness of the Central African Republic to that of Cote D’Ivoire – is associated with a 365 percent increase in per capita spending. Greater financial readiness is one of the reasons why many Small Island Development States (SIDS) receive higher commitments per capita than other FCS counties.



FINDING 4

WHILE PROGRESS HAS BEEN MADE RECENTLY, FURTHER ACTION IS NEEDED TO ADDRESS THE ADAPTATION FINANCE GAP IN FCS.

While the gap in finance for climate adaptation flowing to FCS remains significant, encouraging progress has been made in recent years. Figure 4 reveals that multilateral development banks and bilateral donors account for the lion’s share of adaptation flows to FCS, based on data from the Aid Atlas. International Development Association (IDA) stands out as the largest provider of adaptation finance to FCS, committing almost \$4 billion between 2015 and 2020. IDA’s contribution saw an eightfold increase in just 5 years, from \$216 million in 2016 to \$1.8 billion in 2020. In less than a decade, the proportion of IDA adaptation commitments to FCS compared to non-FCS increased from less than 8 percent in 2015 to more than 27 percent in 2020. The Africa Development Bank, France, and EU also stand out as significant funders alongside other international financial institutions (IFIs), vertical climate funds, and bilateral donors.

There are several explanations for the positive trends in World Bank financing to FCS. First, the Climate Change Action Plan (CCAP) and the FCV Strategy have elevated adaptation in FCS a strategic priority for the World Bank. Second, the establishment of both climate change and FCV as cross-cutting solution areas as part of the World Bank’s organizational structure has contributed to both topics being more integrated and better coordinated across operations. Third, climate change has become a priority theme across the IDA portfolio, a key instrument in providing development finance to FCS.

Figure 4: Adaptation commitments in FCS countries by funder from 2010-2020

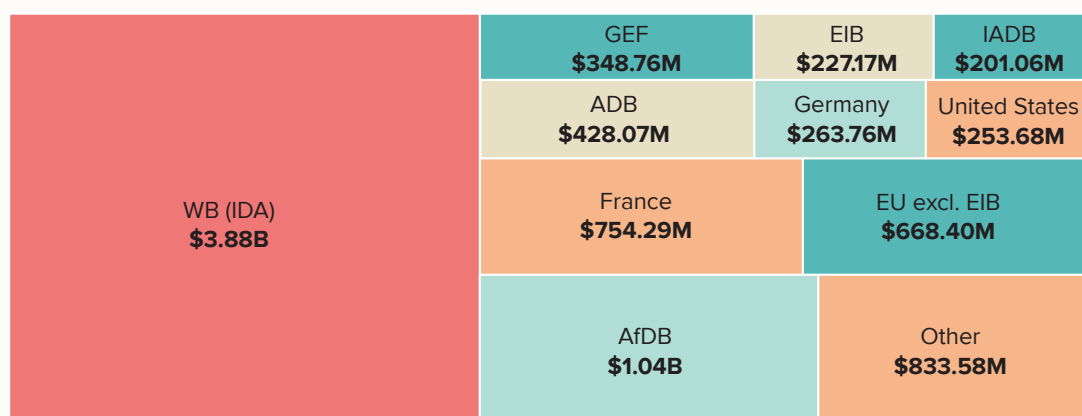
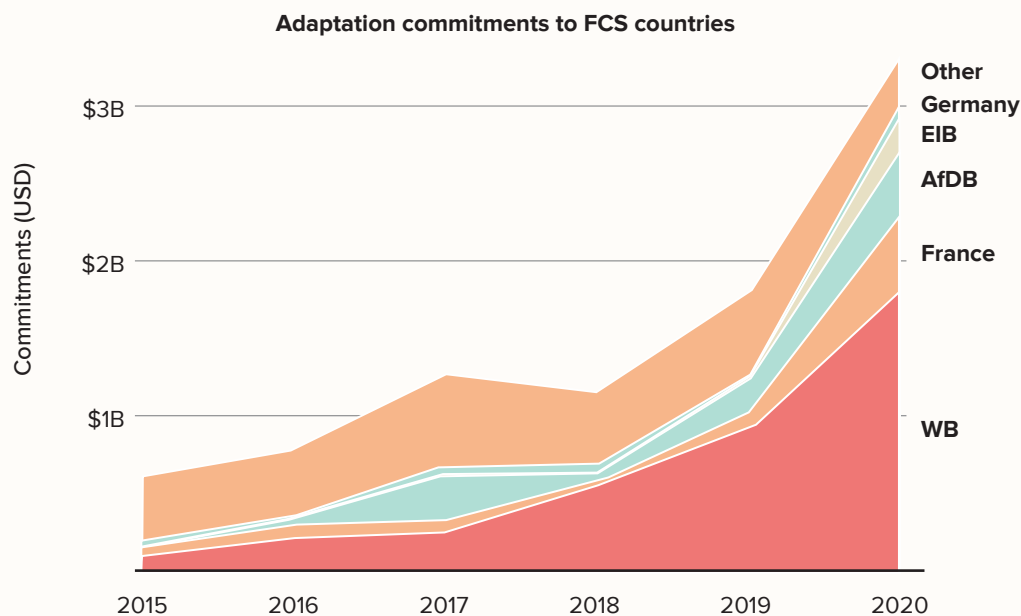


Figure 5: Major providers of adaptation finance commitments to FCS from 2015 to 2020



OPPORTUNITIES TO SCALE ADAPTATION FINANCE IN FRAGILE AND CONFLICT-AFFECTED SETTINGS

SAFFE's research shows how global adaptation finance heavily skews towards FCS places where it is easiest to spend rather than those that are the most vulnerable. While challenging operating environments, low institutional and financial capacity, and funder reticence contribute heavily to this trend, the problem is not restricted solely to overcoming issues related to channeling finance to FCS settings. The focus of many FCS government, understandable, tends to be on addressing immediate security needs and managing the fallout of ongoing complex crises. Thus, demand also plays a role, especially in the case of country-driven development financing models such as those used by many MDBs.

There is a dire need to scale up adaptation financing in all FCS, particularly in those most vulnerable to climate change. Delaying support for adaptation until these countries transition out of fragility or conflict may only worsen the situation. Targeted investments in FCV-sensitive climate action can strengthen community resilience and limit the potential for climate change to further exacerbate FCV-related threats, including competition over scarce natural resources, food insecurity, and climate induced displacement.

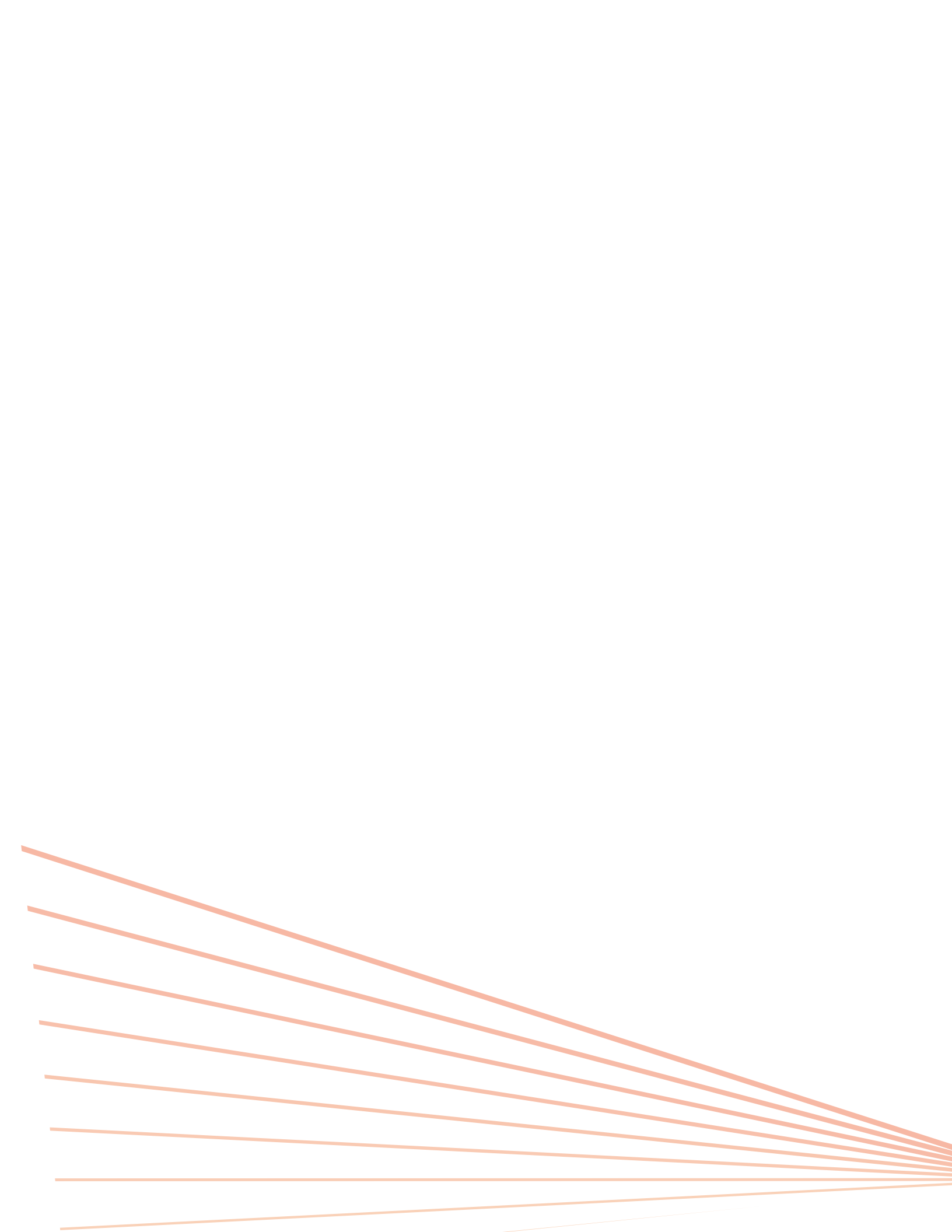
Positive signs are emerging. However, more remains to be done in closing the adaptation finance gap in FCS. While future SAFFE research aims to shine a light on the barriers and entry points for scaling adaptation finance in FCS, insights from this trend analysis point to three key priorities:

1. **Support efforts to increase financial access and absorptive capacity of governments and key local stakeholders in FCS.** This includes providing the technical assistance

needed to navigate the complex and varied landscape of available climate financing, as well as strengthening financial management systems. It also includes improving the technical capacity of national and local stakeholders to develop and implement proposals that are both aligned with national priorities and meet the technical and fiduciary standards of climate finance providers. In turn, climate funds and IFIs can do more to recognize the unique needs and capacities of key stakeholders in FCS. This should include exploring options for dedicated funding windows and procurement guidelines, standardization of funding criteria and application requirements, as well as streamlining the process of accrediting implementing agencies in FCS.

2. **Tailor the provision of adaptation finance and support to different fragile and conflict-affected contexts, as well as leverage entry points of different funders.** Donors need to recognize that FCS differ in terms of their unique capabilities, needs, and challenges. Scaling access to climate finance in FCS is not a one-size-fits-all approach, and needs to be tailored to different FCS. In turn, it's important to recognize the diversity of different climate funders. Bilateral donors, multilateral Banks and dedicated climate funds each have different funding modalities, with risk appetites, application procedures, and delivery channels that differ considerably. Scaling access to adaptation finance in FCS requires leveraging the strengths and entry points for various sources based on the unique needs and characteristics of different fragile and conflict-affected settings.
3. **Strengthen coordination and knowledge sharing among stakeholders in countries affected by fragility and conflict – from funders to intermediaries and recipient governments.** More effort is needed to promote knowledge sharing, overcome sectoral silos, and strengthen coordination between funders and recipients of adaptation finance in FCS. There is also much to be learned from the experiences of other sectors with long histories of channeling finance to fragile and conflict-affected countries, especially disaster risk financing and peace-building efforts. These should be considered part of the spectrum of interventions that contribute to adaptation and are useful entry points for balancing trade-offs between short- and long-term adaptation objectives – including options to coordinate financial investments across sectors including adaptation, peace-building, and disaster risk financing amongst others.

Above all, the findings outlined in this paper highlight the importance of ensuring that financial support for adaptation does not leave those most vulnerable behind, especially in places that are hardest to reach.





1. Introduction

Countries affected by conflict and fragility face the brunt of the climate crisis. In these settings, climate change serves as a threat multiplier, interacting with and exacerbating wider sectoral pressures. At the same time, the impacts of climate change are likely to exacerbate many of the underlying drivers of fragility and conflict – including increased competition over scarce natural resources, reduced economic opportunities and placing further strain on public institutions and services.

Nowhere is adaptation to climate change needed more than in countries affected by insecurity, including those on the World Bank’s Fragile and Conflict-affected Situations (FCS) list. In these contexts, investments in adaptation not only help to increase FCS countries’ ability to weather future climate-related shocks, but contributes to ensuring the long-term effectiveness of efforts to eradicate poverty and promote sustainable development. Adaptation can also play a crucial role in helping to address the root causes of conflict and fragility.

The need to scale up adaptation finance in fragile and conflict affected countries is paramount. Yet, despite the clear need for financial support, levels of international climate finance currently committed to FCS countries only represent a fraction of adaptation needs, and pale in comparison with allocation to other low-income countries. There are several key reasons for this financing gap. This includes factors such as low technical capacity to design and develop robust adaptation projects, difficulties in meeting accountability and procedural standards of large climate funds, and even low awareness of how to apply to the various adaptation funds catering for low-income countries. Such challenges are compounded by the reluctance of many funders to commit finances to FCS in the face of difficult operating environments and high levels of institutional and financial uncertainty.

By consolidating a decade’s worth of climate finance data from international funders, this report provides a deep-dive on trends in adaptation finance to fragile and conflict-affected settings. The analysis uses a comprehensive publicly accessible database of climate finance commitments across major bilateral, multilateral and philanthropic funders

to examine the size and nature of adaptation finance to FCS. The sample includes 2,394 adaptation projects to IDA-eligible countries from 2010-2020, worth approximately USD 54 billion. This Report is part of a wider research program aimed at uncovering barriers and entry points to scaling adaptation finance as part of the World Bank's Scaling Adaptation Finance in Fragile Environments (SAFFE) activity.

The analysis extends our understanding of where adaptation finance is targeted by applying a fairer method for calculating per capita commitments between FCS and non-FCS groups compared to other existing studies. Crucially, it goes one step further by delving into how financial allocations differ across fragile and conflict-affected settings – ranging from those characterized by institutional and social fragility, to those affected by medium or high-intensity conflict. Moreover, the report examines whether adaptation finance to FCS is targeting the most vulnerable countries as well as exploring determinants of differences in funding allocations.



2. Methodological Approach

Tracking international climate finance is crucial to tackling the adaptation finance gap and understanding whether funds are being channeled to countries that are most vulnerable. Before doing so, there are a number of methodological and technical challenges that must be considered. This includes clarity on the scope and definitions for adaptation, conflict and fragility, as well as careful consideration of how to account for the non-binary nature of distinguishing between adaptation and wider development activities. In addition, different funders abide by different reporting criteria making it challenging to aggregate finances in a way that is universally consistent – see Annex Section 1 for more details on methodological constraints.

Recognizing the above, data on international adaptation finance as part of this report is collected using the publicly available Aid Atlas database – a widely used repository of cross-funder development finances that aggregates and unifies information from the OECD’s External Development Finance Statistics database using standardized reporting criteria. Data is extracted for all major multilateral and bilateral funders for the 2010-2020 period.² Due to inconsistent reporting procedures relating to financial *disbursements* across different funders, the focus of this report is on adaptation finance *commitments* for which commonly reported data is better suited to cross-funder comparison (see Aid Atlas 2020).³

The report uses adaptation to imply any project tagged as promoting ‘adaptation’ within the Aid Atlas database as well as projects tagged as supporting ‘co-benefits’. The latter ‘co-benefits’ category is intended for projects that have elements of both mitigation and

2 The Aid Atlas database excludes finances from the Green Climate Fund due to discrepancies in GCF reporting as identified by Aid Atlas Team. For more information see Aid Atlas (2023).

3 OECD defines a commitment as a firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organization. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of disbursements. Commitments to multilateral organizations are reported as the sum of (i) any disbursements in the year reported on which have not previously been notified as commitments and (ii) expected disbursements in the following year.

adaptation associated with them. Yearly commitments for each country are calculated as the sum of all project-level financial commitments labelled as adaptation in a given year within the Aid Atlas database. The sample is limited to commitments made to individual countries and excludes those tagged at the regional-level, given the inability to accurately determine the proportion of commitments flowing specifically to FCS countries within the latter.

While data in both Aid Atlas and the OECD databases are consistent with the World Bank reporting, there are minor differences in total commitments between different sources.

In particular, small discrepancies between Aid Atlas and World Bank official reporting can be attributed to how the two datasets aggregate rounded figures across multiple projects, as well as differences in how activities are tagged between regional and country-tagging portfolios for a small number of projects. While the overall trends are consistent across the various databases, the authors note that financial commitments in this report may differ marginally with official World Bank reporting.

To break down financial contributions between FCS and non-FCS groups, the report draws on the World Bank’s FCS list. Information on FCS categorized country for all years between 2010 and 2020 are drawn from annual lists made available on the World Bank’s FCV Group website.⁴ Those not on the FCS list for any given year are considered non-FCS for the purposes of this study. To ensure fairer comparison between FCS and non-FCS groups our sample is restricted to IDA-eligible countries – a category that constitutes low-income and fiscally constrained countries. While IDA eligibility is used as a classifying tool, the report notes that finances showcased in this report are pooled across all major funders and not just limited to spending under the World Bank’s IDA portfolio. Both FCS and IDA-eligibility lists vary on a year-by-year basis with selection based on those published on the World Bank website. The report also examines the distribution of financial flows between different types of FCS countries, drawing on the three groups used in the World Bank’s FCS classification prior to 2020. This includes countries affected by high institutional and social fragility, high intensity conflict, and medium-intensity conflict.

To calculate per capita financing, the report draws on yearly population data from the World Bank Open Data portal. In order to account for large differences in levels of per capita financing within the FCS and non-FCS groups, group-level values are derived by using population-weights – see Section 3 for more on the strengths and weakness of this approach. This is done by dividing the total adaptation finance committed received for all countries in the FCS (or non-FCS) group by the total population of all countries in the FCS (or non-FCS) group. Several figures also compare country-level per capita spending with vulnerability and financial readiness metrics. Values for vulnerability and readiness are taken from indexes derived by the University of Notre ND-GAIN index (NDGAIN, 2023).

4 A list of historical FCS lists can be found on the World Bank public website. Note that there are slight methodological differences between FCS lists across years. In particular, the list focused solely on the “harmonized list of fragile situations” from 2010-2019, with the addition of conflict-related thresholds in 2020. Despite the evolving process, many conflict-affected settings are also strongly affected by fragility. Indeed, of the 16 countries classed as in conflict in the FY20 list, 10 feature on the FY19 harmonized list of fragile situations. While the analysis reports commitments in relation to dar years, as that this is how Aid Atlas data is published, we note that FCS lists are published on the basis of fiscal years (July-June). Finally, this study makes use of the World Bank website to derive FY20 FCS countries, which differs from reporting of official World Bank financing for FY20 that uses the FY19 FCS list as a result of delay at the time of its initial publication.

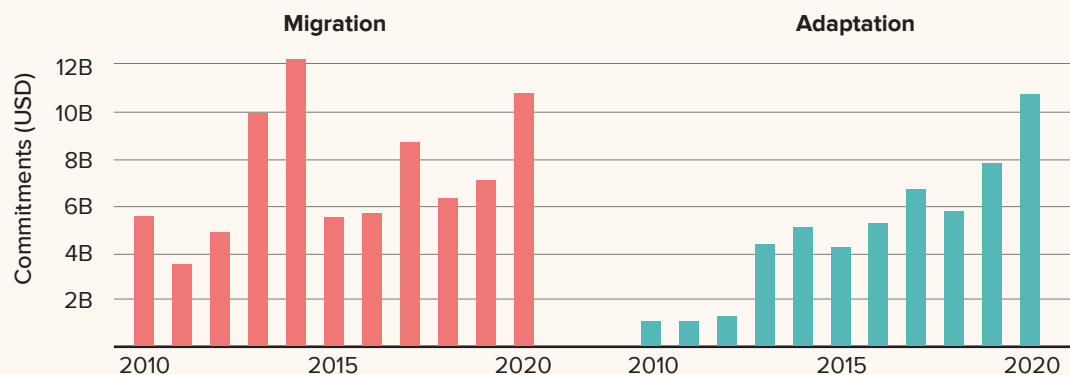


3. At a Glance: Climate adaptation finance to FCS

By drawing on Aid Atlas' comprehensive dataset of commitments across major donors and applying a methodology that better accounts for population dynamics in FCS, this analysis sheds new light on where adaptation finance is (and isn't) flowing in the contexts of fragility and conflict. The report begins by providing a snapshot of global commitments in support of adaptation. Figure 1 shows that adaptation commitments from major multilateral and bilateral funders to IDA-eligible countries increased substantially from USD 1.1 billion in 2010 to around USD 10.8 billion in 2020. While financing for adaptation in 2020 eventually gained parity with mitigation, prior amounts over the 10-year period were skewed heavily towards mitigation. Between 2010 and 2020, IDA-eligible countries in our sample received USD 54 billion towards adaptation across all major funders, compared to USD 82 billion for mitigation.

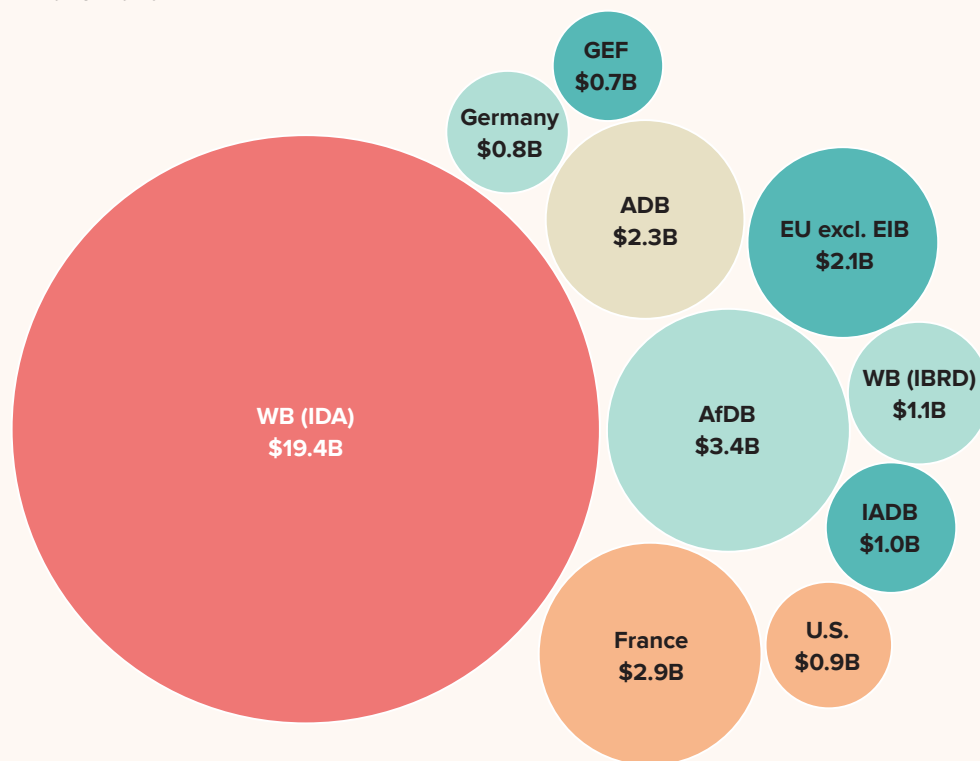
Multilateral financing makes up the vast majority of commitments provided to IDA-eligible countries by major funders (see Figure 2). The International Development Association (IDA) is the largest provider of adaptation financing to low-income countries. Based on publicly reported information in the Aid Atlas database, IDA commitments totaled almost USD 19.4 billion between 2015 and 2020, representing 48 percent of adaptation finance commitments within the sample during that period. Significant contributions are also made by the African Development Bank Group (USD 3.4 billion), and the Asian Development Bank (USD 2.3 billion) during the same period. Of bilateral donors, France provided the largest sums from 2015 to 2020, followed by the United States, and Germany, with commitments of USD 2.9 billion, USD 0.9 billion, and USD 0.8 billion million respectively.

Figure 1: International climate finance commitments across major bilateral and multilateral funders to IDA-eligible countries, 2010-2020



Source: Author's calculations based on Aid Atlas data. Includes all IDA-eligible countries (not restricted to FCS). Commitments in the Aid Atlas databased are reported as constant prices adjusted for inflation. There may be slight differences between base years used for bilateral and multilateral sources (see Aid Atlas 2023).

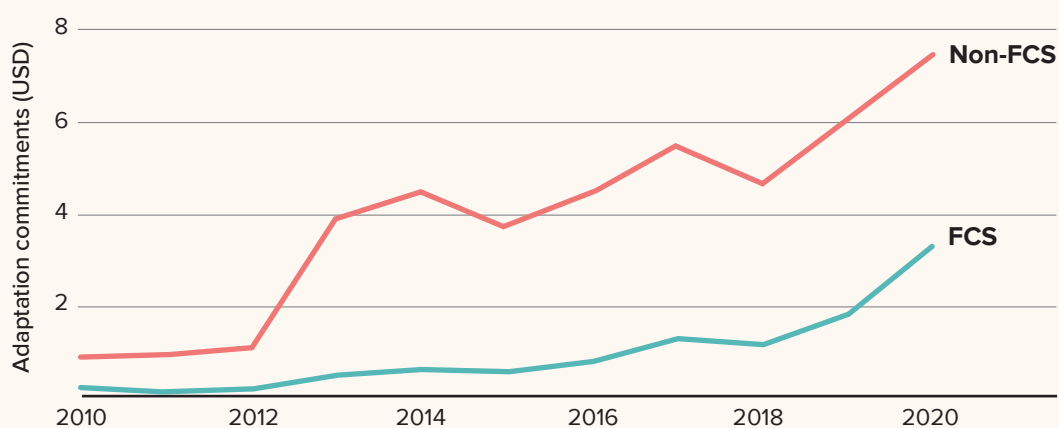
Figure 2: Top 10 providers of adaptation finance to IDA-eligible countries from 2015-2020



Source: Author's calculation, based on data from Aid Atlas. Includes all IDA-eligible countries (not restricted to FCS). WB = World Bank (International Development Association and International Bank for Reconstruction and Development), AfDB = Africa Development Bank, ADB = Asia Development Bank, EU = European Union, GEF = Global Environment Facility, IADB = Inter-American Development Bank. Note the GCF is not included in the analysis.

While the figures above showcase the rapid increase of adaptation commitments globally, it varies across other IDA-eligible countries. This is particularly the case for countries affected by fragility and conflict, amongst those most vulnerable to the impacts of climate change. FCS countries received considerably lower amounts of total adaptation finance commitments compared to non-FCS countries (Figure 3). Out of USD 54 billion committed to IDA-eligible countries between 2010 and 2020, only 20 percent went to FCS compared to 80 percent in non-FCS. The figure shows that the gap in financing between the two groups has remained consistent over time.

Figure 3: Total adaptation finance commitments to IDA-eligible FCS and non-FCS groups



Source: Author's calculations based on Aid Atlas data, 2010-2020. This figure shows the total adaptation finance committed to FCS and non-FCS for IDA recipient countries. Classification of FCS countries is based on the World Bank's Fragility and Conflict-affected Situations list between 2010 and 2020. Data on adaptation finance is sourced from Aid Atlas and includes voluntary reporting of select multilateral, bi-lateral, and private-sector commitments.

While levels of financial support provided to FCS are clearly unequal, comparing total commitments between FCS and non-FCS groups is not a fair measure. This is because there are much fewer IDA-eligible countries in the FCS list than in the non-FCS list. As a result, the total adaptation finance for non-FCS countries is naturally higher, highlighting the need to account for population size using per capita values instead.

However, before comparing per capita values, it's important to address several methodological issues associated with calculating values for groups of countries (rather than for each country). Most studies that track adaptation finance for FCS and non-FCS groups have used a simple equally-weighted average of per capita values of all countries in each respective group. This reasonable method has some drawbacks. One of them is that it can be skewed in instances where a number of smaller countries receive disproportionate amounts of financing compared with the wider group – such as the case for adaptation finance, where FCV-affected Small-Island Development States (SIDS) dominate the list of highest per capita recipients.

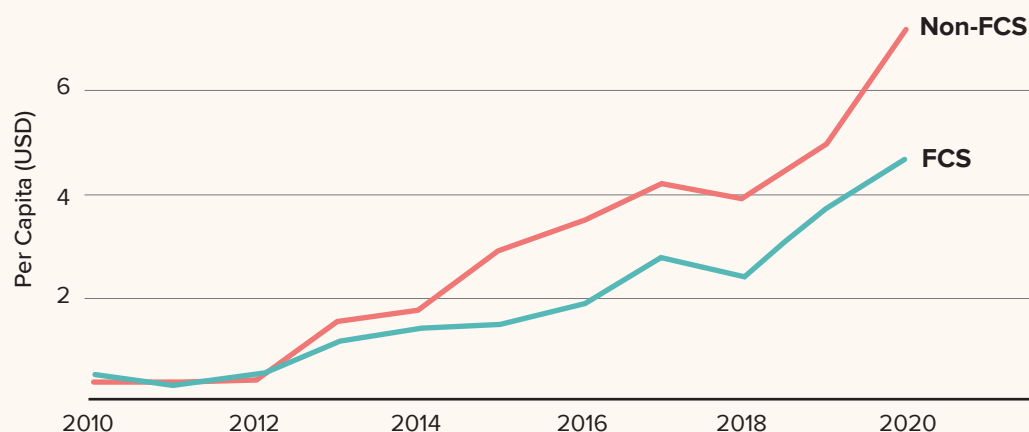
A more reasonable way to compare FCS and non-FCS groups is to calculate per capita values by accounting for the population of the entire group. This is done by dividing the total adaptation finance committed to all countries in the FCS (or non-FCS) group by the total population of all countries in the FCS (or non-FCS) group. In other words, it is the weighted average of per capita adaptation finance of all countries in each group, with population serving as the weights.

The report uses this method for our analysis, referring to it as the population-weighted per capita value of adaptation finance for each group. However, it's important to acknowledge that this method also has limitations and drawbacks. For instance, countries with larger populations invariably have more influence on the group-level per capita values given their relative size compared to less populous countries. Nevertheless, authors of this report believe this method is best suited to the analysis as it reflects more accurately how much financing the average person in the FCS or non-FCS group receives, and helps to account for the heavy skew by a small number of sparsely populated but well-financed FCS countries.

4. Re-examining the adaptation gap in FCS

Using the methods described above, the report compares population-weighted per capita levels of adaptation finance committed to FCS and non-FCS groups among IDA-eligible countries between 2010 and 2020. FCS settings receive significantly less adaptation finance on a per capita basis when compared to the non-FCS group. Between 2010 and 2020, the average yearly per capita commitment to the FCS group amounted to just 67 percent of those committed to non-FCS. Interestingly, the graph shows that the financial gap has increased since 2012 in per capita terms, despite starting at relative parity – potential drivers of this trends are further explored in Sections 7 and 8.

Figure 4: Population-weighted adaptation finance commitments to IDA-eligible FCS versus non-FCS across all major funders, 2010-2020



Source: Author's calculations based on Aid Atlas data using population weighted per capita values for both groups. Classification of FCS countries is based on the World Bank's Fragility and Conflict-affected Situations list between 2010 and 2021. The sample is limited to IDA-eligible countries for both categories.

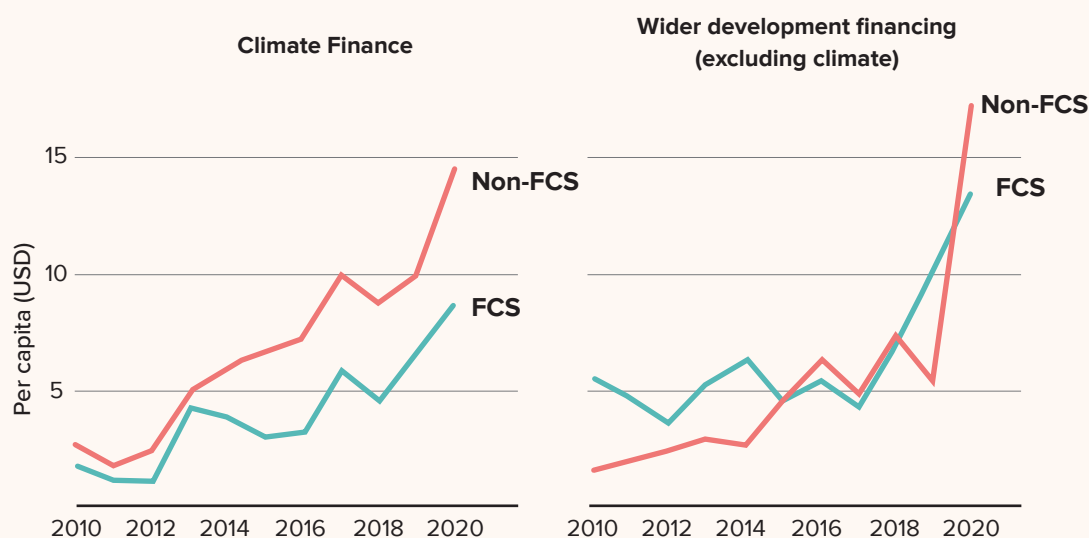
Evidence from the Aid Atlas database shows that gap is substantial, with FCS lagging behind non-FCS. However, the size and nature of the gap depends partially on methodological choices, including those outlined in Section 2 and Annex Section 2. In fact, our figures on the financial shortfall in FCS are somewhat lower than some other global estimates. For example, a recent UNDP study finds an 18-fold difference in per capita financing between ‘extremely fragile and fragile states’ and ‘non-fragile states (including SIDS)’ - \$8.8 and \$161.7 respectively. Much of this can be attributed to differences in how FCS and non-FCS groups are defined (UNDP draws primarily on OECD’s States of Fragility report), as well as how group-level per capita values are calculated across countries (i.e. whether population-weighted or not). This underscores the importance of promoting transparency and clarity in communicating how climate finance sums are derived, as well as the nuance needed in drawing firm conclusions noting that small differences in methodological choice can affect outcomes significantly (something explored later in the chapter).

While the focus of this report is on adaptation finance, a very similar trend can be seen when comparing international commitments to climate financing overall – combining investments towards both adaptation and mitigation (see Figure 5 left-hand panel). This implies that a similar shortfall for mitigation-related activities applies in FCS, and is likely driven by the fact that mitigation and adaptation share many of the same funding arrangements, alongside common barriers to accessing, absorbing and disbursing climate-related financing.

Interestingly, however, the gap in FCS financing is not mirrored when looking at per capita commitments across a wider selection of development finance objectives.⁵ Wider development financing in this context is defined as all non-climate related activities in the Aid Atlas database that have an assigned development-oriented objective (see Figure 5 footnotes for further details). The figure shows how from 2010 to 2014, FCS commitments from wider development financing were consistently higher than non-FCS in per capita terms. However, since then, commitments between the two groups have remained broadly consistent, despite some year-to-year variation. It’s also worth noting that the relative spike in non-FCS commitments in 2020 appears to largely be a result of financial contributions in response to COVID-19, where commitments to non-FCS outpaced those in FCS. With COVID-19 commitments excluded, FCS received USD 0.45 per capita less than non-FCS in 2020. Insights from Figure 5 suggested that the financial gap in FCS with regards to adaptation commitments are unlikely to be attributed to broader trends in wider development financing.

⁵ Wider development financing is calculated by aggregating financial commitments included in the Aid Atlas database across sectoral objectives such as aid to the environment, gender equality, trade development, and COVID-19 and others. See Figure X notes for further details on specific objectives included.

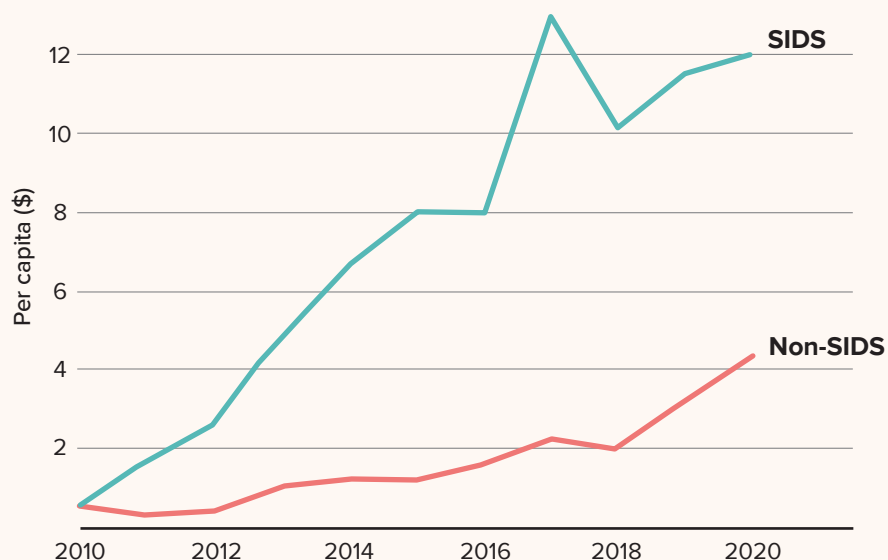
Figure 5: Comparing per capita commitments towards climate finance, including adaptation and mitigation, (left) and wider development financing (right) across all major funders, 2010-2020.



Source: Author's calculations based on Aid Atlas data using population weighted per capita values for both groups. Classification of FCS countries is based on the World Bank's Fragility and Conflict-affected Situations list between 2010 and 2020. The sample is limited to IDA-eligible countries for both categories. 'Climate' refers to activities tagged in the AA database as 'climate change adaptation' or 'climate change mitigation', taking care to remove duplicates where activities have co-benefits across both. 'Wider development financing' refers to all non-climate related activities in the AA database with an assigned objective. This includes those tagged as 'biodiversity', 'COVID-19', 'desertification', 'disaster risk reduction', 'disability', 'environment', 'gender equality', 'participatory development and good governance', 'nutrition', 'reproductive, maternal, newborn and child health', and 'trade development'. Those that do not have a tagged objective are excluded.

While Figures 4 and 5 point to the scale of the financial gap in adaptation finance, further analysis reveals that that not all fragile and conflict-affected settings are equal. In particular, SIDS affected by fragility and conflict tend to receive far higher levels of per capita adaptation commitments compared to other FCS countries. All five of the top recipients in Table 1 are SIDS. To highlight this issue further, Figure 6 shows per capita commitments between SIDS and non-SIDS amongst countries that feature on the World Bank's FCS list between 2010 and 2020. In 2020, per capita commitments to fragile and conflict-affected SIDS were almost three times the amounts received by other FCS. Removing a small number of populous SIDS from the group (namely Haiti and Papua New Guinea) raises the value of the remaining group's commitments further, as high as USD 26–fold six times the amount compared to other fragile and conflict affected settings. Commitments to the SIDS group increased roughly 20-fold from 2010 to 2020 compared with an almost 8-fold increase for other FCS during the same period.

Figure 6: Population-weighted per capita adaptation finance commitments to SIDS and non-SIDS countries on the World Bank Group's FCS list, 2010-2020.



Source: Author's calculations based on Aid Atlas data, 2010-2020. Classification of FCS countries is based on the World Bank's Fragility and Conflict-affected Situations list between 2010 and 2020. Data on adaptation finance is sourced from Aid Atlas and includes multilateral, bi-lateral and private-sector commitments. Per capita values are calculated for the entire population across SIDS and non-SIDS groups (rather than the average of country-level commitments).

Many factors are likely to explain why fragile and conflict-affected SIDSs receive higher financial commitments than their non-SIDS peers. In particular, the SIDS negotiating block has had a strong presence at the UNFCCC negotiations, with considerable public engagement on the issues of climate vulnerability and support from international funders and development agencies. Those receiving the highest commitments are largely found in the Asia Pacific region, with far greater capacity to access and absorb and disburse international climate finance, and where bilateral donors have dedicated large sums in support of adaptation and energy transitions in the region (Jayaram and Mundra 2023).⁶ In addition, while many FCS-affected SIDS face challenges related to institutional and social fragility, far fewer are (or have been) affected by high-intensity conflict.

Adaptation finance commitments also differ across the three groupings in World Bank's FCS list (Figure 7).⁷ The list is grouped by countries affected predominantly by: high-intensity conflict (High Conf.); medium-intensity conflict (Med. Conf.); and countries facing high institutional and social fragility (High Frag.). While the three groupings provide a highly simplified description of the complexity of different FCS contexts, they can help us to identify other trends in financial flows. Our analysis reveals that countries facing medium-intensity conflicts and fragility received considerably less financing compared to other

⁶ <https://isdpc.eu/content/uploads/2023/05/Brief-May-24-2023-Climate-FINAL.pdf>

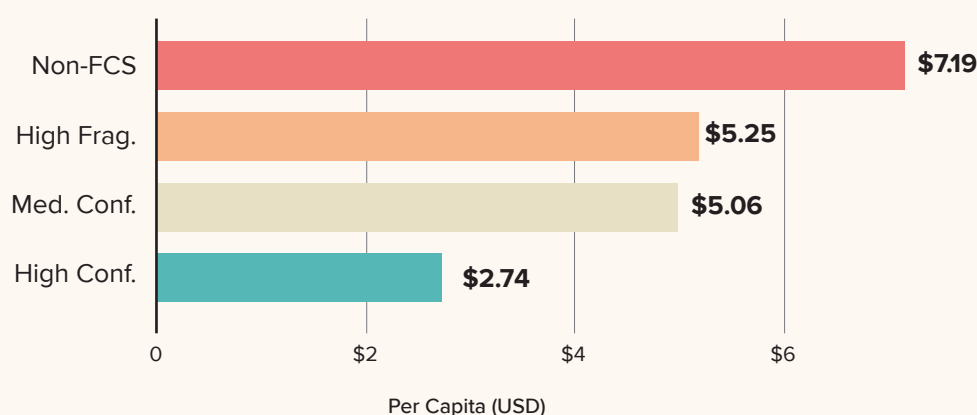
⁷ Note that the three-category typology in the World Bank's FCS list only started in 2020 – the last year for which data is available in our dataset – meaning the report restricts the analysis to a single year snapshot.

IDA-eligible countries – 70 percent and 73 percent of levels received by the non-FCS group respectively.

Adaptation commitments are lowest for countries affected by high-intensity conflict.

These settings received just \$2.7 per capita in adaptation commitments – roughly 54 percent of commitments to other FCS countries, and just 38 percent of commitments to the non-FCS group. This stark difference is likely explained by the significant security, political and institutional challenges facing countries affected by high-intensity conflict – see Sections 7 and 8 for further discussion on drivers and other likely causes.

Figure 7: Per capita adaptation finance by FCS category in 2020



Source: Author's calculations based on Aid Atlas data. Classification of FCS groupings is based on the World Bank's Fragility and Conflict-affected Situations list 2020-2021. This includes: High-intensity conflict (High Frag.); Medium intensity conflict (Med. Conf.); and High social and institutional fragility (High Frag.). Non-FCS refers to IDA countries not on the FCS list.

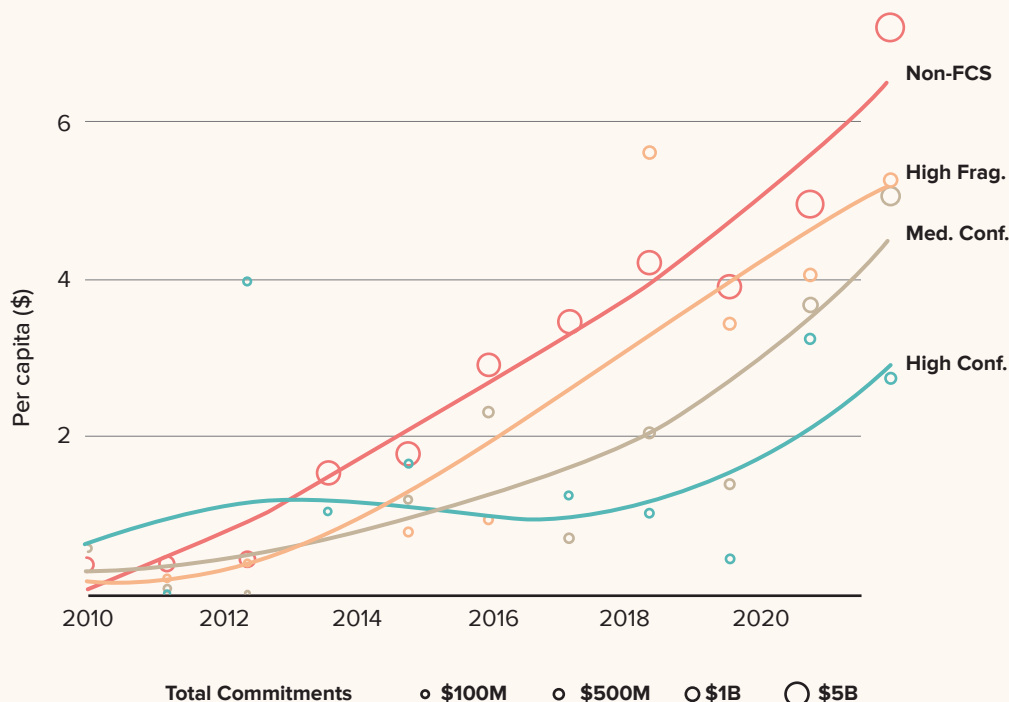
While classification of the three categories on the official FCS list only applies to 2020 data (see footnote 7), the report is able to extend them by using a backcasting methodology developed by IFAD.⁸ The backcasting approach retrospectively assigns a country's FCS status based on a common set of historical indicators, broadly replicating the categories assigned in the 2020 FCS list. This includes use of historical indicators for: the number of fatalities and refugees, the presence of a UN peacekeeping mission, and Country Policy and Institutional Assessment scores.

Using this hybrid method, the report shows that the pattern of significantly lower adaptation financing to countries affected by high-intensity conflict is persistent over time. While there is some year-to-year variation, especially at the start of the sample period, Figure 8 shows that those affected by high-intensity conflict receive far lower commitments. It is also interesting to note that there is more of a gradient between the various groups –

⁸ For more details on the backcasting methodology, see IFAD (2023). An Evidence Gap Map of the Interventions and Outcomes of IFAD's Projects in Fragile Countries in the Near East, North Africa and Central Asia Regions. Note that there are small discrepancies between WB and IFAD classifications, the report excludes countries that do not also appear on the FCS list between 2010-2020.

each somewhat equally spaced over the 2015-2020 period. Settings affected by medium-intensity conflict are the next lowest in terms of per capita commitments, followed by those affected by institution and social fragility and lastly the non-FCS group. This historical pattern serves to underscore the significant challenges facing conflict-affected settings – both in terms of accessing, absorbing and disbursing climate-related financing – explored in greater depth in Sections below.

Figure 8: Per capita adaptation finance by FCS category, 2010–2020



Notes: Author’s calculations based on Aid Atlas data. Classification of FCS countries (High Frag, High Conf, and Med Conf) is based on the World Bank’s Fragility and Conflict-affected Situations methodology, which the World Bank began in 2020. As the new classification method yields a slightly different list of countries for each year compared with the official FCS list, countries in the former are limited to those which also feature on the latter. Non-FCS refers to IDA countries not on the FCS list. A loess curve is used to generate the smoothed lines between groups.

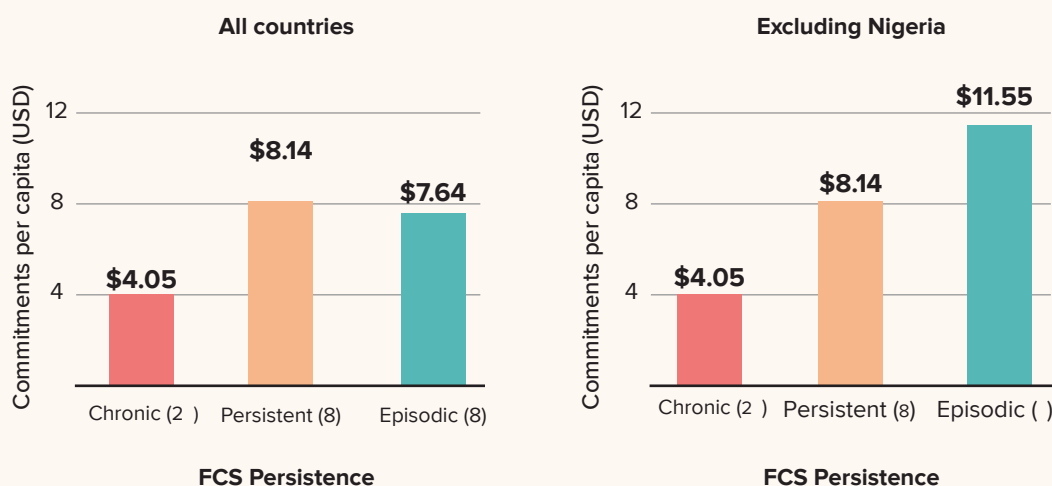
Another way of differentiating between different fragile and conflict affected settings is to look at *how long countries have featured* on the World Bank’s FCS list between 2010 and 2020. To do so, the report similarly classify countries into three distinct categories. This includes:

1. **Chronic FCS:** Countries that featured on the World Bank’s FCS list between 8-11 times from 2010-2020
2. **Persistent FCS:** Those that feature between 4-7 times from 2010-2020
3. **Episodic FCS:** Countries that feature between 1-3 times from 2010-2020

Of the 44 countries classified, 27 are labelled as ‘Chronic FCS’, with Persistent and Episodic groups receiving 8 and 9 countries respectively. This reflects the slow-changing nature of fragility and conflict, as well as the scale of the challenge in seeking to bring about meaningful change.

Findings from Figure 9 reveal that the Chronic FCS group received just \$4 per person in adaptation finance. This is substantially less than the Persistent and Episodic FCS groups that received \$8.14 and \$7.64 respectively. These traits add further nuance to the patterns in Figures 7 and 8, suggesting that it is not only the intensity of conflict-related challenges that serves to differentiate adaptation financing in FCS, but also their duration.

Figure 9: Average per capita (population-weighted) adaptation finance spent in chronic, persistent, and episodic FCS



Source: Author’s calculations based on Aid Atlas data. Countries on the FCS list have been classified into 3 categories (chronic, persistent, and episodic) based on the number of times they appear on the FCS list from 2010-2020. The figure on the right excludes Nigeria, demonstrating the effect of Nigeria’s large population on per capita averages.⁹

While both the Persistent and Episodic groups receive higher financial commitments from international funders, it is interesting that amounts are slightly higher for the former group than latter. Much of this appears to be driven by the small sample size of both groups. Indeed, removal of Nigeria as a large populous country that only featured on the FCS list on one occasion reverses this trend. In many ways, Nigeria can be considered somewhat of an outlier amongst the FCS sample of countries. During that single year it was on the FCS list, Nigeria received roughly \$1.1B in adaptation finance commitments across all funders: by far the highest sum of any FCS country across the entire 2010-2020 period. By way of comparison, the second highest commitment is \$0.9B to D.R.C., received over the entire 11 years period that the country featured on the FCS list.

⁹ Both of these factors – the larger populations of irregular FCS countries and the effect of Nepal’s funding on the per capita funding of the persistent FCS countries – demonstrate the limitations of so narrowly classifying.



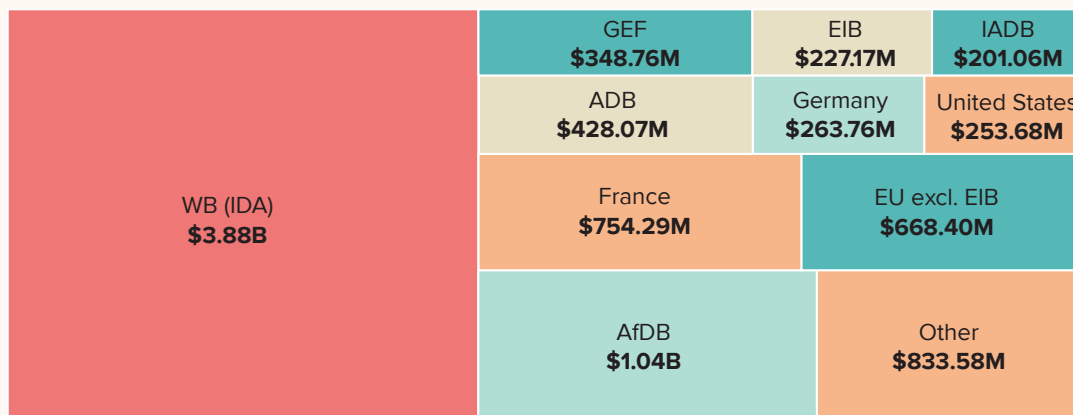
5. Funder contributions

In addition to understanding where adaptation finance is flowing to within fragile and conflict-affected settings, it is equally important to know who is providing funds. Figure 10 reveals the ten largest providers of international adaptation finance commitments to FCS. Together they committed over USD 8.1 billion to fragile and conflict-affected settings between 2015-2020 – constituting 91 percent of the total FCS commitments across all donors to FCS the same period.

The World Bank, through the International Development Association, stands as the largest provider of adaptation finance to FCS. Based on information from Aid Atlas, the Bank committed close to USD 4 billion between 2015 and 2020. The Africa Development Bank, France, and EU also stand out as significant funders alongside numerous IFIs, dedicated climate funds and bilateral donors.

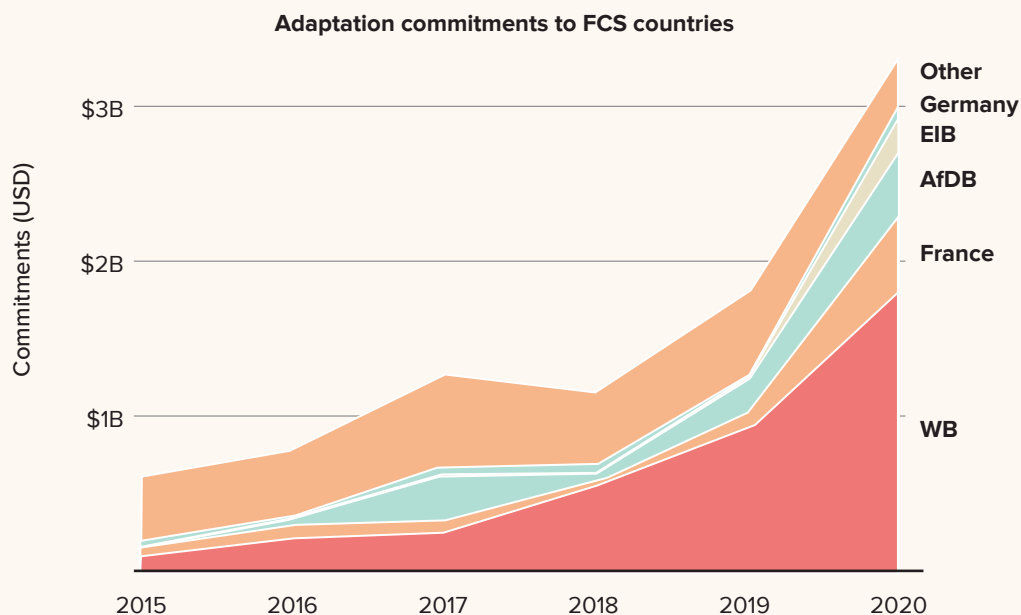
The World Bank's prominence as the primary provider of adaptation finance to FCS is equally apparent when observing funding over time, as IDA commitments have increased dramatically in recent years (see Figure 11a). The recent acceleration in adaptation commitments between 2015-2020 can be largely attributed to the scaling up of World Bank financial commitment to FCS. During this period, the share of World Bank's adaptation finance commitments to fragile and conflict-affected settings increased from less than 8 percent in 2015 to more than 27 percent in 2020 based on Aid Atlas data (see Figure 11b).

Figure 10: Cumulative adaptation finance commitments to FCS between major funders between 2015-2020



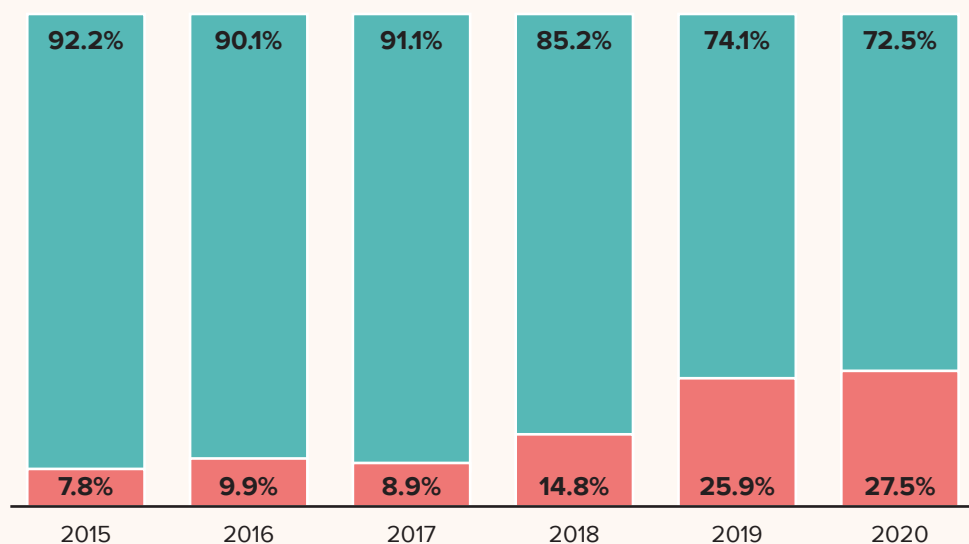
Source: Author's calculation based on Aid Atlas data. The figure shows total adaptation finance commitment of the top 10 donors allocated to FCS countries. WB (IDA)= World Bank's International Development Association; ADB= Asian Development Bank; AfDB= African Development Bank and the African Development Fund; GEF= Global Environment Facility; EU= European Union; EIB= European Investment Bank, IADB= Inter-American Development Bank. The GCF is not included in the analysis.

Figure 11A: Cumulative adaptation commitments to FCS, 2015-2020 across major funders



Source: Author's calculation based on Aid Atlas data. The figure shows total adaptation finance commitment of the top 10 donors allocated to FCS countries. WB (IDA)= World Bank's International Development Association; ADB= Asian Development Bank; AfDB= African Development Bank and the African Development Fund; GEF= Global Environment Facility; EU= European Union; EIB= European Investment Bank, IADB= Inter-American Development Bank. The GCF is not included in the analysis.

Figure 11B: Percentage of adaptation finance going to FCS (coral) compared to non-FCS (turquoise) amongst World Bank commitments between 2015-2020



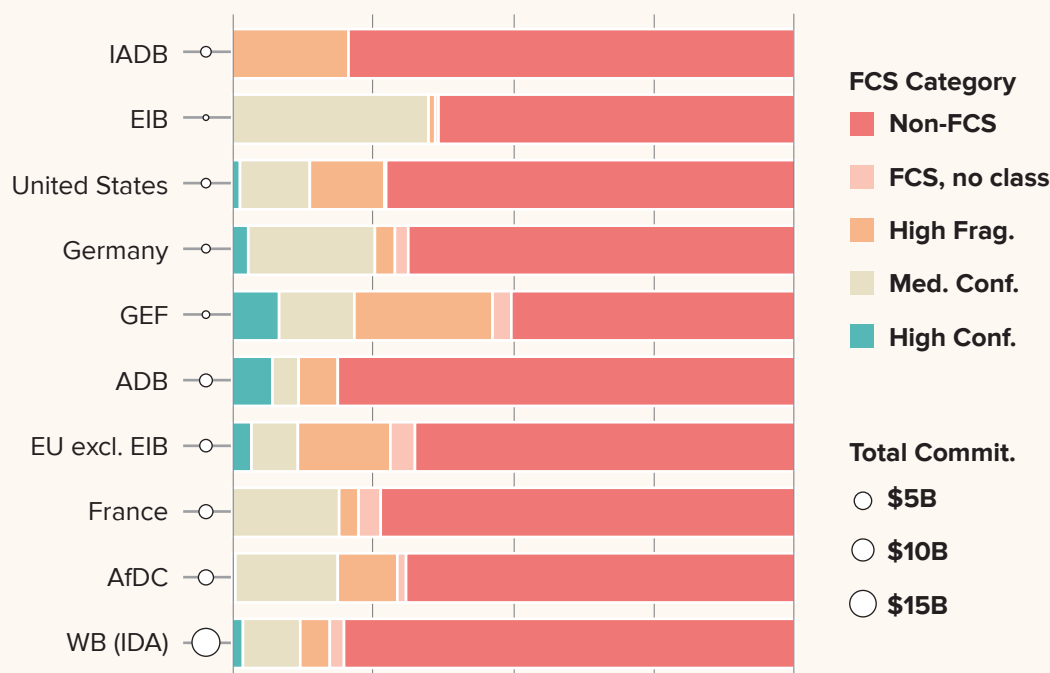
Source: Author's calculation based on Aid Atlas data. The figure shows total adaptation finance commitment of the top 10 donors allocated to FCS countries. WB (IDA)= World Bank's International Development Association; ADB= Asian Development Bank; AfDB= African Development Bank and the African Development Fund; GEF= Global Environment Facility; EU= European Union; EIB= European Investment Bank, IADB= Inter-American Development Bank. The GCF is not included in the analysis.

Similar to the exercises above, it's possible to also look at the distribution of funder commitments across different types of fragile and conflict-affected settings using IFAD's backcasting of the FCS list. Insights from Figure 12 are yet another reminder of the scale of the adaptation finance gap in FCS – with a far higher proportion of commitments going to non-FCS environments. There are notable differences across funders however, with some committing heavily in fragile and conflict-affected settings, notably the Global Environment Facility (GEF) and the European Investment Bank (EIB). Though it's worth noting that the total size of adaptation commitments to FCS for both is far lower than other MDB and bilateral funders (see Figure 11a and y-axis bubbles in Figure 12). Another point to mention is that while the World Bank is the largest provider of adaptation finance commitments to FCS by some margin, its allocation as a percentage of IDA's climate-related investments to fragile and conflict-affected settings remains low compared to other funders.¹⁰

Figure 12 also highlights the difference in commitments across the various FCS categories amongst major funders. Again, considerable variation across the group exists. Most notably, countries affected by high-intensity conflict consistently received the lowest amount of financing, when compared with other FCS categories.

¹⁰ Note that World Bank percentages for FCS commitments differs slightly between Figure 10 and 11. This is because the IFAD backcasting methodology results in a slightly different mix of countries included on the FCS list. See IFAD (2023) for more details.

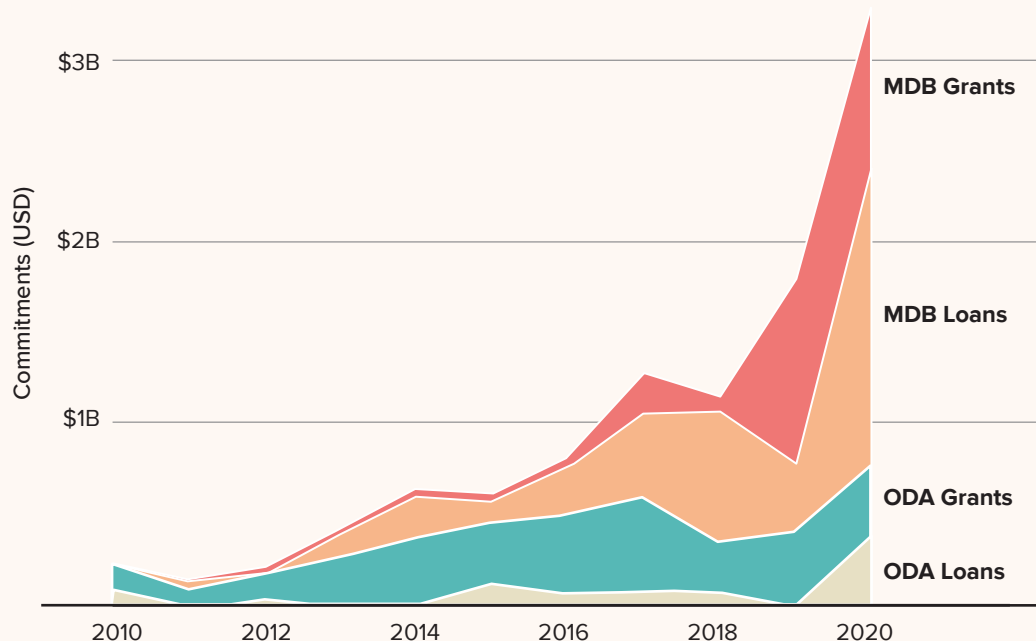
Figure 12: Donor commitments towards adaptation in different fragile and conflict-affected settings in 2015-2020



Notes: Author's calculations based on Aid Atlas data. Classification of FCS is based on IFAD's backcast methodology used to assign historical FCS categories based on the WBG's FCS methodology developed in 2020. This includes: High-intensity conflict (High Frag.); Medium intensity conflict (Med. Conf); and High social and institutional fragility (High Frag.). Non-FCS refers to IDA countries not on the FCS list. For more information on the backcast methodology see IFAD (2023). Circles on the left display total adaptation finance commitments to all IDA-eligible countries. The GCF is not included in the analysis.

By aggregating financial information from the Aid Atlas database it's useful to also examine the mix of financial instruments used to provide financial support to fragile and conflict-affected settings. As seen in Figure 13, of the roughly USD 10.6 billion in adaptation finance commitments to FCS provided by major international funders, 54.2 percent was channeled in the form of grants and 44.9 percent in the form of loans. While MDBs stand out as the primary providers of funding to adaptation in FCS – around 60 percent of total funding received – the majority of this support was made in the form of loans (~62 percent compared to around 37 percent in grants and 1.4 percent in other types of instruments from 2010 to 2020).

Figure 13: Adaptation finance commitments in FCS by type of instrument

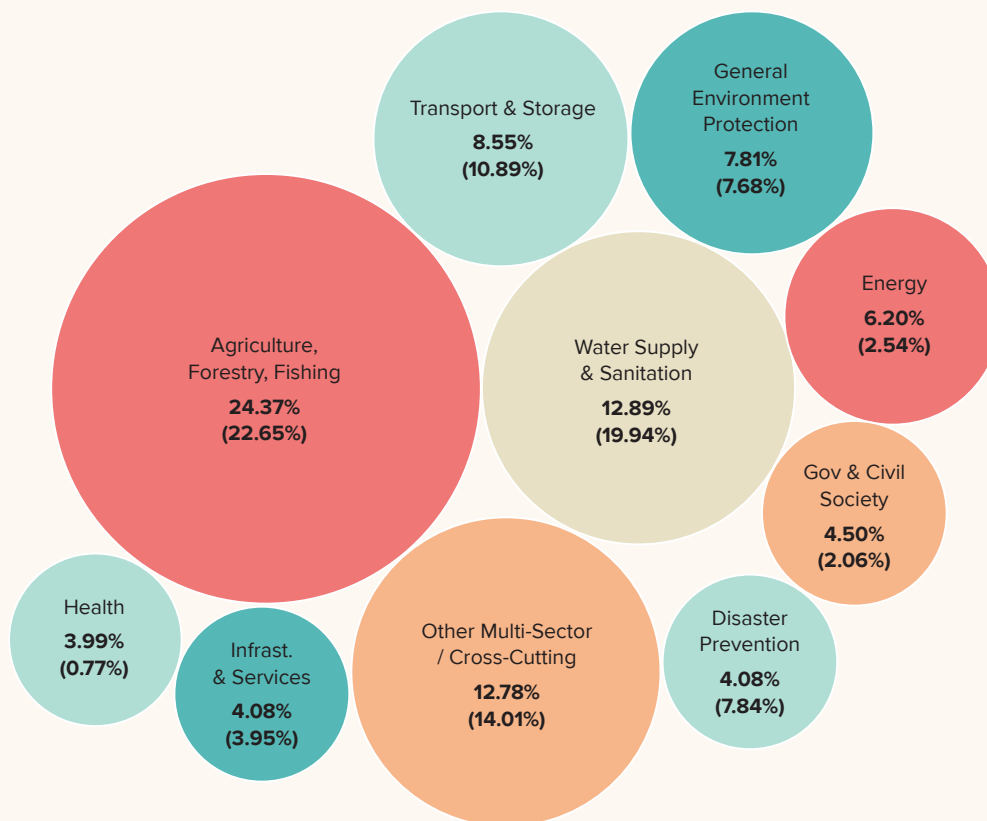


Source: Author's calculations based on Aid Atlas data. ODA grants and ODA loans come mainly from bilateral donors but also include contributions from several multilateral funds such as AF, CIFs, IFAD, GEF, Nordic Development Fund (NDF), EU institutions (excl. EIB), and GGGI. The chart excludes private development financing and equity investments, which total less than \$100M across the entire period.


It is also interesting to note the considerable shift in share of different sources of financing over the course of the 11-year period. In particular, ODA Grants from bilateral donors made up the mainstay of contributions during the initial period, before MDB loans rose sharply to prominence. Much of this can be explained by the fact that tracking of climate-related expenditure for many MDBs – including the World Bank – was not standardized and reported against until 2013. Despite this, trends since 2013 showcase a rapid acceleration of MDB grants and loans, especially in recent years.

Finally, alongside understanding the scale of financial commitments to fragile and conflict-affected settings, much can be learned from assessing what sectors receive adaptation finance contributions. Figure 14 reveals the top five recipient sectors in FCS include agriculture forestry and fishing (24.37%), water supply and sanitation (12.86%), cross-cutting sectors (12.89%), transport and storage (8.55%), and general environment protection (7.81%). Interestingly, shares going to the various sectors do not differ markedly between FCS and non-FCS commitments (percentages for the latter are shown in brackets in Figure 14). Slight exceptions can be seen with regards to expenditure on health, energy and government and civil society, which receive slightly lower proportions in non-FCS compared to FCS.

Figure 14: Top 10 recipient sectors of adaptation finance committed to FCS (non-FCS in brackets), 2010-2020



Source: Author's calculations based on Aid Atlas data. Size of bubbles corresponds to the percentage of adaptation commitments across all sectors listed in the AA database. Percentages are listed in the bubbles, while those in brackets correspond to sectoral percentages for non-FCS countries.



6. Finance isn't prioritized amongst the most vulnerable. It's channeled to where it is easiest to spend.

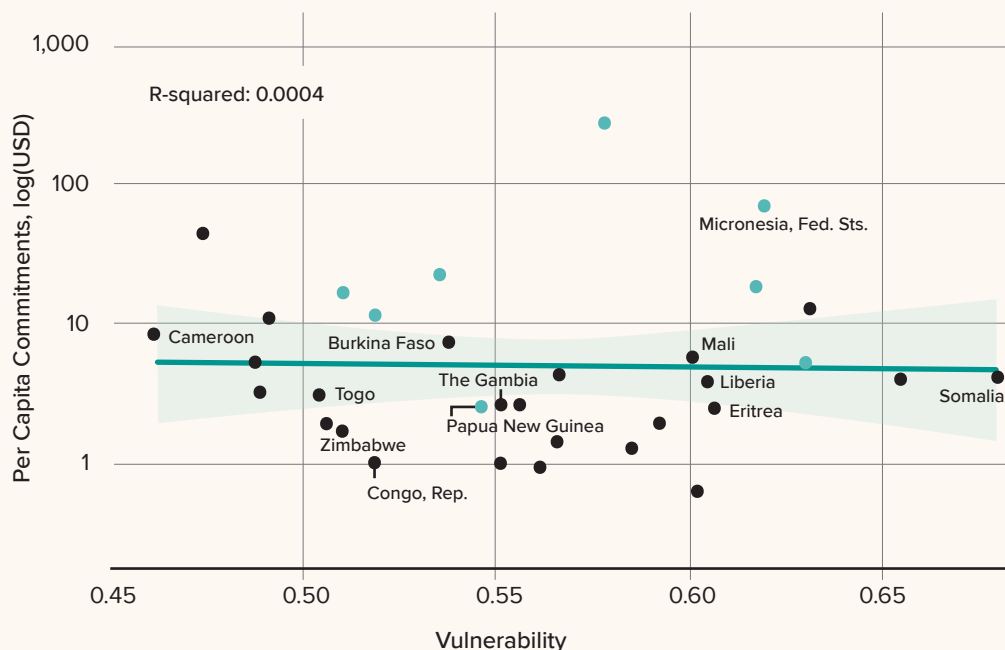
Perhaps the most important aspect to consider when breaking down financial flows in FCS is whether commitments are going to the communities most vulnerable to the impacts of climate change. To probe this question further the report compares commitments from major MDBs, bilateral donors and dedicated climate funds with country-level vulnerability ratings generated by the University of Notre Dame's Global Adaptation Initiative (ND-GAIN) – one of the most widely used climate vulnerability metrics.¹¹

By combining per capita adaptation finance commitments to FCS with ND-GAIN's index for climate vulnerability, the report shows that there is little, if any, correlation between the two traits ($R^2 = 0.0004$). It's reasonable to use that the trend line should extend from the bottom left of the graph to the top right, indicating that those most vulnerable receive greater financial support. Instead, insights from Figure 15 reveal that the association between the two variables is statistically insignificant ($p = 0.9$) with a flat trend line. There are likely to be many confounding factors that determine the relationship between vulnerability

¹¹ Vulnerability is a difficult concept to measure due to the lack of a commonly agreed upon definition and the non-tangible nature of many of the traits that contribute to it. ND-GAIN's measure of vulnerability is comprised of three main components, including exposure, sensitivity, adaptive capacity. Exposure relates to the extent to which a country is exposed to climate hazards, such as droughts, floods, and extreme temperatures. Sensitivity looks at how vulnerable a country is to these hazards, based on factors such as population density, infrastructure, and economic dependence on climate-sensitive sectors. Adaptive capacity considers a country's ability to respond to climate change through technological, institutional, and social means. Composite indicators are assigned for each component and aggregated to provide an overall vulnerability score. Annex Figure 1 shows the distribution of overall vulnerability scores amongst FCS, and its relationship with readiness to absorb climate finance, another ND-GAIN index.

and climate finance. However, the graph underscores the notion that those most vulnerable to the impacts of climate change are not receiving proportionately higher levels of financial support from international funders.

Figure 15: Comparing vulnerability to climate change with per capita adaptation finance commitments amongst FCS, 2015–2020



Source: Author's calculations based on Aid Atlas data and ND-Gain vulnerability index data. The annual per capita average for each country only includes years in which the country appears on the FCS list. Tajikistan, São Tomé and Príncipe, and Tonga were removed from the regression analysis as they received no adaptation commitments while on the FCS list, though they received, on average, USD 72 million, 6 million, and 10 million, respectively in years not appearing on the FCS list. Kiribati, Kosovo, Tuvalu, and South Sudan are not plotted, as ND-Gain has not assigned them vulnerability levels. Countries highlighted with green dots represent the Small Islands Developing States (SIDS) and black dots represent non-SIDS.

There are a number of reasons that help to explain vulnerability-finance mismatch in FCS, particularly in settings affected by active conflict or ongoing crises. For a start, these contexts are often characterized by severe governance and security challenges. This includes limited access to conflict-affected regions, poor accountability and monitoring systems, and low levels of technical capacity needed to design and deliver effective adaptation at scale. In turn, many international funders can often be reluctant to invest heavily in FCS as a result of concerns over the legitimacy of governing regime as well as standards for the management and reporting of development finances that go well beyond the capacity of many FCS governments (Guillaumont and Jeanneney 2007).

Yet the issue is not simply a supply side problem. Low demand from FCS governments can also play a role, especially for country-driven development financing models such as those used by many MDBs. In particular, government attention in FCS is often heavily focus on addressing immediate security needs and the implications of ongoing complex

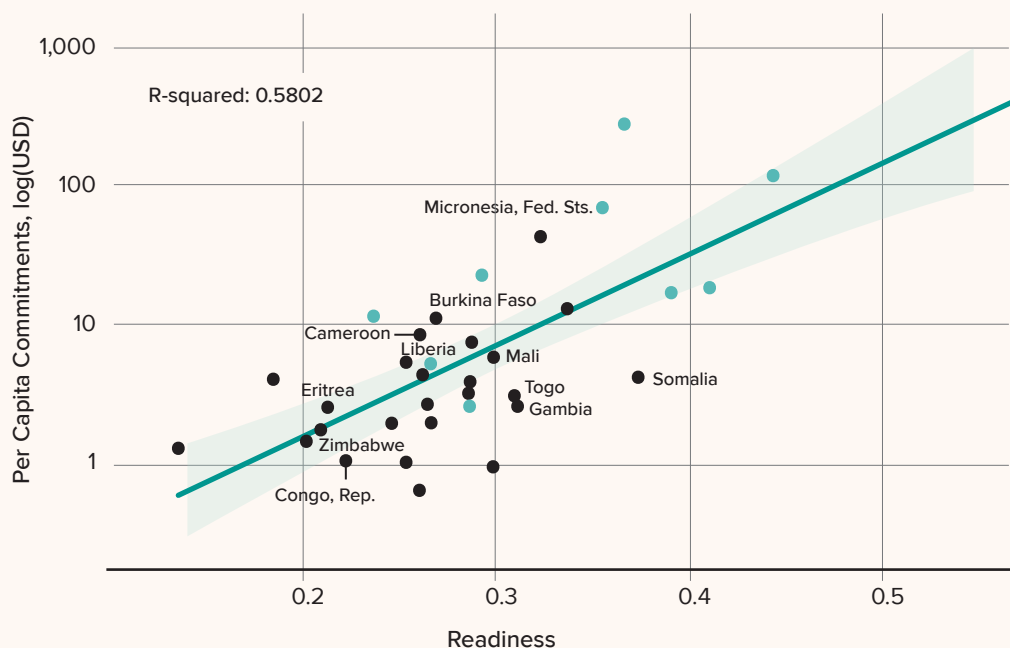
crises – pushing efforts to address climate change further down the list of policy priorities, especially when competing alongside basic humanitarian needs and efforts to promote wider resilience and risk reduction.

Perhaps the largest barrier to scaling access to adaptation finance in FCS relates to a lack of financial access and absorptive capacities. In many cases, fragile and conflict-affected countries lack the basic public financial management systems needed to access, absorb and disburse adaptation finance at scale. Factors that contribute to low financial absorptive capacity can often be straight-forward, including a lack of dedicated personnel with knowledge of navigating the complex architecture of international climate finance – with a multitude of different funders, financial instruments and application modalities. More broadly, many international funders necessitate that basic fiduciary standards and management systems are in place to ensure that money is effectively and efficiently spent in alignment with national adaptation priorities. This includes requirements over fiscal transparency and accountability, presence of anti-corruption and anti-money laundering policies, as well as the existence of strong monitoring, reporting, and verification (MRV) mechanisms – conditions that many fragile and conflict affected countries struggle with compared to other low-income countries. Often these barriers mean that countries with greater ability to access and manage international climate finance are better able to mobilize available sources of funding – including those within the FCS group. This may be one of the reasons why SIDS have generally higher adaptation allocations compared to other FCS settings due to relatively higher institutional and technical capacity as well as fewer challenges related to conflict and insecurity – with notable exceptions like Haiti (ADB 2019).

Readiness to absorb climate finance appears to be particularly important.¹² Figure 16 below compares per capita amounts of committed finance amongst FCS against levels of financial readiness as measured by the ND-GAIN Readiness Index. A higher readiness score indicates countries better prepared to leverage public and private investment for adaptation activities. Unlike the relationship with vulnerability, the plot below shows a very strong positive correlation between per capita commitments and financial absorptive capacity ($R^2 = 0.58$, $p = 1.07 \times 10^{-7}$). Note that the Y-axis uses a logarithmic scale, indicating that the size of financial allocations grows exponentially the more a country's absorptive capacity increases. By comparing SIDS (green dots) with other FCS countries (black dots) it's evident that SIDS tend to have much higher financial readiness, confirming the assumptions above and helping to explain the higher relative adaptation finance commitments.

¹² ND-GAIN's Readiness Index measures a country's ability to leverage investments and convert them to adaptation actions (see ND-GAIN 2023). It is similarly comprised of three components, including economic readiness, social readiness, and governance readiness – each made up of a series of indicators that highlight relevant aspects of financial absorptive capacity. For more information on the composition of indicators in the Readiness Index see: <https://gain.nd.edu/our-work/country-index/methodology/>

Figure 16: Comparing readiness to absorb climate finance with per capita adaptation finance commitments amongst FCS countries



Source: Author's calculations based on Aid Atlas data and ND-Gain vulnerability index data. The annual average per capita values for each country only includes years in which the country appears on the FCS list. Tajikistan, São Tomé and Príncipe, and Tonga were removed from the regression as they received no adaptation commitments while on the FCS list. Kosovo and South Sudan are not plotted as ND-Gain has not assigned them readiness levels. Countries highlighted with green dots represent the Small Islands Developing States (SIDS) and black dots represent non-SIDS.

It's possible to further analyze the relationship between adaptation finance commitments, vulnerability and readiness by running a simple multivariate regression.

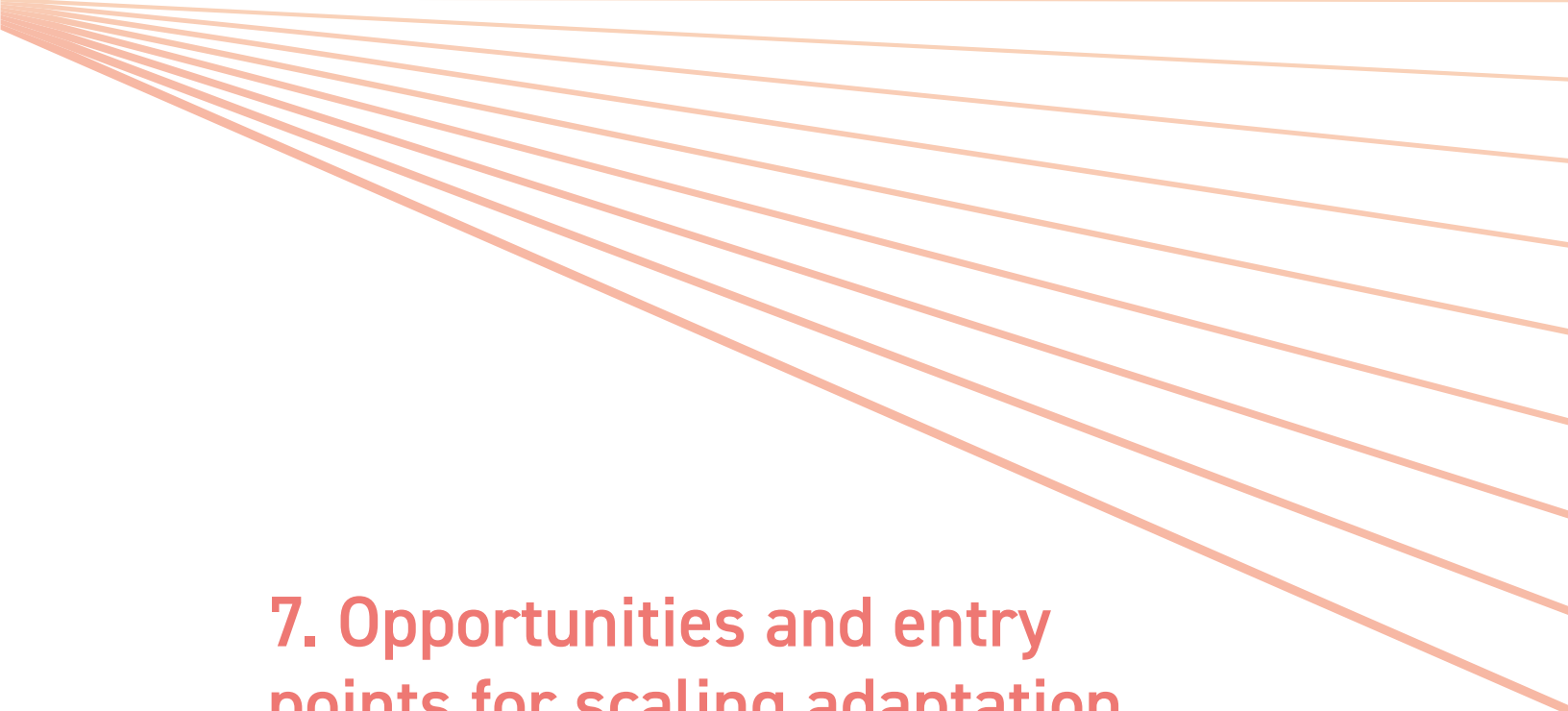
Table 3 presents outputs using per capita adaptation finance commitments over the 2010-2020 period as the dependent variable alongside average ND-GAIN Readiness and Vulnerability indexes as well as population as the independent variables.

Table 3: Regression of log per capita adaptation finance commitments

	Estimate	Std. Error	t-value	p-value
(Intercept)	-1.08	1.99	-0.55	0.5893
Readiness	13.88	3.45	4.02	0.0004***
Vulnerability	-2.18	3.26	-0.67	0.5081
Observations:	33			R ² : 0.5802

Notes: Author's calculations based on Aid Atlas data and ND-Gain vulnerability and financial readiness indexes for 2020. The Sample is restricted to countries on the World Bank's FCS list. Robust standard errors are presented.

Findings provide further evidence to the insights above, showing that while the association with financial readiness is positive and highly statistically significant, there is no significant relationship with vulnerability nor population size. Results suggest that a 0.1 unit increase in a country's financial readiness as measured by the ND-GAIN index – the equivalent of moving from the readiness of the Central African Republic to that of Cote D'Ivoire – is associated with a 300 percent increase in the amount of per capita adaptation finance received.



7. Opportunities and entry points for scaling adaptation finance in fragile and conflict-affected settings

Insights from the SAFFE's research above points to the scale and nature of the adaptation finance gap in FCS, particularly in settings facing high-intensity conflict or where FCV-related threats have persisted for many years. There are many reasons for this, including challenges related to insecurity, financial administration and weak governance as alluded to in earlier Sections. Yet, despite the numerous challenges facing delivery of finance to FCS, postponing financial support for adaptation is not a viable option. Countries affected by fragility and conflict host some of the most vulnerable communities and groups, a situation likely to worsen as the impacts of climate change continue to intensify. Waiting for these countries to transition out of fragility and conflict before investing in adaptation will not work. This is further underscored by the fact that vast majority of countries on the FCS list have persisted for the entire 11-year period of this study. Instead, targeted investments in FCV-sensitive climate action can help enhance community resilience and prevent climate change from further exacerbating FCV-related risks, such as those related to competition over scarce natural resources, food security, and climate-induced displacement.

There are positive signs emerging. The international community is increasingly recognizing that adaptation finance spent wisely can not only increase the capacity of FCV-affected communities to cope with climate-related impacts but also contribute to addressing the root causes of fragility and conflict in many cases. Closer coordination between relevant sectors, including core development and humanitarian actors, is also evident through a growing number of knowledge-sharing communities focused on accelerating adaptation in FCS.

The experience of the World Bank, along with many funders and international organizations, demonstrates that adaptation finance commitments in FCS can be effectively scaled up, even in the most challenging environments. The volume of adaptation finance committed by the World Bank to FCS increased from USD 109 million in 2015 to 1.83 billion in 2020. This constitutes a 16-fold increase during the 6-year period according to Aid Atlas data. Moreover, the share of adaptation finance going to FCS compared to non-FCS as part of IDA also rose substantially from less than 8 percent in 2015 to more than 27 percent in 2020 (see Figures 11a and 11b).

There are several reasons that explain these positive trends. Below are several suggested factors based on insights from key informants drawn from across the World Bank – noting that there are likely to be many related factors. The Climate Change Action Plan (2016-2020) and the FCV Strategy (2020-2025) significantly contributed to stronger attention to FCS. Another reason is the establishment of both climate change and FCV as cross-cutting solution areas within the organizational structure of the World Bank. This enabled better integration and coordination of the topics across the World Bank’s operations. A third reason is an increasing IDA emphasis on supporting countries to adapt to climate change impacts. These steps, along with many other factors, helped raise ambition and awareness of the need to promote adaptation and risk reduction in vulnerable countries and encouraged greater cross-sectoral coordination in support of the topic within the World Bank.

While there is still much to learn about helping countries affected by conflict and fragility adapt to climate change, the World Bank’s experience shows that it is possible to make progress in accelerating financial commitments to FCS. As a global leader in this space, the World Bank is investing heavily in understanding how to strengthen resilience in fragile and conflict-affected environments, supported by dedicated activities like SAFFE. These efforts also directly contribute to the World Bank’s Evolution Roadmap, which seeks to improve the organization’s ability to address key development challenges, including both climate change and FCV.

However, more can be done across all major funders to close the adaptation finance gap in FCS, especially in countries affected by high-intensity conflict. While SAFFE’s future research aims to further explore the knowledge and capacity barriers and entry points for scaling up adaptation finance in FCS, insights from this initial trend analysis point to three key priorities. This includes:

1. Strengthening financial access and absorptive capacity

Evidence presented above highlights low financial absorptive capacity amongst recipient governments as a key barrier to scaling adaptation finance in FCS. In these settings, governments often struggle with the complexities of managing large amounts of international financing owing to a wide range of administrative and fiduciary constraints, alongside wider security and governance challenges. These factors often contribute to reluctance on the part of many funders to commit adaptation finance at scale, leaving many FCS countries heavily reliant on the support of national and regional implementing agencies that operate outside of the government’s financial and operational systems.

Yet, bypassing government systems does little to address the financing in the longer term. Investments that strengthen basic financial management systems in FCS are often a crucial first step, and can draw on lessons learned from a long history of PFM support in fragile settings across development sectors.¹³ This often involves establishing transparent budgeting processes, implementing efficient procurement systems, and enhancing fiscal accountability mechanisms. It also means building the capacity of government institutions to manage finances effectively while accommodating for fiduciary standards of international climate funds.

Equally important is increasing the technical capacity of key in-country stakeholders to develop and execute funding proposals that align with national and local priorities while meeting the rigorous technical and fiduciary standards set by climate finance providers. A core challenge in many fragile and conflict affected-settings is a mismatch in technical and financial management capacity between national and local governments. More can be done to strengthen access to international climate finance on the part of local actors – learning from insights such as the World Bank’s Financing Locally-Led Climate Action (FLLoCA) programme.

Strengthening the capacity of government and other national or regional stakeholders to access adaptation finance is a continuous process that requires long-term commitments, flexibility and knowledge sharing. One area that may support such exchange is the development of dedicated regional capacity-building hubs or knowledge exchange centers similar to the roles played by the UNFCCC’s Regional Collaboration Centres¹⁴ or the IMF’s Regional Capacity Development Centers¹⁵. These can provide tailored support in addressing the needs of countries facing similar challenges, and can often be embedded within large multilateral initiatives or regional communities of practice.

Climate funds and international financial institutions can also play a more proactive role in recognizing the unique needs and capacities of key stakeholders in FCS. This includes exploring avenues for dedicated funding windows and tailored procurement guidelines. Standardization of funding criteria and application requirements can streamline the process, making it more accessible to FCS countries. In addition, simplifying and speeding up the accreditation of national and regional implementing agencies that operate in FCS is vital for getting adaptation finance to areas where governments may have severe capacity, access or legitimacy constraints.

2. Tailor provision of adaptation finance and support to different fragile and conflict-affected contexts, as well as leveraging entry points of different funders.

13 Andrews, M. (2010). Public Financial Management and State Building in Fragile and Conflict-Affected States. Retrieved from http://www.gsdr.org/wp-content/uploads/2015/08/PFM-in-Fragile-States_RP.pdf

World Bank. (2007). Managing Financial Resources in Fragile and Conflict-Affected States. Retrieved from <https://documents1.worldbank.org/curated/en/318181468160768148/pdf/620100WP0Manag0BOX0361475B00PUBLIC0.pdf>

Fritz, V., & Menocal, A. R. (2007). Understanding State-Building from a Political Economy Perspective: An Analytical and Conceptual Paper on Processes, Embedded Tensions, Lessons and Dilemmas. Retrieved from <https://cdn.odi.org/media/documents/7840.pdf>

14 <https://unfccc.int/RCCs>

15 <https://www.imf.org/en/Capacity-Development/how-we-work>

There is significant diversity across the FCS spectrum meaning that efforts to scale access to climate finance in these settings cannot adopt a one-size-fits-all approach.

What proves effective in the context of a Small Island Developing State (SIDS) or a Middle-Income Country (MIC) dealing with institutional fragility is unlikely to yield identical outcomes in a Low-Income Country (LIC) experiencing active high-intensity conflict. Instead, donors and international financial institutions should acknowledge the distinct capabilities, needs, and challenges encountered in various types of FCS. Depending on the specific context, this may entail a heightened focus on identifying relevant policy opportunities or influential advocates, fostering closer engagement with civil society or local organizations to ensure finance can reach regions marked by insecurity, or establishing stronger connections between climate and peacebuilding funds, among numerous other options for delivering tailored support.

Above all, efforts to bolster financial and technical support for adaptation must be carried out in a manner that is sensitive to fragility, conflict and violence. This involves ensuring that funded activities “do no harm” and minimize the potential for negative impacts on underlying FCV dynamics or vulnerability—a process commonly referred to as maladaptation. Moreover, care should be taken to prioritize adaptation finance commitments that simultaneously contribute to addressing the root causes of fragility and violence, where relevant.

In turn, it’s important to recognize the diversity of different climate funders. Bilateral donors, multilateral Banks and dedicated climate funds each have different funding modalities, with risk appetites, application procedures, and delivery channels that differ considerably. Scaling access to adaptation finance in FCS requires leveraging the strengths and entry points for various sources based on the unique needs and characteristics of different fragile and conflict-affected settings.

3. Improving cross-sectoral coordination between development and humanitarian stakeholders

While interest in scaling climate finance in Fragile and Conflict-Affected States (FCS) has gained traction as an international priority in recent years, coordination across sectors, including development and humanitarian actors, remains limited in many fragile and conflict-affected settings. Both Fragility, Conflict, and Violence (FCV) and adaptation are cross-cutting issues that affect multiple sectors and contribute to compounding threats on a broader scale. Scaling access to finance to support adaptation in FCS requires robust coordination among a wider array of sectoral and regional actors. However, coordination remains a significant challenge in such settings, often due to factors like weak stakeholder engagement, overlapping mandates, and the extensive and evolving constellation of development and humanitarian actors operating in many fragile and conflict-affected settings.

Further efforts are needed to promote cooperation and the sharing of lessons learned between sectors and regions. This includes forging closer ties between funders and recipients of adaptation finance in FCS, especially for funding models that rely predominately on delivery via national or regional implementing agencies in FCS.

Coordination between development and humanitarian sectors is also crucial, including establishing links between key international funders. Much can also be gleaned from experiences in delivering finance across relevant sectors, such as disaster risk financing and funding of peace-building activities, which have extensive histories of channeling finance to fragile and conflict-affected communities. Many of these activities are often considered part of the spectrum of interventions that contribute to adaptation and can serve as entry points for balancing trade-offs between short- and long-term adaptation objectives in FCS. In particular, examples such as the UN Peacebuilding Fund, are exploring for funding activities that combine goals related to adaptation to climate change and peace-building.

These opportunities must also be complemented by further investment in monitoring and evaluation of adaptation investments in FCS. Effective tracking of how adaptation finance is allocated, spent and used is crucial to ensure that resources are targeting vulnerable countries and being used effectively. Lack of common definitions, contrasting typologies and different methodological choices makes this task difficult. More can also be done to understand how adaptation finance (and other related investments) is translated into action on the ground in settings affected by conflict and fragility, building on common framework such as the World Bank's Adaptation Principles (Hallegatte 2020) and Integrated Climate Results Framework. SAFFE's upcoming research and knowledge exchange activities seeks to further elaborate on some of these knowledge gaps, drawing on insights from SAFFE's global database of adaptation finance commitments as well as deep dives on opportunities to scale access to finance in specific regions and sectors.



Conclusion

The findings in this report point to the significant shortfall in adaptation finance received by fragile and conflict affected countries. They also underscore the many challenges faced by funders, intermediaries and recipient governments in channeling resources effectively to these settings. In particular, initial insights from SAFFE's research reveal how vulnerability alone cannot account for the distribution of per capita adaptation finance commitments in FCS. Instead, commitments are highly correlated with a country's capacity to absorb finance. The implications are clear: financial support for adaptation is not reaching the most vulnerable communities in fragility and conflict affected settings. The shortfall is especially pronounced in countries affected by high-intensity conflict or active crisis.

Despite the large gap in finances there are emerging signs of progress. Notably, adaptation commitments to FCS have risen sharply in recent years as has the share of financial commitments going to FCS relative to non-FCS. These trends underscore growing awareness of the need to support fragile and conflict affected countries in responding to the growing impacts of climate change. The analysis also showcases the leading role that the World Bank is playing in channeling adaptation finance in FCS, supported by key strategic frameworks like the Climate Change Action Plan and FCV Strategy. Despite this, more remains to be done in ensuring finance is reaching those most vulnerable in FCS and closing the gap in per capita sums not only between FCS and non-FCS, but within different types of FCS settings.

Investments to strengthen adaptive capacity, tailor financial support, and promote closer cross-sectoral coordination between development and humanitarian stakeholders are important steps in tackling financial barriers in FCS. Yet, significant knowledge and capacity-related barriers remain. Insights from SAFFE and other related initiatives aim to shed light on key barriers and opportunities for scaling access to adaptation finance in fragile and conflict affected settings. They also contribute to a growing community of

practice aimed at bringing funders, intermediaries and recipient governments together to promote more effective coordination and promote new ways of working.

As development and humanitarian actors move forward, it's crucial to build on recent progress in channeling climate-related resources to FCS. Achieving this objective necessitates increased commitment on the part of both funders and recipients to invest in adaptation in challenging FCS settings alongside continued support for innovation, capacity-building and peace-building, and fostering cooperation among all stakeholders engaged in this process. It is only through collaborative efforts that development and humanitarian actors can ensure adaptation finance effectively reaches the most vulnerable populations in fragile and conflict-affected settings, enabling them to address the compounded challenges posed by climate-related threats and fragile and conflict affected settings.

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Annex Section 1: Technical and methodological challenges in tracking adaptation finance in FCS

A number of technical and methodological challenges make the task of tracking adaptation finance particularly difficult. For a start, there is little consensus on what constitutes adaptation.¹⁶ Activities that support the capacity of communities to respond to the impacts of climate change come in many different forms. This includes interventions where climate change may not be the primary objective, such as efforts to expand social protection initiatives, promote livelihood diversification, or improve the availability and access to critical public infrastructure, amongst many others (CGD 2023). In practice, the distinction between adaptation and other development-related activities is neither binary nor easily discernable, resulting in a wider range of classification and reporting procedures for adaptation-related expenditure (McGray et al. 2007). Adaptation is also funded by a wide variety of public and private institutions, bilateral donors, multilateral development finance institutions, and philanthropic organizations (Partnership on Transparency in the Paris Agreement 2018). Each has their own process for defining, monitoring and reporting on adaptation finance commitments, adding further complexity when attempting to aggregating commitments across funders.

Despite the absence of a universally agreed tracking procedure, collective efforts have been made to promote common definitions and reporting standards amongst certain groups of funders. For example, tracking of finances amongst many MDBs, including the World Bank, is coordinated via the Joint MDB Methodology for Tracking Climate Change Adaptation Finance. The Joint Methodology provides a simplified step-wise methodology for classifying adaptation activities and determines investments based on the percentage of the project's finance that is associated directly with strengthening adaptation (or expected additional costs incurred by adapting to the impacts of climate change).¹⁷ Another commonly used methodology is the OECD's Rio Markers for Climate. The Rio Markers are used primarily by bilateral donors, and similarly lays out classification criteria based on whether adaptation is deemed to be a *principle* or *significant* objective of a project. Unlike the Joint Methodology, bilateral donors reporting against the Rio Marker for Climate typically assign all of the project's finances as contributing towards adaptation. For a detailed comparison of different tagging methods and their respective strengths and weaknesses see Aid Atlas (2023).

¹⁶ Adaptation is often referred to as processes of adjustment to actual or expected climate and its effects. In turn, adaptation interventions are seen as actions that moderate or avoid harmful effects from climate change or exploit beneficial opportunities (IPCC, 2014). While these definitions offer some conceptual guidance, they leave considerable wiggle-room in how to apply them in practice.

¹⁷ <https://www.worldbank.org/en/publication/paris-alignment/joint-mdb-paris-alignment-approach>

Recognizing the limitations in tracking finances across funders, a number of public databases have sought to aggregate information on climate finances across MDBs, bilateral donors and dedicated climate funds. Amongst them, the OECD's Development Assistance Committee (DAC) coordinates one of the most widely used repositories of climate finance data via its External Development Finance Statistics database. The database is based on the OECD's Common Report Standards and includes publicly reported information on adaptation finance commitments from major bilateral, multilateral and private sector sources. Despite some of the differences described in Section 2, the database provides a shared framework for reporting of climate finances across sectoral allocations and provides a comprehensive platform for comparing collective (and funder-specific) adaptation commitments.

Annex Section 2: Comparing group-level capita calculations

The challenge with calculating group-level per capita values for adaptation finance is best explained using a simple example. Of all countries that featured on the World Bank’s FCS list between 2010-2020, Nigeria received the highest total commitments for adaptation (USD 1.07 billion). However, this only equates to a per capita value of USD 5.1, because of the country’s large population (see Table 1). On the other hand, one of the highest per capita commitments from 2010 to 2020 was USD 671.70 for Tuvalu, a small island state with roughly 11,000 people. This was even though its total commitments of \$59.1M were only 5.2 percent of what Nigeria got in the same period.

Table 1: Highest total recipients of adaptation finance whilst on FCS list (2010-2020)

Country	Years on FCS list 2010-2020	Adaptation Commitment while FCS (\$M)*	Population in 2020 (M)	Av. Annual Per Capita Commitment while FCS (\$)
Nigeria	1	1,072.3	208.3	5.14
D.R. Congo	11	897.5	92.9	1.00
Haiti	11	842.3	11.3	6.96
Mali	7	685.1	21.2	5.16
Myanmar	11	653.0	53.4	1.11

Source: Data on adaptation finance is sourced from Aid Atlas. The amounts represent the total commitments received based on the number of years of FCS status (column 2) for which data is available. The amounts received during non-FCS periods are excluded. Population figures are shown for 2020 as an indication of country size, though per capita figures are calculated using the populations of the years in which each country featured on the FCS list.

However, it’s possible to imagine a hypothetical FCS group that is comprised solely of Nigeria and Tuvalu, the group-level per capita value would be USD 342.40 based on a simple average of both countries [(5.14 + 677.65) / 2].¹⁸ This does not reflect the reality that 99.99 percent of the group population only received USD 5.14 and shows the severe distortion in group-level per capita values using this method. The distortion is especially relevant when comparing FCS and non-FCS groups, as the FCS group includes many small island states that receive much higher per capita adaptation finance than the larger FCS countries – see Table 2.

¹⁸ The value \$227.69 represents the per capita amount of adaptation finance that Tuvalu received in 2020

Table 2: Highest and lowest recipients of international adaptation per capita, whilst on FCS list (2010–2020)

	Country	Years on FCS list 2010-2020	Adaptation Commitment while FCS (\$M)*	Population in 2020 (K)	Av. Annual Per Capita Commitment (\$)
HIGHEST	Tuvalu	8	59.1	11	677.65
	Marshall Is.	9	79.6	43	195.38
	Kiribati	11	98.9	126	73.69
	Micronesia F. S.	9	50.0	112	50.00
	Djibouti	4	140.8	1,090	33.65
LOWEST	Sudan	11	195.6	44,440	0.44
	Congo, Rep	8	16.5	5,702	0.37
	Guinea	4	15.0	13,205	0.35
	Angola	4	8.6	33,428	0.08
	Syrian A. R.**	4	2.3	20,773	0.03

Source: Data on adaptation finance is sourced from Aid Atlas. *The amounts represent the total commitments received based on the number of years of FCS status (column 2) for which data is available. Tajikistan, Tonga, and Sao Tome and Principe have been excluded, as they received no adaptation commitments while on the FCS list; they did, however, receive USD 651 million, USD 102 million, and USD 51 million, respectively, while not on the FCS list. **Syria A.R. was on the FCS list eight times in this period, but only IDA-eligible for four of those years. Population figures are shown for 2020 as an indication of country size, though per capita figures are calculated using the populations of the years in which each country featured on the FCS list.

Another way to compare FCS and non-FCS groups is to use a population weighted per capita value for the group. This is done by dividing the total adaptation finance committed to all countries in the FCS (or non-FCS) group by the total population of all countries in the FCS (or non-FCS) group. By applying this method to the example above, the group-level annual per capita value for Nigeria and Tuvalu would be USD 5.18 $[(\$1072.3 + \$7.38) / (208.3 + 0.011)]^{19}$, a value far closer to what the vast majority of people in the hypothetical FCS group would receive.

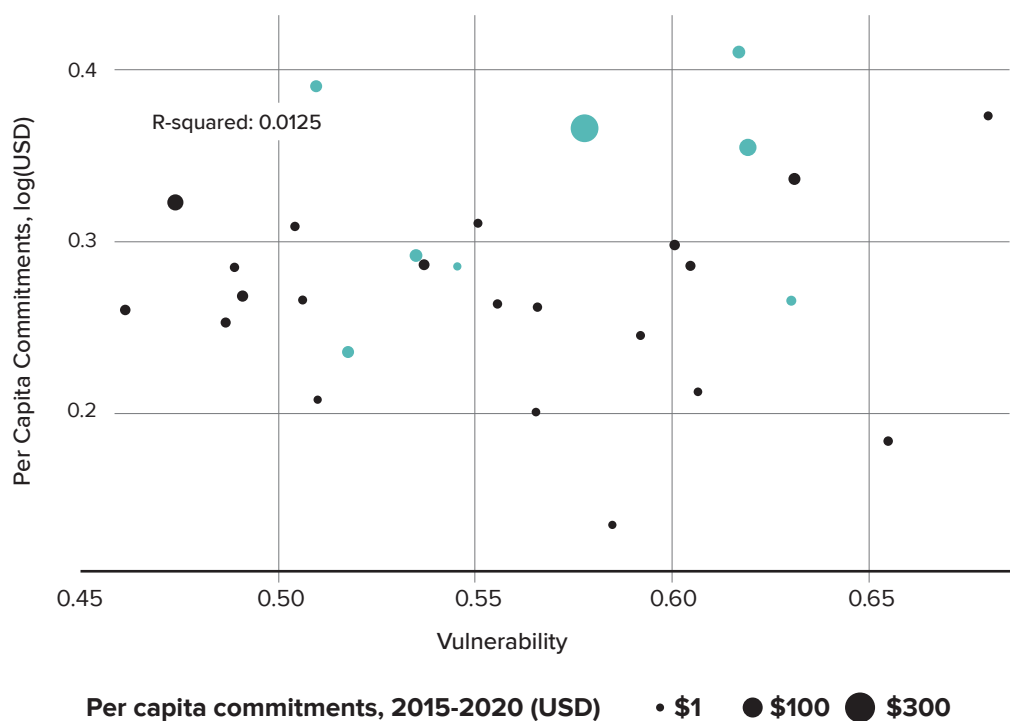
19 Note that the USD 7.38M used to represent the amount received by Tuvalu constitutes the average annual amount received over the 8 year period (i.e. $59.1 / 8$). Nigeria's value is 1072 given that it only features on the FCS list for a single year during the study period.

Table 3: List of FCS countries and classifications based on duration on between 2010-2020

Chronic FCS (between 8-11 times)		Episodic FCS (between 1-3 times)	Persistent FCS (between 4-7 times)
Afghanistan	Marshall Islands	Burkina Faso	Djibouti
Burundi	Micronesia, Federated States of	Cameroon	Guinea
Central African Republic	Myanmar	Malawi	Madagascar
Chad	Sierra Leone	Mozambique	Nepal
Comoros	Solomon Islands	Niger	Mali
Democratic Republic of the Congo	Somalia	Nigeria	Papua New Guinea
Congo	South Sudan	Sao Tome and Principe	Gambia, The
Cote D'Ivoire	Sudan	Tajikistan	
Eritrea	Syrian Arab Republic	Tonga	
Guinea-Bissau	Timor-Leste		
Haiti	Togo		
Kiribati	Tuvalu		
Kosovo	Yemen, Republic of		
Liberia	Zimbabwe		

Source: Author's classification based on number of appearances on the World Bank's FCS list from 2010-2020. The sample is limited to IDA-eligible countries.

Annex Figure 1: Comparing vulnerability to climate change with readiness to absorb climate finance amongst FCS, 2015–2020



Source: Author's calculations based on Aid Atlas data and ND-Gain's vulnerability and readiness indices. The annual per capita average for each country only includes years in which the country appears on the FCS list. Kiribati, Kosovo, Tuvalu, and South Sudan are not plotted, as ND-Gain has not assigned them vulnerability levels. Countries highlighted with green dots represent the Small Islands Developing States (SIDS) and black dots represent non-SIDS.

