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Climate Adaptation
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CLIMATE FINANCE SHADOW REPORT FOR INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT REGIONAL ECONOMIC COMMUNITY

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EXECUTIVE SUMMARY

The countries of the Intergovernmental Authority on Development (IGAD)—Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—bear little historic responsibility for climate change, but are greatly exposed to its impacts.[1] Recent years have seen escalating climate changes and devastating climate-induced disasters, including droughts, floods, sea level rise, storms and desertification which affect livelihoods, poverty, water and food systems, ecosystems, health and infrastructure. These impacts are particularly severe across the 60–70% of the region classified as arid and semi-arid lands and for the agricultural, pastoral and agro-pastoral systems that support the livelihoods of much of the population. Already marginalised populations, including women and girls, youth, indigenous peoples, stateless persons, displaced people, and people with disabilities are disproportionately impacted by these crises.

Between 2021 and 2023, several countries in the region experienced severe climate-induced droughts, which were punctuated by intense rainfall and subsequent flooding. This led to a devastating hunger crisis, with catastrophic impacts on livelihoods, disease, malnutrition, hunger, death and displacement. It also exacerbated underlying challenges and vulnerabilities such as conflict and poverty. As of 2024, approximately 62.9 million people across seven of the IGAD countries—Djibouti, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—faced high levels of acute food insecurity.

At the same time, people experience conflict to varying degrees in Somalia, Sudan, South Sudan, Ethiopia, Uganda and Eritrea and displacement due to both climate and conflict is a major issue, with 25 million people forcibly displaced by mid-2024. This has uprooted communities, separated families, disrupted health, security, education and livelihoods. The IGAD countries' ability to respond to these compounded challenges is limited, as they face high debt burdens and limited fiscal space that constrain their capacity to invest in climate adaptation and development. The resulting conditions of food insecurity, poverty and vulnerability severely undermine the resilience of communities already struggling to cope with multiple crises and escalating climate challenges.

Given the scale of climate impacts expected and already experienced, the countries of the IGAD region require international support to address adaptation, loss and damage, as well as to transition to low-carbon development pathways consistent with the goal of limiting global warming to no more than 1.5°C. This finance must also contribute to gender transformative outcomes.

This report provides a detailed, regional-level analysis of the climate finance flowing to the region, as well as its intersections with debt, agriculture, gender and humanitarian financing. The aim is to inform ongoing discourse on transforming climate financing and contribute to reimagining a global financial architecture that is fit-for-purpose to achieve the goals of the Paris Agreement.

Eight key findings emerge from the analysis. They demonstrate that climate finance flows remain inadequate to address the urgent needs of countries in the IGAD region, especially those that are fragile and affected by conflict. This comes as the impacts of the climate crisis continue to escalate, worsening poverty, hunger and inequality in the region. That the countries of the IGAD region have contributed little to climate change yet bear the brunt of its impact while climate finance flowing to the region in its current state is not adequate to redress this imbalance is fundamentally unjust. Climate finance is not about charity. It's about justice.

[1] According to Our World in Data, Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda account for approximately 0.09% of global cumulative emissions of carbon dioxide (CO_2), excluding land-use change, measured since the first year of available data. (Our World in Data, 2025).

KEY FINDINGS

1) **Climate finance flowing to IGAD countries is far from meeting national climate finance needs, with a gap of 40.1 billion USD, equivalent to 96% of the needs outlined in countries' national climate action plans.** Between 2013 and 2022, countries in the IGAD region received approximately 17.4 billion USD in climate-related development finance on a grant-equivalent basis from bilateral and multilateral sources. The grant equivalent value— reflecting the true value of support after accounting for debt service repayments, interest, and other fees associated with taking on debt—is 25% lower than the reported amount of 23.3 billion USD. Both the face value and grant equivalent amounts are insufficient compared to the finance needs of 41.8 billion USD each year, as outlined in the countries' Nationally Determined Contributions (NDCs). Furthermore, these NDCs are likely a conservative estimate and do not cover the full breadth of climate needs, from adaptation to mitigation, often due to a lack of technical capacity or funding to conduct a more thorough analysis.

2) **Climate finance flows in the IGAD region remain insufficient and are marked by significant imbalances and barriers to access, particularly for countries affected by fragility and conflict.** In absolute terms, Eritrea (117 million USD), South Sudan (891 million USD), Sudan (960 million USD) and Somalia (1.4 billion USD) receive much lower levels of climate-related finance than Ethiopia (8.2 billion USD), Kenya (7.4 billion USD), and Uganda (3.4 billion USD). Similarly, on a per capita basis Sudan and Eritrea receive just 2 USD and 3 USD per person per year, respectively, compared to 14 USD per person flowing to Kenya and 8 USD per person for the region as a whole. These amounts are well below global averages for developing countries, which OECD estimated at 25 USD per person per year between 2016 and 2022. Current climate finance mechanisms fail to address the specific realities of fragile and conflict affected settings, including conflict, displacement and limited institutional capacities. Complex application processes, rigid eligibility criteria, and stringent fiduciary requirements create high barriers to access, and climate finance remains risk averse and top-down, which sidelines local actors and communities who are often at the forefront of climate impacts and best placed to implement effective climate responses.

3) **Across the IGAD region, climate-related development finance consists of approximately 52% grants, 41% concessional loans, and 5% non-concessional loans**. The high provision of loans for some countries in the region is not only unjust—given that these nations have contributed little to historical emissions—but also has serious implications for debt sustainability, poverty alleviation and tackling inequality. For a region already burdened by high debt levels, loans are an unsuitable and unjustifiable mechanism for climate finance. They push countries and communities into further debt distress and severely undermine the ability of countries to invest in adaptation, loss and damage and development objectives. This creates a cycle of poverty and inequality, with IGAD countries shackled in cyclical debt. A greater share of climate finance must be delivered as grants to ensure that support builds resilience rather than debt.

4) **Between 2013 and 2022, climate-related development finance committed to agriculture, forestry, and fishing in the IGAD region totalled 3.3 billion USD on a grant-equivalent basis, averaging 0.4 billion USD annually. This represents only 15% of the identified climate finance needs.** Agriculture plays an important role in all eight countries of the IGAD region. Over 80% of the population relies on this sector—which primarily consists of rain-fed

agriculture, agro-pastoralism and pastoralism—for their livelihoods. It is also a key source of food security and export earnings but remains highly vulnerable to climate change impacts. Despite this, the committed finance falls significantly short of the sector's estimated needs, which amount to 2.1 billion USD annually through 2023—a figure that is likely underestimated.

5) **Reported climate finance does not place gender equality at the centre of its projects.** A significant portion of climate finance in the IGAD region is not screened for gender objectives, which hinders transparency and accountability**.** Gender equality is often a secondary consideration, with only a small percentage of bilateral projects (5%) explicitly targeting gender as the principal objective. This is particularly concerning for a region grappling with high levels of gender inequality, gender-based violence, and rights violations. Since women are disproportionately affected by climate change in this region, it is crucial that climate finance is reoriented to place gender equality at the forefront of its efforts.

6) **While it is very difficult to track climate finance at the local level, the analysis suggests that very little is directly channelled to local actors and institutions.** Climate finance is mostly channelled through national governments (70%) and multilateral organizations (11%), while local-level delivery mechanisms, such as NGOs or local private sectors, account for a minimal share. A lack of information in reporting makes it hard to assess the decentralization of climate finance and how finance is distributed and used on the ground.

7) **The IGAD region is grappling with a worsening humanitarian crisis fuelled by intensifying climate-related disasters, but funding is failing to keep pace.** During the 2021 and 2023 hunger crisis, appeals for humanitarian assistance doubled—from 3.1 billion USD to 6 billion USD—yet funding consistently fell short, with less than half of the requested resources delivered in most years. The total funding required for UN humanitarian appeals linked to extreme weather is now eight times higher than it was 20 years ago, and some of the highest numbers of recurring appeals are from IGAD countries. This persistent gap in funding is leaving millions without adequate access to food, clean water, healthcare and protection.

8) **Non-economic loss and damage in climate finance remain under assessed, underreported and underfunded.** Women and pastoralist communities face disproportionate impacts, including gender-based violence, psychological distress, and disruptions to cultural and social structures, which are often overlooked in climate financing decisions. Current climate finance frameworks struggle to address these dimensions, due to limitations in data, valuation methods, and the absence of gender-responsive approaches. This risks leaving already marginalized and disadvantaged communities even further behind.

RECOMMENDATIONS

The provision of climate finance must meet the needs and priorities of recipient countries and their communities, especially fragile and conflict affected settings. The recommendations presented here are intended to guide climate finance providers (developed countries and multilateral institutions), national governments, and CSOs in ensuring that climate finance meets the needs of the IGAD region and is reaching those most vulnerable. Climate finance access for fragile and conflict affected states must be significantly improved, and climate finance to agriculture increased, with a focus on building resilience. All financing must address the differentiated needs and priorities of women, deliver gender-transformative action and ensure meaningful participation of women in decision-making, at the same time as it is effectively being delivered to, and managed by, local communities. As these nations are already experiencing large-scale losses and damages, including non-economic losses and damages, climate finance must also prioritize comprehensive support for loss and damage that goes beyond economic metrics.

Recommendation 1: Scale-up grant-based climate finance to the IGAD region in line with country-needs and prioritise climate finance in fragile and conflict-affected settings

- Climate finance is not an act of charity; it is a matter of justice. In line with the principles of equity and justice under the United Nations Framework Convention on Climate Change (UNFCCC), countries that are historically the largest polluters must be held accountable and pay for the damage they have caused.
- Climate finance providers must significantly scale up their climate finance contributions to meet the urgent needs of the IGAD region. Crucially, all adaptation finance must be delivered as grants, not loans, to avoid burdening vulnerable nations with debt.
- Climate finance providers should allocate an increased share of climate finance to fragile and conflict affected settings (FCAS), ensuring targeted support for adaptation efforts that reduce vulnerability and enhance resilience.
- Climate finance providers, governments and implementing agencies should integrate the climate conflict nexus into their strategies, policies and planning, where valuable lessons can be gained from the humanitarian and peace-building sectors.
- Climate finance providers should tailor finance mechanisms and simplify access to climate finance for FCAS and least developed countries (LDCs). This can be achieved by:
    - streamlining administrative processes and implementing special access requirements
    - increasing the risk tolerance of funds
    - creating more flexible operational protocols that are suited to complex environments
    - establishing dedicated funding mechanisms specifically designed to fragile and conflict affected settings.
- Significant financing for loss and damage is required, that is distinct to adaptation, mitigation and humanitarian finance. Climate finance providers and governments must ensure that the Fund for Responding to Loss and Damage is conflict-sensitive and prioritizes reaching local actors.

Recommendation 2: Ensure climate finance does not increase the debt burden of IGAD countries and enhance transparency in climate finance reporting to better track the financial obligations taken on by recipient countries

- Climate finance providers should prioritize grants, particularly for adaptation and for countries at risk of or already in debt distress to avoid worsening debt burdens in vulnerable IGAD countries. Adaptation finance should not be provided through loans, as adaptation investments rarely yield direct economic returns to justify debt financing, and providers should exercise caution in offering debt instruments, especially where debt sustainability is already a concern. UNFCCC decisions and governments should adopt policy measures limiting the use of debt instruments in climate finance, especially for highly indebted regions and countries.
- Climate finance providers must enhance transparency in reporting and report in a way that reflects the real effort made and the real value for developing countries. Climate finance providers should report full lists of funded climate finance projects with greater detail per project, report the grant equivalent values of their climate finance and disclose the terms, including interest rates and repayments, of loans and other instruments used to provide climate finance. This will clarify the real value of support and the financial obligations incurred by recipient countries.

Recommendation 3: Increase investment and climate finance for the agricultural sector

- Governments should increase their allocation to meet the 10% annual public expenditure commitment for agrifood systems as part of the Comprehensive Africa Agriculture Development Programme (CAADP) target of mobilizing $100 billion investment in African agrifood systems by 2035, to foster food security, rural development, and reduced dependence on food imports.
- Climate finance providers must ensure adequate, predictable, and long-term grant-based climate finance to the agricultural sector in IGAD countries.

Recommendation 4: Ensure access to gender-responsive climate finance, particularly in agriculture, and enhance data collection and monitoring systems

- Climate finance providers should ensure gender-responsive grant-based climate finance and provide gender-specific budgets within climate finance, ensuring that a meaningful portion is allocated to programs that empower women, particularly in agriculture. Targeted grant programs, earmarked funds, direct access, simplified procedures and capacity-building for women and women-led organisations can help to tackle gender disparities, particularly in agricultural financing.
- Climate finance providers should incorporate gender analyses and gender-disaggregated data collection and track gender outcomes in climate projects. Internationally recognized gender equality policy markers—such as the OECD DAC Gender Equality Marker—can be used to assess and report on the extent to which climate finance integrates gender considerations. This information should be used to support regular evaluations to assess whether gender-related objectives are being met

in practice. Providers can share best practices and lessons learned to improve gender-tagging and monitoring processes.

- CSOs and other development actors can promote women's access to funding by collaborating with climate finance providers and IGAD governments to incorporate gender-responsive strategies into proposals and programmes.

Recommendation 5: Redress women's structural barriers in agriculture to build coping capacity and resilience to climate shocks and ensure that climate adaptation initiatives are gender-responsive

- Governments should ensure and enforce secure land rights for women informed by local legal frameworks. Strengthening land tenure is essential for unlocking women's access to resources, agricultural inputs, climate-resilient technologies, and training programs.
- Climate finance providers should design and implement targeted adaptation initiatives that integrate women's unpaid care and agricultural work, differing needs and interests, accessibility to finance and other resources, and knowledge to create a more inclusive approach to climate finance and agricultural development across the IGAD region. Women should be included in all stages in the climate finance cycle, from design and planning to decision-making, implementation and monitoring.

Recommendation 6: Strengthen locally led and devolved climate finance including in FCAS

- To ensure lasting impact, humanitarian and climate finance must be accountable, inclusive, and responsive to local realities. Increasing direct funding to local organisations and community-based actors is essential, as they are best positioned to deliver context-specific, sustainable solutions. Strengthening transparency and accountability mechanisms will ensure resources reach the most affected populations and interventions adapt to evolving risks. Promoting locally-led planning and implementation will enhance ownership, effectiveness, and resilience at the grassroots level.
- Climate finance providers must engage local communities and local actors in decision-making and the design and implementation of climate finance projects. This ensures that initiatives are contextually appropriate, inclusive, and responsive to the diverse needs and perspectives of communities affected by both climate change and conflict. Inspiration can be drawn from the Financing Locally-led Climate Action (FLLoCA) programme in Kenya and the Local Climate Adaptive Living Facility in Uganda.
- Climate finance providers must report on the amount of climate finance spent locally and in line with the principles for Locally Led Adaptation.

- Climate finance providers should simplify access to climate finance for local governments, community organizations, and grassroots initiatives to manage and implement climate finance funds. Direct access procedures and tailored grant funds should be provided to enhance access. Localisation of funding and provision of direct support to local groups including CSOs is vital to reach vulnerable populations, particularly in fragile and conflict affected settings. Lessons from the humanitarian sector can support efforts to work with local actors.

Recommendation 7: Integrate climate resilience into humanitarian funding mechanisms to address recurrent and extreme climate crises in the IGAD region

- Humanitarian agencies and climate finance providers should collaborate to develop hybrid financing models that bridge short-term emergency response with long-term climate adaptation, ensuring these are conflict-sensitive and tailored for fragile contexts. Donors should commit to multi-year, flexible funding streams that allow for a seamless transition from crisis response to resilience-building, supporting integrated programmes such as climate-smart agriculture, anticipatory action, and local adaptation initiatives.

Recommendation 8: Integrate gender-responsive non-economic loss and damage (NEL) assessments into climate finance mechanisms

- Climate finance mechanisms must explicitly address the social, cultural, and psychological dimensions of climate impacts, particularly for women and marginalized groups. Providers should invest in gender-disaggregated data collection and research to assess non-economic losses, using both qualitative and quantitative methods. Policy frameworks must ensure meaningful participation of women and affected communities in funding decisions, and funding modalities should be designed to overcome structural barriers such as unequal access to land, resources, and financial services-that heighten vulnerability to climate shocks, especially for women and pastoralist communities.

1. INTRODUCTION

Africa, especially sub-Saharan Africa, has contributed little to greenhouse gas emissions yet bears the brunt of climate impacts. Eight out of ten of the countries most affected by climate change are located on the continent (Notre Dame Global Adaptation Initiative, 2025) and the climate crisis is an escalating threat to the lives and livelihoods of millions, particularly vulnerable populations already grappling with food insecurity, economic slowdown, social exclusion, conflict, debt and inequality. The impact on lives and livelihoods is devastating, with over 110 million people directly affected by weather-, climate- and water-related disasters in 2022 (World Meteorological Organisation, 2023). Furthermore, an estimated 20% of Africa's population is undernourished and more than one-third face severe food insecurity (FAO et al., 2023). Droughts and floods are worsening agriculture productivity and increasing Africa's dependence on food imports, worsening the current account balance, and displacing productive investments. Moreover, despite being renewable energy rich, Africa remains energy-access poor with 600 million Africans, about half the continent's population, lacking access to electricity, and some 900 million lack access to clean cooking fuels and technologies (IEA, 2022).

The Intergovernmental Authority on Development (IGAD) in Eastern Africa is a regional economic community with eight member states: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda. The IGAD region is already experiencing the impacts of climate change including droughts, floods, sea level rise, storms and desertification that affect livelihoods, poverty, water and food systems, ecosystems, health and infrastructure (IGAD, 2023a). These impacts are particularly severe across the 60–70% of the region classified as arid and semi-arid lands (ASALs) and for the pastoral and agro-pastoral systems that support the livelihoods of much of the population. Since 2020, the region has experienced several consecutive failed rainy seasons and increasingly intense cycles of drought and flooding have led to food insecurity for millions of people. Already marginalised populations, including women and girls, youth, indigenous peoples, stateless persons, displaced people, and people with disabilities are disproportionately impacted by these crises (ibid).

Political instability, conflict and insecurity are also a challenge. Conflict is experienced to varying degrees in Somalia, Sudan, South Sudan, Ethiopia, Uganda and Eritrea. Displacement due to both climate and conflict is a major issue, with over 14.8 million internally displaced peoples (IDPs) in the region. Several IGAD countries face high debt burdens and limited fiscal space which constrain their capacity to invest in climate adaptation and development. The resulting conditions of food insecurity, poverty and vulnerability severely undermine the resilience of communities to escalating climate challenges.

Given the scale of climate impacts expected and already experienced in the region, the countries of the IGAD region require international support to address adaptation and loss and damage as well as to transition to low-carbon development pathways consistent with the goal of limiting global warming to no more than 1.5°C. This finance must also contribute to gender transformative outcomes. All of the countries have now developed Nationally Determined Contributions (NDCs) which outline national climate pledges alongside budgets and frameworks for achieving mitigation targets and adaptation goals under the Paris Agreement. Based on NDCs for sub-Saharan Africa as a whole, financial needs are estimated as 143.3 billion USD annually by 2030 (Climate Policy Initiative, 2025). However, these estimates are likely to be underestimated due to limited data and technical expertise to fully assess the actual costs of mitigation and adaptation measures. With many countries expected to submit more ambitious NDCs in 2025, financial requirements are anticipated to rise even further.

From 2025 onward, support provided and mobilized by developed countries will be guided by the new collective quantified goal on climate finance (NCQG), agreed at COP29 in November 2024. The NCQG, which replaces the previous target of USD 100 billion per year, calls for a significant scaling up of climate finance, aiming for at least USD 300 billion annually by 2030 to support climate action in developing countries. The NCQG should reflect the evolving needs and priorities of developing countries, and the COP decision also acknowledges the need for public, grant-based resources, particularly for adaptation and loss and damage in those countries most vulnerable to the adverse effects of climate change (UNFCCC, 2024). While the NCQG reflects increased ambition, there is a growing gap between the needs of developing countries and support provided and mobilized, highlighted, for example, by the global stocktake conducted under the Paris Agreement. Access to international climate finance remains uneven and inadequate, despite high vulnerability and urgent need. As such, there is an urgent need to scale up of climate finance that meets the needs and priorities of the vulnerable recipient countries in line with the principle of historical responsibility and respective capabilities, as articulated under the United Nations Framework Convention on Climate Change (UNFCCC), and to enhance access to climate finance.

This report presents an overview of international climate finance flows to the eight member states of the IGAD Regional Economic Community—Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—over the period from 2013 to 2022. It examines the volume, objective and main providers, as well as the gaps in climate finance for adaptation and mitigation within the IGAD countries. Given that many IGAD countries are facing rising levels of debt, the report evaluates the implications of grants versus loans and their impact on national debt burdens and the risk of debt distress. The analysis particularly focuses on the availability of and gap in climate finance for the agricultural sector, recognizing its critical role in livelihoods in the region, and aims to shed light on the gaps in humanitarian financing for climate-related disasters in the region, which are becoming increasingly frequent and severe. The report integrates a gender analysis, exploring the extent to which climate finance is gender responsive. By adding to the understanding of the quantity of and trends in climate financial flows to the region, this report aims to inform ongoing discourse on transforming climate financing and contribute to reimagining a global financial architecture that is fit-for-purpose to achieve the goals of the Paris Agreement.

2. THE INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT

IGAD is a regional organization in East Africa with eight member countries: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda. Originally founded in 1986 as the Intergovernmental Authority on Drought and Development, IGAD was created to respond to the severe droughts, famine and environmental challenges facing the region (IGAD, 2020; IGAD, 2023a; IGAD, 2023d; UNECA, 2020). Over time, IGAD's mission has expanded, adapting to the evolving needs and priorities of the Horn of Africa. Currently, IGAD's work spans multiple areas, from conflict resolution and security to economic integration and social progress (IGAD, 2023d; Mulugeta, 2009). The organization plays a key role in mediating conflicts and addressing pressing issues such as terrorism and food insecurity. Through a range of initiatives, IGAD aims to build lasting peace, encourage economic prosperity, and reinforce the stability and resilience of the region (IGAD, 2023d; UNECA, 2020). IGAD furthermore offers a platform for its member countries to discuss common concerns, align policies, and implement projects that benefit the entire region.

However, IGAD also faces critical challenges. Balancing the diverse interests of its member states requires constant negotiation and compromise. Funding limitations and ensuring the effective implementation of its programs are persistent hurdles. Despite these obstacles, IGAD remains a crucial force in the region, leveraging its influence and technical expertise to address urgent issues and promote sustainable development (UNECA, 2020).

3. THE CLIMATE CRISIS IN THE IGAD REGION

The area making up the IGAD region is highly susceptible to the effects of climate change and is already experiencing climatic changes and climate extremes including droughts, floods, sea level rise, storms and desertification with impacts across livelihoods, poverty, water and food systems, ecosystems, health and infrastructure (IGAD, 2023a). The region is characterized by dry and semi-dry conditions, with 60-70% of the land classified as arid and semi-arid land (ASAL), and much of the area considered water scarce. Existing challenges include poverty and inequality, health, food insecurity, conflict and insecurity and displacement (IGAD, 2022). Most of the IGAD Member States are classified as Least Developed Countries (LDCs), which are particularly vulnerable to climate change but also face significant constraints in mobilizing the resources and capacity needed for adaptation and mitigation efforts.

Agriculture plays an important role in all eight countries of the IGAD region, primarily rain-fed agriculture, agro-pastoralism and pastoralism. As such, livelihoods depend to a large extent on natural resources and on timely and predictable rainfall, making them highly vulnerable to climate impacts, particularly droughts and floods. In recent years, extreme climate events have significantly disrupted agricultural activities. Parts of Kenya, Somalia and Ethiopia have experienced widespread and severe flooding while central Sudan, northern Ethiopia and Uganda suffered from below-normal precipitation (World Meteorological Organisation, 2024). Since 2020, the region has experienced several consecutive failed rainy seasons, and increasingly intense cycles of drought and flooding have led to food insecurity and wide-spread hunger crisis affecting millions (see Section 3.1) (UNDRR, 2024).

Already marginalised populations, including women and girls, youth, indigenous peoples, stateless persons, displaced people, and people with disabilities are disproportionately impacted by climate change in the region (IGAD, 2023a). Women often constitute a higher proportion of the unpaid, unrecognised or informal workforce, particularly in agriculture, though they have less access and control over resources such as land. As such, women and female-headed households are at greater risk from climate hazards, poverty and food insecurity (ibid).

Political instability, conflict and insecurity are also a challenge in the region. Conflict is experienced to varying degrees in Somalia, Sudan, South Sudan, Ethiopia, Uganda and Eritrea, and as of mid-2024, 25 million people were living in forced displacement in seven of the IGAD member states (FSIN, GNAFC and IGAD, 2024). Eritrea, Ethiopia, Somalia, Sudan and South Sudan are considered Fragile and Conflict-Affected States (FCAS) (World Bank, 2024a).[2] Though there is no widely agreed upon definition of FCAS, these areas are generally categorized as experiencing high levels of institutional and social fragility and/or are impacted by violent conflict. In these contexts, states often face challenges in fulfilling essential functions to meet the basic needs of their citizens. While settings differ across FCAS, insecurity and conflict can reduce the capacity of people and communities to adapt to climate change and build resilience. In turn, climate change can exacerbate underlying environmental, socioeconomic and political factors and lead to destabilizing effects on societies and communities, contributing to tensions, fragility and conflict (IGAD, 2022b). For example, reduced access to natural resources can exacerbate conflicts over access and use of these resources, and worsening livelihood conditions can contribute to increasing migration (van Baalen and Mobjörk, 2018).

[2] This report uses the World Bank's classification of Fragile and Conflict-Affected Situations.

Table 1. Socioeconomic overview of the IGAD region

Country	Economic classification[a]	Population 2022 (millions)[b]	GNI 2023 (billions USD)[c]	Net ODA received 2022 (% of GNI)[d]	Poverty rate at 6.85 USD a day (% population)[e]	Poverty rate at 2.15 USD a day (% population)[f]
Djibouti	LDC/Lower-middle income	1.1	3.8	1.6%	78%	19%
Eritrea	LDC/Low income	3.4	1.9	6.5%		
Ethiopia	LDC/Low income	125.4	126.1	3.9%	91%	27%
Kenya	Lower-middle income	54.3	117.7	2.4%	91%	36%
Somalia	LDC/Low income	49.4	35.7	19.1%		
South Sudan	LDC/Low income	17.8	10.1	15.9%	97%	67%
Sudan	LDC/Low income	11.0	11.7	3.1%	86%	15%
Uganda	LDC/Low income	47.3	43.9	4.7%	91%	42%

a. Source: World Bank (2024b) and (United Nations, 2024). For the 2025 fiscal year, low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of 1.145 USD or less in 2023, lower-middle income economies are those with a GNI per capita between 1.146 USD and 4.515 USD. LDC status is a designation by the United Nations for countries that face severe socioeconomic challenges, including low income and economic vulnerability.

b. Source: World Bank (2025a).

c. Source: World Bank (2025a). Estimates use the World Bank Atlas Method. Data displayed for 2022, except for Eritrea (2011) and Sudan (2015).

d. Source: World Bank (2025a). Data displayed for 2022, except for Eritrea (2011) and Sudan (2015).

e. Source: World Bank (2024c). Poverty headcount ratio at 6.85 USD a day is the percentage of the population living on less than 6.85 USD a day at 2017 international prices. Data shown for latest available year. Data unavailable for Eritrea and Somalia.

f. Source: World Bank (2024c). Poverty headcount ratio at 6.85 USD a day is the percentage of the population living on less than 6.85 USD a day at 2017 international prices. Data shown for latest available year. Data unavailable for Eritrea and Somalia.

3.1. THE HUNGER CRISIS IN THE HORN OF AFRICA

Between 2021 and 2023, several countries in the IGAD region, particularly in the Horn of Africa, experienced severe climate-induced droughts punctuated by intense rainfall events which lead to a devastating hunger crisis (UNOCHA, 2024a). Below-average rainfalls in the October-December 2022 seasons were the fifth consecutive failed season since 2020, resulting in one of the worst droughts in recent history. This was followed by El Niño-induced flooding in 2023, which caused additional damage to drought-affected areas including the erosion of lands and death of livestock. These events lead to catastrophic impacts on livelihoods, disease, malnutrition, hunger, death and displacement, exacerbating underlying challenges and vulnerabilities such as conflict and poverty (MPI, 2023; UNOCHA, 2024a).

As of 2024, approximately 62.9 million people across seven of the IGAD countries—Djibouti, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda—faced high levels of acute food insecurity (FSIN, GNAFC and IGAD, 2024). In several areas, particularly in Sudan, the combination of conflict and food insecurity led to rapid deterioration of the situation, with famine confirmed in Zamzam Internally Displaced Person (IDP) camp in North Darfur due to heightened hostilities and lack of humanitarian

access (ibid). Displacement in the IGAD region has reached unprecedented levels, with 25 million people forcibly displaced by mid-2024 (ibid). This has uprooted communities, separated families, disrupted health, security, education and livelihoods. Multiple disease outbreaks, including cholera, malaria, measles, and yellow fever, continue to pose a growing threat, particularly in the context of ongoing acute food insecurity and in areas with limited access to water, sanitation, and hygiene, overcrowding and poor living conditions.

3.2. IGAD COUNTRY FINANCIAL NEEDS FOR CLIMATE ACTION

Given the scale of climate impacts expected and already experienced in the region, the countries of the IGAD community require international support to adapt to current and expected climate impacts as well as to transition to low-carbon development pathways. Globally, adaptation costs and needs are rising and are 10–18 times greater than current international adaptation finance flows, leading to a widening adaptation finance gap (UNEP, 2023a). In Africa, it is estimated that climate finance in 2019–20 from public and private actors represented only 11% of the estimated 277 billion USD needed each year (Climate Policy Initiative, 2022a).

Climate finance needs are challenging to calculate. However, many low- and middle-income countries have now assessed and communicated costed needs for climate action as part of international reporting mechanisms, for example in Nationally Determined Contributions (NDCs) submitted under the Paris Agreement, which are to be updated in 2025.[3] These submissions often include quantitative estimates of financial needs across adaptation and mitigation or sectors, and some countries also differentiate between estimates for unconditional actions that will be funded domestically and conditional actions which depend on international support.

In their NDCs, each of the IGAD nations have laid out the amount of finance they require to fulfil the mitigation and adaptation actions planned for the next decade. Collectively, the eight countries have outlined total conditional climate finance needs dependent on international support of 417.9 billion USD by 2030, or 41.8 billion USD each year.[4] This figure alone represents approximately 42% of the total 100 billion USD annual climate finance target committed by developed countries by 2025. Ethiopia has the highest conditional costed needs at 252.8 billion USD, followed by Somalia (55.5 billion USD) and Kenya (53.5 billion USD).

The total conditional mitigation costs of 273.1 billion USD for the eight countries are far higher than stated adaptation costs which total 144.8 billion USD, largely driven by the conditional mitigation costs outlined by Ethiopia of 220.4 billion USD. Generally, adaptation needs are challenging to quantify as they require robust data, methodologies and technical capacity, and are further complicated by uncertainties around future emissions scenarios and climate impacts. As a result, adaptation needs are likely underestimated (Climate Policy Initiative, 2022a).

In addition to the figures provided in NDCs, adaptation actions and financial requirements are also outlined in National Adaptation Plans (NAPs) submitted to the UNFCCC. However, only Ethiopia, Kenya, Sudan and South Sudan have finalised their NAPs to date. Eritrea, Somalia and Uganda are at various stages of the process while Djibouti has yet to initiate its NAP formulation (UNFCCC, 2021a). As such, the adaptation cost estimates reported in the NDCs and presented in Table 2 may not reflect the full scope of needs across the countries.

[3] In accordance with Article 4, Paragraph 2 of the Paris Agreement, Parties are required to prepare, communicate and maintain successive Nationally Determined Contributions (NDCs) (UNFCCC, 2015), country-level climate action plans that outline commitments, strategies and actions for reducing emissions in line with global goals and adapting to the impacts of climate change.

[4] Note that Kenya submitted an updated NDC in 2025, which includes estimated costs for mitigation and adaptation from 1 January 2031 to 31 December 2035.

Table 2. Costed climate finance needs for countries in the IGAD region to be met by 2030

Recipient country	Mitigation (billion USD)		Adaptation (billion USD)		Total (billion USD)		Average amount of international climate finance required per year to 2030 (billion USD)
	Total	Conditional on international support	Total	Conditional on international support	Total	Conditional on international support	
Djibouti	5.4	5.4	1.0	1.0	6.4	6.4	0.6
Eritrea	4.7	3.5	7.0	4.5	11.7	8.1	0.8
Ethiopia	275.5	220.4	40.5	32.4	316.0	252.8	25.3
Kenya	17.7	14.0	43.9	39.5	61.7	53.5	5.4
Somalia	7.0	7.0	48.5	48.5	55.5	55.5	5.5
South Sudan	10.4	10.4	0.4	0.4	10.7	10.7	1.1
Sudan	4.4	3.7	3.9	3.3	8.2	7.0	0.7
Uganda	10.3	8.7	17.7	15.2	28.0	24.0	2.4
Total	**335.3**	**273.1**	**162.9**	**144.8**	**498.3**	**417.9**	**41.8**

Source: Country Nationally Determined Contributions (NDCs) (see Annex A). Eritrea, Ethiopia, Kenya, Sudan, and Uganda provide disaggregated estimates of climate finance needs, distinguishing between conditional actions that are dependent on international support and those to be financed domestically. Stated finance needs for Djibouti, Somalia and South Sudan are assumed to entirely depend on international support, as no separate breakdown is provided.

Table 3. Costed conditional climate finance needs for the agriculture and forestry sector in countries in the IGAD region to be met by 2030

Recipient country	Costed conditional climate finance needs for the agriculture and forestry sector (billion USD)			
	Mitigation	Adaptation	Total	Average amount of international climate finance required per year to 2030
Djibouti	Not specified	Not specified	Not specified	Not specified
Eritrea	Not specified	2.2	2.2	0.2
Ethiopia	Not specified	Not specified	Not specified	Not specified
Kenya	Not specified	Not specified	Not specified	Not specified
Somalia	4.5	10.3	14.8	1.5
South Sudan	5.4	0.03	5.4	0.5
Sudan	0.2	0.8	1.0	0.1
Uganda	Not specified	Not specified	Not specified	Not specified
Total	**24.0**	**52.9**	**76.9**	**7.5**

Source: Country NDCs (see Annex A). Where the country has provided a breakdown by conditional actions that are dependent on international support and unconditional actions to be financed domestically, only the conditional part of the cost is presented.

Eritrea, Somalia, South Sudan and Sudan also present costs disaggregated by sector in their NDCs, which is important to ensure that financing effectively targets needs. The agriculture sector is recognised as one of the most impacted and at risk from climate change in the region (IGAD, 2023a) and these sector-level costs highlight the scale of investment required (see Table 3). Of those countries that do not provide sector breakdowns in the NDCs, agriculture remains a key focus area. Ethiopia, for instance, estimates 32.4 billion USD in conditional adaptation needs by 2030, much of which is directed toward agriculture.

In addition to the adaptation and mitigation finance needs that have been quantified in NDCs and other plans, it is also essential to recognize the broader spectrum of climate impacts, including non-economic losses (see Section 7.2). These encompass losses that are difficult or impossible to quantify in financial terms, such as the loss of lives, cultural heritage, biodiversity, and displacement of communities. Such impacts are often not fully reflected in cost estimates but have profound implications for individuals, communities, societies and ecosystems across the IGAD region. The distinction between economic (quantifiable financial losses) and non-economic loss and damage is particularly relevant for IGAD countries, as they are highly vulnerable to climate change impacts from droughts and floods.

4. CLIMATE-RELATED DEVELOPMENT FINANCE COMMITTED TO THE IGAD REGION

4.1. FACE VALUE CLIMATE-RELATED DEVELOPMENT FINANCE

Between 2013–2022, 23.3 billion USD in climate-related development finance was reported for the eight countries that make up the IGAD economic community from bilateral and multilateral providers, including multilateral development banks (MDBs) and climate funds, equivalent to an average of 2.3 billion USD per year. There has been an increase in the finance committed over the period from 1.3 billion USD in 2013 to 4.4 billion USD in 2022, representing an average growth rate of around 18% per year. This compares to an annual growth rate of around 24% across Africa for the period 2011–2021 (UNDP, 2024a). In the last five years, commitments totalled 15.6 USD billion, or an average of 3.1 billion USD per year.

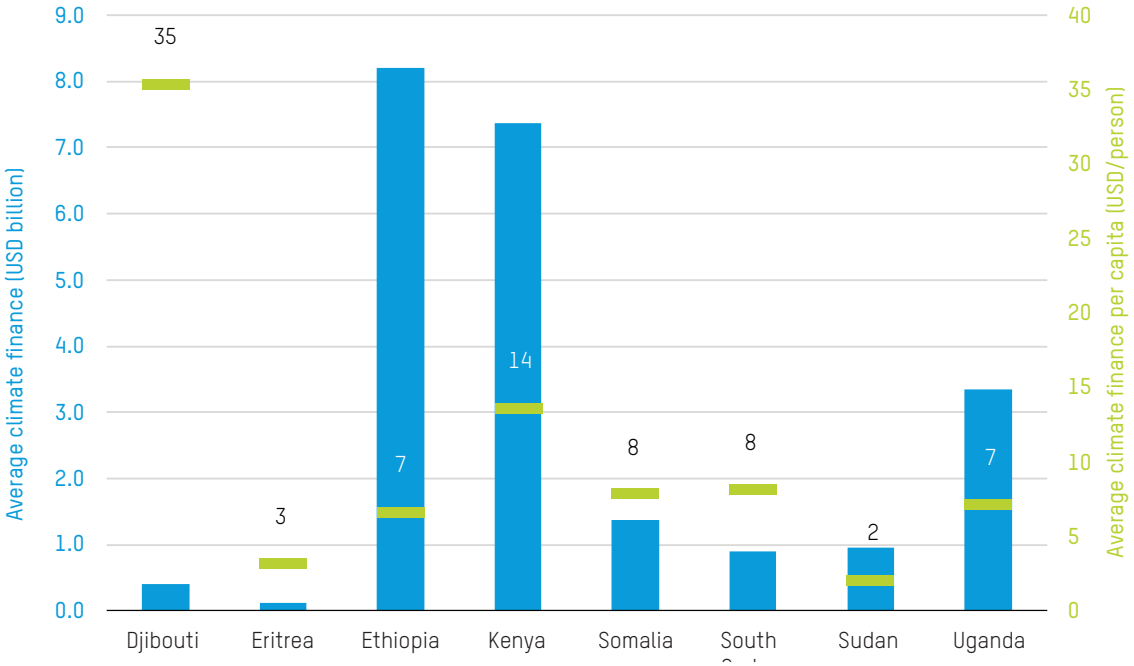
Commitments of climate-related development finance vary between the countries, as shown in Figure 1. In absolute terms, the countries with the highest amounts of reported climate-related development finance are Ethiopia (8.2 billion USD), Kenya (7.4 billion USD) and Uganda (3.4 billion USD). In comparison, reported commitments to Djibouti are 396 million USD and to Eritrea just 117 million USD.

On average, a person in the IGAD region receives 8 USD per year in climate finance.[5] However, the per capita climate finance committed varies significantly between the countries. Djibouti receives around 35 USD per person per year on average, and Kenya receives 14 USD per person, while Sudan and Eritrea receive just 2 USD and 3 USD per person, respectively.

In comparison, based on the needs stated in their NDCs, the average amount of climate finance required is 137 USD per person per year.[6] Current per capita finance levels in the region fall well below this and are also significantly lower than averages reported for developing countries more broadly. According to estimates by the OECD, between 2016 and 2022, developing countries received 25 USD per person per year, while LDCs received 16 USD per year (OECD, 2024a). The yearly median for fragile states between 2016 and 2020 was 11 USD (OECD, 2022a).

[5] All per capita figures are based on population figures provided by the World Bank for 2022 (World Bank, 2025a).
[6] This figure is calculated by dividing the annual average aggregated climate finance need stated for all IGAD countries in their NDCs with the total population of the region.

Figure 1. Reported annual average climate-related development finance and per capita annual average climate-related development finance for the IGAD region (2013–2022)



Source: INKA calculations based on OECD (n.d.b.) and World Bank (2025b). See Annex A for methodology.

4.2. THE REAL VALUE OF CLIMATE-RELATED DEVELOPMENT FINANCE

There is no mutually agreed upon definition of climate finance under the UNFCCC and Paris Agreement. With this ambiguity, current rules mean that climate finance providers can report climate finance in the form of grants as well as loans and other instruments. Concessional instruments are those delivered on more generous terms than on the market while non-concessional instruments are typically delivered at market rates.[7]

Oxfam's Climate Finance Shadow Reports have highlighted the excessive use of loans for delivering climate finance and the implications of reporting these loans at their face value for tracking progress against the 100 billion USD a year goal. Oxfam estimates that the grant equivalent or net financial value of reported climate finance (see Box 1) to developing countries was between 20–25 billion USD in 2021 while developed countries reported to have provided 89.6 billion USD. In 2022, Oxfam estimates that the actual value of support was 28–35 billion USD while developed countries reported an overall volume of 115.9 billion USD (Kowalzig et al., 2024; OECD, 2024a).

The estimated grant equivalent value of the climate-related finance committed to the IGAD region—what we consider the real value of support—is 17.4 billion USD, of which 10.0 billion USD was specifically dedicated to adaptation. Thus, climate-related development finance committed to the region is reduced by 25% when accounting for debt service repayments, interest, and other fees associated with taking on debt (see Box 1).

[7] The IBRD, the lending arm of the World Bank Group, and the African Development Bank both hold AAA credit ratings, considered the lowest risk when borrowing money from the international capital market. Currently, the US Federal Reserve has a short-term interest rate at 4.5%.

Table 4 shows the reported climate-related development finance commitments for each IGAD country alongside estimates of the real value of support. The grant equivalent figures are dependent on the financial instruments used and the concessionality of these instruments, as discussed in Section 5.1. As a result of the high shares of loans and non-concessional finance committed to Kenya, the grant equivalent value of the climate-related development finance committed to the country is 4.2 billion USD or just 55% of the reported face value amount. Likewise for finance committed to East Africa through regional projects the grant equivalent value is 0.3 billion USD or 52% of the face value finance committed. The highest grant equivalent shares are observed for Somalia (100%), Sudan (99%) and Eritrea (98%), which receive a very high share of grants.

Box 1: Grant equivalent estimates of climate finance

Even though they require repayment, climate finance providers often report non-grant instruments such as loans at their face value, so that a 10 million USD loan is reported as the same amount as a 10 million USD grant, for example. However, this fails to reflect the actual financial effort of the provider and the financial benefit to the recipient. A grant represents a greater effort and benefit than a concessional loans, and a concessional loan represents a greater effort and benefit than a non-concessional loan extended at market rates.

The grant equivalent measure of reporting, which since 2018 has been standard in reporting of bilateral ODA, seeks to give a clearer picture of the flow of climate finance by taking into account future debt service payments, interest, administration and other obligations. It's a monetary value that estimates the actual net value received by the recipient when a loan is provided. This depends on several factors, including the interest rate, discount rate, grace period, maturity, and the loan's face value. Grant equivalent values therefore show which donors rely more heavily on loans and provide an idea of the favourability, or concessionality, of those loans to recipient countries. In this analysis, grants are counted at 100% of their value and non-concessional loans at 0%.

Grant equivalent estimates are an important component of calculating climate-specific net assistance (CSNA). CSNA is a way of calculating climate finance developed by Oxfam and designed to be fairer than the approaches providers currently use (Kowalzig et al., 2024; Zagema et al., 2023). Any finance outside of CSNA does not constitute assistance (in terms of a net transfer of resources) to developing countries.

Table 4. Reported and estimated grant equivalent climate-related development finance in the IGAD region (2013–2022)

Recipient	Reported climate-related development finance (billion USD)	Grant equivalent climate-related development finance (billion USD)	Grant equivalent share of reported climate-related development finance
Djibouti	0.4	0.3	82%
Eritrea	0.1	0.1	98%
Ethiopia	8.2	6.7	82%
Kenya	7.4	4.2	58%
Somalia	1.4	1.4	100%
South Sudan	0.9	0.9	97%
Sudan	1.0	0.9	99%
Uganda	3.4	2.5	73%
Eastern Africa	0.6	0.3	52%
Total	**23.3**	**17.4**	**75%**

Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

4.3. CLIMATE FINANCE VERSUS NEEDS IN THE IGAD REGION

Based on the climate finance needs outlined by the countries in their NDCs, it is possible to estimate the gap in public international climate finance committed to the region. According to the countries' NDCs, the average annual conditional finance required for the period 2021–2030 is approximately 41.8 billion USD (see Section 3.2), a figure which is likely to increase after NDC revisions in 2025.

In comparison, over the period 2013–2022 the annual average reported climate-related development finance committed to the region was 2.3 billion USD per year and the estimated grant equivalent of this figure—what we consider the real value of support—was 1.7 billion USD per year. As such, the reported climate finance represents only 6% of the average annual financial needs for climate finance outlined in the NDCs. When considering Oxfam's grant-equivalent estimate, the true value of climate finance falls to just 4% of costed climate finance needs, representing a gap of 96% or 40.1 billion USD per year (Figure 2).

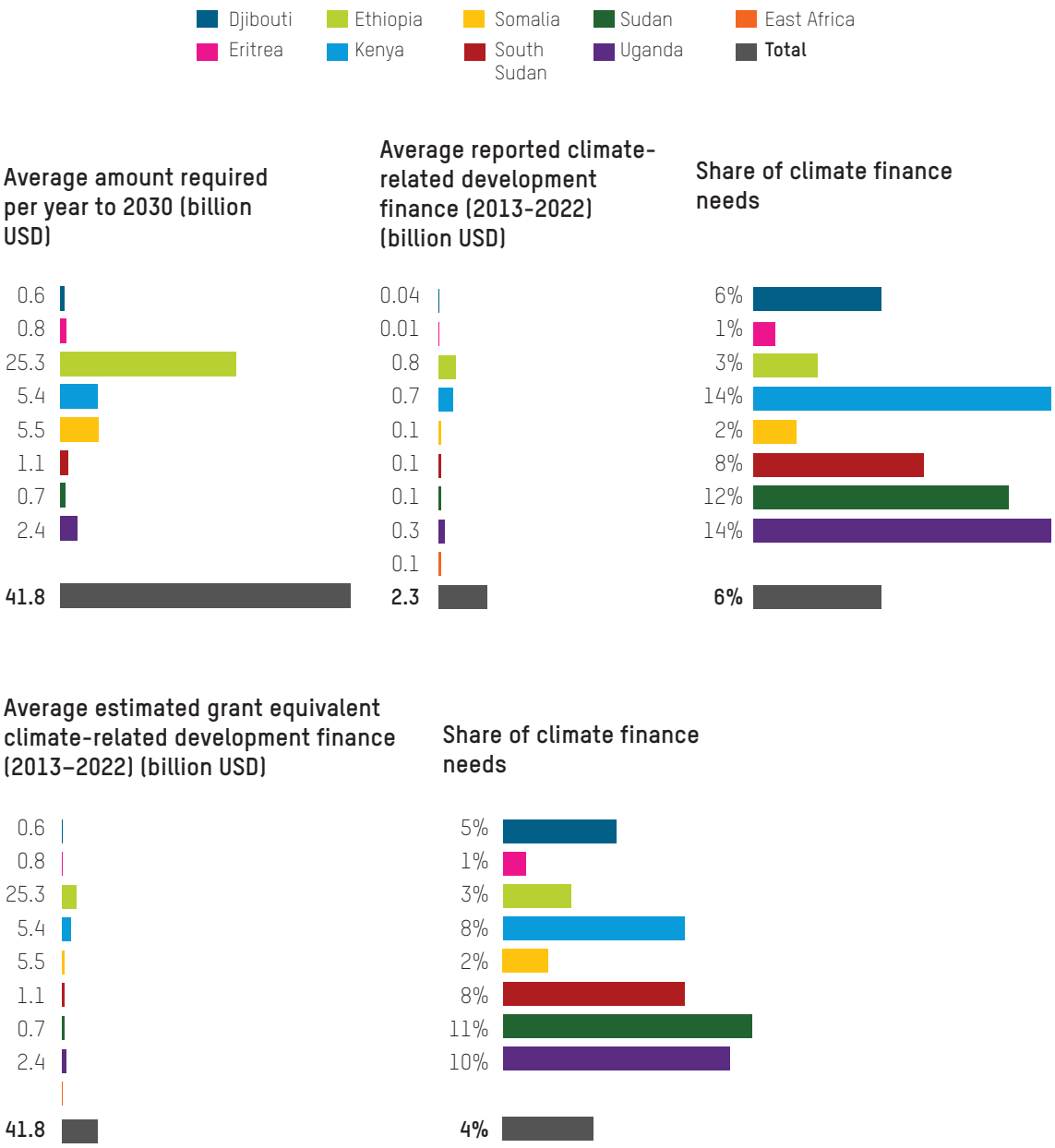
Although climate-related finance commitments have increased over the period, the gap in public international climate finance committed to the region has remained high in recent years. Over the last five years, the region received an average of 3.1 billion USD per year in reported climate-related development finance—equivalent to 7% of estimated conditional needs. On a grant-equivalent basis, this figure was 2.3 billion USD, representing only 6% of required financing.

At a country-level, the climate-related development finance committed to Eritrea, Somali and Ethiopia over the 10-year period covers less than 3% of their respective climate finance needs. The grant-equivalent finance committed to Sudan, Uganda and Kenya meets a relatively higher share of their finance needs, though it can still be considered far below what is needed to implement their NDCs.

Aggregating and comparing costed finance needs comes with limitations, as countries apply different methodologies and have different capacities to estimate costs. Moreover, since more than half of the actions outlined in NDCs globally lack cost estimates, it is likely that the actual financial requirements are substantially greater than currently projected. As such, it is important to note that the gap estimated here is likely conservative.

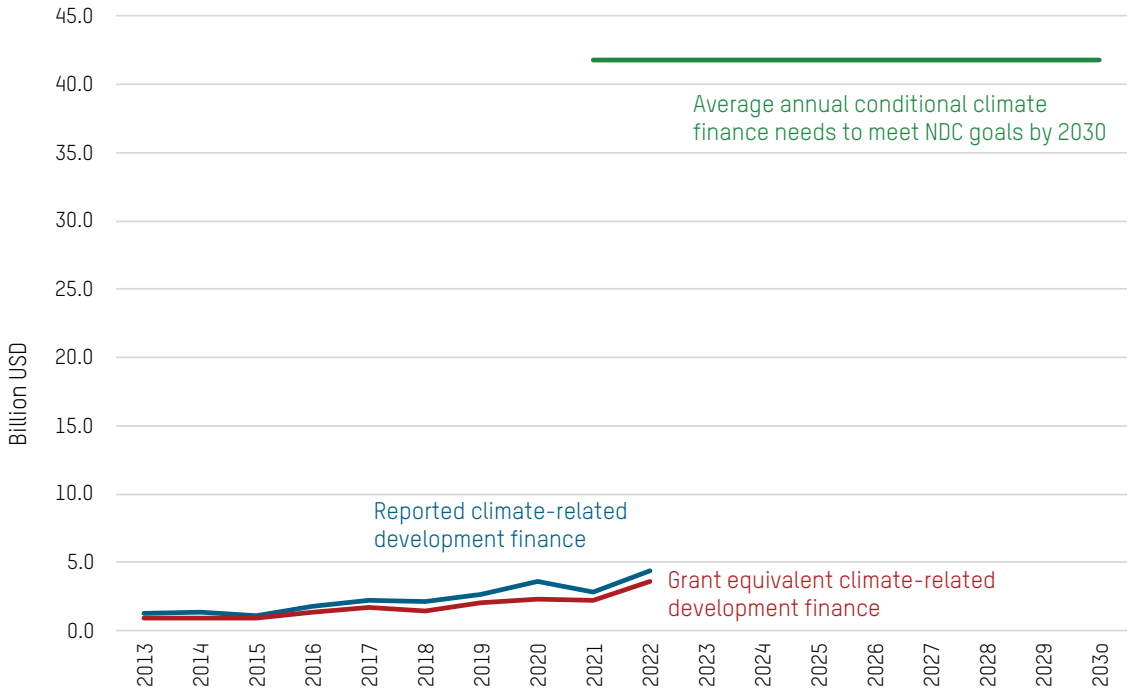
It is important to note that conditional climate finance needs reported in NDCs are not expected to be met exclusively through international public sources. In their NDCs, countries also refer to private sector finance (both international and domestic) as sources potentially contributing to fulfilling their estimated conditional needs. However, given the high vulnerability of the countries within the IGAD region, the magnitude of investments needed and the availability of and constraints on domestic public finance in the region, public international finance is likely to be a key source of funding for the mitigation and adaptation action required. With this, it is clear that current climate-related development finance flows are several orders of magnitude below what is needed.

Figure 2. Reported and estimated grant equivalent climate-related development finance (2013–2022) and costed conditional climate finance needs for the IGAD region



Source: INKA calculations based on OECD (n.d.b.). Costed climate finance needs from each country's NDC. See Annex A for methodology.

Figure 3. Reported and estimated grant equivalent climate-related development finance and total costed conditional climate finance needs for the IGAD region



Source: INKA calculations based on OECD (n.d.b.). Costed climate finance needs from each country's NDC. See Annex A for methodology.

4.4. KEY CONCERNS AND CHALLENGES CONCERNING CLIMATE FINANCE IN FRAGILE AND CONFLICT-AFFECTED STATES IN THE IGAD REGION

Despite their vulnerability to climate change, climate finance flows to FCAS are marked by significant imbalances and limitations. These countries often receive less climate finance compared to more stable countries (Oxfam International, 2023). In 2021–22, the OECD reports that Development Assistance Committee (DAC) members allocated approximately 40% of their climate-related development finance to fragile contexts but only 5% to extremely fragile contexts. Likewise, multilaterals allocated 35% to fragile contexts and yet only 4% to extremely fragile contexts (OECD, 2023b). Additionally, fragility and conflict are often localized within FCAS, meaning that areas experiencing conflict or extreme instability are even less likely to receive adequate climate finance and support compared to more stable regions within the same country. In the IGAD region, Eritrea (117 million USD), South Sudan (891 million USD), Sudan (960 million USD) and Somalia (1,379 million USD) collectively account for just 14% of the total climate finance flowing to the region, while Eritrea and Sudan also receive extremely low levels of per capita climate finance, at just 3 USD per person and 2 USD per person per year, respectively. This compares to 14 USD per person flowing to Kenya.

The rigidity and limited accessibility of international climate finance mechanisms, combined with the challenging institutional and political conditions in FCAS, make the effective mobilization,

delivery, and utilization of climate finance particularly complex. These difficulties are further compounded by a reluctance among donors and international institutions to adapt financial architectures and lending practices to the specific needs of FCAS contexts.

Institutional, governance and capacity challenges in FCAS

- FCAS within the IGAD region often lack the institutional structures and capacity necessary to access, manage, and implement climate finance. Weak governance, bureaucratic inefficiencies, and a shortage of skilled personnel make it difficult for these countries to develop bankable climate projects or manage funds in an accountable manner (Ranja, 2022).

- Fragile states in the IGAD often lack financial intermediaries and banking systems that are equipped to support large-scale climate finance initiatives. This limits their ability to receive and channel funds effectively. Donors may perceive risks related to debt sustainability (see Section 5.3) and public financial management systems.

- Methodological tools, approaches and guidelines for risk assessment are not standardised and yet to be fully developed (IGAD, 2021). Lack of capacity and socioeconomic and climate data limits the ability to design climate programmes, attract climate financing and effectively allocate finance to the most vulnerable areas.

- Challenges to and gaps in disaster risk management (DRM) include insufficient oversight by policy and decision-makers, inadequate financial and human resources, disjointed and uncoordinated approaches to proliferating DRM programmes, weak institutional setup, lack of coherent and systematic DRM approaches to foster resilience actions and a lack of gender, age and disability disaggregated data (IGAD, 2021).

- Effective climate adaptation depends on early warning systems for climate disasters which are often lacking or underdeveloped in FCAS (UNDRR/WMO, 2024; Aberg, 2023). This lack of funding hinders the ability to allocate climate finance effectively (Quevedo et al., 2023; Gulati, 2023) for risk reduction and preparedness.

Limitations of international climate finance and accessibility of funds

- Accessing international climate finance mechanisms like the Green Climate Fund (GCF) or the Global Environment Facility (GEF) often requires complex proposal processes and guidelines, stringent eligibility criteria and accreditation processes, and strong fiduciary systems, which many FCAS struggle to meet. A lack of dedicated strategies and policies that address the climate, conflict and security nexus among climate finance donors means that complex and rigid requirements and processes persist (Quevedo et al., 2022).

- Many IGAD countries lack national entities accredited to directly access major climate funds, forcing them to rely on international intermediaries, which can increase administrative costs and reduce local ownership and alignment with national priorities.

- Donors and investors are concerned about the perceived high risk in FCAS, due to perceived high costs, safety and security of staff, misappropriation of funds and impacts on any ongoing conflicts. Strict conditionalities on recipient FCAS imposed by bilateral and multilateral donors and lenders can be difficult for FCAS to meet (Alcayna and Cao, 2022).

Challenges of conflict-settings

- Ongoing conflicts and violence in fragile states increase the security risks associated with climate finance projects, affecting infrastructure and personnel safety. This makes implementing on-the-ground climate adaptation or mitigation projects challenging and costly. Conflict-related damage to infrastructure, such as roads and power systems, disrupts the flow of resources and increases project costs. (Cao et al., 2021; UNDP, 2020a).

- Climate finance is risk-averse with donors and implementing agencies reluctant to implement projects in areas with programmatic, financial, environmental and safeguarding risks (Chambers and Kyed, 2024).

- Climate change exacerbates displacement, and IGAD fragile and conflict-affected states are already impacted by forced migration, straining local resources and requiring immense climate financing. This situation makes it challenging to develop stable and long-term projects that adapt to changes in population distribution.

Temporality of climate and humanitarian finance

- Humanitarian funding is typically short-term, prioritizing rapid crises responses, while climate finance typically takes a long-term approach, with large, multi-year projects. Balancing these competing priorities in FCAS is challenging, and inadequate long-term planning hinders climate resilience efforts (IGAD, 2023b; UNDP, 2024b). It has been highlighted that climate finance projects can take several years to approve, in stark contrast to the urgency of local issues (Quevedo et al., 2022).

Meeting local needs

- The top-down and state-centric nature of climate finance, where decisions are made by climate funds and national governments, can limit the meaningful participation of local communities in decision-making and implementation (Oxfam, 2023a). Climate finance mechanisms often lack inclusive consultation processes, leading to programs not fully aligning with local communities' needs, especially women, youth, and marginalized groups who are often most impacted by climate change in the IGAD region (Mbabazi and Pinnington, 2024; Munthali, 2025).

- Access to climate finance can be difficult for local actors, such as civil society organisations which may lack the capacity to engage in the requirements and processes of international climate finance. In FCAS, the state may lack capacity to engage with local organisations, and some groups may be excluded from processes (Quevado and Cao, 2022).

- Many FCAS depend heavily on external funding for climate resilience efforts (Cao et al., 2021; UNDP, 2021), which can create dependency and limit local ownership and self-sufficiency in climate adaptation.

- Climate impacts and related finance needs are often gender-differentiated, with women facing differing vulnerabilities. However, gender-sensitive approaches are not always adequately prioritized in climate finance budgeting and programs, leading to gendered outcomes that may not fully address the specific needs of women and girls.

4.5. PROVIDERS OF CLIMATE-RELATED DEVELOPMENT FINANCE

In addition to bilateral climate finance provided by governments of rich countries, multilateral development banks and dedicated climate funds, such as the Green Climate Fund (GCF) and the Global Environment Facility (GEF), also finance climate action. Over the past decade, multilateral development banks (MDBs) have been the largest source of climate-related development finance to the IGAD region, contributing approximately 60% of the total 23.3 billion USD. This was driven largely by the World Bank, which alone accounted for half of all reported finance. By contrast, bilateral donors contributed 36%, with slower growth and significant year-on-year volatility, while dedicated climate funds and other multilateral institutions made up just 5% of total commitments.

Bilateral providers reported climate-related development finance commitments of 8.4 billion USD or 36% of the commitments in the 10-year period. Although bilateral finance increased in absolute terms from 0.8 billion USD in 2013 to 1.0 billion USD in 2022, this is a much smaller increase than observed for the MDBs. There have also been significant fluctuations in bilateral commitments. From 1.0 billion USD in 2020, for example, the commitments from bilateral contributors fell by 42% to just 0.6 billion USD in 2021, before rising again by 68% to 1.0 billion USD in 2022. Notably, the share of the bilateral contribution has been particularly low in the last three years, with bilateral commitments accounting for less than 30% of total finance since 2020. The largest single bilateral providers are the EU institutions excluding the EIB (1.2 billion USD), France (1.1 billion USD), Germany (1.1 billion USD) and Japan (1.0 billion USD). Each of these contributors accounts for 4–5% of the total finance in the period.

Multilateral development banks are the largest providers of climate-related development finance to the region, with commitments totalling 13.9 billion USD or around 60% of the total reported finance. MDB contributions have grown significantly, from 0.5 billion USD in 2013 (accounting for 35% of total commitments that year) to 3.3 billion USD in 2022 (accounting for 76% of total commitments that year).

The World Bank (WB) is both the largest MDB contributor and the single largest overall provider of climate finance to the IGAD region, with commitments totalling 11.5 billion USD over the period. This represents 50% of the all reported climate-related development finance, higher than all of the bilateral providers combined. The commitments of the WB have increased steadily over the period from 0.2 billion USD in 2013 (accounting for 16% of total commitments that year) to 3.2 billion USD in 2022 (accounting for 73% of total commitments that year), as shown in Figure 3. Nearly all WB finance came through the International Development Association (IDA), which provides grants and concessional loans to low-income countries (see Box 2).

Box 2: The World Bank's International Development Association

The International Development Association (IDA) is the part of the World Bank that receives donor money to enable it to disburse concessional loans and sometimes grants to low-income countries. Eligibility for IDA support depends on a country's relative poverty and its creditworthiness for borrowing on market terms from the International Bank for Reconstruction and Development (IBRD), which lends to middle-income countries. Likewise, the financing terms for each member country are based on an annual assessment of the country's GNI per capita, creditworthiness for IBRD borrowing, risk of debt distress, and population size. The IDA has a policy to provide only grants to countries at high risk of debt distress and to other countries on a scale of concessional terms according to their risk.

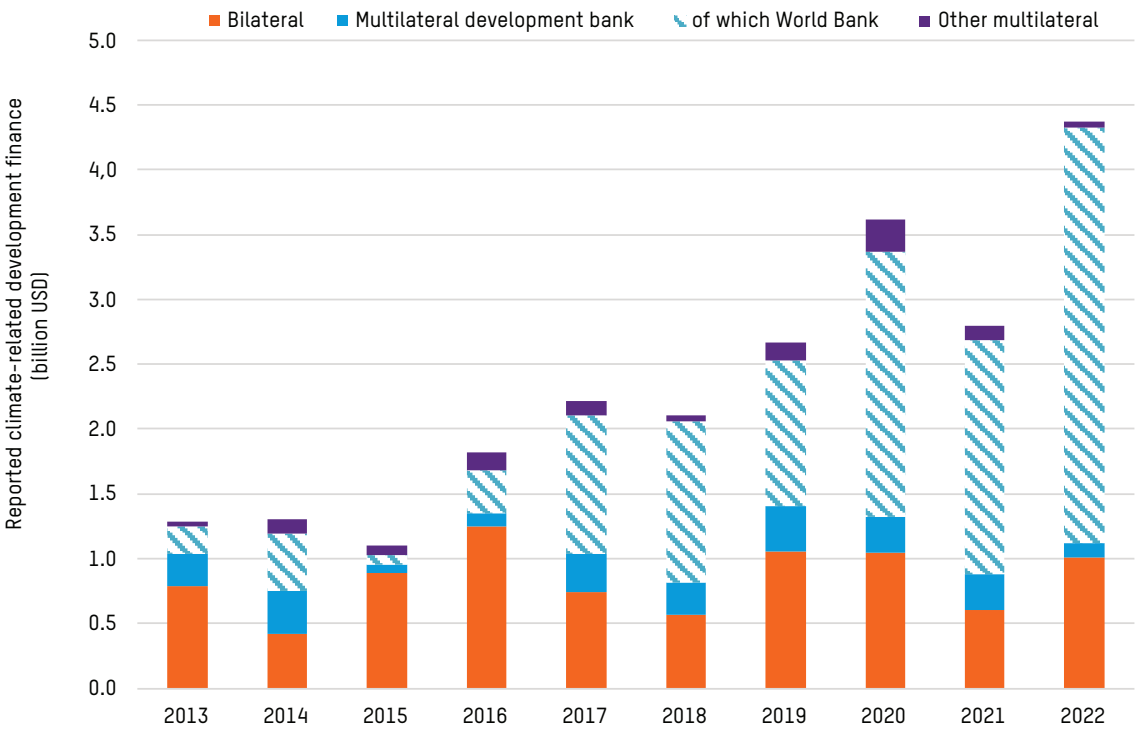
Other multilateral organisations, including the dedicated climate funds such as the Green Climate Fund (GCF), committed relatively low amounts compared to the MDBs and bilateral providers. These institutions collectively reported 1.1 billion USD between 2013 and 2022, or just 5% of the total. While a peak of 251 million USD was observed in 2020, in 2022 commitments from the other multilateral organisations amounted to just 46 million USD, or 1% of the total that year. This represents only a minor increase from the 39 million USD reported in 2013.

Within this group, the largest providers were IFAD (332 million USD), the Green Climate Fund (GCF) (330 million USD) and the Global Environment Facility (GEF) (282 million USD), each accounting for of for approximately 1% of reported climate-related development finance in the period. While the contributions of these institutions as a whole is small, GEF is the second largest provider for Eritrea, with commitments totalling 31 million USD, and IFAD is the third largest contributor to Sudan, with commitments totalling 48 million USD (see Table 5).

Box 3: Building Climate Resilience for Food and Livelihoods in the Horn of Africa

In July 2024, the Green Climate Fund (GCF) approved the 'Building Climate Resilience for Food and Livelihoods in the Horn of Africa (BREFOL)' project. The project aims to enhance the adaptive capacity of communities in the region by enhancing the management of rangeland and agro-pastoral landscapes and the productivity of local agriculture and food systems. The GCF is providing a total of $150 million in funding, consisting of a $90 million grant (60%) and a $60 million loan (40%). The programme will be implemented by the Ministries of Agriculture in the host countries—Djibouti, Ethiopia, Kenya, Somalia, and South Sudan—while regional coordination will be managed through IGAD.

Figure 4. Reported climate-related development finance by provider type in the IGAD region



Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

Table 5. Largest providers of climate-related development finance in the IGAD region (2013–2022)

	Largest providers	Reported climate-related development finance (million USD)
Djibouti	WB	157
	EU Institutions (excl. EIB)	117
	AfDB	37
	All others	86
	Total	**396**
Eritrea	AfDB	38
	GEF	31
	EU Institutions (excl. EIB)	25
	All others	23
	Total	**117**
Ethiopia	WB	4,911
	AfDB	374
	United States	362
	All others	2,555
	Total	**8,202**
Kenya	WB	3,176
	Japan	787
	France	721
	All others	2,675
	Total	**7,359**
Somalia	WB	729
	EU Institutions (excl. EIB)	196
	United Kingdom	97
	All others	357
	Total	**1,379**
South Sudan	WB	274
	United Kingdom	198
	AfDB	95
	All others	324
	Total	**891**
Sudan	WB	410
	AfDB	166
	IFAD	48
	All others	337
	Total	**960**
Uganda	WB	1,606
	AfDB	304
	Germany	276
	All others	1,170
	Total	**3,356**

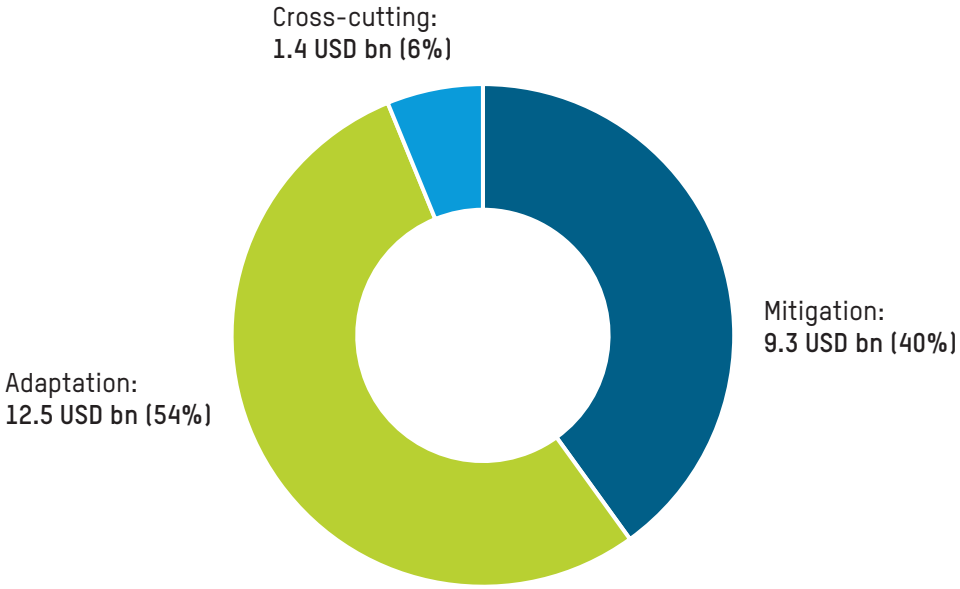
Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

4.6 ADAPTATION-MITIGATION BALANCE

Parties to the Paris Agreement agreed to achieve a balance between mitigation and adaptation finance (UN, 2015). However, adaptation funding significantly lags mitigation funding, with Oxfam estimating that in 2019-20, only 33% of reported international public climate finance was for adaptation while 59% was for mitigation (Zagema et al., 2023). With relatively slow growth in flows of adaptation finance and increasing climate risks and impacts, the global adaptation gap continues to widen (UNEP, 2023a). In response, developed countries have committed to scaling up support for adaptation in developing countries, particularly for LDCs. At COP26, the Glasgow Climate Pact urged developed countries to at least double their collective provision of climate finance for adaptation by 2025 compared to 2019 levels (UNFCCC, 2021b).

Between 2013 and 2022, the IGAD region received 12.5 billion USD (54%) in climate-related development finance for adaptation, 9.3 billion USD (40%) for mitigation, and 1.4 billion USD (6%) for cross-cutting activities. This demonstrates a comparatively high focus on adaptation, especially when contrasted with global trends, where climate finance has typically been heavily skewed toward mitigation.

Figure 5. Estimated thematic allocation of reported climate-related development finance (2013–2022) in the IGAD region



Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

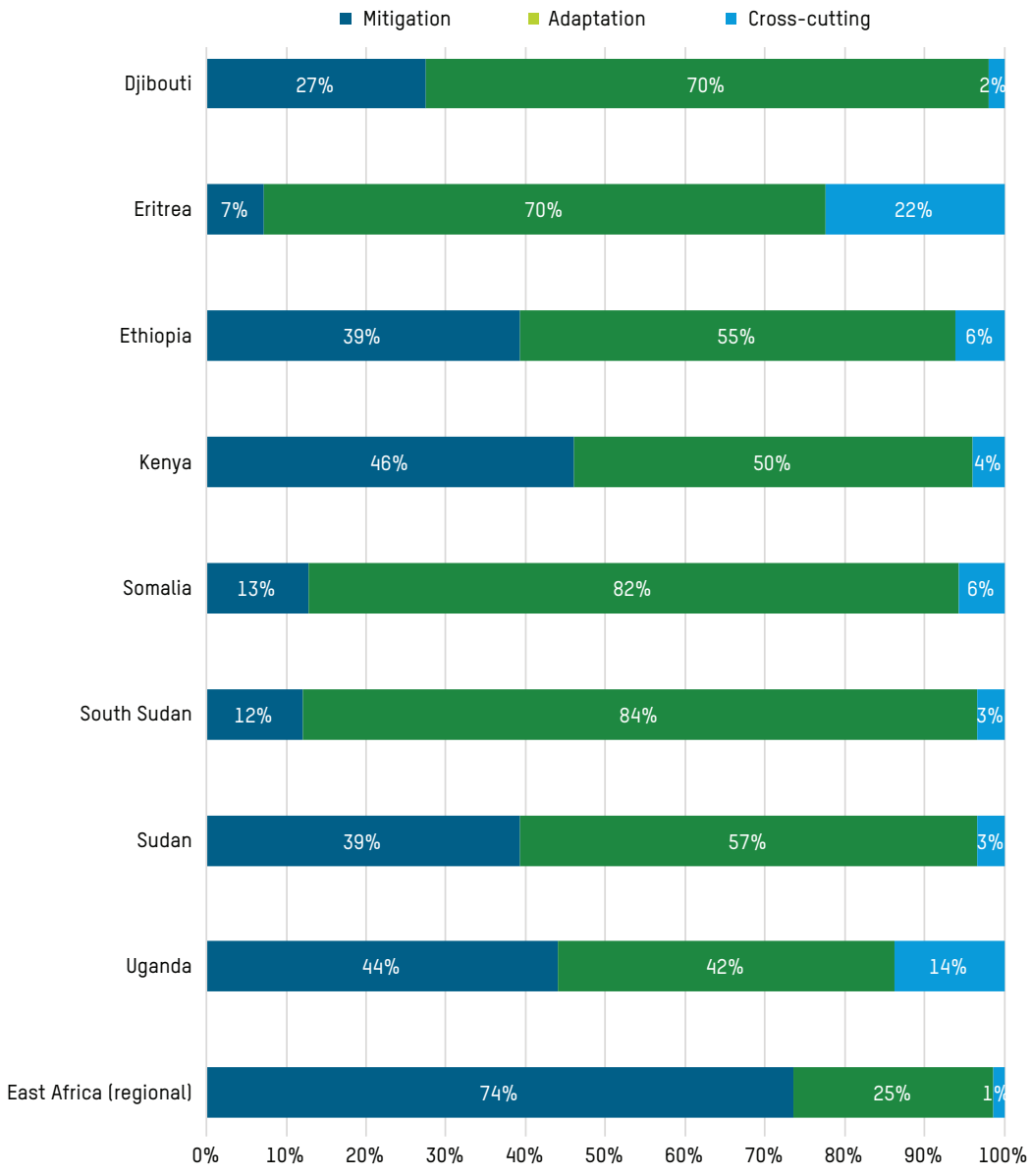
A high share of adaptation-related development finance is observed for South Sudan (753 million USD or 84%), Somalia (1.1 billion USD or 82%), Djibouti (279 million USD or 70%) and Eritrea (82 million USD or 70%). The remaining countries have adaptation shares below 60%. The lowest share is observed for Uganda, where adaptation finance was 1.4 billion USD or 42% across the 10-year period.

Among the largest bilateral providers to the IGAD region, Germany, the United Kingdom, the Netherlands, Ireland and Canada allocate 70% or more of their finance to adaptation. On the other hand, France and Denmark allocate less than 40% to adaptation, below what is required to achieve what could be considered a balanced allocation between mitigation and adaptation.

Climate finance from MDBs to the IGAD region shows a relatively balanced distribution between mitigation and adaptation objectives with approximately 54%, or 7.5 billion USD, of climate-related development finance committed by MDBs allocated to adaptation. This is significantly higher than global averages, where MDBs have historically tended to direct a lower share of finance toward adaptation due to their loan-based financing model, which tends to favour large-scale, bankable mitigation projects over often less commercially viable adaptation initiatives. Oxfam, for example, estimates that only 29% of MDB climate finance in 2019–2020 supported adaptation efforts (Zagema et al., 2023).

The share of adaptation-related finance is particularly high for the other multilateral providers. The largest of these, IFAD, provides the majority of its climate-related finance to adaptation (0.31 billion USD or 94%) while the GCF and GEF provide 57% and 63%, respectively.

Figure 6. Estimated thematic allocation of reported climate-related development by recipient (2013–2022) in the IGAD region



Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

Table 6. Estimated thematic allocation of reported climate-related development by contributor in the IGAD region (2013–2022)

Contributor	Mitigation	Adaptation	Cross-cutting
Bilateral	**33%**	**51%**	**16%**
EU Institutions (excl. EIB)	25%	59%	15%
Germany	29%	62%	9%
United Kingdom	8%	70%	21%
Japan	58%	41%	1%
United States	12%	54%	35%
Netherlands	1%	75%	24%
France	75%	23%	2%
Norway	43%	48%	9%
Ireland	5%	89%	6%
Sweden	14%	50%	36%
Canada	3%	63%	35%
Denmark	38%	23%	39%
Italy	27%	42%	31%
All others	26%	50%	24%
Multilateral development bank	**45%**	**54%**	**0%**
WB	45%	55%	0%
AfDB	35%	65%	0%
EIB	98%	2%	0%
Other multilateral	**26%**	**68%**	**6%**
IFAD	6%	94%	0%
GCF	26%	57%	16%
GEF	33%	63%	3%
Adaptation Fund	0%	100%	0%
NDF	0%	100%	0%
FAO	39%	27%	34%
CIF	99%	1%	0%
GGGI	86%	5%	10%
Grand Total	**40%**	**54%**	**6%**

Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

5. DEBT, FINANCIAL INSTRUMENTS AND LOANS FOR CLIMATE ACTION IN THE IGAD REGION

While it is clear that greater funds for climate action are needed in the IGAD region, it is equally important to understand how that funding is channelled. To date, only a small share of global public climate finance has been provided as grants while loans have consistently accounted for most of the finance provided. Oxfam estimates that in 2019–20, 26% of public climate finance was provided as grants, 31% was provided as concessional loans and other non-grant instruments, and 42% was provided through non-concessional loans and other instruments (Zagema et al., 2023). At the same time, many developing countries face increasing debt levels and risk debt crises.

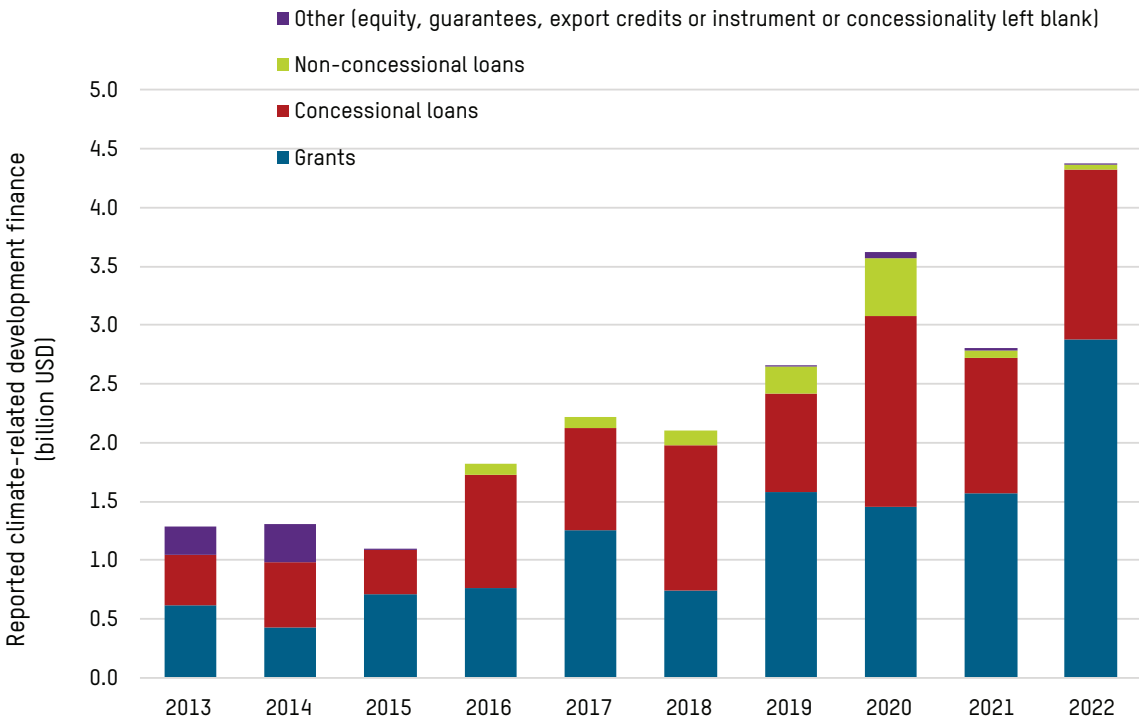
The low volume of grants in provision of climate is a concern particularly for climate finance targeting adaptation actions. Concessional loans can play a role in finance where there is an expectation for returns within the project scope, usually mitigation projects. Adaptation projects such as disaster preparedness or improving food and water security, on the other hand, may not necessarily lead to direct financial returns on investment, but have significant benefits to local communities.

5.1. FINANCIAL INSTRUMENTS FOR CLIMATE-RELATED DEVELOPMENT FINANCE

Between 2013 to 2022, 52% (12.0 billion USD) of climate-related development finance to the IGAD region was provided as grants, 41% (9.5 billion USD) as concessional loans and 5% (1.1 billion USD) as non-concessional loans. The remaining 3% (656 million USD) was delivered through concessional or non-concessional equity, or with either the instrument or concessionality unspecified.

Grant increased significantly in the decade, reaching 2.9 billion USD —or 66% of total finance—in 2022, an increase from 33% in 2014. However, volumes of concessions loans have also increased, from 430 million USD in 2013 to 1.4 billion USD in 2022. Non-concessional climate-related loans were first reported for the IGAD region in 2016. From 84 million USD in 2016 (5% of commitments), the share of non-concessional loans increased to a peak of 14%, or 492 million USD in 2020, before subsequently falling again in 2021 (60 million USD or 2% of finance) and 2022 (47 million USD or 1% of finance).

Figure 7. Reported climate-related development finance by financial instrument in the IGAD region



Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

The share of grants is highest for Somalia (100%), Sudan (98%), Eritrea (95%) and South Sudan (94%) while the share of concessional loans is highest for Kenya (65%), Uganda (47%), Djibouti (39%) and Ethiopia (34%). High shares of non-concessional loans are also observed for Kenya (8%) and for projects directed toward the East Africa region (33%).

The share of grants used to deliver adaptation finance to the IGAD region is higher than the share seen globally. On average, climate finance providers provided just 35% of their global adaptation finance as grants in 2019–2020 (Zagema et al., 2023). In the IGAD region, 61% of adaptation-related finance came in the form of grants while 35% was extended as concessional loans and 4% as non-concessional loans. This is driven largely by bilateral donors, who extend 88% of their adaptation-related development finance as grants. The MDBs, on the other hand, extend 45% of their adaptation-related finance as grants and 49% as concessional loans.

The real support of adaptation finance taken at its grant equivalent value is 10.0 billion USD, which means that the grant equivalent figure is approximately 80% of the reported face value amount. In comparison, a much lower share of mitigation finance is extended as grants (33%), with concessional loans representing 54% and non-concessional loans 7%. The grant equivalent value of mitigation commitments is 6.0 billion USD, which is equivalent to 64% of the reported face value amount.

Table 7. Reported climate-related development finance by financial instrument and recipient country in the IGAD region (2013–2022)

Recipient	Reported climate-related development finance (billion USD)	Grants	Concessional loans	Non-concessional loans	Other (*Equity, Guarantees, Export Credits or instrument or concessionality left blank)*
Djibouti	0.40	61%	39%	0%	0%
Eritrea	0.12	95%	5%	0%	0%
Ethiopia	8.20	64%	34%	2%	0%
Kenya	7.36	19%	65%	8%	9%
Somalia	1.38	100%	0%	0%	0%
South Sudan	0.89	94%	5%	0%	1%
Sudan	0.96	98%	0%	1%	0%
Uganda	3.36	49%	47%	4%	0%
Eastern Africa	0.62	40%	25%	33%	1%
Grand Total	**23.28**	**52%**	**41%**	**5%**	**3%**

Source: INKA calculations based on OECD (n.d.a). See Annex A for methodology.

5.2. PROVIDERS' USE OF FINANCIAL INSTRUMENTS FOR CLIMATE ACTION

Several of the largest providers to the region rely heavily on concessional loans and other debt instruments, namely France (92%), Japan (76%), World Bank (WB) (58%), the African Development Bank (AfDB) (24%), International Fund for Agricultural Development (IFAD) (59%) and Climate Investment Funds (CIF) (53%). The largest single provider of concessional loans is the WB—of the 9.5 billion USD committed through concessional loans over the entire period, 71% was committed by the World Bank (6.73 billion USD).

Five of the multilateral providers also make use of non-concessional loans which are provided with less generous terms than concessional loans. As is the case globally, the MDBs are a significant provider of non-concessional finance in the region. The European Investment Bank (EIB) has the highest share of non-concessional loans (177 million USD or 33% of its total), closely followed by the AfDB (492 million USD or 28% of its total). The Green Climate Fund (GCF) third of the finance provided by the GCF is in the form of non-concessional loans (32% of its total or 106 million USD) while this is 8% for IFAD (28 million USD).

The GCF commits around a third of its finance as non-concessional loans (32% or 106 million USD), although its overall contribution to the IGAD region is relatively small (330 million USD, 1% of total commitments). This non-concessional finance from the GCF relates to a single project in Ethiopia, the Resilient Landscapes and Livelihoods Project, committed in 202.. IFAD commits 8% of its funding as non-concessional loans (28 million USD).

The reliance on loans - both concessional and non-concessional—not only by multilateral development banks (MDBs) but also by major bilateral donors such as France and Japan raises significant concerns. While MDBs primarily use loans and other debt instruments as their financing mechanisms, it is particularly worrying that these large bilateral providers, along with some other multilateral organizations, are increasingly relying on high shares of loan-based finance. This trend risks adding to the financial burden of already vulnerable countries.

Table 8. Reported and estimated grant equivalent climate-related development finance by financial instrument and provider in the IGAD region (2013–2022)

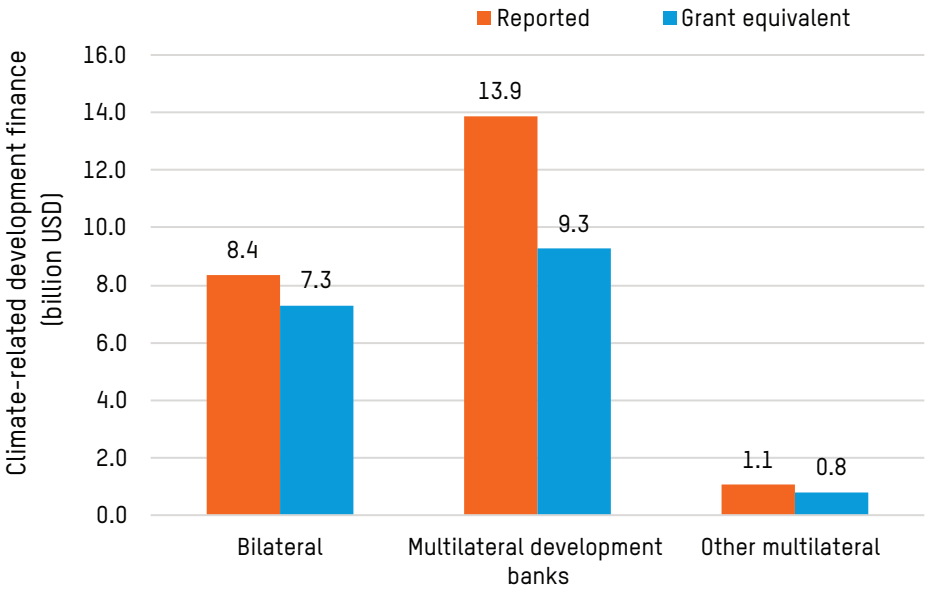
Contributor	Reported climate-related development finance (billion USD)	Grants	Concessional loans	Non-concessional loans	Other *(equity, guarantees, export credits or instrument or concessionality left blank)*	Estimated grant equivalent climate-related development finance (billion USD)	Grant equivalent share of reported finance
Bilateral	**8.36**	**74%**	**25%**	**0%**	**1%**	**7.29**	**87%**
EU Institutions (excl. EIB)	1.18	100%	0%	0%	0%	1.18	100%
France	1.15	7%	92%	0%	1%	0.52	45%
Germany	1.09	82%	18%	0%	0%	0.95	87%
Japan	1.04	24%	76%	0%	0%	0.80	77%
United Kingdom	0.89	100%	0%	0%	0%	0.89	100%
United States	0.69	100%	0%	0%	0%	0.69	100%
Norway	0.45	96%	0%	0%	4%	0.44	96%
Denmark	0.41	100%	0%	0%	0%	0.41	100%
Netherlands	0.39	100%	0%	0%	0%	0.39	100%
Sweden	0.29	100%	0%	0%	0%	0.29	100%
Ireland	0.18	100%	0%	0%	0%	0.18	100%
Canada	0.16	100%	0%	0%	0%	0.16	100%
Italy	0.13	75%	25%	0%	0%	0.13	96%
All others	0.30	83%	7%	0%	11%	0.26	88%
Multilateral development banks	**13.86**	**37%**	**52%**	**7%**	**4%**	**9.26**	**67%**
WB	11.54	39%	58%	3%	0%	8.09	70%
AfDB	1.79	35%	24%	28%	13%	0.99	55%
EIB	0.53	0%	0%	33%	67%	0.18	34%
Other multilateral	**1.07**	**66%**	**22%**	**13%**	**0%**	**0.83**	**77%**
IFAD	0.33	32%	59%	8%	0%	0.21	64%
GCF	0.33	68%	0%	32%	0%	0.22	68%
GEF	0.28	100%	0%	0%	0%	0.28	100%

Contributor	Reported climate-related development finance (billion USD)	Grants	Concessional loans	Non-concessional loans	Other *(equity, guarantees, export credits or instrument or concessionality left blank)*	Estimated grant equivalent climate-related development finance (billion USD)	Grant equivalent share of reported finance
CIF	0.07	47%	53%	0%	0%	0.05	76%
Adaptation Fund	0.04	100%	0%	0%	0%	0.04	100%
FAO	0.01	100%	0%	0%	0%	0.01	100%
NDF	0.01	100%	0%	0%	0%	0.01	100%
GGGI	0.00	100%	0%	0%	0%	0.00	100%
Grand Total	**23.28**	**52%**	**41%**	**5%**	3%	17.37	75%

Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

Given the high volumes of loans in the climate-related development finance of the MDBs, we estimate that the grant equivalent value of their commitments is 9.3 USD billion which represents just 67% of the reported 13.9 billion USD. The estimated grant equivalent value of the finance provided by bilateral providers is 7.3 billion USD, equivalent to 87% of the reported amount, while for the other multilateral organisations the grant equivalent value is 826 million USD or 77% of the reported amount. Thus, while extending much less in absolute climate finance than the MDBs, these institutions tend to have much higher grant equivalent values relative to the face value reported amount.

Figure 8. Reported and estimated grant equivalent climate-related development finance by provider type in the IGAD region (2013–2022)



Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology

5.3. INDEBTEDNESS AND RISK OF DEBT DISTRESS

The countries of the IGAD region bear a disproportionate burden from climate change impacts while also struggling with mounting debt. Drivers of debt in the region are diverse, including colonial exploitation, rising public expenditures including for climate-related shocks and extreme weather events, and reliance on external financing—such as Official Development Assistance (ODA), which is increasingly provided in the form of loans (UNDP, 2024a).

Recent compounding global shocks such as the COVID-19 pandemic, the war in Ukraine and the surge in global interest rates have also contributed to debt levels and significantly increased the cost of servicing debt (Gallagher et al., 2024). This has been seen in Uganda, for example, where external debt accumulation has been driven by a shift in spending toward infrastructure, global fluctuations in interest and exchange rates, and the effects of the COVID-19 pandemic (ibid)

The external debt[8] levels of several IGAD countries have now reached alarming levels (see Table 10). Sudan and Eritrea have faced extremely high levels of debt over the last decade, with external debt reaching 186% of GDP in Sudan and 164% in Eritrea in 2022. These figures far exceed the IMF's recommended external debt to GDP ratio of below 50% for low-income countries. Similarly, Kenya (73%), Ethiopia (56%), and Uganda (50%) surpassed this threshold in 2022.

As external debt has risen, so has the cost of servicing this debt. Growing reliance on external debt in the region, particularly debt denominated in foreign currencies, has increased exposure to exchange rate volatility, making debt repayment even more challenging. Recent global interest rate hikes for non-concessional loans have also significantly increased costs. In 2022, debt service as a share of GDP reached 160% in Ethiopia and 420% in Uganda. Extreme peaks have also been observed in Kenya (447% in 2019), Somalia (890% in 2020) and Sudan (895% in 2021).

According to the IMF-World Bank debt sustainability analysis, Djibouti, Ethiopia, and Sudan are classified as in debt distress, while Kenya and South Sudan are at high risk[9] (World Bank, 2025a). Debt distress typically refers to situations where countries are unable to fulfil their financial obligations, leading to severe economic consequences. Defaults can lead to higher borrowing costs and can force governments to implement austerity measures and public spending cuts, which disproportionately impact vulnerable populations and undermine development efforts.

Table 9. Total external debt as % of GDP across the IGAD region (2013–2022).

Member State	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Djibouti	25	27	40	46	48	47	39	41	43	38
Eritrea	187	137	181	168	203	186	187	182	171	164
Ethiopia	44	44	51	52	55	59	55	54	53	56
Kenya	40	41	46	50	54	57	59	68	68	73
Somalia	-	-	-	-	-	-	-	46	44	43
South Sudan	18	38	59	104	61	46	28	37	58	41
Sudan	106	84	93	110	150	187	200	270	184	186
Uganda	22	25	29	31	34	35	38	46	52	50

Source:: IGAD (2024).

[8] External debt is the part of a country's total debt that has been borrowed from foreign lenders, including commercial banks, governments or international financial institutions.
[9] A debt sustainability analysis for Eritrea is not publicly available.

Table 10. Debt service as % of GDP across the IGAD region (2013–2022)

Country Name	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Djibouti	2.07	1.68	1.78	2.23	2.58	2.47	2.62	2.23	1.77	2.14	2.57
Ethiopia	1.40	1.40	1.69	1.69	1.79	1.99	2.29	1.89	1.79	1.59	0.00
Eritrea	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Kenya	0.88	1.95	1.26	1.48	1.86	3.05	4.43	2.78	2.27	2.95	0.00
Somalia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.56	0.20	0.20	0.00
South Sudan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sudan	0.65	0.49	0.98	0.69	0.58	0.66	0.57	0.57	8.93	0.39	0.49
Uganda	0.29	0.59	0.29	2.85	0.59	1.65	0.88	1.86	1.96	2.06	4.87

Source: Debt service as a percentage of Gross National Income (GNI) and Gross Domestic Product (GDP) data were extracted from the World Bank International Debt Statistics database (World Bank). The author calculated Debt service as a percentage of GDP based on these data.

Source: World Bank (2025b). International Debt Statistics (IDS) database, with additional calculations performed by the author. See Annex A for methodology. Note: Data for debt service as % of GDP for Eritrea and South Sudan are not available.

Table 11. Debt sustainability assessment for countries of the IGAD region

Country	Risk of external debt distress	Debt sustainability assessment
Djibouti	In debt distress	Unsustainable
Eritrea	...	...
Ethiopia	In debt distress	Unsustainable
Kenya	High	Sustainable
Somalia	Moderate	...
South Sudan	High	Sustainable
Sudan	In debt distress	Sustainable
Uganda	Moderate	....

Source: (World Bank, 2025a). Note debt sustainability assessment is performed only for countries at high risk or in debt distress.

Rising debt levels and escalating debt servicing costs are fuelling inflationary pressures and draining fiscal resources across the IGAD region, threatening long-term economic resilience and sustainability (African Export-Import Bank, 2024). High debt burdens, combined with inflation, currency depreciation, and low foreign reserves, have contributed to elevated food prices, restricted food access, exacerbated hunger crises, and pressured public social spending (IGAD, 2024b; World Bank, 2022). Financial instability is a significant risk associated with external debt, as high debt levels create vulnerabilities in fiscal policies and asset values. In countries with high debt-to-GDP ratios, even small economic disruptions can lead to pronounced instability (Furi et al., 2022). These fiscal constraints limit governments' ability to allocate sufficient resources for climate adaptation and mitigation efforts, thereby weakening their capacity to build resilience against increasing climate-related shocks (UNDP, 2024b).

At the same time, the composition of debt in the IGAD region is evolving. Countries such as Kenya, Ethiopia, Djibouti, South Sudan, and Uganda have increased reliance on loans from China primarily for infrastructure and development projects. As of March 2023, Kenya owed approximately $6.3

billion to China, accounting for about 64% of Kenya's bilateral external debt and 17% of its total external public debt. However, much of Kenya's external debt is owed to multilateral creditors like the World Bank, which is Kenya's largest single external creditor. Despite concerns of 'debt-trap diplomacy,' Kenya's debt challenges are also significantly influenced by the rise in commercial borrowing, which now constitutes around 35-45% of Kenya and Uganda's external debt, compared to under 20% a decade ago. Ethiopia's share of debt owed to private creditors is estimated at nearly 30%. (Chatham House, 2023)

In Djibouti, external debt grew rapidly between 2013 and 2022, reaching about 68% of GDP by the end of 2022. Large infrastructure projects such as the Djibouti-Addis Ababa railway and port expansions were financed largely through Chinese loans, with the Export-Import Bank of China holding about $1.2 billion in loans, representing a significant portion of the country's debt portfolio. By mid-2023, debt repayments to China faced challenges, leading to arrears suspension, with China being Djibouti's largest creditor holding around 78% of the debt arrears.

The reliance on high-interest, short-term non-concessional loans heightens debt sustainability risks. Kenya's total external debt was reported at $38.1 billion by mid-2023, with significant contributions from commercial loans and Chinese financing. This shift toward non-traditional creditors, including private sector lenders and sovereign bond issuances, complicates debt restructuring efforts as private creditors are not bound by formal renegotiation frameworks like the Paris Club. While such financing supports development, over-reliance, especially for projects with uncertain returns, increases vulnerability to global financial shocks and economic instability (Kenya National Treasury, 2024; KIPPRA, 2023).

High debt service obligations can also reduce countries' capacity to invest in vital public services such as health, education, and social protection, as well as to respond to climate change, leaving countries with little scope to scale-up spending on climate adaptation and loss and damage at the scale that is needed. In 2023, estimates show that in Ethiopia, climate adaptation spending was 6% of total expenditure compared to 23% that was allocated to debt servicing. In Djibouti, 3% was allocated to adaptation, compared to 16% allocated to debt servicing (Development Finance International, 2023). At a time when taking action is becoming increasingly urgent, debt servicing is crowding out much needed investments in climate adaptation.

This situation is exacerbated by the structure of climate finance itself. In the absence of sufficient grant-based finance, climate finance intended to support vulnerable countries to address the impacts and loss and damage from climate change further adds to existing debt burdens. Section 5.1 showed that 46% of the climate-related development finance flowing to the IGAD region is in the form of loans that ultimately must be repaid. This includes concessional loans, which, while offered at lower interest rates or with softer repayment terms than available on the market, still contribute to the region's mounting debt obligations.

It is notable that a significant share of finance committed to Somalia (100%), Sudan (98%), Eritrea (95%), and South Sudan (94%)—which are classified as LDCs and FCAS—is provided in the form of grants. This is a positive step in reducing debt burdens for these vulnerable countries. In contrast, Uganda and Kenya, both of which exceed the IMF's debt-to-GDP threshold in 2022, continue to rely heavily on debt-financed climate funding. Kenya now considers climate finance received in loans as part of their domestic contribution, in recognition of the economic burden of these instruments (Republic of Kenya, 2025).

Review of current efforts by governments to push for global debt-architecture reforms

Several IGAD countries were actively pursuing debt reforms in 2024 to restore fiscal sustainability and address mounting debt burdens. Djibouti has initiated a preliminary debt service moratorium with China's Exim Bank and was negotiating with India and the Paris Club to manage external arrears and improve debt sustainability (IMF, 2024a). Eritrea, facing a debt burden exceeding 200% of GDP, is working with the African Development Bank on a medium-term strategy to stabilize its debt profile (IGAD, 2023c). Ethiopia has secured a $3.4 billion IMF-backed programme focused on restoring external debt sustainability, including an interim debt suspension from China for 2023/2024 and ongoing restructuring negotiations under the G20 Common Framework (IMF 2024b). Kenya is implementing an IMF-supported reform programme alongside its 2024 Medium-Term Debt Management Strategy to reduce vulnerabilities and fiscal risks (Republic of Kenya, 2024). Somalia has achieved significant debt relief through the HIPC Initiative, substantially lowering its debt-to-GDP ratio, with further Paris Club agreements reached in early 2024 (Paris Club, 2024). South Sudan is engaging with the IMF and World Bank for inclusion in global debt reform initiatives and negotiating an oil-backed loan with the UAE to stabilize finances (World Bank, 2024c). Sudan has cleared $1.4 billion in IMF arrears under Heavily Indebted Poor Countries (HIPC) Initiative and is pursuing economic reforms to secure additional relief (IMF, 2024c). Uganda's 2024 Debt Management Strategy emphasizes sustainable debt, fiscal consolidation, and governance (Uganda, Ministry of Finance, Planning and Economic Development, 2024a).

These reforms represent important progress toward addressing unsustainable debt levels and restoring fiscal space in the region. Historical debt relief initiatives such as HIPC/MDRI have freed resources for social spending and poverty reduction in low-income countries, and ongoing negotiations under the G20 Common Framework demonstrate a commitment to coordinated debt restructuring (UNOSAA, 2024; CIGI, 2024). However, challenges remain. The debt restructuring process is slow and complex, particularly due to the limited participation of private creditors and non-Paris Club bilateral lenders like China, which holds a significant share of regional debt. For example, despite Ethiopia's restructuring efforts, no debt relief has yet been delivered under the Common Framework after several years (CIGI 2024, IMF 2024b). High debt service burdens continue to constrain public investment and social spending across many IGAD countries (Development Finance International, 2024).

While current debt reform efforts in the IGAD region are necessary and commendable, they are insufficient on their own to resolve the deep structural challenges of debt sustainability and social development. A holistic approach that balances fiscal responsibility with social and climate imperatives that reforms the global debt architecture to be more inclusive and responsive urgently needed. Recognising the unsustainable nature of current debt structures, there are growing calls for debt cancellation and systemic reforms to global financial institutions to ensure a fairer and more transparent system.

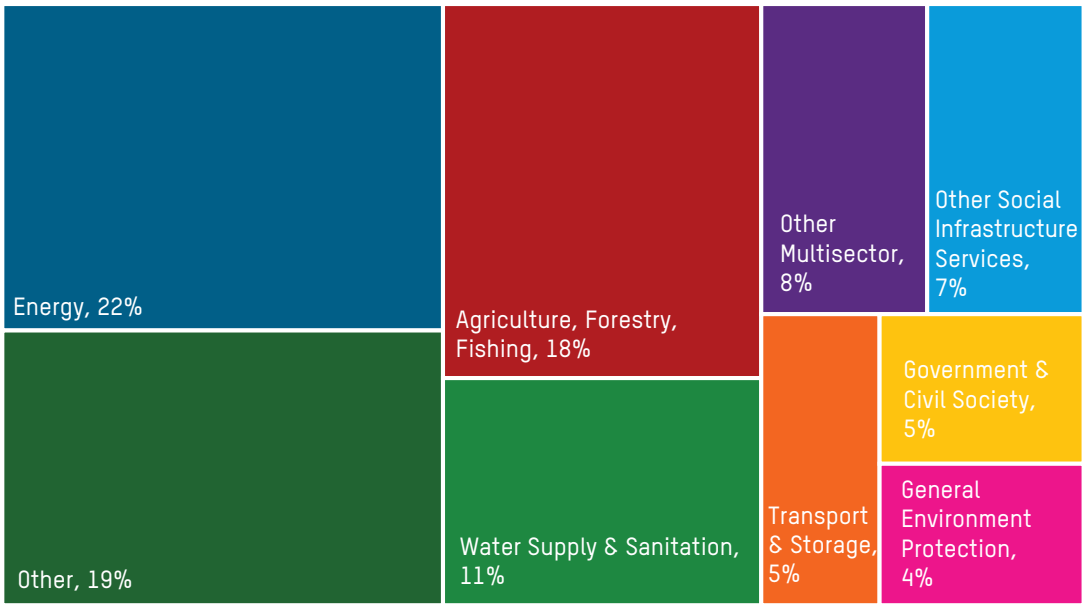
6. MAKING CLIMATE FINANCE COUNT: AGRICULTURE, GENDER AND LOCALLY-LED CLIMATE ACTION IN THE IGAD REGION

6.1. CLIMATE-RELATED DEVELOPMENT FINANCE TO THE AGRICULTURAL SECTOR

This section analyses the availability of climate finance allocated to agriculture, forestry, and fishing, as well as its comparative standing against other key sectors such as energy, water supply, and transport. By examining the distribution of climate finance, we aim to identify gaps and opportunities for enhancing support to the agricultural sector.

Between 2013 and 2022, the climate-related development finance committed to the IGAD region was concentrated in the energy sector (22%), agriculture, forestry and fishing (18%) and water supply and sanitation (11%).

Figure 9. Climate-related development finance committed to the IGAD region by sector (2013–2022)



Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

The total reported climate-related development finance flowing to the agricultural, forestry and fishing sector in the IGAD region is 4.3 billion USD across the 10-year period, of which 78% was directed toward adaptation. Financing levels fluctuate significantly year-to-year, with peaks

observed in 2022 (960 million USD) and 2020 (823 million USD), but a significant decrease was seen in 2021 when total flows to the sector were just 284 million USD. On average, the sector received 0.43 billion USD per year during this period.

Grants make up 54% of the finance committed to the agricultural sector, while concessional loans account for 42% and non-concessional loans for 4%. The grant equivalent value of the climate-related development finance committed to the sector is 3.3 billion USD, which is equivalent to around 76% of the reported amount.

As is the case for climate finance overall to the region, the largest provider to the agricultural, forestry and fishing sector is the WB, with reported commitments totalling 2.0 billion USD over the period or 47% of all reported commitments to the sector. The next largest providers are the United States (298 million USD), IFAD (282 million USD), and Germany (271 million USD).

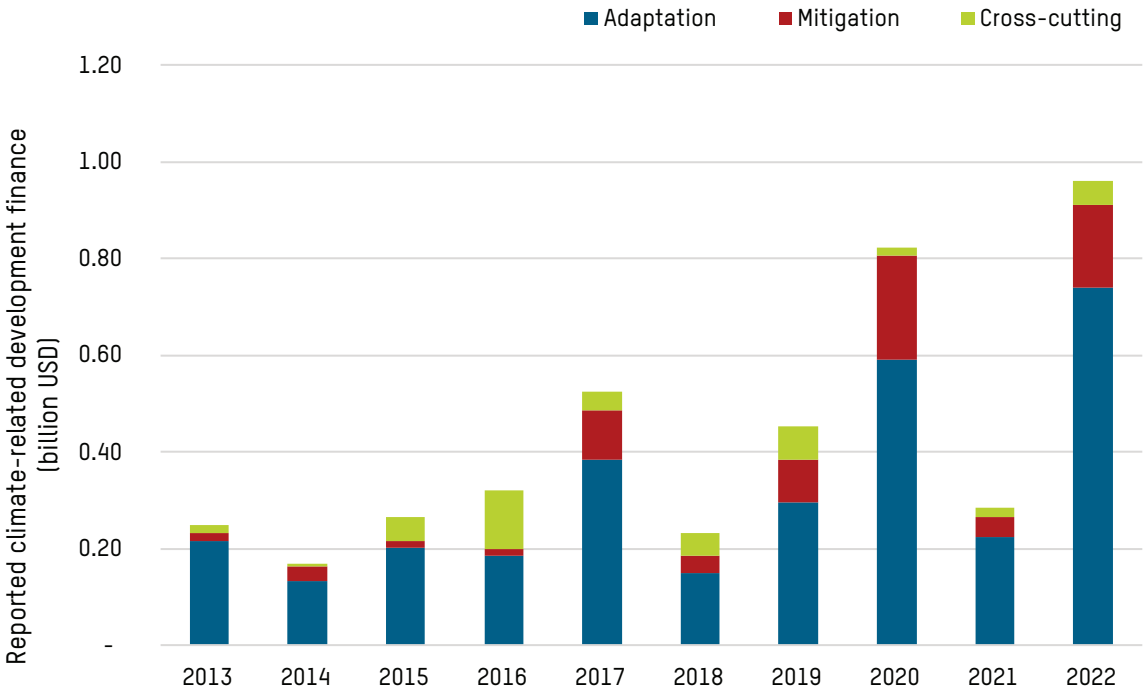
Although agriculture is one of the most climate-vulnerable sectors in the IGAD region, available NDCs indicate that needs for agriculture far exceed current financing. Based on countries' Nationally Determined Contributions (NDCs), the sector requires approximately 2.1 billion USD annually, though actual needs are likely much higher as Djibouti, Ethiopia, Kenya, and Uganda did not specify costed finance requirements. The 0.4 billion USD in reported climate-related finance for agriculture, forestry and fishing over 2013–2022 is equivalent to just 20% of the annual need. When adjusted for grant-equivalent terms, actual finance drops to 0.3 billion USD, covering only 15% of the identified needs.

Table 12. Reported and estimated grant equivalent climate-related development finance to agriculture, forestry and fishing (2013–2022) and costed conditional climate finance needs the agriculture and forestry sector in countries in the IGAD region

Recipient	Average amount required per year to 2030 for agriculture and forestry (billion USD)	Average reported climate-related development finance to agriculture, forestry and fishing (2013–2022) (billion USD)	Share of climate finance needs	Average estimated grant equivalent climate-related development finance to agriculture, forestry and fishing (2013–2022) (billion USD)	Share of climate finance needs
Djibouti	Not specified	0.002	-	0.002	-
Eritrea	0.2	0.01	3%	0.01	3%
Ethiopia	Not specified	0.2	-	0.1	-
Kenya	Not specified	0.1	-	0.1	-
Somalia	1.5	0.0	1%	0.01	1%
South Sudan	0.5	0.01	2%	0.01	2%
Sudan	0.1	0.02	17%	0.02	16%
Uganda	Not specified	0.1	-	0.1	-
East Africa		0.01	-	0.005	-
Total	**2.1**	**0.4**	**20%**	**0.3**	**15%**

Source: INKA calculations based on OECD (n.d.b.). Costed climate finance needs from each country's NDC. See Annex A for methodology.

Figure 10. Estimated thematic allocation of reported climate-related development finance committed to the agriculture, forestry and fishing sectors in the IGAD region



Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

The Comprehensive Africa Agriculture Development Programme (CAADP) is a continental initiative to help African countries eliminate hunger and reduce poverty by fostering economic growth through agriculture-led development. It was endorsed in 2003 through the Maputo Declaration, where African Union member states committed to allocate at least 10% of their national budgets to agriculture and achieve a 6% annual agricultural growth rate to drive economic transformation.

However, according to the 2021 CAADP Third Biennial Review, public investment on agriculture averaged only 5.13% of total government expenditure in IGAD countries and none of the countries met the CAADP benchmark of allocating 10% of public expenditure to agriculture (Guthiga and El-Taha, 2022). The highest level of public expenditure was in Ethiopia and South Sudan, at 7.58% and 6.15% respectively, indicating a relatively strong commitment to the sector. Kenya, and Sudan have moderate allocations, showing a partial commitment but a significant deficit. Djibouti and Uganda have even lower agricultural spending. This highlights a regional trend of agricultural underfunding, implying that additional investment is required to satisfy CAADP goals and maintain sustainable agricultural production.

6.2. GENDER-RESPONSIVE CLIMATE FINANCE

Studies show that gender-responsive climate change finance provides opportunities to improve effectiveness, efficiency and sustainability of investments (Schalatek, 2022), and the important role gender plays in determining economic growth has been acknowledged, and alongside youth, prioritised in the IGAD climate change strategy and action plan (IGAD, 2022a). This section provides an overview of the intersection of gender, climate and agriculture in the IGAD region, methodologies

for tracking gender-responsive climate finance, and analysis of the gender-responsiveness of climate finance committed to the IGAD region.

Gender, climate change and agriculture

The need for gender-responsive climate finance in the IGAD region is underscored by the disproportionate impact of climate crises on women and youth, particularly in agriculture. Women in the IGAD region account for about 40–56% of agricultural labour (World Bank, 2024d) yet disproportionately bear the brunt of the adverse effects of climate change as a consequence of social, economic and political inequalities which increase their exposure and vulnerability.

Climate-related disasters such as droughts and floods as well as changing weather and rainfall patterns disrupt rural women's livelihoods and productivity more adversely than mens', devastating crops and damaging livelihoods dependent on the agricultural sector. Gender disparities in access to productive assets and services several constrain women's agricultural productivity and resilience. In Ethiopia, women constitute 29% of labour in crop production, and in Uganda, 56% (World Bank, 2024d). Yet, women typically have less access to irrigation, extension services, credit, and climate information, reducing their capacity to prepare for or recover from climate shocks. Structural barriers include unequal access to secure land rights, finance, technology, and information.

For, example, the share of women with secured land rights in IGAD countries (where data is available) in 2022 was 22% for Djibouti, 30% for Ethiopia, 33% for Kenya and 46% for Uganda (African Union/CAADP, 2024). Across SSA, it estimated that the share of women with secure land rights ranges between as low as 5% to as high as 67%, reflecting widespread disparities in land ownership and tenure security (African Union/CAADP, 2024).

These inequalities make it harder for women to adapt or bounce back after extreme weather events. It is also noteworthy that women—and particularly young women—are extensively involved in fisheries and aquaculture, especially in fish processing and trade along the value chain. However, these roles are often informal and poorly documented, meaning that climate-related impacts in these sectors may be underreported and under-addressed due to a lack of sex-disaggregated data.

The cumulative effects of climate-related impacts disrupt smallholder farming, input and output markets and agricultural production. The gender financing gap in Africa for agricultural business value chains is estimated at $15.6 billion (AfDB, 2024) while the agricultural productivity gap for SSA women is estimated at between 20% and 30% in Sub-Saharan Africa (FAO/African Union, 2018).

Additionally, women's reliance on agriculture and natural resources for their unpaid agricultural production and care work in IGAD countries makes them particularly vulnerable to climate fluctuations (UNHCR, 2023b). The disproportionate effects of climate change for women go beyond agricultural productivity, extending to safety, harm, health, livelihoods and capacities for climate action. Men and women are impacted differently because of their roles and responsibilities in the household and community (UNDP, 2023a). Increased gender-based violence, risk of sexual abuse when travelling long distances to collect water, girls withdrawn from school to support households, and early marriage occur are some of the consequences of climate-induced crises. (Desai and Mandal, 2021; UNICEF 2022; World Bank, 2022c; UNHCR 2023b)

For instance, in South Sudan, women and girls are disproportionately affected by flooding, often losing access to schools and health services, while also facing increased risks of gender-based violence in displacement settings (UN Women, 2023). In Somalia, women-headed households were

among the hardest hit by the 2022 drought, with many lacking access to land ownership or credit to recover agricultural losses (Gender and Inclusive Programming Cluster, 2023). In Ethiopia, during the 2015–2016 El Niño-induced drought, assessments found that while men migrated in search of work, women were left behind with additional caregiving burdens, limited access to productive resources, and exposure to malnutrition (CARE International, 2017).

Despite these challenges, insufficient attention has been paid to women and girls in programmes addressing climate change such as availability of food and clean water (Adeola et al., 2024). Differentiated men and women's contributions to resilience are noted in some countries' NDCs, but it is not clear which relate to the agriculture sector (UNDP, 2023a). Moreover, unpaid agricultural production activities and care work are under-valued or unrecognized and therefore excluded from national statistics. This statistical invisibility means that these unpaid agricultural production activities and care work are overlooked in climate finance mechanisms.

As part of the CAADP commitment, African Union countries pledged to support and facilitate preferential entry and participation for women in gainful and attractive agribusiness opportunities. However, of the 49 Member States that reported on women's empowerment in the fourth CAADP biennale review, the only IGAD countries on track were Kenya and Ethiopia. Kenya is regarded as having a high proportion of women empowered in agriculture at 74.2% (African Union/CAADP, 2024). These figures point to a gap between ambition and implementation, particularly in countries experiencing fragility and conflict.

Tracking gender-responsive climate finance

When reporting to the OECD, DAC members are required to assess whether each project or programme targets gender equality as a policy objective through the gender equality marker (GEM). The GEM is assessed at the planning and design phase, and guidance states that a project should be classified as addressing gender equality if it is intended to advance gender equality and the empowerment of women and girls or reduce discrimination and inequalities based on sex' (OECD, 2023c). The GEM is based on a three-tier scoring system, where a principal score means that gender equality is the main objective of the project, a significant score means that gender equality is an important objective but not the principal reason for the undertaking the project, and not targeted means that the project has been found not to target gender equality (OECD, 2022b).

While bilateral donors self-report gender markers through the OECD system, the extent to which gender is integrated in other climate financial flows, for example from multilateral organisations, is not consistently and publicly reported. In the case of the OECD, across sectors the percentage of climate-related finance which targets gender as a principal objective has fallen and there may be an inflation of gender markers (Cichocka et al., 2024). Projects tagged as gender significant are coded as 100% which risks inflating financial estimates (Pettinoti and Gulrajani, 2024).

The Green Climate Fund (GCF) was the first climate fund mandated to mainstream gender in all its projects. GCF tags projects that it funds as (1) not gender-sensitive (2) gender-sensitive and (3) gender-responsive. Kenya and Uganda, for example, are beneficiaries of the GCF Acumen Resilient Agricultural Fund (ARAF) alongside other African countries. Amongst ARAF's aims is to improve climate resilience to ensure long-term sustainable increases in agriculture productivity and incomes for smallholder farmers (GCF, 2024). ARAF, which is valued at USD 56 million and ends in 2030, has a publicly available gender action plan and gender assessment (GCF, 2024).

Multilateral banks, including The World Bank, use an internal gender tag or flag system to rank projects and investments on how they address gender equality. Gender tags/flags are used in the World Bank's Operations Portal to support identification of actions that can close gender gaps.

However, the World Bank has not published a guidance note or methodology for how it applies the gender tag or flag approach and does not publicly disclose the gender-specific volume of funding as a stand-alone figure (Farley and Paxton, 2024).

The African Development Bank (AfDB) applies a gender marker system to track and ensure that gender considerations are integrated into its projects and programs. This system categorizes projects by assigning a rating to a project: (1) gender blind or neutral; (2) gender-aware or; (3) gender-mainstreamed and (4) gender transformative.

One of the AfDB's key climate finance mechanisms, the Africa Climate Change Fund (ACCF)—established in 2014—supports climate-resilient, low-carbon development by providing grants to African governments, non-governmental organizations, and regional institutions. In the IGAD region, the ACCF has funded projects aimed at enhancing climate resilience in the agriculture sector while incorporating gender-responsive approaches. For instance, in Uganda, the ACCF supported the Green Energy for Women and Youth Resilience project, which promotes the adoption of clean energy solutions in agricultural practices. This initiative not only strengthens productivity and sustainability but also empowers women and youth by integrating gender-sensitive strategies into climate adaptation efforts (AfDB, 2024).

Gender responsiveness of climate-related development finance committed to the IGAD region

Table 14 presents the gender markers assigned to the climate-related development finance flowing to the IGAD region. Approximately one quarter (26%) of the finance committed in the period 2013–2022 integrated gender equality objectives, with 2% targeting gender as a principal objective and 24% targeting gender as a significant objective. 16% of the finance was screened but found not to target gender equality as a significant or principal objective. A large share of the finance, however, is not screened at all for gender objectives (58%) which is highly problematic for transparency.

Only bilateral donors are mandated to report gender equality markers for their concessional activities when submitting data to the OECD DAC. Around half of the climate-related finance reported by bilateral donors integrated gender to a significant degree (52%), while projects which integrated gender to a principal degree made up just 5% of commitments. Furthermore, 41% of finance was reported as not targeting gender equality which means that a substantial share of the projects in the region do not integrate gender as a significant or principal objective.

Table 13. OECD DAC gender equality markers for climate-related development finance committed to the IGAD region by provider type (2013–2022)

Contributor	Not targeted	Principal	Significant	Not marked
Bilateral donors	41%	5%	52%	2%
Multilateral development bank	2%	0%	8%	90%
Other multilateral organisations	0%	1%	27%	72%
Total	**16%**	**2%**	**24%**	**58%**

Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

Nearly all of the projects reported by the MDBs were not marked for gender equality (90%). The remaining 8% of climate-related development finance was reported with a significant gender equality marker and 2% reportedly did not target gender. Likewise, the majority of activities

reported by the other multilateral organizations were not marked for gender (72%). Just over a quarter of their projects reported included gender as a significant objective (27%) while very few projects have gender equality as a main objective (1%).

The share of projects with gender equality as a significant objective is particularly high for Eritrea (94%) and Somalia (83%). Djibouti and Sudan are also above average, each with shares of 70%. Sudan has the highest proportion of finance allocated towards projects where gender equality is the primary objective (11%), closely followed by Ethiopia (10%). The majority of regional projects committed in the period do not target gender equality (79%), and high shares of projects which do not target gender are also seen for Kenya (57%) and South Sudan (51%).

Table 14. OECD DAC gender equality markers for bilateral climate-related development finance committed to the IGAD region by recipient (2013–2022)

Recipient	Not targeted	Principal	Significant	Not screened
Djibouti	26%	0%	70%	3%
Eritrea	6%	0%	94%	0%
Ethiopia	32%	10%	59%	0%
Kenya	57%	2%	38%	3%
Somalia	11%	5%	83%	0%
South Sudan	51%	6%	42%	0%
Sudan	19%	11%	70%	0%
Uganda	32%	4%	61%	3%
Eastern Africa	79%	1%	20%	1%
Total	**41%**	**5%**	**52%**	**2%**

Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

In the agriculture and forestry sector, around one-third (33%) of the climate-related development finance committed in the period 2013-2022 integrated gender equality objectives, with 4% targeting gender as a principal objective and 28% targeting gender as a significant objective. A large share – around two thirds—was not screened at all for gender objectives (60%). The lack of gender tagging, particularly among MDBs—98% of whose finance in this sector was unmarked—makes it difficult to assess whether funding is reaching women and addressing their specific vulnerabilities.

Table 15. OECD DAC gender equality markers for climate-related development finance that is directed toward the agriculture, forestry and fishing sector in the IGAD region by provider type (2013–2022)

Contributor	Not targeted	Principal	Significant	Not marked
Bilateral donors	21%	12%	67%	1%
Multilateral development bank	0%	0%	2%	98%
Other multilateral organisations	0%	0%	28%	71%
Total	**8%**	**4%**	**28%**	**60%**

Source: INKA calculations based on OECD (n.d.b.). See Annex A for methodology.

Climate finance strategies must move beyond gender-neutral approaches to actively prioritize women and girls, especially those in rural and conflict-affected areas. To align with the CAADP-Kampala goals and the IGAD Climate Change Strategy (2024), future programming and recommendations should encourage greater prioritisation of gender in climate finance mechanisms, supporting small-scale women farmers not only to adapt to climate change but also to lead in building resilient food systems.

IGAD acknowledges the disproportionate vulnerability of women and girls and emphasizes the necessity for policy frameworks that ensure women's participation in decision-making processes and the establishment of funding modalities that cater to their stated needs across IGAD member states (IGAD 2023d) Addressing these vulnerabilities through inclusive decision-making, women's leadership, and their participation in governance structures is vital for effective gender-responsive climate financing for the agriculture sector.

The Loss and Damage Fund, formally operationalized at COP28 and intended to be gender-responsive (IOM, 2024), is an important development for IGAD countries, where agriculture, climate vulnerability, and gender inequality intersect. The fund's significance for gender-responsive climate finance in agriculture, if carefully considered, is that it could potentially provide direct relief or compensation to women farmers, who are often excluded from other formal finance mechanisms. With women in IGAD countries providing much of the agricultural labour, particularly in small-scale and subsistence farming, their responsibilities for household security and limited access to productive resources provide a strong rationale for consideration of women in agriculture in the Loss and Damage Fund mechanisms.

Cash assistance initiatives offer lessons and approaches to gender-response climate financing (UNHCR, n.d), but need to be carefully executed (Simon, 2019). These programmes have provided a model for directing financial support to women and youth in IGAD countries and point to a useful approach to directing future climate finance to these marginalised groups.

6.3. CHANNEL OF DELIVERY AND LOCALLY LED CLIMATE FINANCE

The importance of climate action and climate finance that is responsive to the needs of affected communities is increasingly recognised. The impacts of the climate crises are unevenly distributed, with those from marginalized communities having the highest vulnerability and lowest capacity to adapt. Those on the frontlines of the climate crisis are also often excluded from decision-making processes, with less power to influence the decisions that may affect them. Locally led approaches have therefore emerged as an important aspect of ensuring effective and equitable climate action, with many providers having now endorsed the Principles for Locally Led Adaptation (Global Center on Adaptation, 2024). These approaches seek to empower local communities to take the lead on decisions to ensure that climate actions are suited to local conditions and priorities.

However, there is a distinct lack of transparency on how much climate finance is locally led, with current reporting mechanisms providing very limited tracking of how funds are managed. Given the lack of transparency in current reporting methodologies, there are very few analyses which have tracked the degree of climate finance localisation. An initial estimate by the International Institute for Environment and Development indicates that less than 10% of climate finance committed from international climate funds between 2002 and 2006 was directed at locally-focussed climate change projects (Soanes et al., 2017). In Kenya, an analysis of climate finance projects showed that only 5.2% of project funding was channelled through local governments (Tidemand et al., 2022).

The channel of delivery reported in the OECD climate-related development finance dataset offers relevant though limited insights into the first implementing partner of a project. As the entity with responsibility for implementing funds, this provides a tentative proxy to assess how projects are governed and managed, in particular whether the reported delivery channels are institutions or actors below the national level in the recipient country.

Table 17 highlights the main channels of delivery reported for the climate-related development finance committed to the IGAD region between 2013 and 2022. The majority was channelled through recipient country governments (70%) and multilateral organisations (11%) including the United Nations, the World Bank Group and regional development banks including the African Development Bank. Two channels of delivery reported in the dataset are institutions or actors in the recipient nation that are below the national level: developing country-based NGOs and the private sector in the recipient country. Each of these accounts for approximately 1% of the total climate-related development finance committed in the period.

It is important to note that while the OECD dataset indicates the first implementing partner of a project, in practice, climate finance often cascades through multiple institutions, agencies and end beneficiaries. Information is often not publicly or easily accessible. When several implementation levels are part of an activity, only the first level of implementation is reported in the OECD data. When activities have multiple implementers, only the entity receiving the most funding is reported. The dataset furthermore provides little information on the type and nature of implementing entities, making it difficult to determine the degree of decentralization. Information on how much climate finance reaches local actors and the extent to which it addresses gender equalities is likewise limited. This lack of transparency and data limits efforts to evaluate whether climate finance is reaching those most vulnerable.

Efforts for increased climate finance devolution have been developing. In Kenya, the Financing Locally-Led Climate Action (FLLoCA) program, backed by a $170 million investment from the World Bank, Sweden and Denmark, provides a decentralized model for delivering climate finance through county governments. This approach enhances local ownership, capacity-building, and the implementation of climate adaptation projects at the community level. By channelling resources directly to local authorities, FLLoCA, ensures that climate finance is responsive to local priorities and more efficiently reaches vulnerable populations (World Bank, 2021). Expanding similar decentralized financing mechanisms across the IGAD region could bridge the climate finance access gap, particularly for fragile and conflict-affected states.

Likewise, the Local Climate Adaptive Living Facility (LoCAL) mechanism was reported, as of 2023, to be in the design or assessment phase in Sudan, South Sudan and Somalia and is being piloted in Uganda. In a methodology designed by the UNCDF the facility seeks to channel international climate finance to local governments through performance-based climate resilience grants (PBCRG). The aim is to integrate climate change adaptation into planning and budgeting at the local government level in a participatory and gender-sensitive manner, and increase the availability of finance for locally led adaptation (UNCDF, 2024). While the specific criteria for the PBCRG system vary from country to country, gender-sensitive performance measures are included in many countries to hold local governments accountable for the inclusivity of their decision-making processes (UNCDF, 2024).

Table 16. Climate-related development finance committed by channel of delivery in the IGAD region (2013–2022)

Channel of delivery	Share of climate-related development finance
Public sector institutions	**75%**
Recipient government	70%
Donor government	2%
Third country government (delegated co-operation)	1%
Public sector institutions	1%
Multilateral organisations	**11%**
Non-governmental organisations (NGOs) and civil society	**6%**
Donor country-based NGO	4%
International NGO	1%
Developing country-based NGO	1%
Non-governmental organisations (NGOs) and civil society	0%
Other	**2%**
Private sector institution	**2%**
Private sector in recipient country	1%
Private sector in provider country	1%
Private sector institution	0%
Private sector in third country	0%
University, college or other teaching institution, research institute or think-tank	**1%**
Public-private partnerships (PPPs) and networks	**0%**
No channel of delivery recorded	**2%**

Source: INKA calculations based on OECD (n.d.b). See Annex A for methodology.

Farmers in Kenya, Rwanda, and Tanzania have been observed to make more informed choices when programs are in place to de-risk their farming activities. For example, the Agriculture and Climate Risk Enterprise (ACRE) programme was scaled to reach 200,000 farmers, helping them manage climate-related risks. Similarly, the R4 Initiative in Ethiopia and Senegal—covering Risk Reduction, Risk Transfer, Prudent Risk Taking, and Risk Reserves—supported over 20,000 small-scale farmers who previously had no access to insurance. By de-risking their livelihoods, these programs enabled farmers to invest more confidently in their farms, such as by purchasing certified seeds and fertilizers (Zougmoré et al., 2021).

There is a clear need for a move away from top-down climate finance where decisions are made by national and international actors, to an approach that prioritizes management of funds by local communities where local actors have greater power and resources to influence the decisions that affect them. In FCAS, where central governments might have limited capacity and access to some areas within their states, localising climate finance, enabling more direct involvement and building the capacity of organisations, such as CSOs, is vital (Chambers and Kyed, 2024). Such an approach requires simplified requirements and flexibility, as discussed in section 4.1. In addition, improved reporting is needed to increase transparency and give a clearer picture of local level climate finance.

7. HUMANITARIAN FINANCING FOR CLIMATE AND HUNGER IN THE IGAD REGION

The climate emergency is exacerbating humanitarian need. Oxfam estimates that funding requirements for UN humanitarian appeals linked to extreme weather are eight times higher than 20 years ago (Carty and Walsh, 2022). The humanitarian system – in parallel to the international climate finance system - is therefore being placed under increasing strain to respond to climate-linked crises and impacts, particularly in FCAS.

However, humanitarian funding has not kept pace with the growing needs. This analysis explores humanitarian financing in the IGAD region, focusing on resources provided to combat the hunger crisis, climate-related disasters, conflicts, and economic issues, and assesses the financial gap in humanitarian relief.

7.1. HUMANITARIAN FINANCING GAPS FOR CLIMATE-RELATED DISASTERS IN THE IGAD REGION

The IGAD region's humanitarian financing gap for climate-related disasters is both substantial and growing, directly limiting the ability to feed and protect millions facing acute food insecurity. The interplay of climate shocks, conflict, and structural vulnerabilities drives the crisis. Recurrent droughts and floods have devastated crops and livestock, destroying livelihoods and forcing widespread displacement. Ongoing conflicts-often intensified by competition over scarce resources and displacement caused by climate events-further undermine food security and limit access to basic services. Additionally, the region's high dependence on rain-fed agriculture, widespread poverty, and weak infrastructure magnify the impact of climate extremes and leave communities especially vulnerable.

Between 2021 and 2023, the Horn of Africa hunger crisis (see Section 3.1) lead to catastrophic impacts on livelihoods, disease, malnutrition, hunger, death and displacement. The region has experienced one of the worst droughts in decades, with millions of people facing acute food insecurity (OCHA 2021; 2022; 2023). Four IGAD countries—Sudan, Somalia, Ethiopia and South Suda—were identified in the International Rescue Committee's 2024 Emergency Watchlist, which highlights those countries most likely to face an escalating humanitarian crisis (International Rescue Committee, 2023). In these countries, security, political, climate and economic challenges are converging, leading to widespread humanitarian crises. South Sudan and Sudan were among the countries of global concern for acute food insecurity for 2024 (WFP and FAO, 2024).

Despite the scale of humanitarian crises in the IGAD region, financing has consistently fallen short of what is required to meet urgent needs. Humanitarian appeals have risen each year, from 7.1 billion USD in 2021 to over 12.8 billion USD in 2023, but actual funding has not kept pace. In 2021, only 52% of requirements were met, leaving a shortfall of 3.41 billion USD. By 2022, the gap was still 3.32 billion USD despite higher coverage of 68%, and by 2023, the gap had widened sharply to 6.88 billion USD, with just 46% of needs covered (OCHA FTS, 2021–2023).

These persistent funding gaps have had severe consequences, including insufficient food assistance for millions and chronic underfunding of essential services such as water, sanitation, health, and nutrition. Moreover, the official figures reflect only reported appeals and contributions; the actual needs on the ground are likely even higher. Current funding levels are therefore inadequate not only for meeting immediate humanitarian needs but also for advancing longer-term resilience and recovery goals across the region (UNDP 2024a).

Table 17. Total funding gap in the IGAD region (2021-2023)

Year	Total Humanitarian Funding Requirement (USD)	Actual Funds Received (USD)	Total Funding Gap (USD) % of Requirements Granted
2021	**7,134,394,169**	**3,721,674,693**	**48%**
2022	**10,401,660,341**	**7,078,550,069**	**32%**
2023	**12,834,780,075**	**5,952,954,010**	**53%**

Source: *United Nations Office for the Coordination of Humanitarian Affairs (OCHA 2021-2023) Financial Tracking Service (FTS): Coordinated response plans.*

Humanitarian financing gaps in the IGAD region vary considerably by country, reflecting distinct challenges and needs. Ethiopia's humanitarian financing needs have grown rapidly, with required funds rising from USD1.49 billion in 2021 (48.3% funded) to USD 3.34 billion in 2022 (51.3% funded), before reaching nearly USD 4 billion in 2023, when funding coverage dropped to 36.8%. This highlights ongoing challenges in meeting Ethiopia's escalating humanitarian demands (OCHA FTS, 2021–2023).

Somalia's funding gap has been particularly acute, with coverage sometimes falling below half of what was needed; although the country recorded a budget surplus in 2022, its shortfall increased sharply afterward (OCHA 2024b). Kenya had the smallest gap in absolute terms, ranging from USD 38 million in 2021 to USD 568 million in 2023, and showed improvement in 2022 when donor funding nearly matched needs. South Sudan's shortfall fluctuated significantly from USD 420 million in 2021, dropping to USD 140.9 million in 2022, then rising again to USD 315 million in 2023—reflecting ongoing instability. Sudan also faced a persistent gap, with shortfalls remaining high despite increased commitments. Uganda consistently struggled with significant funding gaps for hunger-related crises, leading to reduced food rations and limited coverage for both refugees and vulnerable populations; in 2023, humanitarian food assistance reached only 27–62% of households' minimum caloric needs (World Vision, 2022; World Vision, 2023).

These country-level disparities highlight a broader trend: donor pledges often fall short of actual needs, resulting in unmet basic requirements and worsening food insecurity for millions. As humanitarian needs continue to outpace available resources, the region faces escalating challenges in protecting its most vulnerable populations.

Local and regional efforts, including partnerships with IGAD, have sought to mobilize additional funds but remain insufficient. The World Bank scaled up support for food and nutrition security in the Horn of Africa with USD 1.54 billion in new lending between April 2022 and June 2023 (World Bank Group, 2024). Its multi-sectoral approach combines immediate relief and long-term strategies to strengthen food systems and climate resilience. For example, in Kenya, 1.5 million farmers—over 55% women—received support through climate-smart agriculture projects, including inputs, advisory services, and improved market access. The World Bank also provided emergency cash transfers to over 250,000 households in Somalia and supported livelihood programs in South Sudan and Ethiopia, benefiting millions (World Bank Group, 2024).

Studies signal beneficial gender equality outcomes when cash transfers are directed to women that merit consideration for scaling up (Centre for Financial Inclusion, 2023; Scott et al., 2017; Wasilkowska, Collins and Schryer-Roy, 2013). Women and girls' vulnerabilities in hunger crises can potentially be overlooked if financing approaches are not explicitly gender responsive (Centre for Financial Inclusion, 2023). Furthermore, humanitarian assistance, particularly food and cash transfers, may be distributed without sufficient attention to gender dynamics, leading to men disproportionately benefiting in some cases. For example, men may control household cash transfers (Scott et al., 2017), limiting women's ability to purchase food or meet other urgent needs. Inattention to gender in humanitarian financing for climate and the hunger crises might overlook women's limited access to productive resources and decision-making.

Addressing the growing humanitarian financing gap in the IGAD region requires sustained international focus and increased donor commitments. Although donor pledges have varied, most have not been fully met, resulting in significant shortfalls that leave urgent needs and resilience efforts underfunded. The increasing frequency of extreme climate crises demands a coordinated global response beyond traditional humanitarian appeals. As global humanitarian funding continues to fall short and reforms stall, the region's most vulnerable populations are left at risk, with little prospect for the sustained support needed to break the cycle of crisis and build resilience.

7.2. NON-ECONOMIC LOSSES FOR THE HORN OF AFRICA HUNGER CRISIS

Climate financing that addresses non-economic loss and damage (NEL) is a critical component of climate action, particularly for vulnerable countries such as those in the IGAD region. Non-economic losses from the Horn of Africa hunger crisis include impacts that are not easily quantifiable in financial terms but profoundly affect individuals, communities, and ecosystems. These span cultural, social, psychological, well-being, health, biodiversity, ecosystem, displacement, peace, and security facets (IPCC, 2022; Oxfam, 2024; IGAD CAEP, Fankhauser et al., 2014; Maxwell and Majid, 2011). Pastoralists and those reliant on rain-fed agriculture bear a disproportionate burden of loss and damage, including non-economic dimensions (Oxfam, 2023b Oxfam 2024). However, because these losses and damages are difficult to quantify and express in monetary terms, they are often overlooked in climate-related risk and cost analyses and climate financing for the region (UNDP 2024b).

Women face heightened vulnerability to climate-fuelled hunger, malnutrition, and related health and social consequences key NEL gender dimension in the context of the hunger crisis in the Horn of Africa. Their gender-differentiated roles, responsibilities, and vulnerabilities exacerbate the impact of NELs (Global Programme on Risk Assessment and Management for Adaptation for Climate Change (Loss and Damage), 2021). Inadequate policies addressing gender-specific NELs and a lack of institutional support for women's needs contribute to the lack of focused assessments and interventions. Donors and aid organizations often prioritize economic assessments of crises, so NELs—especially those related to gendered impacts—may be overlooked in funding, limiting resources for thorough analysis (LDYC, 2023).

Barriers and limitations to assessing non-economic losses (NELs) in IGAD countries include significant data gaps, under-reporting-especially of sensitive issues such as gender-based violence (GBV) and mental health-and methodological challenges. These are compounded by resource and capacity constraints, as well as political and social barriers (Hdidou and Ramsay, 2024; Hauler, 2023; Rigg and Chakma, 2022; IGAD, 2022; UNDP, 2024b; IGAD, 2023d). While NEL

frameworks exist, there is little evidence of their gender-responsive application in climate finance contexts, primarily due to a lack of reliable gender-disaggregated data and the social stigma that discourages reporting of gender-specific losses (LDYC, 2023; Hauler, 2023; IGAD, 2023d).

However, given the well-documented reality of NELs and their disproportionate impact on women and girls, the priority should not be the development of better assessment tools at this stage. Instead, policy frameworks must ensure that women and girls are meaningfully included in decision-making processes related to climate action and finance (LDYC, 2023; Oxfam, 2024). This includes:

1. Creating and supporting participatory mechanisms that guarantee women's representation and leadership in climate governance and funding decisions (Women and Gender Constituency, 2021).

2. Designing and implementing funding modalities that respond directly to the needs and priorities articulated by women themselves, including through gender-responsive budgeting and targeted grants (Women and Gender Constituency, 2021).

3. Addressing structural barriers to women's access to resources, land, and financial services, which are critical for both adaptation and resilience (Global Programme on Risk Assessment and Management for Adaptation for Climate Change (Loss and Damage), 2021; IGAD, 2023d).

By focusing on inclusive policy frameworks and gender-responsive funding approaches, IGAD countries can make tangible progress in addressing the gendered dimensions of NELs—even as data and assessment methodologies continue to improve (LDYC 2023; Global Programme on Risk Assessment and Management for Adaptation for Climate Change (Loss and Damage), 2021).

8. KEY FINDINGS AND RECOMMENDATIONS

Given the scale of climate impacts expected and already experienced in the region, the countries of the IGAD region require international support to address adaptation and loss and damage as well as to transition to low-carbon development pathways consistent with the goal of limiting global warming to no more than 1.5°C. This finance must also contribute to gender transformative outcomes. This report provides a detailed, regional-level analysis of the climate finance flowing to the region, as well as its intersections with debt, agriculture, gender and humanitarian financing. The aim is to inform the ongoing discourse on transforming climate financing and contribute to reimagining a global financial architecture that is fit-for-purpose to achieve the goals of the Paris Agreement.

This paper shows that climate finance flows remain inadequate to address the urgent needs of countries in the IGAD region, especially those that are fragile and affected by conflict. That the countries of the IGAD region have contributed little to climate change but bear the brunt of its impacts is fundamentally unjust, and climate finance flowing to the region in its current state is not adequate to redress this imbalance. This comes as the region faces an unprecedented hunger crisis and the impacts of the climate crisis continue to escalate, worsening poverty, hunger and inequality.

Climate finance gaps in the IGAD region

Between 2013 and 2022, countries in the IGAD region received approximately 23.3 billion USD in climate-related development finance from bilateral and multilateral sources, averaging 2.3 billion USD annually. Total flows to the region are insufficient compared to the finance needs of 42 billion USD each year, as outlined in the countries' Nationally Determined Contributions (NDC). The climate-related development finance reported in the past decade amounts to just 6% of the total conditional climate finance needs for the IGAD region to meet their NDCs by 2030. Commitments also vary significantly between the countries with significantly higher figures observed for Ethiopia (8.2 billion USD), Kenya (7.4 billion USD) and Uganda (3.4 billion USD) while Eritrea and Djibouti received just 117 million USD and 396 million USD, respectively.

Concerningly, climate finance flows to those countries classed as fragile and conflict-affected in the IGAD region are marked by significant imbalances and limitations. Eritrea, Ethiopia, Somalia, Sudan and South Sudan receive extremely low levels of per capita climate-related finance compared to the other countries in the region. It is clear that current climate finance mechanisms fail to address the specific realities of FCAs, including conflict, displacement and limited institutional capacities. Complex application processes, rigid eligibility criteria, and stringent fiduciary requirements create high barriers to access, and climate finance remains risk averse and top-down, which sidelines local actors and communities.

An estimated 54% ($12.5 billion) of all climate-related development finance provided to the region contributes to adaptation objectives. South Sudan, Somalia, Djibouti, and Eritrea receive a particularly high proportion of adaptation finance while Uganda received only 42% of its finance for adaptation. While the overall share allocated to adaptation in the region is a little over what is often considered to constitute balance, given the region's high vulnerability to climate change, the target for adaptation finance should be considerably more ambitious than 50%.

MDBs are the largest providers of climate finance in the region, contributing 13.9 billion USD, or around 60% of the total, and their contribution has increased steadily over the period. Bilateral climate finance amounted to 8.4 billion USD, or 36% of the total climate-related finance over the 10-year period while the other multilateral organisations, including climate-focused funds like the GCF and GEF, contribute a much smaller share of finance, accounting for 1.1 billion USD or just 5% of the total.

The largest individual contributor of climate finance to the IGAD region is the World Bank (WB) with commitments of 11.5 billion USD, accounting for 50% of the total amount of climate-related development finance in the 10-year period, higher than all of the bilateral providers combined. The commitments of the WB have increased steadily over the period from 0.2 USD billion in 2013 to 3.2 billion USD in 2022. The AfDB follows with commitments totalling 1.8 billion USD.

Recommendation 1: Scale-up grant-based climate finance to the IGAD region in line with country-needs and prioritise climate finance in fragile and conflict-affected settings

- Climate finance is not an act of charity; it is a matter of justice. In line with the principles of equity and justice under the UNFCCC, countries that are historically the largest polluters must be held accountable and pay for the damage they have caused.
- Climate finance providers must significantly scale up their climate finance contributions to meet the urgent needs of the IGAD region. Crucially, all adaptation finance must be delivered as grants, not loans, to avoid burdening vulnerable nations with debt.
- Climate finance providers should allocate an increased share of climate finance to fragile and conflict affected settings (FCAS), ensuring targeted support for adaptation efforts that reduce vulnerability and enhance resilience.
- Climate finance providers, governments and implementing agencies should integrate the climate conflict nexus into their strategies, policies and planning, where valuable lessons can be gained from the humanitarian and peace-building sectors.
- Climate finance providers should tailor finance mechanisms and simplify access to climate finance for FCAS and LDCs. This can be achieved by:
    - streamlining administrative processes and implementing special access requirements
    - increasing the risk tolerance of funds
    - creating more flexible operational protocols that are suited to complex environments
    - establishing dedicated funding mechanisms specifically designed to fragile and conflict affected settings.
- Significant financing for loss and damage is required, that is distinct to adaptation, mitigation and humanitarian finance. Climate finance providers and governments must ensure that the Fund for Responding to Loss and Damage is conflict-sensitive and prioritises reaching local actors.

Climate finance and debt distress

Debt sustainability is a growing concern in the IGAD region, as several countries already face high or unsustainable debt levels. Sudan and Eritrea, in particular, have faced severe debt challenges over the past decade, with external debt reaching 186% of GDP in Sudan and 164% in Eritrea in 2022—far exceeding the IMF's recommended threshold of 50% for low-income countries. Likewise, Kenya (73%), Ethiopia (56%), and Uganda (50%) have all surpassed this limit. According to the IMF-World Bank debt sustainability analysis, Djibouti, Ethiopia, and Sudan are currently classified as being in debt distress, while Kenya and South Sudan are at high risk.

As external debt has risen, so has the cost of servicing this debt, at a time when countries are already grappling with severe food insecurity and deepening humanitarian crises. The growing share of foreign-denominated loans, combined with exchange rate volatility and recent global interest rate hikes, has significantly increased repayment costs. In 2022, debt service as a share of GDP reached 160% in Ethiopia and 420% in Uganda. Extreme peaks have also been observed in Kenya (447% in 2019), Somalia (890% in 2020) and Sudan (895% in 2021).

High debt service obligations reduce countries' capacity to invest in public services such as health, education, and social protection, as well as to respond to climate change, leaving countries with little scope to scale-up spending on climate adaptation and loss and damage at the scale that is needed. As debt burdens rise, an increasing share of national budgets is being diverted toward repayments, leaving little fiscal space to scale up urgently needed investments in climate adaptation and loss and damage and severely constraining development objectives.

At the same time, climate finance intended to support vulnerable countries to address the impacts and loss and damage from climate change is often delivered as loans, adding further to existing debt burdens. Across the IGAD region, climate-related development finance consists of approximately 52% grants, 41% concessional loans, and 5% non-concessional loans. The high provision of loans for some countries in the region is not only unjust—given that these nations have contributed little to historical emissions—but also has serious implications for debt sustainability. International climate finance should not increase the debt burden of low- and middle-income countries, particularly to fund adaptation, where economic returns are limited. Grant-based support is essential to safeguard both climate resilience and fiscal sustainability.

It is notable that a significant share of finance committed to Somalia (100%), Sudan (98%), Eritrea (95%), and South Sudan (94%)—which are classified as LDCs and FCAS—is provided in the form of grants. This is a positive step in reducing debt burdens for these vulnerable countries. However, the overall volume of climate finance directed to these countries remains extremely low, falling far short of what is required to address their acute climate vulnerabilities and adaptation needs. In contrast, Uganda and Kenya, which both exceeded the IMF's debt-to-GDP threshold in 2022, continue to rely heavily on debt-financed climate funding.

The grant equivalent value of the reported climate-related development finance – what can be considered the real value of —is an estimated 17 billion USD, or around 75% of the reported amount. This means the actual value of the climate-related development finance committed to the region is reduced by 25% when accounting for debt service repayments, interest, and other fees associated with climate-related loans. This grant equivalent amount represents just 4% of what is needed by the countries to meet their NDCs.

Several IGAD countries are actively pursuing debt reforms to restore fiscal sustainability and address mounting debt burdens. However, a critical concern is that current debt reforms and restructuring efforts often focus narrowly on debt stock reduction and fiscal consolidation without

sufficiently addressing the broader economic and social implications. Economic reforms tied to International Monetary Fund programs frequently include austerity measures—such as cuts to public spending and social protection—that can undermine governments' ability to provide essential services like health, education, and social safety nets. This raises important questions about the sustainability of reforms and their compatibility with development goals, especially in the context of climate change impacts that disproportionately affect vulnerable populations.

Recommendation 2: Ensure climate finance does not increase the debt burden of IGAD countries and enhance transparency in climate finance reporting to better track the financial obligations taken on by recipient countries

- Climate finance providers should prioritise grants, particularly for adaptation and for countries at risk of or already in debt distress to avoid worsening debt burdens in vulnerable IGAD countries. Adaptation finance should not be provided through loans, as adaptation investments rarely yield direct economic returns to justify debt financing, and providers should exercise caution in offering debt instruments, especially where debt sustainability is already a concern. UNFCCC decisions and governments should adopt policy measures limiting the use of debt instruments in climate finance, especially for highly indebted regions and countries.
- Climate finance providers must enhance transparency in reporting and report in a way that reflects the real effort made and the real value for developing countries. Climate finance providers should report full lists of funded climate finance projects with greater detail per project, report the grant equivalent values of their climate finance and disclose the terms, including interest rates and repayments, of loans and other instruments used to provide climate finance. This will clarify the real value of support and the financial obligations incurred by recipient countries.

The agricultural sector, gender-responsive and locally led climate finance

Agriculture plays a crucial role in all eight countries of the IGAD region, primarily through rain-fed agriculture and agro-pastoralism. As such, livelihoods depend largely on natural resources and on timely and predictable rainfall, making them highly vulnerable to climate impacts, particularly droughts and floods. In recent years, extreme climate events have significantly disrupted agricultural activities.

Although agriculture is one of the most climate-vulnerable sectors in the IGAD region, available NDCs indicate that the finance needs for agriculture far exceed current financing. Based on countries' Nationally Determined Contributions (NDCs), the sector requires approximately 2.1 billion USD annually, though actual needs are likely much higher as Djibouti, Ethiopia, Kenya, and Uganda did not specify finance requirements. The 0.4 billion USD in reported climate-related finance for agriculture, forestry and fishing over 2013–2022 is equivalent to just 20% of the annual need. When adjusted for grant-equivalent terms, actual finance drops to 0.3 billion USD, covering only 15% of the identified needs.

Most IGAD countries fall short of the Comprehensive Africa Agriculture Development Programme target of allocating 10% of public expenditure to agriculture. IGAD countries allocated only 5.13% of public expenditure to agriculture, with none meeting the 10% target. Ethiopia and South Sudan had the highest allocations, while Djibouti and Uganda were among the lowest, underscoring the need for increased public investment in agriculture.

Gender-responsive climate finance in agriculture is important for and much needed in the IGAD region. Gender inequalities in land rights and access to resources, inputs, and technology, particularly in agriculture, significantly contribute to vulnerability of women across the IGAD countries. Women's roles as caregivers and exclusion from decision-making processes increase their vulnerability to climate shocks and reduce their adaptive capacity within the agricultural sector. There is a substantial financing gap of approximately $15.6 billion for gender-focused agricultural initiatives, underscoring the urgent need for targeted investments to reduce the gender disparities related to climate shocks.

Despite these inequalities, gender equality remains poorly reported and integrated into climate finance. Some frameworks and tools for gender-responsive climate finance are applicable to agriculture in IGAD countries. Among them, the OECD's Gender Equality Marker (GEM) and the Green Climate Fund (GCF) have established frameworks for assessing gender responsiveness in climate-financed projects. However, a significant portion of climate finance in the IGAD region is not screened for gender objectives, which hinders transparency and accountability**.** Where gender equality is integrated, it is often a secondary consideration, with only a small percentage of bilateral projects (5% in IGAD) explicitly targeting gender as the principal objective.

Climate financing needs to prioritise women and girls by developing gender-responsive financing policies and strategies to minimise vulnerability, support adaptation and strengthen climate action. To effectively tackle climate change adaptation, climate financing responses need to include analyses of gender-specific loss and damage, including non-economic losses, adaptation and mitigation, that reflect roles and responsibilities determined by social norms.

There is also a lack of transparency in how much public climate finance reaches or is managed at the local level. Current reporting mechanisms provide limited insights into how funds are managed, with very few analyses on the degree of localization of climate finance. In the IGAD region, climate finance is mostly channelled through national governments (70%) and multilateral organizations (11%), while local-level delivery mechanisms, such as NGOs or local private sectors, account for a minimal share. A lack of information in reporting makes it hard to assess the decentralization of climate finance and how finance is distributed and used on the ground. Efforts like the Financing Locally-Led Climate Action (FLLoCA) programme in Kenya and the Local Climate Adaptive Living Facility (LoCAL) in several IGAD countries are examples of initiatives that aim to decentralize climate finance. These programs ensure that finance is more responsive to local priorities, builds local capacity, and improves the implementation of climate adaptation projects at the community level.

Recommendation 3: Increase investment and climate finance for the agricultural sector

- Governments should increase their allocation to meet the 10% annual public expenditure commitment for agrifood systems as part of the Comprehensive Africa Agriculture Development Programme (CAADP) target of mobilizing $100 billion investment in African agrifood systems by 2035, to foster food security, rural development, and reduced dependence on food imports.
- Climate finance providers must ensure adequate, predictable, and long-term grant-based climate finance to the agricultural sector in IGAD countries.

Recommendation 4: Ensure access to gender-responsive climate finance, particularly in agriculture, and enhance data collection and monitoring systems

- Climate finance providers should ensure gender-responsive grant-based climate finance and provide gender-specific budgets within climate finance, ensuring that a meaningful portion is allocated to programs that empower women, particularly in agriculture. Targeted grant programs, earmarked funds, direct access, simplified procedures and capacity-building for women and women-led organisations can help to tackle gender disparities, particularly in agricultural financing.
- Climate finance providers should incorporate gender analyses and gender-disaggregated data collection and track gender outcomes in climate projects. Internationally recognized gender equality policy markers—such as the OECD DAC Gender Equality Marker – can be used to assess and report on the extent to which climate finance integrates gender considerations. This information should be used to support regular evaluations to assess whether gender-related objectives are being met in practice. Providers can share best practices and lessons learned to improve gender-tagging and monitoring processes.
- CSOs and other development actors can promote women's access to funding by collaborating with climate finance providers and IGAD governments to incorporate gender-responsive strategies into proposals and programmes.

Recommendation 5: Redress women's structural barriers in agriculture to build coping capacity and resilience to climate shocks and ensure that climate adaptation initiatives are gender-responsive

- Governments should ensure and enforce secure land rights for women informed by local legal frameworks. Strengthening land tenure is essential to unlock women's access to resources, agricultural inputs, climate-resilient technologies, and training programs.
- Climate finance providers should design and implement targeted adaptation initiatives that integrate women's unpaid care and agricultural work, differing needs and interests, accessibility to finance and other resources, and knowledge to create a more inclusive approach to climate finance and agricultural development across the IGAD region. Women should be included in all stages in the climate finance cycle, from design and planning to decision-making, implementation and monitoring.

Recommendation 6: Strengthen locally led and devolved climate finance including in FCAS

- To ensure lasting impact, humanitarian and climate finance must be accountable, inclusive, and responsive to local realities. Increasing direct funding to local organizations and community-based actors is essential, as they are best positioned to deliver context-specific, sustainable solutions. Strengthening transparency and accountability mechanisms will ensure resources reach the most affected populations and interventions adapt to evolving risks. Promoting locally-led planning and implementation will enhance ownership, effectiveness, and resilience at the grassroots level.

- Climate finance providers must engage local communities and local actors in decision-making and the design and implementation of climate finance projects. This ensures that initiatives are contextually appropriate, inclusive, and responsive to the diverse needs and perspectives of communities affected by both climate change and conflict. Inspiration can be drawn from the FLLoCA programme in Kenya and the Local Climate Adaptive Living Facility in Uganda.

- Climate finance providers must report on the amount of climate finance spent locally and in line with the principles for Locally Led Adaptation.

- Climate finance providers should simplify access to climate finance for local governments, community organizations, and grassroots initiatives to manage and implement climate finance funds. Direct access procedures and tailored grant funds should be provided to enhance access. Localisation of funding and provision of direct support to local groups including CSOs is vital to reach vulnerable populations, particularly in fragile and conflict affected settings. Lessons from the humanitarian sector can support efforts to work with local actors.

Financing for climate-related humanitarian disasters

The IGAD region is grappling with a worsening humanitarian crisis fuelled by intensifying climate-related disasters. In 2022, over 55 million people across IGAD countries required urgent food assistance—a record high-driven by the compounding effects of a three-year drought, severe flooding, protracted conflict, and economic shocks. These crises are increasingly interconnected, deepening vulnerability and making recovery more difficult.

Despite rising needs, humanitarian funding is failing to keep pace. During the 2021 and 2023 hunger crisis, appeals for humanitarian assistance doubled—from 3.1 billion USD to 6 billion USD—yet funding consistently fell short, with less than half of the requested resources delivered in most years. This persistent gap left millions without adequate access to food, clean water, healthcare, and protection.

Funding gaps are widening and are likely to persist. In 2023, global humanitarian appeals experienced their widest-ever funding gap, with UN-backed requests only 45% funded. Projections suggest that less than half of humanitarian needs will be met in the near future. This chronic underfunding has directly resulted in cuts to food assistance, reduced access to health and WASH services, and increased risks for the most vulnerable populations.

Compounding this crisis is the siloed nature of the current financing landscape. Humanitarian funding remains focused on short-term relief, while climate finance is not sufficiently integrated into response strategies. This fragmentation limits the ability to build long-term resilience-particularly in fragile and conflict-affected contexts where recurrent climate shocks are frequent and severe. The scale and recurrence of climate-related disasters in the region demand a rethinking of the global financing architecture: one that bridges humanitarian response with long-term climate adaptation and risk reduction.

Non-Economic Loss and Damage (NEL) in the IGAD region, particularly in the context of the Horn of Africa hunger crisis, remains under-assessed, underreported, and underfunded. Women and pastoralist communities face disproportionate impacts, including gender-based violence, psychological distress, and disruptions to cultural and social structures, which are often overlooked in climate financing decisions. Current climate finance frameworks struggle to address these dimensions, due to limitations in data, valuation methods, and the absence of gender-responsive approaches.

Recommendation 7: Integrate climate resilience into humanitarian funding mechanisms to address recurrent and extreme climate crises in the IGAD region

- Humanitarian agencies and climate finance providers should collaborate to develop hybrid financing models that bridge short-term emergency response with long-term climate adaptation, ensuring these are conflict-sensitive and tailored for fragile contexts. Donors should commit to multi-year, flexible funding streams that allow for a seamless transition from crisis response to resilience-building, supporting integrated programmes such as climate-smart agriculture, anticipatory action, and local adaptation initiatives.

Recommendation 8: Integrate gender-responsive non-economic loss and damage assessments into climate finance mechanisms

- Climate finance mechanisms must explicitly address the social, cultural, and psychological dimensions of climate impacts, particularly for women and marginalized groups. Providers should invest in gender-disaggregated data collection and research to assess non-economic losses, using both qualitative and quantitative methods. Policy frameworks must ensure meaningful participation of women and affected communities in funding decisions, and funding modalities should be designed to overcome structural barriers such as unequal access to land, resources, and financial services-that heighten vulnerability to climate shocks, especially for women and pastoralist communities.

ANNEX A. METHODOLOGY

DATA SOURCES

Recipient country climate finance needs

For this report, the National Determined Contributions (NDCs) of the countries in the IGAD region are used to determine specified financial needs. The submitted NDCs were downloaded from the UNFCCC NDC Registry (UNFCCC, n.d.) and information manually extracted for finance needs and time of implementation.

Table A. Country NDCs used to determine specified financial needs

Country	Document	Submission Date	Link
Djibouti	NDC 1	2016	https://unfccc.int/sites/default/files/NDC/2022-06/CPDN%20Djibouti_9%20-%20CPDN%20-%20Format%20pour%20soumission%20CCNUCC.pdf
Eritrea	NDC 1	2018	https://unfccc.int/sites/default/files/NDC/2022-06/NRC%20Eritrea.pdf
Ethiopia	NDC 1	2021	https://unfccc.int/sites/default/files/NDC/2022-06/Ethiopia%27s%20updated%20NDC%20JULY%202021%20Submission_.pdf
Kenya	NDC 1	2020	https://unfccc.int/sites/default/files/NDC/2022-06/Kenya%27s%20First%20%20NDC%20%28updated%20version%29.pdf
Somalia	NDC 1	2021	https://unfccc.int/sites/default/files/NDC/2022-06/Final%20Updated%20NDC%20for%20Somalia%202021.pdf
South Sudan	NDC 2	2021	https://unfccc.int/sites/default/files/NDC/2022-06/South%20Sudan%27s%20Second%20Nationally%20Determined%20Contribution.pdf
Sudan	NDC 1	2022	https://unfccc.int/sites/default/files/NDC/2022-10/Sudan%20Updated%20First%20NDC-12102021.pdf
Uganda	NDC 1	2022	https://unfccc.int/sites/default/files/NDC/2022-09/Updated%20NDC%20_Uganda_2022%20Final.pdf

It is important to note that countries use different methodologies for calculating their costed needs, varying across the climate scenarios used, sectoral coverage, methods used to prioritise and identify actions, and the implementation timeframe, among others. These methodological choices tend not to be outlined in international reporting which makes it difficult to assess the scope covered (African Development Bank, 2019). This is particularly important for adaptation

costs which are difficult to estimate given uncertainty in emissions pathways and technical and financial capacity gaps in identifying and quantifying adaptation needs (UNEP, 2023). Climate action planning is also a continuous process, with needs evolving over time. These considerations make aggregation and comparability of costed needs difficult, and figures must be interpreted with caution. Nonetheless, the NDCs remain an important means by which countries communicate their finance needs and for contextualising the climate finance flowing to countries.

Debt data sources

Data on foreign debt levels, GDP growth, and inflation rates (CPI) for IGAD countries are sourced from IGAD's Statistics, Facts and Figures 2023 (IGAD, 2023c), the Annual Report 2023 (IGAD, 2023b), and the World Bank's International Debt Statistics (World Bank, 2024b).

Debt service as a percentage of GDP was calculated using debt service and GNI data from the World Bank's International Debt Statistics (IDS) database (World Bank, 2024), along with GDP data from the World Development Indicators (World Bank, 2024). First, debt service as a percentage of GNI was computed, then adjusted using the ratio of GNI to GDP to derive debt service as a percentage of GDP.

Humanitarian financing data sources

Data analysis focuses on humanitarian financing specifically allocated to address the hunger crisis in the Horn of Africa for the IGAD countries. The data used is provided by the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA, 2023a; UNOCHA, 2021–2023), which integrates humanitarian finance data with information on food security and nutrition. Only funding amounts for these categories were considered to accurately reflect financial support directed towards alleviating hunger.

Additionally, it is important to note that data for Djibouti and Eritrea was not available for this analysis, which may limit the comprehensiveness of the findings. Humanitarian financing for hunger crises in Uganda between 2021 and 2023 lacks detailed reporting, particularly regarding the total amounts required for food security and nutrition, hence the data available from credible sources is only for the percentage of funding received.

Climate finance data sources

To analyse international public climate finance flowing to the IGAD region, the study uses the recipient perspective climate-related development finance dataset (CRDF) of the OECD DAC creditor reporting system (CRS) (OECD, n.d.c.) which provides project-level information on (i) projects provided and reported by developed countries with climate change objectives and (ii) the outflows of climate finance from multilateral organizations.[10] All data in this dataset is reported on a commitment basis[11].

For each activity or project, the CRDF includes donor-reported information on the financial instrument (grants, loans, equity and shares in collective investment vehicle), type of finance (concessional or non-concessional), the sector targeted, and the channel of delivery. For bilateral

[10] Information regarding mobilised private finance and officially supported export credits is not available at the project level but is included at the aggregate level in annual OECD climate finance reports using non-publicly available data.
[11] A financial commitment is defined by the OECD 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 organisation' (OECD, n.d.a.).

finance, it is mandatory for donors to report on the degree to which their ODA addresses gender equality and the empowerment of women and girls using the gender equality policy marker (GEM). The GEM assesses activities at the planning and design phase, stating that an activity should be classified as addressing gender equality if *"it is intended to advance gender equality and the empowerment of women and girls or reduce discrimination and inequalities based on sex"* (OECD, 2023c, p. 95). The gender equality markers follow the same three-tier scoring system as the Rio markers and can therefore be used to estimate the flows of climate finance that target gender equality as a policy objective.

In addition to reporting to the OECD, donor countries have since 2013 reported climate finance information in the Biennial Reports (BRs) submitted to the UNFCCC and will continue to do so in the forthcoming Biennial Transparency Reports (BTRs), under the Enhanced Transparency Framework, from 2024. The BRs are the primary alternative data source for bilateral climate finance information. However, the OECD CRDF is used here as it provides data up to 2022, while the BRs are, as of October 2024, only available up to reporting year 2020. Furthermore, the CRDF provides information about multilateral outflows and gender equality markers which is not available in the BRs or forthcoming BTRs.

There are several differences between the BRs and the OECD CRDF. For example, in the BRs, donor countries may report either disbursements or commitments, while the OECD dataset is published for committed projects. Additionally, not all projects reported in the OECD dataset will be listed in the BR or BTRs for the same year, and vice versa, and the OECD dataset includes only finance provided to countries that are eligible to receive ODA.

Additionally, average grant element percentages (see below for more detail) are estimated using the Creditor Reporting System (CRS) aid activity database (OECD, 2024c), which provides data on grant equivalent values and loan conditions of disbursed climate-related Official Development Assistance (ODA) loans, information that is not provided in the CRDF.

CLIMATE FINANCE DATA METHODS

The methodology used in this study is a modified version of that used in Oxfam's 2024 Climate Finance Short-Changed Update (Kowalzig et al., 2024) and 2023 Climate Finance Shadow Report (Zagema et al., 2023), adjusted to include only the ODA-eligible recipient countries of the IGAD regional community (Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda).

Methodologies for tracking and reporting climate finance

In reporting to the CRS, two methodologies are used by providers of international climate finance to arrive at project-level financial figures: the Rio marker approach which is used by most bilateral providers as well multilateral climate change funds, and the climate components approach which is used by multilateral development banks (MDBs) and is based on the Joint Methodology for Tracking Climate Change Adaptation Finance and the Common Principles for Climate Change Mitigation Finance Tracking.

The Rio markers were borne out of the Rio Conventions to show alignment with biodiversity, climate change and desertification objectives. For each project or programme reported to the CRS, donors are requested to identify the mainstreaming of these policy objectives according to a three-tier scoring system in which projects are marked as targeting climate change mitigation and

adaptation objectives as a 'principal' objective (score 2) or a 'significant' objective (score 1), or as not targeting the objective (score 0):

- A project can be marked as 'principal' when the objective (climate change mitigation or adaptation) is explicitly stated as fundamental in the design of, or the motivation for, the activity. Promoting the objective will thus be stated in the activity documentation as one of the principal reasons for undertaking it. In other words, the activity would not have been funded (or designed that way) but for that objective.
- A project can be marked as 'significant' when the objective (climate change mitigation or adaptation) is explicitly stated but it is not the fundamental driver or motivation for undertaking it. Instead, the activity has other prime objectives, but it has been formulated or adjusted to help meet the relevant climate concerns.
- A score of 'not targeted' means that the project was examined but found not to target the objective (climate change mitigation or adaptation) in any significant way.

For projects that have not been assessed, the marker field should be left empty. This ensures that there is no confusion between projects that do not target the objective (score 0), and projects for which the score is not known (score = null or blank).

Using the climate components method, the MDBs identify the specific components of a project that directly support climate change adaptation or mitigation and calculate the financial amounts corresponding to these components (rather than the whole project amount). Thus, instead of resulting in a set of three 'scores' as in the Rio marker approach, the climate components approach results in a quantitative amount, expressed in USD, that can be considered as climate-related development finance.

For tracking adaptation finance, at COP27 the MDBs an updated methodology to be applied from 2023 (European Investment Bank, 2022, p. 4), which is based on the Common Principles for Climate Change Adaptation Finance Tracking (African Development Bank et al., 2015). For mitigation finance, the MDBs apply the Common Principles for Climate Change Mitigation Finance Tracking. While these methodologies indicate the MDBs' approach, the full details of the climate components methodology used to calculate climate and adaptation finance figures is not published publicly.

Climate finance data gathering and processing

The recipient perspective climate-related development finance dataset was downloaded on 25 September 2024 (OECD, n.d.b.) for the period 2013–2022. To prepare the data for analysis, the following steps were taken.

- The OECD has a standardized list of recipient countries/regions for which countries can report their projects. The dataset was filtered to include only the recipient countries of Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda using the "recipient" column. In addition, finance committed with the recipient 'Eastern Africa, regional' was included. This recipient region includes 18 recipient countries including the eight countries of interest to this study as well as 10 others. Some of the finance reported under this recipient may therefore include countries outside of the scope of the study. To mitigate this, regional finance is analysed separately where possible. Two additional regions (South of Sahara, regional) and (Africa, regional) were not included in the filtering, though these activities may include some finance allocated to the countries of interest.
- The 'Provider type' column was filtered to exclude private donors, so all analysis includes public finance only.

- Bilateral providers were filtered to include those on the OECD list of developed countries, which includes Annex II Parties to the UNFCCC, all Member States of the European Union, as well as Liechtenstein and Monaco (OECD, 2024a). Estonia and Lithuania have since the Shadow report in 2023 joined the OECD DAC and are included in the analysis as donor countries. Korea is not included in the OECD's list of developed countries, despite being a member of the DAC, and is not included in the analysis as a donor country.
- Columns were added to categorize reported delivery channels (in the 'Channel of delivery' column) according to a list defined by the OECD (OECD, 2024b).
- Analysis uses commitments in 'current' USD figures.

The CRS Aid Activity database was downloaded on 22 April 2024 from the CRS (OECD, n.d) for the years 2018–2022. To prepare this data for analysis, the following steps were taken:

- File were converted from CSV to XLS.
- Climate-related projects were identified for each year of data based on the Rio markers reported for climate change mitigation and adaptation. This is not possible for MDBs and other multilateral organisations that do not report using the Rio markers.
- Projects were filtered to include only bilateral projects by selecting '1' in the 'Bi_Multi' column and only ODA loans by selecting only 'ODA loans' in the 'FlowName' column.
- To ensure the CRS data was limited to include only relevant transfers of climate finance, aid classified as general budget support (type of aid A01), imputed student costs (E02), debt relief (F01) except debt swaps, administrative costs (G01), development awareness (H01) and refugees in donor countries (H02) was excluded. This is based on the coverage of the Rio markers outlined by the OECD (OECD, 2023a).

Further calculations and adjustments were made to the datasets to conduct the analysis. These calculations are described in the following sections.

Adjustment for developed countries share of multilateral donors' finance

Climate finance outflows from multilateral organisations were adjusted to include only the shares attributable to developed countries. To do so, the latest available percentage share attributable to developed countries for each multilateral institution as published by the OECD DAC (OECD, 2024a) was applied to each activity reported in the CRDF.

The Islamic Development Bank is not included in the OECD report and the share attributable to developed countries was manually assigned to zero as no Annex I countries are funders. For the Food and Agriculture Organisation and Global Green Growth Institute, also not listed in the OECD report, the share attributable was assigned as 100% to give benefit of the doubt.

Discounting for climate relevance

By identifying activities targeting climate change as a principal or significant objective, the Rio markers provide an indication of the degree of mainstreaming of climate considerations into a given project. While not originally designed to track flows, the markers allow for an approximate quantification of development finance that target climate objectives and can therefore be used to estimate flows of climate finance.

To arrive at an estimate of climate finance flows and to create a standardised dataset, a percentage of the overall budget of the project can be considered relevant to climate change mitigation, adaptation, or cross-cutting objectives[12] depending on the Rio marker score. This step is also necessary to reduce 'inflation,' i.e., that 100% of a projects value with a 'significant' score can be reported as climate finance. In this analysis, for Rio marker 1 projects we adjust the total project value by a coefficient of 30%. For Rio marker 2 projects, we adjust the project value by a coefficient of 85%. We choose these values since they represent the most conversative values used by a reporting country, in this case Switzerland. These percentages also correspond to the low-end estimate used in the Oxfam Shadow reports.

The Rio marker score is also used to determine which objective the financial support is attributed to. In cases where mitigation is a principal objective and adaptation is a significant objective, the financing is attributed to mitigation, and vice versa if adaptation is a principal objective and mitigation is a significant objective. In cases where the Rio marker is equal for mitigation and adaptation, finance is assigned to the cross-cutting objective.

Based on this, a sample Rio marker matrix estimating climate finance is presented in Table 17. It shows, for example, that for a project with Rio marker scores of 'significant' for adaptation and 'significant' for mitigation, 40% of the total project amount is reported as cross-cutting finance. For a project with a Rio marker score of 'principal' for adaptation and 'significant' for mitigation, 100% of the total project amount is reported as adaptation finance.

Table B. Matrix indicating how adaptation and mitigation Rio markers determine the type of support as adaptation (green), mitigation (blue) or cross-cutting (orange), and the resulting coefficients used to adjust a project's total budget.

		Mitigation Rio Marker		
		Not targeted (0)	Significant (Score 1)	Principal (Score 2)
Adaptation Rio Marker	Not targeted (Score 0)	Not relevant	30% of aid in support of activity is counted as mitigation	85% of aid in support of an activity counted as mitigation aid
	Significant (Score 1)	30% of aid in support of an activity counted as adaptation aid	30% of aid in support of an activity counted as cross-cutting aid	30% of aid in support of an activity counted as mitigation aid
	Principal (Score 2)	85% of aid in support of an activity counted as adaptation aid	85% of aid in support of an activity counted as adaptation aid	85% of aid in support of an activity counted as cross-cutting aid

Source: INKA Consult.

The finance reported by the MDBs through the climate components approach is not adjusted but the finance is attributed to adaptation, mitigation and cross-cutting objectives according to the columns for mitigation, adaptation and overlapping dollar amounts in the dataset.

[12] The categories 'mitigation', 'adaptation' and 'cross-cutting' are mutually exclusive when calculating climate finance totals. Mitigation and adaptation support are defined per OECD DAC definitions. Cross-cutting activities are those that involve both mitigation and adaptation components.

Estimating grant equivalents

Donors can report climate finance provided not only using grants, which are free of interest and require no repayments, but also finance delivered using loans and other instruments such as equity investments. Concessional, or soft, loans are delivered on more generous terms than on the market, usually with lower interest rates than if countries borrowed from commercial banks. Non-concessional loans, on the other hand, are typically delivered with market-based interest rates.

Though both concessional and non-concessional loans require repayment, the full face value of loans lent to developing countries are often reported as climate finance (i.e., a 10 million USD loan is reported as the same amount of climate finance as a 10 million USD grant). However, reporting of non-grant finance at its face value does not accurately reflect the differences in the terms of finance provided. A grant represents a greater donor effort than a concessional loan, and in turn a concessional loan represents a greater donor effort than a non-concessional loan. It is therefore argued that face value amounts can be considered a somewhat inaccurate estimate of actual financial effort towards UNFCCC targets (see for example the Oxfam Shadow reports; (Kowalzig et al., 2024; Zagema et al., 2023).

However, it is possible to estimate the grant equivalence of loans to give a clearer picture of the flow of climate finance. The grant equivalent figure is a monetary value that estimates at the present value of money how much is being given away over the lifetime of a transaction compared to if that transaction was extended at market terms, where discount rates are set to adjust future reflows of a loan to the present value (OECD, 2017). Expressing the grant equivalent figure as a percentage of the total amount extended gives the grant element. A loan offered at market terms has a grant element of zero percent while a grant has a grant element of 100%. In reporting the grant equivalent figure, only the grant portion of a loan is counted as climate finance and thus grant equivalent amounts reflect more clearly the financial effort of each donor, showing which donors rely more heavily on loans and providing an idea of the favorability or concessionality of those loans for developing country recipients.[13] The following sections outline how each instrument is treated to estimate grant equivalent figures.

Grants

Grants have a grant element of 100% and are counted at their face value since they require no repayments back to the donor country.

Non-concessional instruments

Non-concessional instruments in both bilateral and multilateral finance are estimated to have zero direct assistance value and a grant element of 0%. While some loans that are reported to be non-concessional may include some level of concessionality, this type of finance is not generous to be categorised as ODA and as such it is not counted as assistance.

[13] The grant equivalent measure was introduced by the OECD in reporting of ODA following a decision by the DAC at its High-Level Meeting in December 2014. After a transition period from 2015 to 2017, the grant equivalent measure became the standard for 2019 reporting of 2018 flows so that only the grant equivalent value of loans is recorded as ODA, though the cash flow figures continue to be published.

Equity and shares in collective investment vehicles

Equity and shares in collective investment vehicles are estimated to have a grant element of 0%. Such instruments are designed with the expectation of profitability by investors, including developed countries through development finance institutions (DFIs). Therefore, though such instruments can play an important role in mobilising additional finance, the financial effort is here estimated to be zero.

Concessional loans and other debt instruments

For concessional loans and other debt instruments a grant equivalent value is estimated by multiplying the face value commitment by an estimate of the grant element of a given donors' provision of climate-related loans in each year. The grant element (a percentage for each donor) is dependent on the conditions of the extended non-grant finance including the loan's interest rate, grace period, maturity, and discount rate, and is estimated based on the CRS Aid Activity dataset (OECD, n.d.c.) for the years 2018–2022.

Average grant element percentages are estimated for each bilateral donor for 2018–2022 using the CRS Aid Activity dataset (OECD, n.d.c.), which provides data on the grant equivalent values and loan conditions of disbursed climate-related (Rio-marked) ODA loans. This information is not available in the climate-related development finance dataset as grant equivalent figures are published only for loan disbursements and the climate-related development finance dataset is published on a commitment basis.

The grant element for bilateral donors that have reported sufficient information in the CRS Aid Activity dataset is calculated by dividing the total grant equivalent value of all disbursed climate-related (Rio-marked) ODA loans by the total disbursed face value of those loans. For bilateral donors where provider-specific grant element percentages could not be calculated due to data constraints but for which the OECD has published the average grant element of their total ODA loans, these figures are used for the years 2018 to 2021 (OECD, 2023d). For all other bilateral donors (for which there is no or insufficient information in the CRS Aid Activity dataset or for which there is no average grant element published by the OECD) as well as all multilateral donors, the weighted average grant element percentage of all bilateral donors' disbursed climate-related (Rio-marked) ODA loans for each year is used, as calculated from the CRS Aid Activity dataset. Since grant equivalent figures became standard in reporting to the OECD DAC only in 2018, for all years prior (2015–2017) the weighted average grant element of the years 2018–2022 is used.

The resulting grant element percentages are presented in Table C. Grant equivalent values are then estimated for each concessional climate-related loan in the climate-related development finance dataset by multiplying the face value commitment with the grant element percentage for that donor.

Table C. Grant element percentages used to estimate grant equivalent climate-related development finance

	2018	2019	2020	2021	2022	Weighted average 2018–2022
Australia	-	-	-	-	60.2%	60.2%
Austria	-	-	34.9%	98.3%	97.5%	79.3%
Belgium	79.4%	79.7%	79.0%	79.8%	80.3%	79.6%
Canada	100.0%	100.0%	95.3%	92.5%	99.3%	96.5%
EU Institutions	38%*	39%*	45%*	43%*	-	-
Finland	79%*	67%*	-	66%*	-	-
France	35.5%	41.7%	43.3%	42.7%	34.2%	39.9%
Germany	31.3%	31.1%	32.5%	33.9%	28.6%	31.1%
Italy	92.1%	91.4%	36.6%	20.2%	12.7%	28.5%
Japan	69.5%	69.7%	69.7%	68.6%	69.5%	69.3%
Poland	85.1%	68%*	68%*	64%*	-	85.1%
Portugal	47%*	49%*	46%*	-	-	-
Spain	67.3%	33.2%	38.4%	33.4%	64.4%	49.8%
Switzerland	-	-	26%*		-	-
United Kingdom	100.0%	-	31%*	31%*	-	100.0%
Weighted average of all donors	53.2%	55.0%	53.0%	56.8%	51.8%	53.9%

Source: Average grant element percentages estimated for bilateral donors and the weighted average of these grant element percentages across donors and years. INKA calculations based on data sourced from the CRS Aid Activity dataset (OECD, n.d). Percentages marked with a star (*) indicate where the percentage is the average grant element percentage of all ODA loans as reported by the OECD (OECD, 2023b).

Unspecified instrument or concessionality

Five projects reported by the EIB were listed with the concessionality unspecified. Grants with the concessionality unspecified are counted at their face value since they require no repayments back to the donor country. Debt instruments with the concessionality unspecified are treated as concessional instruments, to give the benefit of the doubt. As such, the method used is as described for concessional loans and other debt instruments.

Five projects reported by the AfDB in 2013 were listed with the financial instrument unspecified. All projects falling under this category are reported as concessional. For these, projects, a grant equivalent figure is estimated according to the methodology described for concessional loans and other debt instruments.

Table D. Overview of grant equivalent method used based on reported concessionality and financial instrument

Concessionality	Financial Instrument
Concessional and developmental	Grant – 100% Equity and shares in collective investment vehicle – 0% Debt instrument – grant equivalent value estimated Unspecified - grant equivalent value estimated
Not concessional	Debt – 0% Equity and shares in collective investment vehicles – 0% Blanks (semi-aggregated activities) – 0%
Not specified	Debt instrument – grant equivalent value estimated Grant – 100%

Limitations

Tracking international climate finance flows is not straightforward. There is no internationally agreed definition of climate finance, and while the core definition of the OECD and MDBs is generally in accordance, in reporting to the OECD, donors utilise their own operational definitions which can affect estimates of climate finance flows.

There are also several limitations to the climate-related development finance dataset and methodology that are relevant to the study. First, the data in the climate-related development finance dataset is provided on a commitment basis only. While climate finance commitments are a good indication of ambition, analysis has indicated that there can be a significant difference between commitments and disbursements. Furthermore, as some reporting nations to the UNFCCC elect to report disbursements instead of commitments, there may be a discrepancy between the results of this study and officially reported figures reported to the UNFCCC. In addition, the OECD can retrospectively update datasets for previous years. This could have an impact on the comparability across analyses which utilises the OECD climate-related dataset.

Furthermore, the Rio markers are self-reported by donor countries and thus the markers may not always have been applied accurately or consistently. Likewise, use of the gender equality markers for analysis also comes with limitations as the gender markers may not always have been applied accurately and thus truly reflect the level of gender integration in the project. The OECD marking guidelines can be interpreted differently and applied inconsistently, and some DAC members have noted difficulties in determining the score of activities. It is also likely that the quality of application of the gender markers has improved over time as reporting countries become more familiar with the process. Furthermore, the Rio markers and gender markers are intended to be qualitative instruments and thus provides an *estimate* of climate finance and finance in support of gender equality and an indication of broad trends, rather than an exact quantitative calculation.

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Cover photos:

Ali is a farmer from Kal Sheikh, in the Sanaag region of Somaliland. After the drought of 2017, many of his animals died. Credit: Pablo Tosco

A group of shepherds and their livestock arrive in the community of Sincaro, in the Sanag region, Somalia, where Oxfam has built a water supply system for people and animals. Credit: Pablo Tosco

Daudi Shalo sits outside his marooned house where heavy rains caused flooding in Garissa, Kenya displacing thousands from their home. Credit: Peter Irungu

Seinab headed to the dam to fetch water in Isiolo County, Kenya. Credit: Loliwe Phiri

Lubakada is a community of 500 people in Afar Region, Ethiopia. Kori has suffered from drought, severely affecting the pastoralist families in Lubakada and others. Credit: Petterik Wiggers

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