Executive Summary
More than Money
Why Climate Finance Matters for Humanitarian Organisations

CHA
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How can climate finance best serve the needs of vulnerable populations in poor developing countries?

Global warming has many negative humanitarian impacts. Climate finance is essential for curbing them. Mitigation funding can slow down climate change and thus contribute towards reduced rate and severity of extreme weather events and other climate hazards. Adaptation funding increases the resilience of climate-vulnerable countries and thus lowers the likelihood of climate risks turning into humanitarian emergencies. In cases where risks cannot be mitigated or adapted to, loss and damage (L&D) funding supports recovery and helps societies cope with the losses they have suffered.

Yet climate finance has fallen short of its humanitarian promise. Not only is there a shortage of funds but they often fail to reach individuals and groups most vulnerable to the adverse effects of climate change. This paper analyses the causes and (humanitarian) effects of such policy gaps. It also identifies key debates that humanitarians should follow in the upcoming climate conference (COP29) and proposes measures to support more efficient and equitable use of climate funds.

Key Findings

Humanitarians can – and *should* – promote meaningful change in the climate finance system

Climate finance matters for humanitarians on two key counts. First, it can support systemic survival amid the climate crisis. Mitigation, adaptation and L&D funding are important additional resources for adapting humanitarian operations to changing environmental conditions and responding to climate-related humanitarian needs. At the same time, climate finance is crucial for the fulfilment of human rights. Poor developing countries are disproportionately affected by climate risks, with the heaviest burden borne by women, children, elderly and other vulnerable groups. Climate funds can help ameliorate their situation and thus reduce human suffering caused by climate change.

Currently, there are various structural and systemic factors that inhibit climate finance from reaching its full humanitarian potential: 1) Lack of grant-based funding limits aid organisations' ability to access climate finance and increases the debt burden on low-income developing countries. The latter can reduce investments in basic services and restrict governments' ability to respond to humanitarian emergencies. 2) Obscure donor reporting practices make it difficult to track funding trends (both quantitative and qualitative) and advocate for changes in donor policy or behaviour. 3) Shortage of adaptation funding increases developing countries' climate vulnerability. The situation is particularly dire in fragile and conflict-affected countries, which receive only a fraction

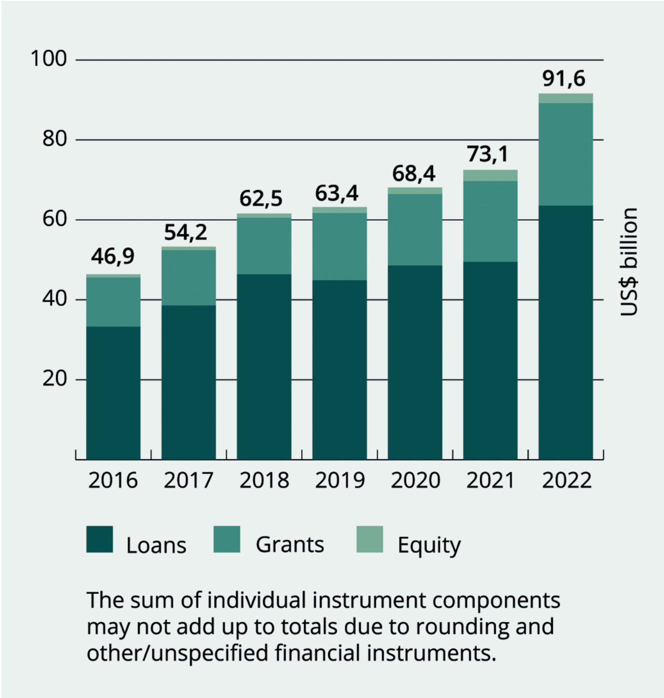

Chart 1: Public climate finance provided per financial instrument in US$ billion, 2016-2022; Source: OECD, 2024

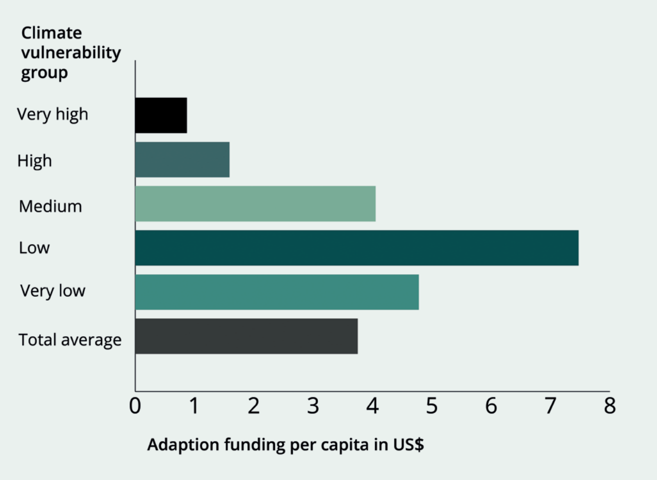

Chart 2: Average adaptation funding per capita to developing countries by vulnerability group, 2020

Source: IFRC 2022

of public adaptation finance. And 4) double-counting of humanitarian and climate funds risks leaving both sectors under-financed and under-prepared to address climate change.

To help address these issues, the paper encourages humanitarian organisations to take active part in COP29. The conference is expected to make many important decisions, including setting a new collective quantified goal for climate finance (NCQG). While a significant increase in climate funding is vital, this is not enough. Much depends on the way in which needs are identified and resources distributed among beneficiaries. Humanitarians should use their voice and connections to ensure that sufficient attention is given to structural and systemic issues, including but not necessarily limited to those listed above.

Lastly, aid organisations should remain cognisant of the politicised nature of the climate finance debate. Unlike ODA, climate funding is predicated on the historical responsibility that developed countries bear for climate change and that obliges them to provide financial resources for developing countries to cope with its effects. While this responsibility is affirmed in various legally binding documents, the scope of these contributions continues to be debated. Humanitarian organisations should be wary of attempts to use aid as a 'fig leaf' to avoid more extensive payments and, where possible, coordinate their actions with representatives of climate-vulnerable developing countries and other primary stakeholders.

Key Considerations

The paper makes four recommendations for humanitarians:

- **Accountable climate donorship.** Humanitarian organisations should actively support calls for more targeted, transparent and fair climate donorship in COP29. Funding must be new and additional to Official Development Assistance (ODA), and it must meet the needs of low-income developing countries.

- **Equitable distribution of resources.** Fragile and conflict-affected countries have high adaptation needs yet suffer from lack of funding. Humanitarian organisations should use their expertise and knowhow to contest risk-averse donor policies and support climate adaptation in fragile settings.

- **Justice-based approach to climate finance.** Effective climate action is not only a technical question (how to best deliver assistance) but also a political and ethical one. Humanitarian organisations should support the climate justice demands of affected communities and seek common positions on key policy questions.

- **Balanced response to short- and long-term needs.** Humanitarian assistance can help countries recover from extreme weather events and other adverse impacts of climate change. Yet it is not enough. Sufficient funds must be made available to address needs beyond the immediate aftermath of a climate-related disaster, including non-economic losses and damages and development needs.

Methods in brief

The findings are based primarily on desk research, which analyses and synthesises information from existing academic and grey literature. Data on climate finance was derived from the Organisation for Economic Co-operation and Development (OECD) website and publications. Where appropriate, these were contrasted with alternative sources, such as Oxfam's Climate Finance Shadow Report series.

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