

IDC INQUIRY: CLIMATE CHANGE, DEVELOPMENT, AND COP26

Written Evidence Submitted By Mercy Corps To The International Development Committee

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Introduction

1. Mercy Corps is a leading global organisation delivering peacebuilding, humanitarian assistance, and building resilience to conflict, climate change, and other shocks. We work in some of the world's most fragile places, where needs are the greatest and challenges significant. It is an extraordinary time to be doing this work – more than 68 million people are displaced globally, and close to 2 billion people struggle to survive in states of chronic conflict and fragility and bear the brunt of the worst impacts of the climate emergency.
2. As the COVID-19 crisis is demonstrating, climate-vulnerable countries face multiple threats that compound each other, including health crises, fragile economies and debt, poor governance and conflict, and a lack of adequate finance, including finance to mitigate and adapt to the impacts of climate change.
3. 2021 presents a huge opportunity to elevate the needs of the most vulnerable and advance climate change adaptation financing and policy. The UK has a unique opportunity and a moral obligation to galvanize action on adaptation, by using key moments in 2021 and its role as President of the UN Climate Change Conference (COP26) to garner greater political ambition and secure an increase in the quality, quantity, and accessibility of adaptation finance going to the poorest and most vulnerable.
4. This submission draws on Mercy Corps experience delivering programmes in fragile and conflict-affected states and conducting research and policy analysis on climate change adaptation. We are also members of the Zurich Flood Resilience Alliance, a multi-sectoral partnership focused on strengthening the resilience of communities in developing and developed nations to flood risk. The Alliance consists of humanitarian, NGO, research, and private sector partners who work together to increase public and private investment in evidence-informed community-based flood resilience.

The extent to which the Government has made progress on implementing the Committee's recommendations, particularly those on climate finance, climate justice, the use of ODA to support fossil fuels, and making climate change a strategic priority in all aid spending

5. The UK's commitment to providing £11.6 billion in International Climate Finance (ICF) from 2021-2022 through 2025-2026, was a positive announcement. The £11.6 billion represents a doubling from previous years to align the UK's contribution to the global goal of mobilising USD 100 billion a year in climate finance for developing countries from 2020.
6. **Yet, the UK has failed to set out how its ICF will come from new and additional sources of finance, and if this increased spending will compromise non-climate ODA.** New and additional sources of finance are vital to meet the scale of the climate change threat and to prevent limited and overstretched ODA budgets from being diverted from existing developing country priorities to the urgent needs associated with climate change. With the proposed cuts to the UK's ODA already taking place at the country level, and the UK's international climate finance commitments being maintained, there are concerns that traditional development spending will be relabelled as climate finance. While ICF has a clear and critical role in development, and development assistance should support climate adaptation wherever possible, resources should not be 'double counted' in order to appear to meet commitments without providing the adequate resources needed.
7. In its response to the International Development Committee's report *UK Aid for Combating Climate Change*, the UK agreed that a cross-departmental update of the ICF approach would be timely and useful to ensure that ICF remained focused on where it can have the most impact, drawing on experience to date, the latest scientific evidence, new approaches, and new opportunities. This ICF strategy or "refresh" however has not been released to the public. This is problematic as the UK's international climate finance should be spent strategically to support transformational change across the FCDO, BEIS, and DEFRA portfolios. In light of the ODA cuts, **it is now even more crucial that the UK develop and release an ICF strategy to guide how it will invest in low-carbon, climate-resilient development over the next five years.**

Any gaps that remain between what the Government has done and what it committed to do

Gaps in Climate Change Adaptation Finance

8. The escalating climate crisis acts as a 'threat multiplier', deepening global inequalities, with the poorest and most vulnerable countries disproportionately affected. Profound environmental, social, and economic challenges lie ahead – challenges that have the potential to trigger a future of rolling crises – unless there is immediate and serious global action and an uplift in adaptation finance.
9. When the UK announced its £11.6 billion commitment to international climate finance, it reaffirmed its commitment to allocate 50% of climate finance for adaptation, (as indicated in the Paris Agreement which calls for a 'balance' between adaptation and mitigation). However, the UK has failed to meet this target. For example, from 2017-2018 the UK's

bilateral and multilateral adaptation finance¹ was 40% of climate finance flows or USD 547 million²

10. The UK should allocate at least 50% of its international climate finance for climate change adaptation. However, increasing adaptation finance does not automatically mean that funding is going to the most climate-vulnerable countries. For example, in 2017, only 32.25% of the UK's bilateral adaptation funding targeted the most climate-vulnerable countries (according to ND-GAIN index). This is part of a broader problem: Mercy Corps analysis in our 'At What Cost' report found that the majority of the most climate-vulnerable countries received less than \$20 per person per year in climate change adaptation financing from 2010–2017³. **Adaptation and disaster risk reduction funding should be targeted according to poverty and need**, to ensure that climate-vulnerable countries receive adequate levels of financing.

COVID-19 Recovery

11. At this moment in time, at the forefront of the UK government's mind is the response to and recovery from COVID-19. Investing in climate change adaptation will build resilience to future crises – be they health or climate related. As the UK develops steps for recovering from the economic consequences of the COVID-19 crisis, there is an opportunity to implement a resilient and sustainable recovery that also reduces rising climate risks. Examples include: increasing access to critical systems through new, climate-smart infrastructure; improving livelihood security through 'green' jobs; utilizing nature-based solutions; and creating new or strengthening existing funding mechanisms that marginalized communities can access for community-based risk reduction and recovery.⁴
12. The UK should step up efforts to **mainstream disaster risk reduction and climate change adaptation into COVID-19 response and recovery**. All COVID-19 funding should be flexible, spent strategically, and work towards building communities' resilience to multiple hazards. COVID-19 recovery packages should endeavor to advance climate-smart, risk informed development and the UK should screen funding for interventions that build resilience to more than one risk. When considering COVID-19 recovery investments, the UK should at a minimum vet investments from the perspective of avoiding maladaptation or increasing communities or systems vulnerability to climate impacts.

¹ This refers to adaptation-specific activities, and excludes funding for activities that are cross-cutting across mitigation and adaptation.

² Oxfam. 2020. Climate Finance Shadow Report 2020 - Assessing progress towards the \$100 billion commitment. <https://www.oxfam.org/en/research/climate-finance-shadow-report-2020>

³ Zurich Flood Resilience Alliance. 2020. At What Cost: How chronic gaps in adaptation finance expose the world's poorest people to climate chaos. <https://floodresilience.net/resources/item/at-what-cost-how-chronic-gaps-in-adaptation-finance-expose-the-world-s-poorest-people-to-climate-chaos/>

⁴ Zurich Flood Resilience Alliance. 2020. Building Back Better: Ensuring COVID-19 response and recovery builds long-term resilience to climate impacts. <https://floodresilience.net/resources/item/building-back-better-2/>

The extent to which the Government's work to date on climate change and development has taken the UN Sustainable Development Goals and the needs of low-and-middle income countries and vulnerable groups into account

13. While adaptation needs are great in all climate-vulnerable countries, this is particularly true **in fragile and conflict-affected states** which are vulnerable to climate change impacts and have a low readiness to respond. Across the 10 most fragile states according to the Fragile States Index (which includes countries with some of the highest scores of climate vulnerability), less than \$400m in adaptation financing was provided in 2017. Given the mounting evidence that climate change can exacerbate the drivers of conflict, and conflict and fragility are barriers to effective resilience and adaptation, this is a huge missed opportunity.
14. In fragile and conflict-affected states, conflict-sensitive programming that is locally appropriate and addresses the climate change and environmental drivers of conflict is needed to deliver action on adaptation. While the relationship between climate and conflict is nuanced and context-specific, there is a growing consensus that climate change is amplifying existing sources of economic, social, and political risk. These challenges are most pronounced in fragile states already grappling with weak governance, high rates of poverty and income inequality, and histories of violent conflict. The intensification of climate change will further compound conflict risks, exacerbating threats to peace and stability. **The UK should recommit to spending 50% of UK ODA, including climate adaptation, in fragile and conflict affected states** and ensure that spending - and all FCDO spending- is "climate smart."
15. While research on climate-conflict pathways is still nascent, it represents a vital avenue for clarifying priorities, designing programs, and achieving sustainable success in helping communities mitigate and adapt to the effects of climate change and reduce conflict. However significantly more evidence is needed, and the UK can lead the way by not only supporting climate and conflict programming but ensuring evaluative research is built into every programme. This is vital to building the evidence base and to unpacking the context-specific mechanisms by which climate and conflict interact as part of a larger ecosystem of shocks and vulnerabilities. This learning can enable donors, implementers, and partners to develop bespoke solutions to emerging threats and move beyond rote programming solutions that are often overly narrow and unsustainable in their impact.

The potential of COP26 to address these remaining challenges effectively and the steps the Government needs to take if COP26 is to succeed in tackling them

Making Multilateral Climate Funds Fit For Purpose

16. Climate funds have the potential to be some of the highest impact vehicles for dispersing targeted adaptation finance. **It is of vital importance that climate funds are operated in**

ways that provide rapid and effective support to those most vulnerable to climate change. However, financing from multilateral climate funds like the Green Climate Fund (GCF) is largely inaccessible to organizations working at the local level, where it can work most effectively. Similarly nor are vulnerable countries receiving the level of climate financing they need. Less than 50% of approved and disbursed adaptation financing from the main multilateral climate funds target the most climate-vulnerable countries.

17. GCF funding by indicators of climate vulnerability suggests a disturbing trend for the most climate-vulnerable countries. Within the top-25 most climate-vulnerable countries, as ranked by the ND-GAIN Index only 9 single-country adaptation projects have been approved by the GCF (total of USD 258.1 million). This is out of a total of 60 single-country adaptation projects approved by the GCF globally.⁵
18. Going forward the GCF should allocate its adaptation finance according to climate vulnerability. This will help close the gap in adaptation finance directed to climate-vulnerable countries and fragile states. **The UK should leverage its role on the Green Climate Fund (GCF) Board to push for reforms** that increase the speed of disbursement of funding and direct financing to the most climate-vulnerable countries, with time-bound commitments for reducing the time to approve and disburse funds.

Closing the Adaptation Finance Gap (2021-2025)

19. Developed countries should use the existing opportunities under the UN climate change process to agree at COP26 to dramatically increase their climate ambition and set targets for the next five years that meet growing needs. This should include increasing financial pledges in countries' Nationally Determined Contributions and increasing commitments to the Green Climate Fund (GCF) and other funds.
20. As COP26 President, **the UK must be more vocal in calling for developed countries to allocate 50% of finance flows to adaptation.** In the lead up to COP26, the UK should build a coalition of countries that commits to allocate 50% of climate finance flows to adaptation between 2021 and 2025.

Adaptation Finance Post 2025

21. The all-encompassing USD 100 billion climate finance goal has failed to address the historic neglect of adaptation. As a sign of intent, as the post-2025 finance negotiations start, **the UK should garner support from parties to reach an in-principle agreement at COP26 on a standalone public adaptation finance goal from 2025.** A stand alone public finance goal for adaptation will build confidence among developing countries that adaptation finance will increase and become more predictable in the medium term. Furthermore, a stand alone

⁵ <https://floodresilience.net/blogs/the-green-climate-fund-and-adaptation-finance-how-to-help-climate-vulnerable-and-fragile-states-adapt-to-climate-change/>

goal for adaptation would allow for better tracking of adaptation spending and a more accurate assessment of funding and impact on the most vulnerable.

Local Level Climate Action

22. The UK should lead efforts to reform financing mechanisms to strengthen the decision-making power and leadership of affected people, particularly marginalized groups. Financing mechanisms aim to strengthen local structures, processes, and institutions, working with civil society actors and existing networks.
23. The UK should call on developed countries to **Endorse the Principles for Locally-Led Adaptation**⁶ to create an enabling environment where local people and their communities have agency over how their development and climate adaptation takes place.

⁶ In support of the Global Commission on Adaptation's Locally Led Action Track, World Resources Institute and the International Institute for Environment and Development (IIED) have developed [a set of principles](#), based on over a year of consultations, to strengthen locally led adaptation. As of January 2021, over 40 organizations have joined us to endorse these principles, committing to make changes and strengthening existing efforts to meet this urgent adaptation agenda.