



Financing Sustainable Land Management in Fragile and Conflict-Affected Settings: From Financing Gaps to Financing Continuity

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Land restoration in fragile and conflict-affected settings remains chronically underfinanced, despite its potential to strengthen livelihoods, improve resource governance, support resilience, and create entry points for cooperation across shared landscapes. The challenge is often framed as a shortage of capital. This report finds that in many fragile settings, finance is available in principle but struggles to translate into sustained implementation because financing systems, delivery systems, and institutional processes are not sufficiently aligned. Projects lose momentum as they move between preparation, implementation, and investment. Requirements change, transaction costs rise, and gains in feasibility are lost. The central challenge is therefore one of continuity: helping finance remain engaged long enough for restoration efforts to succeed.

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Executive Summary

Land degradation, drought, declining soil productivity, and growing pressure on food systems are increasingly concentrated in some of the world's most Fragile and Conflict-Affected Settings (FCAS). Many of these landscapes face severe constraints on livelihoods, water security, agricultural production, and natural resource management. They also face instability, weak institutional capacity, displacement, and constrained investment environments. These are among the places where progress towards Sustainable Development Goal commitments and Land Degradation Neutrality objectives faces the greatest challenges.

The international community entered the 2030 Agenda with a commitment to leave no one behind. Yet many fragile and conflict-affected settings continue to receive only a small share of climate, development, and restoration finance. Although fragile and conflict-affected settings are among the most climate-vulnerable contexts globally, they received only USD 10.9 billion in climate finance in 2022, representing less than 10 per cent of international climate finance mobilized that year and less than 2.5 per cent of official development assistance.

The volume of finance for land restoration in these settings is low. In many contexts, initiatives also struggle to sustain momentum across preparation, implementation, adaptation, and scaling. Financing arrangements, institutional processes, and implementation realities often move on different timelines. Projects may begin with credible objectives and strong local relevance, yet lose momentum when they move between financing windows, approval processes, implementing partners, or institutional mandates. The result is repeated redesign, delayed implementation, and higher transaction costs. Institutional memory weakens, and there are fewer opportunities to scale approaches that are beginning to work.

This report proposes a shift in emphasis from financing gaps to financing continuity. Additional finance remains necessary, but finance is more likely to support sustained outcomes when it remains connected to delivery systems, institutional relationships, learning, and risk management over time. In fragile and conflict-affected settings, continuity is not only a question of longer funding cycles. It is the ability to keep finance, implementation, partnerships, and adaptation aligned as conditions change.

Why land restoration in fragile settings requires a different financing approach

Sustainable land management and land restoration can strengthen resilience, support food and water security, and protect livelihoods. They can also improve natural resource governance and create opportunities for cooperation around shared resources. Across fragile and transboundary landscapes, restoration can contribute to climate adaptation, local economic development, and longer-term stability. These outcomes are not automatic. They depend on how restoration is designed, who participates, how benefits are distributed, and whether institutions and communities can sustain cooperation over time.

This is what distinguishes land restoration finance in fragile and conflict-affected settings from many other financing challenges. Financing continuity matters in many sectors, but in FCAS the continuity problem is inseparable from conflict dynamics, weak institutional capacity, local legitimacy, contested resource governance, and delivery feasibility. Projects do not only need money to continue. They need the institutional, operational, and partnership conditions that make implementation possible in the first place.

For this reason, collaboration and co-design across environmental, peacebuilding, development, humanitarian, and finance actors are essential. Land restoration in fragile settings often sits at the intersection of ecological recovery, livelihoods, resource governance, displacement pressures, and local or regional cooperation. No single institution or financing instrument is positioned to address these conditions alone. A financing approach that anticipates these conditions and convenes the relevant actors early can reduce risk and improve financing continuity. Such an approach, as outlined in the full report, can help partners define what is feasible, identify cooperation entry points, and align incentives. It can also

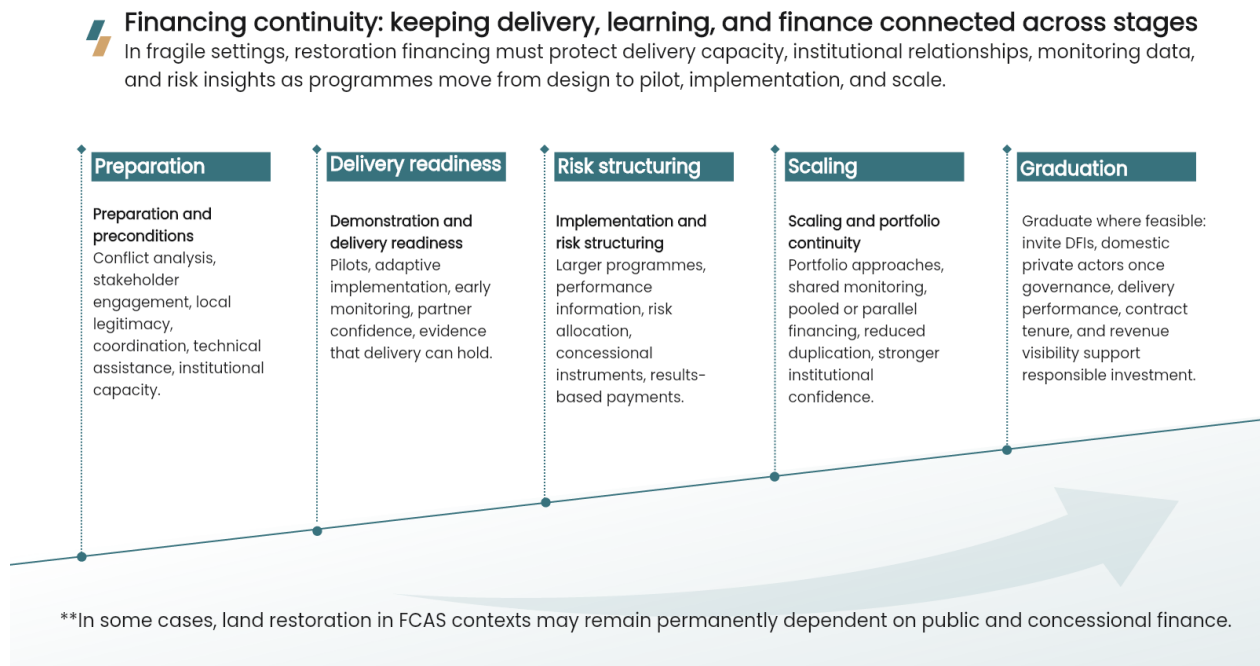
support local ownership and reduce the risk that programmes are designed in ways that cannot be delivered.

With this perspective, collaborative design and implementation are both coordination activities and operational derisking tools. By combining environmental, development, and peacebuilding expertise from the outset, a platform approach can help create the conditions under which partners can fund, implement, adapt, and sustain restoration and development projects in fragile settings. The platform approach's added value lies not only in preserving financing continuity, but also in helping to build the enabling conditions for responsible and durable action.

Financing continuity as the foundation for scaling

Restoration requires time. Soil recovery, ecosystem regeneration, improved resource governance, livelihood adaptation, and institutional cooperation unfold over periods that often exceed standard project cycles. In fragile settings, these timelines are further affected by shocks, insecurity, political change, and shifting delivery conditions. When financing continuity is maintained, programmes can adapt, learn, preserve relationships, and build a stronger basis for future investment. When continuity weakens, implementation slows, partnerships fragment, and hard-won progress can be lost before it translates into results.

Figure ES1. Financing continuity across the restoration lifecycle.



Strengthening financing continuity helps create clearer pathways from early preparation and demonstration activities towards larger-scale restoration programmes. Where conditions allow, this can open the way to broader participation by development finance institutions, domestic private actors, and other investors. This progression is not linear. Many fragile contexts may remain dependent on grant and concessional finance for long periods, and movement towards more structured or private capital is neither automatic nor guaranteed.

The implication is that finance should follow delivery feasibility. Preparation and preconditions phases require support for conflict analysis, stakeholder engagement, coordination, technical assistance,

institutional capacity, and local legitimacy. Demonstration phases require pilots, learning, adaptive implementation, and evidence that delivery can hold under difficult conditions. As programmes mature, financing can place greater emphasis on performance information, risk allocation, concessional instruments, guarantees, first-loss arrangements, and portfolio approaches. Scaling becomes more realistic when delivery systems are functioning, risks are better understood, and institutional confidence has been built through experience.

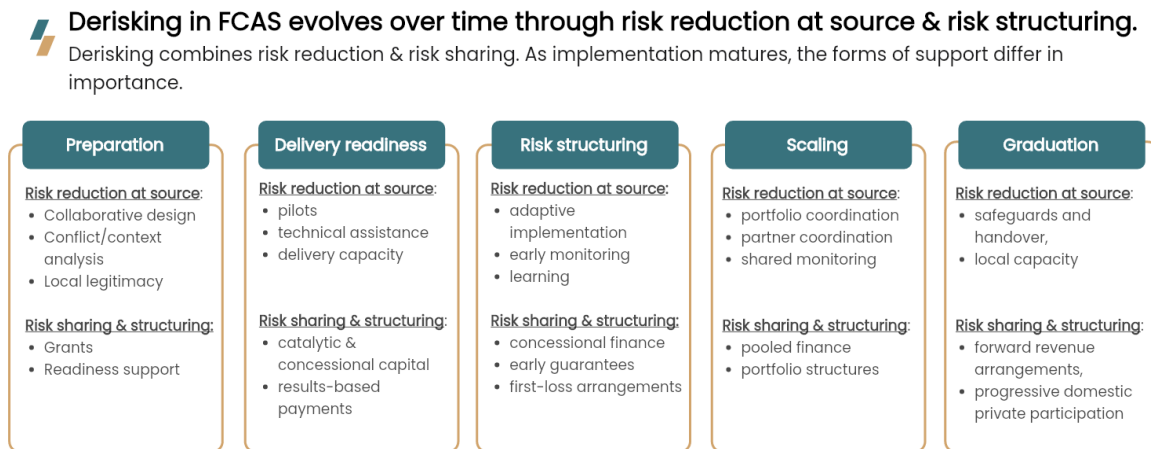
Derisking as risk reduction and risk sharing

Financing continuity also has an important risk-reduction function. Long-term, conflict-sensitive and locally led restoration can strengthen livelihoods, support inclusive governance of shared resources, and foster cooperation before environmental and social pressures increase. Environmental peace building can be both a means of reducing operational risk and an intended outcome in its own right, with cooperation, trust, and social cohesion reflected in programme design, implementation and monitoring.

This report proposes a broader understanding of derisking for land restoration in fragile settings. Derisking is often associated with financial instruments such as guarantees, first-loss capital, concessional loans, or blended finance structures. These instruments matter, but they address only part of the problem. In FCAS, derisking also depends on reducing risks at their source by strengthening the conditions that allow delivery to proceed.

Effective derisking combines two complementary functions. The first is risk reduction: improving delivery systems, local ownership, institutional capacity, coordination, conflict-sensitive and peace-responsive design, monitoring, learning, and adaptive implementation. The second is risk sharing: structuring the risks that remain through concessional capital, guarantees, first-loss arrangements, forward revenue structures, results-based payments, or other risk-sharing approaches. These functions allow financing partners to stay engaged as conditions improve and as institutions learn what can be delivered responsibly.

Figure ES2. Derisking in FCAS: risk reduction and risk sharing.



This distinction matters for policy and financing decisions. In fragile settings, asking financial instruments to compensate for weak delivery conditions is unlikely to work. Guarantees or concessional capital can help allocate residual risks, but they cannot substitute for trusted partnerships, functioning coordination, credible local engagement, or adaptive implementation systems. Paying for delivery capacity early is not an administrative cost to be minimised. It is part of the derisking strategy.

A platform approach for continuity, co-design, and interoperability

This report explores a platform approach that could strengthen financing continuity and implementation effectiveness across fragile and conflict-affected settings. The platform approach would not create a new fund, replace existing mandates, or centralise decision-making. Its purpose would be to enhance the ability of existing institutions to collaborate as programmes move across climate, development, peacebuilding, humanitarian, and investment systems.

The platform approach aims to:

- Support collaborative design across sectors from the earliest stages, so that restoration initiatives are shaped by environmental priorities, peacebuilding considerations, development needs, local ownership, and financing realities.
- Help preserve continuity as programmes move between preparation, piloting, implementation, risk structuring, and scaling.
- Improve interoperability across institutions by reducing repeated redesign, duplicated due diligence, inconsistent reporting, and fragmented monitoring requirements.

A platform approach can help address a gap that existing mechanisms do not fully resolve. Climate finance, peacebuilding funds, development finance institutions, humanitarian actors, and technical partners each bring relevant mandates and tools. The difficulty is that restoration initiatives in fragile settings often need these actors to work in sequence and in combination. A platform approach can help carry forward the core elements that matter across transition points: conflict and context analysis, agreed priorities, sequencing logic, delivery evidence, monitoring indicators, risk allocation, and financing documentation.

Coordination is not valuable for its own sake. What matters is the creation of conditions under which environmental peacebuilding initiatives can move from dialogue and confidence-building to project design, implementation, learning, and, where feasible, larger-scale financing. This makes the platform approach itself a form of operational derisking: it reduces the likelihood that programmes fail because institutions are not aligned, local realities are not reflected, or financing requirements change faster than delivery systems can adapt.

Implications for institutions

This report identifies those adjustments that institutions can pursue within existing mandates and financing frameworks:

- Governments can strengthen long-term delivery conditions through policy coherence, sustained commitment, local ownership, institutional capacity, and support for legitimate coordination arrangements.
- Local authorities, communities, civil society, and customary institutions can act as co-designers and implementation partners. They contribute contextual knowledge, support inclusive governance of shared resources, identify local risks, and sustain cooperation beyond individual project cycles.
- Multilateral development banks and financing institutions can align financing approaches more closely with implementation realities, especially in preparation and preconditions phases where delivery support, flexible sequencing, and concessional resources are needed before larger-scale capital can participate responsibly.
- Multilateral agencies, development partners, donors, and peacebuilding actors can help preserve progress across programming cycles by supporting coordination, technical assistance, adaptive implementation, institutional learning, and evidence that informs future financing decisions.

- Private-sector actors can contribute market insight and, in later phases, investment where governance, tenure conditions, and a delivery track record support responsible participation. In fragile settings, private capital should be sequenced carefully and should not be treated as a substitute for public, concessional, or peace-responsive financing.

These adjustments can help existing institutions make better use of the finance, mandates, and delivery capacities they already have. The aim is not to create parallel systems, but to reduce the friction that prevents viable initiatives from moving across institutional and financing transitions.

Next steps for development and demonstration

The seventeenth session of the Conference of the Parties (COP17) presents an opportunity to move from diagnosis to collaborative design. This report does not present a fully developed mechanism, but rather proposes continued development with governments, financing institutions, development partners, technical organisations, and affected countries. Several next steps would help test and refine the approach:

- Strengthen partnerships among governments, financing institutions, development partners, implementing organisations, and environmental, peacebuilding and humanitarian actors.
- Refine the financing continuity and derisking approach across different fragile and conflict-affected contexts.
- Develop demonstration pilots in selected fragile and conflict-affected settings to test collaborative design, implementation support, monitoring, risk management, and financing continuity in practice, and to generate evidence on environmental, livelihood, and cooperation outcomes.
- Generate operational evidence on what enables restoration initiatives to move from preparation to implementation and scaling without repeated redesign or loss of momentum.
- Assess institutional approaches that can strengthen interoperability across climate, development, peacebuilding, humanitarian, and investment systems.
- Share lessons across regions and institutions to support better future investment decisions.

The purpose of these next steps is to build confidence through practice. Pilots can help identify what works, where the approach needs adjustment, which institutional arrangements are feasible, and what evidence is needed to support wider application.

Key messages

1. Land degradation, drought, and pressure on food systems are increasingly concentrated in fragile and conflict-affected settings, where progress towards Sustainable Development Goal commitments and Land Degradation Neutrality targets is especially difficult. These settings remain underserved by climate and restoration finance. In 2022, FCAS received USD 10.9 billion in climate finance, less than 10 per cent of international climate finance mobilized that year and less than 2.5 per cent of official development assistance.
2. The challenge is not only a financing gap. Projects often lose momentum when financing, implementation, institutional processes, and learning are not sustained across preparation, implementation, adaptation, and scaling. The result is repeated redesign, delayed implementation, higher transaction costs, and fewer opportunities to scale approaches that are beginning to work.
3. Financing continuity is essential for restoration in fragile settings because restoration outcomes depend on long-term delivery, adaptive implementation, local legitimacy, and sustained institutional engagement. Finance needs to remain connected to delivery systems and learning as conditions change, especially where institutions are stressed, shocks are recurrent, and implementation timelines exceed standard project cycles.
4. Collaboration and co-design across environmental, peacebuilding, development, humanitarian, and finance actors are essential in FCAS because they help create the conditions under which restoration can be financed and implemented responsibly. In these settings, collaboration is not

only a coordination preference. It is part of the derisking strategy: it helps align objectives, identify conflict and cooperation dynamics, and strengthen local ownership. It also improves delivery feasibility and reduces the risk that programmes are designed in ways that cannot be sustained.

5. A platform approach can serve as an operational derisking tool by convening relevant actors early and helping programmes move across financing and institutional transitions without losing momentum. Its role is to complement existing mandates, not replace them. It supports risk reduction through joint design, delivery capacity, local ownership, and adaptive learning. It also helps institutions structure the risks that remain, through concessional capital, guarantees, first-loss arrangements, and portfolio approaches, where conditions allow. Demonstration pilots can test this approach, generate operational evidence, and inform future decisions on scaling and wider application.

Glossary

Adaptive programming. Financing and implementation arrangements that allow adjustments to activities and budgets as conditions change, rather than relying on fixed plans.

Capital stack / capital structure. The layered combination of financing types used to allocate loss exposure and repayment priority across actors over time.

Concessional finance. Finance offered on terms more flexible than commercial markets, used to support feasibility and continuity where risks and timelines do not align with standard investment expectations.

Contingent finance / crisis response window. Financing that can be released in response to shocks or predefined conditions, used to maintain continuity during disruption.

Coordination capacity. Financed roles and processes that allow multiple parties to align decisions and sustain implementation, including facilitation and ongoing stakeholder engagement.

Delivery architecture. The systems that keep implementation functioning, including coordination capacity, technical support, adaptation processes, and mechanisms for handling disputes and feedback.

Delivery feasibility. The ability of a programme to deliver under current conditions, based on institutional capacity, local legitimacy, coordination, security, technical readiness, and available evidence.

Derisking. Financing and institutional arrangements that reduce the likelihood of disruption and help capital remain engaged by supporting delivery functions, continuity, and credible allocation of exposure.

Financing continuity. The ability to keep finance, implementation, partnerships, institutional relationships, learning, and risk management connected over time as conditions change.

First-loss capital / first-loss tranche. A layer in a capital structure designed to absorb early losses and reduce exposure for other participants, allowing participation where risk remains high.

Forward purchase agreement / forward revenue arrangement. Commitments tied to future outputs or performance that help create more predictable cashflow expectations and support financing where revenue is uncertain.

Fragile and conflict-affected settings. Contexts where volatility, insecurity, and institutional constraints make sustained delivery difficult and raise the likelihood of interruption.

Grant finance. Non-repayable financing used to fund delivery functions and early feasibility where revenue is uncertain, and risks cannot be assessed with confidence.

Graduation where conditions allow. The conditional movement towards broader finance participation where governance, delivery track record, safeguards, contracts, tenure, offtake, and revenue visibility support responsible engagement.

Guarantees. Instruments that cover defined risks or losses, often used to support participation where exposure remains difficult to bear.

Interoperability. The ability of different financing and institutional systems to collaborate without requiring repeated redesign, duplicated due diligence, or incompatible reporting at each transition point.

Local legitimacy. The degree to which affected groups view decisions and implementation as credible and fair, influencing uptake and continuity of delivery.

Monitoring and learning as a financing function. Information systems that link observation to financial decisions, allowing funds to adjust to delivery conditions while programmes remain active.

Platform approach. An enabling approach that helps existing institutions preserve continuity, support co-design, align financing logic, and carry forward evidence across phases without creating a new fund or replacing mandates.

Platform approach anchored in Peace Forest Initiative stages. A coordination, collaboration and coherence mechanism that aligns packages, tools, wider strategic frameworks, and capital structures across actors so projects can move across phases without reformulating a project at each finance phase to meet different institutional requirements, while leaving instrument choice with existing mandates.

Results-based payments. Payments linked to verified milestones or outputs, used to connect disbursement to delivery and improve accountability under changing conditions.

Senior and junior tranches. Layers in a capital structure that allocate repayment priority and loss absorption, with junior layers absorbing losses before senior layers.

Technical assistance. Financed support for design, implementation, monitoring, and capacity building, often required to sustain delivery in constrained environments.

1. Introduction: Why land restoration matters for resilience and stability in fragile and conflict-affected settings

Violent civil conflict has increased markedly over the past decade. Displacement continues to rise, climate-related hazards are becoming more frequent, and a growing share of the global population living in extreme poverty is projected to be in countries affected by fragility, conflict, and violence by 2030 (Valero Freitag et al. 2024, 1). Climate impacts are likely to deepen these pressures, with direct implications for livelihoods, migration, and stability.

Land degradation, climate stress, food insecurity, and livelihood loss interact closely in these settings. Pressures on land and water resources can intensify competition and expose weaknesses in governance and tenure systems. Where access to resources is contested, these dynamics can reinforce grievances and contribute to displacement and social strain. Land restoration that reflects local governance conditions and resource-use patterns can support ecological recovery while helping stabilise livelihoods. While restoration is not a substitute for political or security processes, evidence suggests that well-designed interventions can strengthen the local conditions associated with resilience, cooperation, and more sustainable natural resource management. These effects are indirect and typically emerge through institutional and economic channels rather than through immediate impacts on conflict outcomes.

For example, land restoration and environmental peacebuilding interventions can strengthen livelihood security and diversification, improve natural resource governance, reduce contestation over access, enhance local legitimacy through inclusive participation and fair benefit distribution, support cooperative management of shared ecosystems across groups and borders, improve access to basic services and productive assets, and generate tangible resilience and peace dividends that reinforce cooperation. In practice, these pathways can also function as operational derisking mechanisms, lowering the likelihood that projects are disrupted by conflict dynamics and increasing the feasibility of sustained implementation.

In many fragile and conflict-affected settings, ecological systems, livelihoods, and resource-use patterns extend across administrative and national boundaries. Degradation, climate impacts, and resource pressures often operate at landscape and transboundary scales, while governance, financing, and implementation remain fragmented. As a result, isolated or short-term interventions rarely address the interconnected ecological, governance, livelihood, and fragility dynamics at the scale at which they operate. Coordinated landscape and transboundary restoration approaches can generate broader system-level effects, including strengthened ecosystem resilience, improved livelihoods, enhanced cooperation across borders and communities, more effective resource governance, and more durable stabilisation outcomes. These effects emerge not from individual projects alone, but from alignment across actors, financing streams, and interventions within shared landscapes.

The contribution of land restoration to stability is therefore important, but not automatic. It depends on how natural resources are managed, how benefits are distributed, and how local institutions function. Where cooperation over shared resources improves and decision-making is seen as more legitimate, pressures linked to scarcity and exclusion can ease. Whether this happens depends on design and implementation. Inclusive processes and attention to local conflict dynamics shape whether restoration efforts are accepted and sustained.

1.1 Limited finance for land restoration in FCAS

UNEP estimates that in 2023 around USD 7.3 trillion flowed into activities that harm nature, while around USD 220 billion supported nature-based solutions, with private finance accounting for around USD 23 billion. Investment in nature-based solutions would need to rise to around USD 571 billion per year by 2030 to meet global biodiversity, climate, and land restoration targets.

Despite the relevance of land restoration for resilience and stability, financing remains limited in fragile settings. For example, UNCCD estimates indicate that achieving Land Degradation Neutrality in the Sahel

alone will require approximately USD 61.9 billion over 2025–2030, compared to current and projected investments of just over USD 2 billion, underscoring the scale of unmet demand for land restoration finance in highly fragile contexts (UNCCD 2024a).

In fragile and conflict-affected settings, climate adaptation finance remains comparatively low. A World Bank analysis reports that in 2020 countries on the fragile and conflict-affected situations list received less than two thirds of the adaptation finance per capita received by other low-income countries, with lower levels in high-intensity conflict settings than in other fragility, conflict and violence categories (UN Climate Security Mechanism 2024; UNCCD 2024a). More broadly, FCAS collectively receive only around 10 per cent of total global climate finance, despite facing disproportionately high vulnerability (ODI 2025). OECD analysis reinforces that fragile contexts remain systematically underserved by climate-related development finance relative to other developing countries, reflecting structural access and risk constraints. These figures point not only to an aggregate shortfall, but also to a persistent allocation bias away from countries and sectors such as land restoration and nature-based adaptation in FCV contexts, where marginal resilience gains are likely to be highest.

The challenge is not only the volume of finance available, but also how it is organised and delivered. Even where financing exists, it is often channelled through disconnected projects with differing time horizons, objectives, and reporting requirements. This fragmentation can limit cumulative landscape-scale impacts, increase transaction costs for implementers, and make it more difficult to coordinate action across shared ecosystems and transboundary landscapes. This imbalance reflects what policy analyses have described as a “conflict blind spot” in climate finance. Perceived risk, access constraints, and high transaction costs systematically exclude FCV contexts from funding flows. These figures point to a persistent mismatch between risk exposure and financing allocation and highlight the need to redesign derisking instruments and delivery models for land restoration investments in these environments.

1.2 Design, data, and risk management gaps

The composition of finance further contributes to the gap. Debt-based instruments dominate available funding in many cases, while grants and concessional resources for preventive action remain limited. This creates a mismatch between the types of finance available and the needs of projects that require support during preparation and enabling phases and over extended implementation horizons. OECD analysis reinforces that this gap reflects not only insufficient resources but also how finance is allocated and delivered, noting that in highly fragile contexts effectiveness depends on whether financing is appropriately targeted, timed, and aligned with local conditions rather than on volume alone (OECD 2025b).

Financing patterns also reflect constraints on data, reporting, and institutional capacity. In many contexts, project developers and local institutions struggle to produce information in forms that align with investor requirements, including emerging disclosure frameworks. This limits the ability of funders and investors to assess risk and verify outcomes. As a result, participation remains cautious, and many potentially viable interventions do not progress.

Many restoration opportunities in FCAS face structural barriers that make investment difficult even where the underlying need and potential impact are clear. Benefits often accrue over long periods, project preparation costs can be high relative to investment size, outcomes may be dispersed across multiple communities and ecosystems, and monitoring can be challenging in insecure environments. As a result, projects that are socially and environmentally valuable may not align well with conventional financing models or investor expectations. These constraints reinforce one another. Risk perceptions, information gaps, limited project preparation support, and fragmented financing structures interact to constrain investment. These challenges are especially acute where restoration must operate at landscape or transboundary scale, requiring coordination across jurisdictions, actors, and financing channels. The

constraints can create a cycle in which weak pipelines reduce investor confidence, limited investment constrains implementation experience, and absence of proven examples reinforces perceptions of risk.

In this context, the effectiveness of land restoration finance depends not only on project design, but also on alignment across scales. Fragmented approaches risk duplicating effort, missing cross-boundary dynamics, and failing to address the systemic drivers of degradation and instability. Coordinated approaches, such as the platform approach discussed in this report, can do the opposite, reinforcing outcomes across sites and sectors while reducing the risk of project failure.

Illustrative challenges in land restoration finance

Examples show how initiatives can lose momentum at transition points. A platform approach would help preserve continuity across financing, implementation, and institutional transitions.

Readiness without Implementation	Implementation interruption	Repeated redesign
Example: GCF readiness and capacity building initiatives Challenge: Progress in planning & project preparation does not always translate into funded implementation. Value of platform approach: ✓ Pipeline development & project preparation support ✓ Continuity across financing phases ✓ Preservation & transfer of project documentation & evidence	Example: Afghanistan Community Forestry Challenge: Policy and technical progress depend on continued support; financing interruptions slow or disrupt implementation. Value of platform approach: ✓ Continuity support ✓ Institutional memory ✓ Adaptive financing	Example: PeaceNexus / Blue Action Fund Challenge: New funders require repeated proposal revisions, due diligence, and reporting adjustments. Value of platform approach: ✓ Shared documentation ✓ Lower transaction costs ✓ Common monitoring logic

Recognising that constrained financing in FCAS reflects both risk dynamics and structural underinvestment, this report underscores the need to complement improved access to finance with a deliberate scaling up of resource allocation, including through prevention-focused strategies that are gaining political traction. Financing design therefore needs to support not only project delivery, but also the coordination and cooperation that underpin cross-border restoration efforts.

1.3 Scope and approach

In line with the Peace Forest Initiative, land restoration in these contexts is also a vehicle for transboundary governance and technical diplomacy. Joint target setting, shared ecosystem management, and cooperative planning can create entry points for dialogue where political engagement is otherwise constrained. These contributions are indirect and context-dependent, and they do not substitute for political processes or broader efforts to address the drivers of conflict.

These challenges suggest that the central financing problem is not only mobilising greater volumes of capital, but also creating mechanisms capable of coordinating actors, aggregating investment opportunities, reducing transaction costs, supporting project preparation, and managing risk across landscapes and jurisdictions. These functions extend beyond the scope of individual projects and point towards the value of platform-based approaches.

The following sections examine how financing can be structured to address these constraints, focusing on derisking approaches, sequencing, capital structures, and coordination mechanisms that can be applied through existing institutions. This report sets out derisking logic and financing modalities for land restoration in fragile and conflict-affected settings. It does not propose a new taxonomic framework, reporting standard, legal instrument, or dedicated fund. Rather, it focuses on how existing tools and

institutions can be combined and sequenced to support delivery, coordination, and continuity under difficult operating conditions.

The analysis draws on published evidence and practitioner experience, supported by a practice record from funders working in conflict contexts and catalytic financing discussions with partners. This report uses phased derisking approaches as an organising framework and translates these into financing modalities, capital structures, and coordination mechanisms that can be applied through existing institutions.

2. Finance for land restoration in fragile and conflict-affected settings

The financing challenge for land restoration in fragile and conflict-affected settings is not solely one of capital mobilisation. It is also a challenge of delivery feasibility. Restoration programmes often operate in environments characterised by insecurity, weak institutional capacity, fragmented implementation arrangements, limited project pipelines, and high transaction costs. These conditions affect when different forms of finance can participate and the types of risks that need to be managed. The findings and analysis in this report suggest that financing should be structured around delivery feasibility rather than around financial instruments alone. As implementation conditions improve, different forms of capital can enter and assume progressively greater roles. Financing therefore needs to be sequenced, with instruments selected according to the primary constraints present at each stage.

This approach is particularly relevant in fragile and transboundary landscapes where restoration outcomes depend on coordination across jurisdictions, institutions, and funding streams. Financing mechanisms need to support continuity, reduce transaction costs, facilitate cooperation across actors operating at different scales, and maintain implementation during periods of instability. The objective is not to eliminate risk, which is neither possible nor desirable in many FCAS environments, but to understand, allocate, and manage risk in ways that enable restoration activities to proceed responsibly.

Throughout this report, financing is organised around phases defined by delivery feasibility. These phases provide the principal framework for sequencing instruments, allocating risk, and understanding when different forms of capital can participate. Progression between phases is not linear or guaranteed. Programmes may remain in earlier phases for extended periods, advance unevenly across landscapes, or move backwards when conditions deteriorate.

2.1 Derisking packages at a glance

The table below summarises how financing can be sequenced around delivery feasibility. The phases are not intended to represent a fixed pathway. Different programmes may move through them at different speeds, while some may remain in preparation or demonstration phases for extended periods depending on conflict dynamics, institutional capacity, or implementation conditions.

Each phase reflects a different set of delivery constraints. Financing should support the conditions necessary to move responsibly from preparation to demonstration, implementation, scaling, and eventual graduation where conditions allow. Experience suggests that successful restoration pathways depend less on predetermined timelines than on the ability to align finance with changing operating conditions and levels of delivery readiness.

2.2 Land restoration, stability, and finance initiatives

This report complements mechanisms already supporting climate action, fragility work, and peacebuilding. Several UN, MDB, and climate finance structures already provide analysis, funding, coordination, and capacity support in fragile contexts. The Climate Security Mechanism supports climate-

security risk analysis and related field support across the UN system. The Secretary-General's Peacebuilding Fund provides catalytic and risk-tolerant resources for prevention and peacebuilding through UN entities and partners, including multilateral development banks. The World Bank's IDA Fragility, Conflict and Violence Envelope provides structured allocations tailored to prevention, engagement during conflict, and transitions.

Climate finance institutions provide additional functions focused on access and capacity. The Green Climate Fund's Readiness and Preparatory Support Programme strengthens institutional capacity and aims to reduce transaction costs and improve predictability. The NDC Partnership supports coordination, partner matching, and knowledge-sharing to accelerate climate implementation and access to finance. The UNCCD Peace Forest Initiative functions as a collaborative platform in fragile and transboundary settings and supports integrated activities linking restoration, resilience, and peacebuilding objectives.

Existing climate, development, peacebuilding, and humanitarian mechanisms perform essential and complementary functions. Climate finance mechanisms support resource mobilisation and institutional readiness. Peacebuilding mechanisms support prevention, dialogue, and stabilisation. Development finance institutions provide longer-term investment and implementation support. Despite these contributions, restoration initiatives in fragile settings often need to navigate several of these systems in sequence rather than through a single pathway.

The challenge is rarely the absence of relevant institutions. It is the difficulty of maintaining continuity as programmes move between them. Financing requirements, reporting expectations, risk assessments, implementation modalities, and partnership structures frequently change at transition points. Information generated in one phase is not always carried forward into the next. Earlier investments in preparation, confidence-building, or delivery capacity may therefore need to be repeated before implementation can proceed.

The platform approach developed later in Section 4.6 addresses a narrower gap that remains even where these mechanisms are present. The Fragility Financing Mechanism introduced in Section 5 is intended to address this narrowly defined interoperability challenge. Its role is to help preserve continuity across existing systems by supporting coordination, project preparation, evidence transfer, sequencing, and shared understanding of delivery feasibility. It complements existing institutions by helping them work together more effectively in circumstances where restoration programmes depend on multiple financing and implementation pathways. Its purpose is not to replace existing institutions, but to strengthen coordination at the interface between peace, climate, and nature finance, particularly where land restoration programmes must navigate multiple financing channels and implementation arrangements. By reducing transaction costs, pooling knowledge, supporting project preparation, and improving continuity across phases, platform approaches can help translate existing resources into more coherent and scalable restoration outcomes.

3. Derisking for land restoration in fragile and conflict-affected settings

This section examines how financing constraints arise in fragile and conflict-affected settings and how derisking responds across phases of implementation. Risk is rarely confined to a single category. Political, social, market, and delivery risks interact, making participation difficult even where expected returns appear adequate (Gregory 2023, 5, 24; Boussard et al. 2024, 6–7). Financial design alone does not determine outcomes. Rather, its effectiveness depends on governance conditions, conflict dynamics, and institutional capacity.

Whether financing can be deployed depends on delivery conditions, institutional capacity, and local legitimacy. These factors shape both implementation and continuity. In line with the PFI operational approach, conflict analysis informs subsequent financing and delivery decisions. Understanding conflict drivers, stakeholder relationships, and power dynamics is necessary to determine feasible delivery models

and sustainable financing structures. World Bank evaluations show that project design and supervision are central to outcomes in fragile contexts, with weaknesses in both contributing to underperformance (World Bank 2023, 2025). Approaches therefore need to move beyond conflict sensitivity towards peace-responsive design, structuring interventions to strengthen cooperation, improve governance, and generate shared benefits.

Risk evolves over time, and this matters for financing. Preparation and preconditions phases are defined by uncertainty around feasibility. Later phases are characterised by loss exposure and revenue stability. Financing that remains fixed across these phases struggles to sustain investment. In practice, financing adapts as conditions become clearer: public and concessional resources absorb early uncertainty, while more risk-averse capital enters where exposure is better defined (Gregory 2023, 42; Asare 2024, 10–12; Sesele 2024, 15, 18). These phases provide a financing lens that cuts across those processes and clarifies how risk, delivery conditions, and capital requirements change over time.

3.1 Barriers reinforce one another in fragile settings

Constraints in FCAS tend to co-occur and reinforce each other. Under high uncertainty, investors withdraw not because returns are unattractive, but because risks are difficult to assess and manage (Gregory 2023, 24). Fragility weakens institutional buffers and amplifies shocks, increasing volatility over time (Boussard et al. 2024, 6–7). Addressing individual risks in isolation therefore has limited effect.

Delivery systems and local legitimacy are decisive for whether projects proceed and endure. Evidence from land use agreements shows that arrangements across multiple land holdings introduce governance complexity and require sustained facilitation with strong local knowledge (Barkley, Short, and Chivers 2024, 10–11). Comparable support functions are often limited in fragile contexts. A forest peacebuilding study finds that cooperation is more likely where local mechanisms connect to wider frameworks, but also that such arrangements are difficult to sustain with weak institutional capacity (Williams 2024, 1, 7–8). Experience in Afghanistan shows that policy reform alone does not translate into implementation; continued financial support, technical assistance, and functioning local institutions are required (Khurram et al. 2024, 5–7). While delivery needs vary by context, coordination, continuity, and conflict sensitivity are consistent constraints. Financing therefore needs to support delivery systems, not only projects.

Fragmentation across actors and mandates compounds these constraints (Salpina et al. 2025, 1, 11). Overlapping responsibilities and unaligned policies slow implementation and increase transaction costs. In spatial conservation, uncoordinated decisions across land holdings lead to inefficient outcomes (Drechsler 2023, 2), while poorly aligned incentives produce uneven results and higher costs (Drechsler 2023, 12). Coordination is therefore not ancillary but integral to financing, affecting both cost and outcomes. Where land restoration, livelihoods, and governance interventions are aligned, they can reinforce each other; where fragmented, they compete, duplicate effort, or miss underlying system dynamics.

Adoption depends on enabling conditions. Integrated approaches that combine technical measures with support for livelihoods and institutional capacity produce more durable results, but require greater coordination (Gugissa et al. 2025, 11–14). Without explicit support for coordination and delivery, these approaches encounter friction that limits effectiveness. Fragmentation, weak delivery, and limited legitimacy reinforce one another and elevate risk.

Time horizons add a further constraint. Land restoration unfolds over periods that exceed typical funding cycles. Evidence from long-duration agreements shows that shifting priorities and budget changes weaken continuity (Barkley, Short, and Chivers 2024, 6–7). Financing that does not match these timelines slows implementation and reduces confidence. Sequenced and layered arrangements help align financing with longer horizons, with concessional resources supporting preparation and preconditions phases and other capital entering as conditions stabilise (Gregory 2023, 42; Asare 2024, 10–12; Sesele 2024, 15, 18).

The P-REC aggregation facility illustrates these dynamics. It links future renewable energy generation to a revenue stream that supports investment in fragile contexts. Expected income is converted into upfront capital, allowing developers to proceed despite uncertainty (Asare 2024, 10–12). Given high exposure, the structure includes a first-loss layer that absorbs early losses and protects other participants (Asare 2024, 12), enabling additional capital to participate under otherwise prohibitive conditions.

3.2 Recurrent constraints and patterns in practice

Across cases, similar patterns emerge. Preparation and preconditions phases are characterised by weak delivery systems, limited capacity, and insecure conditions. Financing at this phase focuses on maintaining activities and building capacity rather than mobilising additional capital. Evidence from blended finance shows that grants and concessional funding play this role, while large-scale mobilisation remains limited (Asare 2024, 5). In Afghanistan, progress in community-based forest management depended on sustained external support, with insecurity and funding gaps constraining expansion (Khurram et al. 2024, 2, 7–9). Development finance institutions follow a similar approach, supporting early investments over longer horizons where returns are uncertain (Sesele 2024, 8, 15, 18).

As implementation progresses, coordination becomes more central. Land restoration involves multiple actors operating under different mandates, raising transaction costs and slowing progress unless financing aligns these efforts (Salpina et al. 2025, 11). Evidence from landscape initiatives shows that fragmented governance leads to overlaps and inconsistencies that require alignment of policies and funding (Salpina et al. 2025, 11). Incentive design is also critical: uniform approaches fail to coordinate land use effectively, while targeted incentives improve efficiency and distributional outcomes (Drechsler 2023, 12).

Once delivery systems are established, attention shifts to loss exposure and revenue predictability. The P-REC example shows how first-loss structures and forward revenue arrangements can address these constraints (Asare 2024, 10–12), allowing projects to proceed where uncertainty would otherwise deter participation. Evidence from Ethiopia shows that combining technical measures with credit and complementary support yields broader gains across income, food security, and land outcomes than single interventions (Gugissa et al. 2025, 11–14). Financing approaches that integrate these elements are more likely to sustain outcomes. Aggregation and shared structures can spread risk, but require sustained resources and management (Salpina et al. 2025, 11; Drechsler 2023, 2, 12).

Across these experiences, derisking proceeds in phases. Preparation and preconditions phases rely on concessional resources to sustain delivery and build capacity. As programmes expand, financing addresses coordination and fragmentation. As conditions stabilise, financial structures distribute risk and improve cashflow predictability. Financing adapts to shifting constraints rather than following a fixed model (Gregory 2023, 42; Sesele 2024, 15, 18).

3.3 Sequencing and indicators to track progress

Financing should be sequenced around delivery feasibility. The relevant question is not only which instrument is available, but what the programme is ready to deliver under current conditions, and what financing would help move it responsibly to the next level of feasibility. This report uses five phases: preparation and preconditions; demonstration and delivery readiness; land restoration implementation and risk structuring; scaling and portfolio continuity; and graduation where conditions allow. The third phase refers specifically to the implementation of land restoration programmes beyond pilots, alongside the financing arrangements needed to define, allocate, and manage residual risks. After this first reference, the report uses the shorter phrase implementation and risk structuring.

In the preparation and preconditions phase, financing supports the analysis, relationships, coordination, and institutional capacity required for responsible engagement. In the demonstration and delivery readiness phase, financing tests whether delivery can hold through pilots, technical assistance, adaptive implementation, and early monitoring. In the implementation and risk structuring phase, financing supports larger restoration programmes while defining and allocating residual risks. In the scaling and

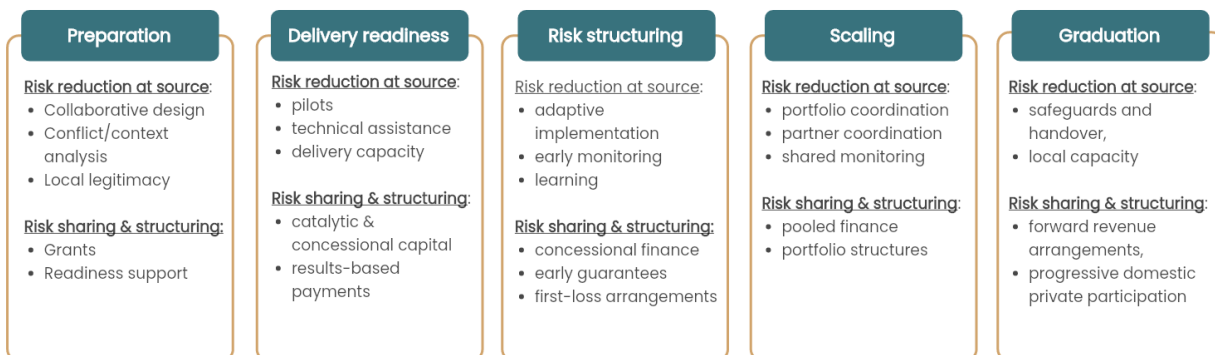
portfolio continuity phase, financing supports shared functions, portfolio coordination, and reduced duplication across projects and institutions. Broader participation by MDBs, DFIs, domestic private actors, or commercial finance becomes relevant only where conditions allow.

Experience has shown that progress across phases is not linear or guaranteed. Some contexts may remain in preparation or demonstration for extended periods, and programmes may need to move backwards when conditions deteriorate. This is why financing arrangements need to be adaptive, context-specific, and realistic about the time required to build delivery feasibility and institutional confidence.

3.4 Derisking packages across phases of fragility

Derisking in fragile and conflict-affected settings should be understood as a sequence of responses to changing delivery constraints. In the earliest phases, the priority is to reduce risks at source by strengthening analysis, local legitimacy, coordination, technical assistance, and delivery capacity. As programmes move into land restoration implementation and risk structuring, financing can begin to address the risks that remain through more defined instruments, including concessional finance, results-based payments, contingency provisions, guarantees, and portfolio approaches. The phases below show how risk reduction and risk sharing co-evolve as delivery feasibility improves, while recognising that progress is not linear or guaranteed. This report references these phases, which help guide the kinds of land restoration finance instruments that may match the accompanying conditions.

 **Derisking in FCAS evolves over time through risk reduction at source & risk structuring.**
Derisking combines risk reduction & risk sharing. As implementation matures, the forms of support differ in importance.



Derisking evolves as delivery feasibility improves over time. Earlier phases focus on reducing risks at the source, while later phases increase in their ability to structure remaining risks where conditions allow.

- **Preparation and preconditions.** The immediate constraint is whether responsible engagement on land restoration is possible. Derisking focuses on conflict and context analysis, stakeholder mapping, confidence-building, coordination, local legitimacy, technical assistance, and basic institutional capacity. Grants and highly concessional resources dominate early on because risks cannot yet be priced or allocated with confidence.
- **Demonstration and delivery readiness.** At this phase, the constraint shifts to whether delivery can hold under difficult conditions. Derisking focuses on pilots, adaptive implementation, early monitoring, partner confidence, and evidence that restoration activities can continue through disruption. Financing remains mainly grant-based or catalytic, with milestone-linked support where appropriate.
- **Land restoration implementation and risk structuring.** The constraint here becomes whether larger land restoration programmes can proceed with manageable exposure. Derisking combines stronger delivery systems, performance evidence, learning loops, and peace-responsive implementation with financing tools that begin to structure residual risks, including concessional

finance, results-based payments, contingency provisions, early guarantees, and forward revenue arrangements where evidence supports their use.

- **Scaling and portfolio continuity.** By this phase, the constraint shifts to whether scaling improves coherence rather than duplication. Derisking focuses on portfolio coordination, shared monitoring, pipeline management, shared support functions, pooled or parallel financing, first-loss tranches, guarantees, and concessional lending where conditions allow.
- **Graduation where conditions allow.** Broader finance participation becomes relevant only where governance, delivery track record, local legitimacy, safeguards, tenure, contracts, offtake, and revenue visibility support responsible engagement. In many fragile settings, grant and concessional finance will remain central for long periods.

Not all of the instruments listed above will be used to fund land restoration directly. Rather, as land restoration contributes to a degree of stability, other types of funding may be more likely to become available to the region, and provide capital for a host of economic activities that also serve to incentivise stability and continued peacemaking.

4. Financial modalities for land restoration in fragile and conflict-affected settings

The purpose of financial modalities is to improve the alignment between financing, delivery feasibility, and risk management. Financing needs change as programmes move from preparation to implementation and, where conditions allow, towards scaling. The table below summarises the relationship between delivery phases, principal constraints, financing instruments, and platform functions. The following sections examine how these modalities operate at different levels.

Sequencing financial modalities by delivery feasibility

How financing priorities, instruments, and platform approach focus evolve as delivery feasibility improves across land restoration programmes in fragile and conflict-affected settings.

Delivery phase	Primary objective	Primary constraints	Typical finance instruments	Platform approach
Preparation & preconditions	Build enabling conditions and pipelines	Lack of project readiness, weak institutions, investor uncertainty	Grants, technical assistance, readiness support, peacebuilding finance	Knowledge, capacity, stakeholder engagement, project preparation
Demonstration & delivery readiness	Test interventions and prove feasibility	Limited track record, performance uncertainty	Grants, concessional finance, catalytic capital	Proof of concept, validation, monitoring systems
Land restoration implementation & risk structuring	Deliver restoration activities at operational scale	Delivery arrangements functioning	Blended finance, concessional loans, guarantees, grant support	Execution risk, continuity, local delivery capacity
Scaling & portfolio continuity	Expand successful interventions across landscapes	Coordination and financing scale constraints	MDB finance, climate funds, private co-investment	Aggregation, portfolio management, transaction cost reduction
Graduation where conditions allow	Transition to sustained finance and local ownership	Restoration activities integrated into institutions and markets	Commercial capital where appropriate, domestic finance, revolving mechanisms	Long-term resilience, sustainability, exit from intensive support

4.1 Project-level modalities

At project level, financing influences whether restoration activities can be delivered, adapted, and sustained under changing conditions. Across fragile settings, four functions emerge consistently as determinants of implementation success: coordination, continuity, flexibility, and adaptive implementation.

Coordination. Restoration programmes in FCAS frequently involve multiple agencies, community institutions, local authorities, and technical partners. Where facilitation and coordination are not adequately resourced, implementation can stall despite the presence of technical solutions. Evidence from

long-duration land use agreements shows that multi-party arrangements require sustained facilitation and strong local engagement to remain operational (Barkley, Short, and Chivers 2024, 10–11). Financing therefore needs to support coordination functions explicitly through facilitation, stakeholder engagement, conflict-sensitive implementation, and partnership management.

Continuity. Land restoration outcomes depend on relationships, trust, and implementation systems that develop over time. Funding interruptions can disrupt these processes and weaken outcomes. Experience from landscape management initiatives shows that discontinuities in financing undermine both implementation and stakeholder confidence (Barkley, Short, and Chivers 2024, 6–7). Multi-year commitments, blended grant-concessional arrangements, and mechanisms that bridge funding cycles can strengthen delivery continuity.

Flexibility. Financing structures need to accommodate changing conditions. Fixed allocations and rigid implementation rules can prevent adaptation when risks evolve. Contingency windows, adaptive budgeting, milestone-linked disbursements, and reallocation provisions allow programmes to respond without restarting approval processes (PeaceNexus Foundation and Blue Action Fund 2024, 2–3).

Adaptive implementation. Monitoring information is most useful when it influences implementation while activities remain underway. Programmes that combine technical interventions with access to credit, technical support, and livelihood assistance tend to produce more durable outcomes than isolated interventions (Gugissa et al. 2025, 11–14). Financing arrangements should therefore connect learning directly to implementation decisions.

4.2 Portfolio-level modalities

Individual restoration projects rarely generate landscape-scale outcomes on their own. Portfolio-level modalities support coordination across projects, reduce fragmentation, and allow investments to operate at scales more consistent with ecosystem dynamics. Portfolio-level modalities therefore support coherence, efficiency, and continuity across restoration initiatives.

Aggregation. Aggregation addresses the challenge of small project size by combining restoration initiatives within common frameworks. This can reduce duplication, improve efficiency, and help preparation investments carry forward across projects. Evidence from landscape initiatives suggests that fragmented governance and financing arrangements often increase costs and slow implementation (Salpina et al. 2025, 1, 11).

Pooling. Shared financing arrangements can support common services such as monitoring systems, technical assistance, stakeholder engagement, and project preparation. Pooling also allows investments in capabilities that individual projects may be unable to finance independently.

Diversification. Portfolio structures can spread exposure across projects, locations, and intervention types. The P-REC aggregation facility provides an example of how first-loss structures can absorb early losses and support participation under otherwise prohibitive conditions (Asare 2024, 10–12). Revenue aggregation arrangements can similarly improve cashflow predictability while reducing transaction costs.

Pipeline management. Landscape restoration often requires repeated investment over long periods. Programmatic financing approaches can help ensure that delivery systems, institutional relationships, and implementation experience are retained across investment cycles. Evidence from community-based natural resource management programmes in Afghanistan illustrates the importance of maintaining support over time rather than treating individual projects as stand-alone activities (Khurram et al. 2024, 2, 7–9).

4.3 System-level modalities

System-level modalities focus on maintaining implementation under changing political, economic, and security conditions.

Contingent finance. Fragile settings frequently experience shocks that disrupt delivery. Financing often fails because resources arrive too slowly or cannot be redirected in response to changing circumstances (Boussard et al. 2024, 8, 26–29). Crisis windows, contingent credit lines, and shock-responsive grants can help maintain continuity during periods of disruption.

Framework agreements. Short funding cycles can undermine long-term restoration programmes. Evidence from peacebuilding and conservation initiatives shows that sustained financing arrangements reduce uncertainty and strengthen implementation continuity (PeaceNexus Foundation and Blue Action Fund 2024, 2–3). Framework agreements and multi-year financing structures can provide more stable operating conditions.

Policy support. Enabling policies, governance arrangements, and institutional capacity influence the feasibility of implementation. Funded inception periods and phased approval approaches may be necessary in contexts where governance structures and stakeholder relationships require time to develop (PeaceNexus Foundation and Blue Action Fund 2024, 3).

Adaptive budgeting. Rigid earmarking assumptions often reflect stable operating environments rather than fragile ones. Adaptive financing provisions allow programmes to respond more effectively to changing implementation realities (PeaceNexus Foundation and Blue Action Fund 2024, 2).

Because delivery systems depend on organisations operating under constraint, the capacity of institutions remains a cross-cutting requirement. Core operational functions are nevertheless frequently underfunded. Evidence from FCAS financing practice suggests that concessional resources remain essential because few actors are willing or able to absorb these risks directly (Gregory 2023, 5; Sesele 2024, 8).

4.4 Monitoring and learning

Monitoring and learning are financing functions because they shape decisions about continuation, adaptation, scaling, and risk allocation.

Evidence transfer. Programmes frequently lose momentum when information generated during one phase is not available during the next. Monitoring systems should capture delivery conditions, conflict dynamics, implementation performance, and operational lessons in forms that can be used by future financing institutions and partners (PeaceNexus Foundation and Blue Action Fund 2024, 2–3).

Learning loops. Reporting systems create value when they support adaptation rather than merely documenting progress. Milestone-linked financing and results-based approaches can strengthen the connection between learning and decision-making.

Shared indicators. Common indicators can reduce reporting burdens, improve comparability across programmes, and facilitate coordination among institutions operating across climate, restoration, development, and peacebuilding agendas. Dedicated resources for evaluation and knowledge management are particularly important because learning is often underfunded or disconnected from future programming decisions (PeaceNexus Foundation and Blue Action Fund 2024, 4–5).

Indicators to track progress

FCAS indicators for progress in financing land restoration

Financing in FCAS depends on timely information on whether delivery is holding, whether local legitimacy is maintained, and whether financing arrangements remain workable. Indicators should remain small in number and directly linked to decisions on continuation, adaptation, scaling, pausing, or changes in financing terms.

- current conflict and context analysis reflected in decision
- functioning coordination and grievance mechanisms
- continued delivery despite disruptions, with records of adaptation
- evidence that intended users can access enabling conditions
- financing flexibility to adjust budgets and timelines
- learning that carries forward beyond individual project cycles

Monitoring systems also face practical challenges. Access constraints often limit direct observation of outcomes in FCAS environments (Barkley, Short, and Chivers 2024, 12). Independent verification, remote sensing, and shared data platforms can help address these limitations while improving transparency and confidence for funders and investors.

4.5 Capital stack options

Capital stack design determines how risks and financing responsibilities are distributed as delivery feasibility evolves. Early phases generally depend on grants, readiness support, technical assistance, and concessional resources because delivery risks cannot yet be assessed or allocated with confidence (Gregory 2023, 24; Sesele 2024, 8). These forms of finance absorb uncertainty and support the enabling conditions necessary for implementation. As programmes generate implementation experience and build delivery capacity, additional instruments may become feasible. Results-based payments, first-loss structures, guarantees, subordinated tranches, and forward revenue arrangements can help define and allocate residual risks. The P-REC model demonstrates how forward revenue structures and first-loss arrangements can support participation under conditions of elevated uncertainty (Asare 2024, 10–12).

Where delivery systems become more established and risks can be assessed more reliably, capital structures may combine concessional and more risk-sensitive forms of finance. Even in these cases, participation remains highly conditional and context-specific (Sesele 2024, 14–15). Evidence from development finance shows that mobilisation of commercial capital in FCAS remains limited relative to more stable environments (Gregory 2023, 5, 42; World Bank IEG 2022; Convergence 2025; OECD 2018). Time horizons remain a persistent challenge. Land restoration generates value over periods that often exceed standard investment cycles. Patient capital, refinancing arrangements, and continued concessional support may therefore remain necessary even where implementation performance has improved (Sesele 2024, 18).

4.6 Why financial modalities for land restoration in FCAS require a platform approach

The financing modalities described above can improve the fit between instruments, delivery conditions, and risk allocation. However, they are not sufficient on their own. In fragile and conflict-affected settings, financing often breaks down at transition points: between preparation and implementation, between pilots and larger programmes, between grant-based support and more structured finance, and between one

institutional system and another. At these points, information is often lost, due diligence may be repeated, reporting requirements can change, and programmes may have to be redesigned before earlier investments in feasibility have had time to mature.

This is why the financing modalities described above need to be supported by a platform approach of the kind set out in this report. Such a platform approach does not replace existing mandates, create a new fund, or centralise decision-making. The purpose is to help existing institutions preserve continuity across financing and delivery phases by carrying forward core elements such as conflict and context analysis, agreed priorities, sequencing logic, delivery evidence, monitoring indicators, risk allocation, safeguards, and financing documentation.

A platform approach is especially important in fragile settings because collaboration and co-design are themselves part of derisking. Land restoration often sits at the intersection of ecological recovery, livelihoods, resource governance, displacement pressures, and cooperation over shared resources. Convening environmental, development, peacebuilding, humanitarian, finance, government, local, and technical actors early on can help define what is feasible, strengthen local ownership, and reduce the risk that programmes are designed in ways that cannot be delivered or sustained.

The preceding sections identified a need for a platform approach capable of preserving continuity across financing and implementation phases. The next section sets out a proposed Fragility Financing Mechanism as an operational architecture designed to function through existing institutions and financing systems. It explains the core functions of the mechanism, how financing can be sequenced across phases of delivery feasibility, how actor roles can be structured, and how demonstration pilots could test the approach in practice.

5. The Fragility Financing Mechanism: A new approach to financing land restoration

Sections 1 to 4 identified a recurring pattern across fragile and conflict-affected settings. Restoration initiatives often lose momentum at transition points between phases of delivery and between institutional systems. Project preparation may be completed without financing for implementation. Pilot projects may generate useful experience without creating pathways to larger programmes. Conflict analysis, community engagement processes, risk assessments, and delivery evidence frequently need to be recreated as initiatives move between funding sources, implementing entities, or institutional mandates.

This report has shown that a number of key challenges are limiting both the number of environmental peacebuilding initiatives that are implemented and the efficacy of those that do go ahead. The reasons for this are similar to the reasons that climate finance in general cannot reach FCAS in the quantities needed. These include, but are not limited to, high levels of actual and perceived risk; lack of understanding of dynamic/shifting conditions on the ground; weak delivery feasibility; difficulties in identifying and engaging locally trusted and contextually legitimate partners; and the unwillingness of funders to commit in the face of uncertainty and shocks (Green Climate Fund 2023; OECD 2025a). These systemic constraints also apply at the project level: developers and local institutions often lack the resources to produce data in the formats investors and funders expect, and capacity-building and preparation frequently fail to translate into implemented projects because of bottlenecks in project development, accreditation, and approval (Green Climate Fund 2023). These constraints are difficult to address through individual financing instruments alone.

They arise from fragmentation between institutions, financing channels, and implementation systems. The challenge is therefore organisational as well as financial. Addressing this challenge requires a set of functions that persist across delivery phases. These include maintaining institutional memory, supporting

project preparation, convening actors around shared priorities, carrying forward evidence and risk assessments, coordinating financing sequences, and reducing repeated transaction costs.

The proposed Fragility Financing Mechanism explained below is designed as an operational platform that performs these functions. Its purpose is not to replace existing climate, development, peacebuilding, humanitarian, or investment institutions. Rather, it provides an enabling architecture through which these institutions can collaborate more effectively around restoration initiatives that must operate across multiple systems and over extended time horizons.

Risks & safeguards for a Fragility Financing Mechanism



5.1 Mechanism rationale

In recent years, there has been increased acknowledgement from climate finance institutions that they have failed to adequately serve FCAS (World Bank 2024; Goering 2024). Institutions such as the Green Climate Fund (GCF) are leading the way towards a shift in practices. For example, the GCF is piloting new funding windows, such as the 'Project-specific Assessment Approach,' with the aim of helping to improve ease of access to climate finance in conflict-affected areas (MercyCorps 2025). Similarly, the Readiness and Preparatory Support Programme (the Readiness Programme) was created to support country-driven initiatives to strengthen their institutional capacities, governance mechanisms, and planning and programming frameworks towards a transformational long-term climate action agenda (Green Climate Fund 2026). These are positive steps. But dedicated pools of capital exist largely in theory: in many contexts, the particular combination of risks, and how they are distributed, is preventing funds from being deployed and programmes from being implemented.

Readiness funds may not be accompanied by investment

Continuity challenge: Readiness without implementation

Many readiness and capacity-building initiatives succeed in strengthening planning and institutional capacity but do not consistently translate into funded implementation projects because of bottlenecks in project development, accreditation, and approval.

The GCF IEU Readiness Evaluation (2023) noted that while some funds provide readiness support, it often is not followed with investment and implementation.

Fragility Finance Mechanism function that would address this gap:

- pipeline support
- continuity across phases
- carrying project documentation forward

This report has detailed a number of critical issues hindering the ability of climate and development actors to operate effectively in FCAS, including coordination complexity, a lack of accurate and timely data, institutional dispersion, and high levels of actual and perceived risk. Crucially, these are not discrete problems that can be solved in isolation: they compound one another, and no single fund, instrument, or institution is positioned to address them all. It is for this reason that the Fragility Financing Mechanism is required: one capable of tackling these barriers in combination by connecting dispersed actors, generating and sharing credible data, and reducing risk through structured, collectively owned and long-term engagements in fragile regions.

Additionally, many of the most climate-vulnerable areas in FCAS are characterised by limited, fragmented, or contested state presence, while most existing climate, peacebuilding, and development finance is channelled through national government institutions, thereby bypassing a significant share of the most vulnerable populations who may live beyond effective state reach. Fragile and conflict-affected settings rarely follow linear development pathways. Progress may accelerate, stall, or reverse as security conditions, political dynamics, climate impacts, and financing environments change. The value of the proposed Fragility Financing Mechanism lies partly in its ability to support continuity under a range of operating conditions rather than only under favourable circumstances. It is not necessarily feasible within the context of the mechanism to truly address this gap. It can, however, narrow it: by working through and learning from non-state and community-based channels, and by designing deliberately for low- and contested-governance contexts rather than defaulting to state-centric delivery alone. The following figure illustrates how the mechanism's functions can remain relevant across different scenarios.

How the mechanism responds under different scenarios

Progress in fragile settings is rarely linear. The mechanism supports continuity and coordination under a range of possible operating conditions.

Scenario	Implication	Primary Mechanism Function
Conditions improve	Scaling becomes feasible	Coordination of financing pathways
Conditions remain fragile	Continued reliance on grants and concessional resources	Continuity support
Conflict intensifies	Programmes pause or adapt	Preserve institutional memory and relationships
Cross-border cooperation weakens	Landscape implementation slows	Maintain dialogue channels and technical cooperation
New financing becomes available	Projects must rapidly meet requirements	Pipeline and documentation support

The mechanism is designed to support continuity and coordination across changing operating conditions. Different functions become more prominent depending on whether delivery conditions improve, remain constrained, deteriorate, or new financing opportunities emerge. Capitalising on the early positive shifts from climate finance institutions, UNCCD proposes the development of a new Fragility Financing Mechanism that streamlines cooperation, implementation, and financing for environmental peacebuilding initiatives. The challenges identified in this report point to a need for an operational architecture capable of preserving continuity across financing, implementation, and institutional transitions. The proposed Fragility Financing Mechanism responds to this need by providing platform functions that support interoperability among existing institutions rather than replacing them.

The proposed Fragility Financing Mechanism is envisioned as a structured, country-anchored space in which the actors needed to design, fund, and implement peacebuilding initiatives collaborate across the full project lifecycle, from dialogue and confidence-building, through joint project design and incubation, to financing and implementation support. Such a mechanism would also serve an evidence-generation and knowledge-management function, capturing and sharing operational lessons from environmental peacebuilding initiatives across regions. Its value lies in its ability to orchestrate and convene the international and local stakeholders required to instigate change, not in the creation of new pools of capital. By assembling the right stakeholders, however, it would in practice unlock capital that was previously not accessible.

The mechanism assembles local actors, technical assistance providers, government, development institutions, funders, and other stakeholders to collaborate in a structured, coordinated way to address the challenges set out above and unlock new capital. Importantly, it is not a new fund or instrument that replaces the mandates of existing institutions, nor is it a purely humanitarian mechanism. Rather, it aims to address systemic constraints by improving coordination, strengthening project pipelines, generating investment-relevant evidence, reducing fragmentation, and supporting institutional learning across climate finance and development institutions. Its ambition therefore extends beyond supporting individual projects and programmes to improving the enabling conditions under which future investments can be designed and deployed. Its comparative advantage lies not in financing as such but in dialogue, joint project design, and the application of an environmental peacebuilding lens to facilitate cross-sectoral cooperation.

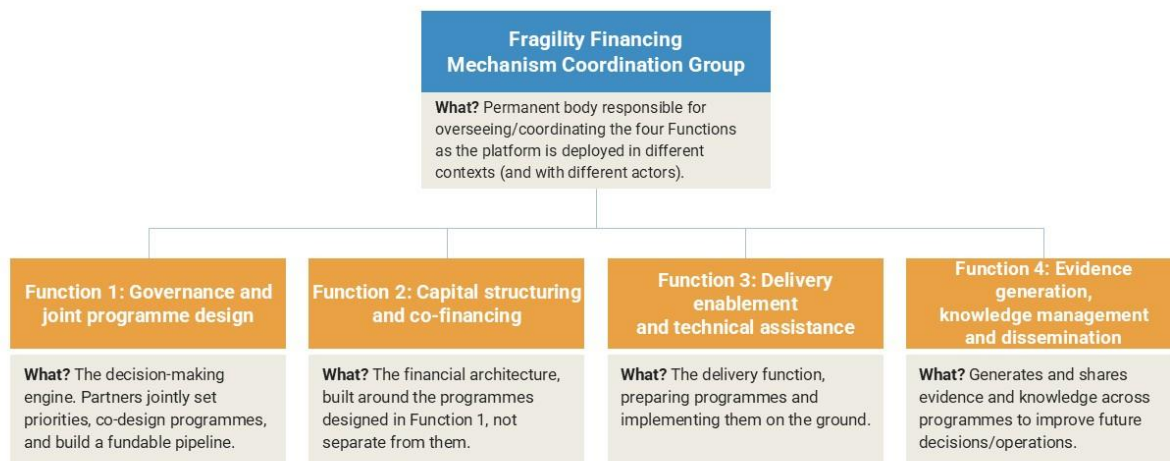
By combining existing tools and funding streams, and helping key stakeholders to act in orchestrated ways, the mechanism will embed derisking across its operations, reducing risks at source, pooling and reallocating those that remain and, where feasible, absorbing residual risk through guarantees, first-loss capital or other targeted capital injections. In doing so, it will unlock new funders previously unwilling or unable to participate, effectively closing (or at least reducing) the market gap. In essence the mechanism bridges environment, peace, finance, humanitarian, and development actors, with the ambition of enabling jointly designed and, where feasible, jointly implemented programmes rather than only parallel coordination.

5.2 Structure and theory of change

Many peace funds, technical assistance facilities, and humanitarian organisations already exist. The aim of this mechanism is not to duplicate models that have already been deployed. Rather, the aim is to develop a new way of organising environmental peacebuilding, that assembles all the necessary stakeholders from the start, and is thus capable of overcoming the barriers (discussed in the previous sections) that have previously hindered capital deployment and programme implementation.

The notion of ‘joint-programming’ is central to the success of this effort. In this context, joint-programming refers to climate, humanitarian, peacebuilding actors, local governments and communities, and finance providers designing and delivering programmes from the outset, under shared objectives, results frameworks, and co-financing, rather than running separate efforts in parallel. UNCCD believes that this novel way of structuring peacebuilding initiatives, while it comes with new complexities and considerations, also has the potential to create synergies and efficiencies that increase the amount of work that gets funded and implemented, as well as improve the efficacy of this work.

The proposed mechanism consists of several functions, which operate in an interdependent manner. Each is a functional workstream of the mechanism — a cluster of related strategic activities organised around one of its four core functions: 1) governance and joint programme design; 2) capital structuring and co-financing; 3) delivery enablement and technical assistance; and 4) evidence generation, knowledge management and dissemination. Unlike standard peacebuilding and environmental mechanisms, where programme designers, delivery partners, and funders are siloed at different stages of the decision-making process, the mechanism is distinguished by the inclusion of each of these critical stakeholders (that is, the people who will deliver the interventions, along with peacebuilding, environmental, and political actors and communities) from the start. As such, the functions expounded below are describing functions, not groups of actors. Indeed, many or most stakeholder types will participate in more than one of the functions. The result of this is that feasibility, peace-responsiveness, and local legitimacy are built into programme design and pricing before funders are asked to commit, rather than discovered afterwards.

Figure 1: Structure of the proposed mechanism

Coordination

Because the Fragility Financing Mechanism will be applied across different geographies, the stakeholders that will conduct the work of each of the functions will differ significantly. For example, if the mechanism is operating in West Africa, each function will require leadership and inputs from national governments in that region, local communities, private sector actors, and funders that have a specific interest in and knowledge of that particular region. Ongoing coordination will help ensure smooth functioning of the financing mechanism.

Importantly, it is also responsible for the initial decisions regarding whether the mechanism should engage in a given region, and thus engages in identifying and prioritising transboundary landscapes and regional cooperation opportunities where the mechanism has the potential to create real positive change. Because many environmental risks, ecosystems and fragility dynamics transcend national borders, potential for successful regional/cross-boundary cooperation is critical for the viability of the mechanism's activities. Strong regional cooperation potential boosts both the viability of implementation and the appeal to funders relative to isolated country-level interventions, not least by reducing duplication and transaction costs. This is especially relevant for small states and for FCAS countries: where operations must be suspended in one country owing to a changed political context, the programme can still be delivered across the wider region. The Coordination Group is best positioned to identify where this potential for collaboration exists, and to promote its development in the early days of the mechanism's operations in a given region.

The various functions of the Fragility Financing Mechanism are summarised as follows:

Function 1: Governance and joint programme design

Function 1 is the mechanism's decision-making function, where funders, implementing agencies, community representatives, peacebuilding actors, and other critical stakeholders co-design interventions:

- Brings key actors to one table to agree on shared objectives/strategic direction, results frameworks, and sequencing, taking care to ensure that programme priorities originate from

country and regional demands rather than external funding opportunities, while remaining able to respond flexibly where funding opportunities are highly aligned.

- Leads project planning, concept development, and pipeline development, translating regional priorities into proposals that can be funded and implemented. This addresses a recurrent constraint in fragile regions, which often lack not only finance but the capacity to convert priorities into bankable projects (defined loosely; in the sense of securing the forms of capital needed to be implemented).
- Defines working groups, political commitments and agreements (memoranda of understanding), pilot projects, and related arrangements.

Function 2: Capital structuring and co-financing

The mechanism's financial architecture, structured around the programmes that are jointly designed in collaboration with funders. This function is responsible for:

- Maps funders and instruments to the five derisking phases.
- Liaises with funders and brokers financing within the region of focus to facilitate project implementation, with the same funders who were involved in the joint programme design.
- Embeds derisking as a systematic function across the mechanism: risks reduced at source through joint design and delivery support are then pooled and, where feasible, absorbed through guarantees, first-loss tranches or concessional capital injections stewarded via partner-managed facilities, allowing the mechanism to derisk investment without itself becoming a fund.

Function 3: Delivery enablement and technical assistance

The mechanism's delivery support function, intended to be supplied by the same implementing actors who co-design the joint programme under Function 1:

- Prepares programmes to the standard funders require.
- Supports community co-design of management plans.
- Keeps delivery conflict-sensitive/peace-responsive and adaptive as conditions change.

Function 4: Evidence generation, knowledge management and dissemination

The mechanism's learning function, operating across the other functions rather than sitting apart from them; where evidence and knowledge generated across programmes and regions are captured, curated, and fed back into future decisions.

- Captures and documents what does and does not work across the mechanism's own programmes and other environmental peacebuilding initiatives in different regions, feeding those lessons back into programme design as conditions change.
- Acts as a cross-regional knowledge hub that maintains, shares, and transmits operational knowledge across involved stakeholders and partners, countering the fragmentation and discontinuation that undermine many peacebuilding efforts.
- Strengthens the evidence base and theories of change for environmental peacebuilding, testing the pathways through which land restoration and natural resource governance contribute to resilience, cooperation, social cohesion, and stabilisation in FCAS.
- Generates comparative operational evidence and documents enabling conditions, financing models, and implementation lessons, developing guidance for future programming and investment.
- Ensures the evidence generated informs future programme design, investment decisions, and policy development across the climate finance and environmental peacebuilding communities.

All four functions are necessary because the mechanism's value lies in coordinating decision-making, capital, and technical capacity, rather than leaving them as the parallel, siloed efforts the mechanism is designed to replace.

Figure 2: *How the mechanism addresses key barriers/constraints*

Barrier/Constraint	How the mechanism addresses it
High levels of actual and perceived risk, making funders unwilling to commit in the face of uncertainty and shocks	Joint design reduces risks at source; the capital structuring and co-financing function shares residual risk among funders and delivery partners
Coordination complexity and institutional dispersion: programme designers, delivery partners, funders and communities are siloed at different stages of decision-making	The governance and joint programme design function brings all critical stakeholders to one table from the start, to agree shared objectives, results frameworks and sequencing, and to co-design programmes jointly
Lack of accurate and timely data; weak understanding of dynamic and shifting conditions on the ground	Delivery knowledge and conflict/context insight shape what is financed before funders are asked to commit; the delivery enablement and technical assistance function keeps delivery conflict-sensitive, peace-responsive and adaptive as conditions change
Weak delivery feasibility: capacity-building and preparation frequently fail to translate into implemented projects owing to bottlenecks in project development, accreditation and approval	The governance and joint programme design function leads project planning (a process which includes funders), concept development and pipeline development, translating regional priorities into bankable proposals; the delivery enablement and technical assistance function further prepares programmes to the standard funders require
Lack of credible and legitimate local partners; weak local ownership	Inclusion of community groups and local authorities takes place from the very beginning, across all functions, such that interventions are tailored to local needs, and delivery planning is centred on what is feasible for local actors.
Fragmentation of funding streams and mandates across climate, peacebuilding, development and humanitarian actors	The capital structuring and co-financing function brokers pooled or parallel co-financing across these streams, with the same funders involved in joint programme design, bridging actors to enable jointly designed and, where feasible, jointly implemented programmes

Theory of change: the five derisking phases

Central to the mechanism's theory of change are the five derisking phases used throughout this report. The idea is that the types of capital investment a region can receive vary based on the degree to which conflict is ongoing or remains a risk, and the downstream impacts of this conflict or risk (for example, counterparty risk, difficulty of implementation, and the risk of sudden shocks or outbreaks of conflict). The long-term work of the mechanism is thus to support the process of shifting conflict-prone/risk regions into later phases through well-designed interventions. This is not simply reactive: preventative interventions are also a core focus within the mechanism's mandate, allowing prevention-oriented investment before environmental degradation contributes to escalating fragility, humanitarian crises,

displacement, or active conflict. The five phases are set out below, including the capital types and instruments potentially available at each phase:

Figure 3: Illustration of the five derisking phases

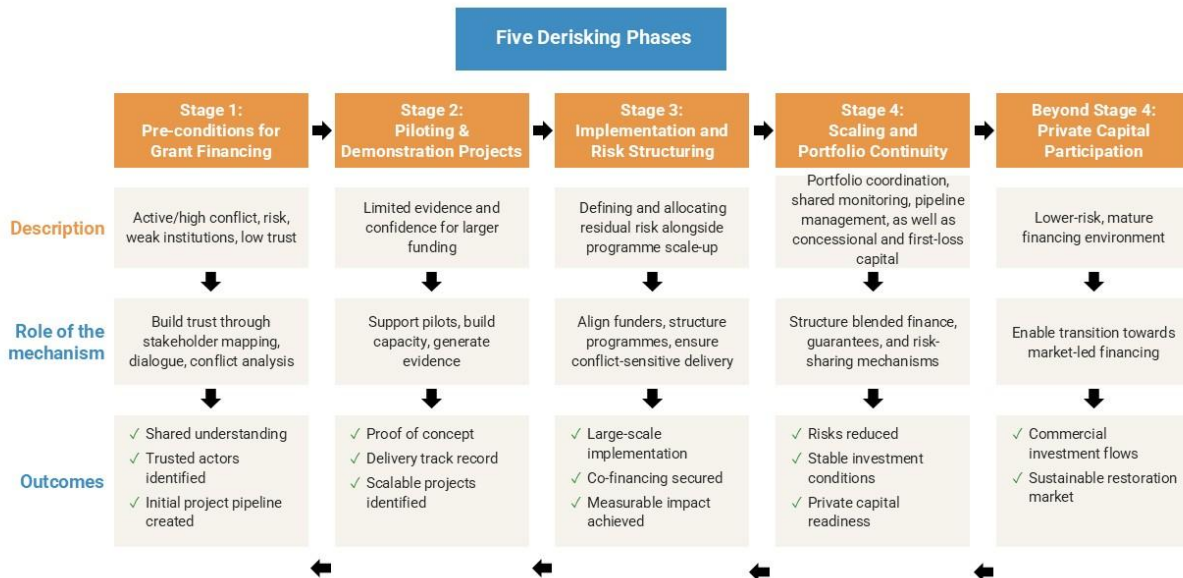


Figure 4: Financing mechanisms associated with the five derisking phases

	Financing mechanisms associated with Stages of the Capital Continuum				
	Stage 1: Pre-conditions for Grant Financing	Stage 2: Piloting & Demonstration Projects	Stage 3: Implementation and Risk Structuring	Stage 4: Scaling and Portfolio Continuity	Beyond Stage 4: Private Capital Participation
Grants	✓	✓	✓	✓	✓
Results-based financing		✓	✓	✓	✓
Carbon / biodiversity credits			✓	✓	✓
Debt-for-nature swaps			✓	✓	✓
Early / partial guarantees and contingency provisions			✓	✓	✓
Concessional / soft loans				✓	✓
Private sector investment				✓	✓
Forward revenue arrangements					✓

Phase 1: Preparation and preconditions

Phase 1 applies in settings with active or recent conflict and weak institutions and precedes any on-the-ground projects. The work at this phase lays the groundwork and creates the conditions for environmental peacebuilding and restoration projects to eventually go ahead. This is the hardest phase to fund, as funders generally prefer to finance projects where the impact is tangible, rather than the enabling conditions that

make projects possible. This is precisely why peacebuilding actors and funders must engage from the outset: by establishing the analysis, relationships, and confidence on which everything else rests, peacebuilding itself derisks both the early phases and the longer-term institutional capacity that subsequent investment requires.

Role of the mechanism: the mechanism's first job is creating minimum conditions for grants to flow at all: conflict analysis, stakeholder mapping, confidence-building, and dialogue. Progress on this may take significant time, but without it, the country/region of focus will never progress towards the later phases.

Expected outputs: an established multi-stakeholder dialogue and set of working relationships; initial confidence-building measures and, where possible, political commitments or memoranda of understanding; and an agreed long-term roadmap with a preliminary pipeline of candidate projects.

Funding instruments: the specific funders that will be relevant in this phase will naturally depend on the geography that the mechanism is operating in. The instruments that will be relevant at this phase remain limited, but indicatively may include grants (from bilateral donors, climate finance institutions, peacebuilding funds, and philanthropic organisations).

Conditions to pass forward to the next phase: a minimum threshold of stability and security; credible and legitimate local partners identified; basic institutional and absorptive capacity in place; and at least one viable pilot concept capable of receiving funding.

Phase 2: Demonstration and delivery readiness

Phase 2 bridges the gap between Phase 1's enabling conditions and large-scale financing. In FCAS especially, pilot projects and demonstration initiatives are needed to build confidence, foster local and regional partnerships, generate evidence, and establish investment readiness before programmes can scale. It also functions as a form of derisking and initial co-creation, testing approaches in real contexts and surfacing what works before larger commitments are made.

Role of the mechanism: the mechanism's job at this phase is to identify and back promising pilots, convene local and regional partners around them, channel catalytic funding, and capture the evidence and lessons that build the case for scaled investment.

Expected outputs: one or more pilot or demonstration projects delivered; documented evidence of what works in context; strengthened local and regional partnerships; and an emerging track record sufficient to interest larger grant funders. These more mechanism-specific outcomes also build general confidence and positive momentum among other sectors of the economy and wider society.

Funding instruments: as with Phase 1, the specific funders that will be relevant will naturally depend on the geography that the mechanism is operating in. The instruments that will be relevant at this phase remain limited, but indicatively may include (in addition to the grants listed in Phase 1 which are still relevant here): Results-based financing (for example, staggered grants based on continued progress against agreed indicators; generally larger in scale and longer in term than grants disbursed on a one-time basis)

Conditions to pass forward to the next phase: demonstrated proof of concept and delivery capability (linked to tangible peace outcomes/stability); evidence and lessons captured and shared; sustained partner confidence; and a pipeline of scalable programmes ready for grant financing.

Phase 3: Land restoration implementation and risk structuring

Once there is a degree of stability, and smaller pilots have been successfully implemented (as in Phase 2), the work of the mechanism would shift towards the joint-design of larger scale and more ambitious programmes across humanitarian, peacebuilding, climate, and development grant streams (alongside coordination of existing programmes to reduce duplication). This work ensures conflict sensitivity and peace-responsiveness, as well as environmental co-benefits, and supports co-design of management plans with communities.

Role of the mechanism: the mechanism's job at this phase is to bring grant funders to a shared table, broker co-financing across climate, peacebuilding, development, and humanitarian streams, and keep newly designed programmes conflict-sensitive, peace-responsive and community-led as they move into delivery.

Expected outputs: jointly designed, conflict-sensitive and peace-responsive grant programmes under delivery; co-financing secured across climate, peacebuilding, development, and humanitarian streams; reduced duplication across existing programmes; and measurable ecological and peace co-benefits.

Funding instruments: as with Phases 1 and 2, the specific funders that will be relevant will naturally depend on the geography that the mechanism is operating in. More instruments become relevant at this phase. In addition to those listed for Phase 2, which all remain applicable, they include:

- **Carbon credits (CC)/biodiversity credits** (made possible once there is a degree of stability/operations of sufficient scale to justify costs of establishing a CC scheme).
- **Debt-for-nature swaps** (depending on a number of conditions; including debt position, and debt providers with a track record or interest).
- **Early or partial guarantees and contingency provisions** (attached to delivery and performance risk within grant-funded programmes, rather than to repayment).
- **Forward revenue arrangements**, where performance evidence supports their use.

Conditions to pass forward to the next phase: sustained stability and increasingly functional institutions; a demonstrable delivery and impact track record; and the early emergence of the conditions (secure tenure, contracts, and offtake) on which concessional and domestic private capital depend.

Phase 4: Scaling and portfolio continuity

Where there is sustained stability, functioning institutions, and a track record from Phase 3, the mechanism brokers a shift towards greater local private sector participation and concessional lending (for example, first-loss mechanisms and concessional loans to credible counterparties). Initial private capital investments will almost certainly come from the domestic private sector, versus international investors. In addition, it should not be expected that private capital will flow directly into the peacebuilding activities. It is rather the case that successful environmental peacebuilding facilitates the creation of an environment where the private sector becomes comfortable deploying capital (ODI 2026). This shift is not automatic; many contexts may not reach this phase.

Role of the mechanism: the mechanism's job at this phase is to demonstrate the track record built in Phase 3 to more risk-averse capital, match concessional instruments and guarantees to the residual risk that remains, and create the conditions in which domestic private actors become willing to make investments.

Expected outputs: first concessional instruments and guarantees deployed against residual risk; initial participation by domestic private actors; and a track record credible to more risk-averse capital.

Conditions for a mature, self-sustaining economy: an enabling environment robust enough (for example, secure tenure, enforceable contracts, and predictable institutions) to make blended structures feasible.

Funding instruments: as with the previous phases, the specific funders that will be relevant will naturally depend on the geography that the mechanism is operating in (indicative funders/programmes provided in the table above). More instruments become relevant at this phase. In addition to the instruments listed at the previous phase, which all remain applicable, they include:

- **Concessional/soft loans** (below-market-rate lending with conflict-sensitive terms, such as flexible grace periods and repayment schedules, to avoid deepening debt distress in fragile settings).
- **Private sector investment** (initially focused on local enterprises and livelihoods, such as SMEs, agricultural businesses, and cooperatives, with commercial investment increasing over time as risks continue to decline).

Phase 5: Graduation where conditions allow

Phase 5 describes a mature financing environment in which a context has stabilised enough to attract blended structures, commercial lenders, and private capital (though likely initially still domestic) at scale. This is because the restoration work and peacebuilding efforts have borne fruit, and the various private sector entities, lenders, and other actors that were previously unable or unwilling to deploy capital are now willing based on material positive changes on the ground. The mechanism's role would become more limited at this phase. Its job is to consolidate and hand over the track record built at earlier phases, support graduation to mainstream and commercial finance where conditions allow, and remain available as a fallback if contexts regress, rather than to drive private participation directly.

The derisking phases are what link the mechanism's structure to its theory of change. The functions work together to move land restoration efforts and their finance through the phases: Function 1 (governance and joint programme design) determines the context in which an effort sits and what is realistic to pursue, delivery enablement and technical assistance (Function 3) reduces risk at source to help create the conditions for the next phase, and capital structuring and co-financing (Function 2) matches instruments and funders to the residual risk at the phase the land restoration effort has actually reached. The phase logic is thus what links the two halves of the mechanism's risk proposition: risk reduction moves an effort forward, and risk-sharing makes capital deployment more feasible at whatever phase has been reached. The mechanism's contribution should therefore be measured not only by the capital it deploys, but by movement across the phases, recognising that progression is neither linear nor guaranteed, and that some land restoration efforts may remain at earlier phases for long periods or move backwards as conditions change.

How the mechanism responds under different scenarios

Even when progress is uneven over time, the Mechanism responds constructively under different scenarios

Scenario	Implication	Mechanism Function
Conditions improve	Scaling becomes feasible	Coordination of financing pathways
Conditions remain fragile	Continued reliance on grants and concessional resources	Continuity support
Conflict intensifies	Programmes pause or adapt	Preserve institutional memory and relationships
Cross-border cooperation weakens	Landscape implementation slows	Maintain dialogue channels and technical cooperation
New financing becomes available	Projects must rapidly meet requirements	Pipeline and documentation support

5.3 Key actor types and roles

Underpinning this design is a complementary division of roles between international and domestic capital: International public and climate finance is best placed to absorb early-phase risks and create the enabling conditions (a degree of stability, institutional capacity, and a credible pipeline of projects) on which later investment depends. By financing early pilots and demonstration projects, this type of capital helps build confidence, an emerging track record, and a signal of a positive trajectory. As stability takes hold and this positive momentum becomes increasingly visible, domestic and local investors and the private sector are progressively encouraged to begin operating.

The private sector occupies a staged role within this process. It is engaged from the beginning of the peacebuilding process, but in the earliest phases as a source of market insight and pipeline discipline rather than as a provider of capital. Actual capital participation remains conditional on the situation on the ground, and as such is sequenced to later phases, once stability, governance, and a credible track record allow it. This deliberate caution is based on strong evidence that in FCAS, private-sector engagement is not inherently benign, and poorly sequenced involvement can entrench exclusion, land grabbing, unequal benefit-sharing, and conflict dynamics (ECDPM 2016). The mechanism therefore involves private actors in dialogue and planning, but not in programme co-design or as early investors, aligning any engagement with local priorities and governance conditions and holding it to do-no-harm principles throughout.

In FCAS contexts, newly designed programmes under the mechanism should be jointly designed and, where feasible, jointly implemented by climate, development, humanitarian, and peacebuilding actors with financing institutions from the outset. The objective of this is twofold: on the one hand it is to make land restoration, climate adaptation, and resilience programming conflict-sensitive and, ideally, peace-responsive; and on the other, to ensure peacebuilding and development interventions integrate environmental co-benefits from the outset.

This logic is reflected on both the financing side (through co-financing across climate, peacebuilding, development, and humanitarian streams), and in programme design and implementation (through shared objectives, shared results frameworks, and joint delivery arrangements). Coordination across existing programmes remains important, and the mechanism can materially improve coherence and information-sharing for those, but if newly designed programmes do not create opportunities for joint design, joint

implementation, and shared outcomes, the mechanism risks reproducing existing silos rather than transforming them.

The table below outlines the main stakeholder types that must be incorporated into the mechanism for it to function as intended.

Organisation type	Examples	Function	Phase
Anchor sponsors and champions	PFI, lead donor governments, major foundations, high-level political champions	Provide political backing, convening authority, and reputational weight; mobilize initial capital and sustain high-level momentum	All phases; critical at Phase 1
Finance providers	Climate funds (for example, GCF, Global Environment Facility [GEF]), peacebuilding financing actors (for example, the UN and the World Bank), MDBs, bilateral donors, philanthropic institutions (international, local);	Provide the funding for the activities the mechanism convenes, designs and prepares, across climate, peacebuilding and humanitarian work.	Different types of providers are relevant for different phases.
Implementing organisations	UN agencies, International non-governmental organisations, accredited national partners	Design and deliver programmes on the ground; provide technical and operational capacity; partner with the mechanism through existing initiatives	Primarily Phases 2–3
Communities, customary and religious authorities	Local community groups, civil society organisations, customary and religious leaders	Locally led planning, tenure and resource stewardship, grievance mechanisms, social legitimacy and local ownership	All phases; from Phase 1 confidence-building onward
National/local governments	National line ministries (particularly finance, planning, development, security, disaster risk reduction, and foreign affairs), sub-national authorities, UNCCD national focal points	Policy alignment, country ownership, regulatory frameworks	All phases

Private sector actors/businesses	Local businesses, infrastructure providers, and farmers.	Provide goods, services, and investment; potential co-financing and commercial participation as contexts stabilise; engaged in dialogue from early phases for market insight and pipeline discipline, with capital participation only later and conditional on context	Dialogue from early phases; capital participation only at Phase 4 and beyond
UNCCD	UNCCD Secretariat, Global Mechanism	Strategic framing, advocacy, evidence generation, resource mobilisation, coordination hub. (UNCCD currently has no explicit operational mandate in this area but can support countries on a request basis through PFI)	All phases

The mechanism must also engage the wider UN system. Beyond the agencies that implement programmes, UN field presence (Resident Coordinators and Country Teams), with (climate-)security advisers and special envoys, is critical to national-level advocacy and to keeping environmental, peace, and security agendas aligned. A further function of the mechanism is therefore to facilitate intra-UN coordination, both vertically (from headquarters to the field) and horizontally (across mandates), so that these actors reinforce rather than duplicate one another.

Finally, several risks and safeguards should be anticipated to ensure the Fragility Financing Mechanism augments rather than duplicates the work of existing stakeholders, as shown below.

Risks & safeguards



5.4 How to get there: enabling conditions for finance to flow

This section focuses on what needs to happen for the mechanism to be implemented. Core areas to be discussed include: the need for climate finance institutions to continue developing their understanding of FCAS and expanding the products and funding they offer to these settings; the need for greater collaboration between international/western climate and development institutions/funders and local/regional actors. Focusing on the mechanism more specifically, the section focuses on the need to build a coalition of willing stakeholders to further develop this mechanism, and subsequently a need to conduct pilots to test and adapt the operating model. More details provided below.

More progress from climate finance to understand/adapt to FCAS

Climate finance institutions such as the GCF have acknowledged that FCAS are under-served and have begun to make funding more accessible. These are welcome steps, but chronic underfunding persists: the countries that need finance most remain largely unable to access it. The reasons for this have been discussed already in this report. In terms of practical efforts that must be taken, several are listed below:

- **Breaking down accreditation barriers for FCAS:** Moving the mechanism from concept to implementation at scale depends substantially on improving access to climate finance for FCAS; this requires buy-in from key institutions and a desire to reform accreditation to become more feasible for FCAS countries.
- **Shifting reimbursement and disbursement models:** Much climate finance is released against verified spend or results, requiring recipients to front working capital they do not have. This excludes FCAS actors by default. Upfront, milestone-light, and flexible (adapting to shifting conditions on the ground) disbursement is needed.
- **Increasing granularity of data for risk management:** Funders often assess FCAS risk at the national level, screening out entire countries before project-level analysis. In reality, conditions vary within countries, and pockets of relative stability and viable delivery partners exist even in fragile contexts. More granular, sub-national data, updated frequently enough to track change, would let funders distinguish where deployment is feasible rather than applying blanket country risk ratings that exclude viable projects by default.

Greater collaboration between international/western climate and development institutions and local/regional actors

A second condition for closing the funding gap is greater collaboration between international climate finance and bilateral donors on the one hand, and local and regional actors on the other. Procedural reform is necessary but insufficient; collaboration and trust between these parties are equally critical prerequisites for effective co-design and co-implementation. Such collaboration would also support several of the shifts above, improving data access, easing MRV, and grounding instrument design in the realities of context. In practice it means moving beyond a status quo that relies too heavily on traditional western donors, who are often least able to understand local context and most prone to mispricing risk, and instead treating local and regional actors as partners rather than recipients.

What this collaboration might look like in practice includes:

- **Co-design of instruments and pipelines.** Bringing local and regional actors into instrument design from the outset, so that eligibility criteria, disbursement schedules and risk terms reflect operating realities, and jointly developing project pipelines rather than importing pre-designed templates.
- **Channelling funds through local and regional intermediaries.** Routing capital through regional development banks, national and community institutions and local funds, which hold the context

intelligence, relationships and delivery capacity that international intermediaries lack, while building their track record and absorptive capacity over time.

- **Shared data, learning and capacity.** Establishing joint arrangements for data collection, MRV and knowledge exchange, so that trust and evidence accumulate across the partnership and reduce the perceived risk that deters future investment.
- **Emphasising regional and local capital.** Recognising that regional and local investors bring lower risk perception, reduced or negligible currency risk and superior access, and that regional capital markets, particularly in Africa and Asia, offer expanding pools of capital as traditional western climate finance plateaus.

A coalition to establish and pilot the mechanism

These shifts require a vehicle that demonstrates a better way of working; the mechanism is intended to serve this role. Realising it depends on two further steps. The first step is assembling a coalition of stakeholders, spanning climate and development funders, regional and local actors, and technical partners, prepared to develop the mechanism and commit to testing it in two or three regions, as well as establishing the permanent secretariat that will oversee the mechanism's deployment in different regions. The aim of this initial step is not to secure universal buy-in, but rather to secure the initial critical mass of stakeholders to push the development and implementation of this mechanism forward.

The second is to test and adapt the operating model through pilot programmes. The pilots should be designed to test how the mechanism's structure operates in particular contexts (for example, whether the functions work together as intended, whether peacebuilding can be implemented effectively on the ground, and whether a fragile context can be moved forward across the derisking phases) and to refine the model in light of these results. This includes testing the redesigned procedures set out above (simplified access, upfront disbursal, context-appropriate risk management and MRV) in real fragile settings. Beyond validating the mechanics, pilots generate the performance evidence that gives climate finance institutions the proof-of-concept needed to justify wider institutional reform. The mechanism therefore does not wait for climate finance to reform before it operates; it produces the evidence that drives that reform. Candidate contexts for two or three initial pilots include the Horn of Africa, East Africa, and Central Asia, where UNCCD programmes and pilot projects are already under development.

Partner questions a pilot should answer

What partners need to know	What the pilot will test
Which coordination functions make the greatest difference to delivery feasibility?	The pilot should identify which forms of convening, sequencing, and joint design reduce friction and improve implementation readiness.
What technical assistance is needed before programmes can be financed responsibly?	Test whether stronger conflict analysis, local engagement, institutional capacity, monitoring, safeguards, and adaptive management improve delivery feasibility.
How can conflict and context analysis remain current and decision-useful?	The pilot should test how conflict and context information can be updated and connected to financing decisions without creating excessive reporting burdens.
What minimum monitoring logic supports continuation, adaptation, scaling, or pausing?	The pilot should identify a small set of indicators that help institutions decide whether programmes should continue, adapt, scale, pause, or change financing terms.
When do risk-sharing tools become appropriate?	The pilot should identify the evidence needed to make concessional finance, results-based payments, guarantees, first-loss arrangements, and portfolio structures responsible and effective.
How can institutions reduce duplication without creating a parallel system?	Test if shared analysis, monitoring, risk data, and financing documents reduce repeated due diligence and redesign across institutions.

The added value of the platform approach is that it can reduce repeated redesign, duplicated due diligence, inconsistent reporting, and fragmented monitoring requirements. It can help institutions make better use of the finance, mandates, and delivery capacities they already have. It can also make collaboration more useful by connecting it to specific decisions: what should be financed now, what needs to be tested, what risks remain, when risk-sharing tools become appropriate, and what evidence is needed before scaling.

- For governments, the priority is to strengthen the conditions for long-term delivery through policy coherence, country ownership, local engagement, institutional capacity, legitimate coordination arrangements, and safeguards for communities and resource users. These actions improve the feasibility of restoration and help ensure that finance supports national and local priorities rather than fragmented project activity.
- For multilateral development banks, climate funds, development finance institutions, and other financing institutions, the priority is to align financing requirements more closely with implementation realities in fragile settings. This includes financing preparation and delivery capacity early, allowing appropriate flexibility in disbursement and adaptation, carrying forward due diligence and monitoring evidence where possible, and introducing risk-sharing tools only when delivery systems and risk information support their use.
- For UN agencies, development partners, donors, peacebuilding actors, humanitarian actors, and technical organisations, the priority is to support the collaborative design and implementation conditions that make restoration feasible. This includes conflict-sensitive and peace-responsive design, technical assistance, local partnership, adaptive management, learning systems, and coordination across mandates. These functions are especially important where restoration is expected to contribute not only to environmental recovery, but also to livelihoods, cooperation, resilience, and stability.
- For private sector actors, the priority is careful sequencing. Private actors may contribute market insight, services, technical capacity, supply-chain knowledge, or local enterprise development early in the process. Capital participation should come later and only where governance, local legitimacy, delivery track record, tenure arrangements, contracts, offtake, and revenue visibility support responsible engagement. In fragile settings, private finance should not be treated as a substitute for public, concessional, or peace-responsive financing.

These implications suggest that for the next phase of work, the immediate objective should be to test whether a platform approach can help existing institutions preserve continuity, improve co-design, reduce repeated transaction costs, and generate decision-useful evidence in selected fragile and conflict-affected settings. The following steps provide a focused agenda for development and demonstration.

6. Conclusions and ways forward

Financing land restoration in fragile and conflict-affected settings requires a shift in how the problem is understood. The challenge is not only that too little finance reaches these settings, although that remains a serious constraint. The deeper challenge is that finance often fails to remain connected to the delivery systems, institutional relationships, local legitimacy, learning, and risk management needed for restoration to succeed over time.

This report has made the case that financing continuity should be treated as a core condition for restoration in fragile settings. Restoration outcomes depend on long-term delivery, adaptive implementation, functioning partnerships, and sustained institutional engagement. These conditions are difficult to maintain where shocks are recurrent, institutions are stressed, delivery timelines exceed standard project cycles, and financing requirements change as programmes move between institutions.

Collaboration and co-design are central to this agenda. In fragile settings, they are not only coordination preferences. They are operational derisking tools. Land restoration often sits at the intersection of

ecological recovery, livelihoods, food and water security, resource governance, displacement pressures, and cooperation over shared resources. Convening environmental, development, peacebuilding, humanitarian, finance, government, local, and technical actors early helps define what is feasible and reduces the risk that programmes are designed in ways that cannot be delivered or sustained.

The platform approach set out in Section 5 sets out a practical way to support this shift. It does not create a new fund or replace existing mandates. It helps existing institutions preserve continuity, support co-design, align financing logic, strengthen delivery capacity, and carry forward evidence across phases. Its value lies in reducing the friction that prevents viable initiatives from moving across institutional and financing transitions.

This report has also argued that derisking should combine risk reduction at source with risk sharing and structuring. Delivery systems, local ownership, safeguards, technical assistance, adaptive implementation, and decision-useful learning reduce risk before financial instruments are asked to carry residual exposure. Concessional capital, results-based payments, guarantees, first-loss arrangements, contingency provisions, and portfolio approaches become more useful where delivery systems, safeguards, risk information, and institutional confidence support their use.

Financing should therefore be sequenced around delivery feasibility. Early finance should build the conditions for responsible implementation. Demonstration finance should test whether delivery can hold. Implementation and risk structuring should define and allocate residual risks as restoration programmes move beyond pilots. Scaling should strengthen portfolio continuity and reduce duplication. Graduation to broader finance participation should be treated as conditional and should occur only where governance, delivery track record, safeguards, local legitimacy, tenure, contracts, offtake, and revenue visibility support responsible engagement.

Progress across these phases is not linear or guaranteed. Some contexts may remain in preparation or demonstration phases for extended periods. Others may move backwards when security, governance, or delivery conditions deteriorate. This is why financing arrangements need to be adaptive, context-specific, and realistic about the time required to build delivery feasibility and institutional confidence. Demonstration pilots should generate operational evidence, not only project results. They should help address questions about which coordination functions matter most, what technical assistance is needed early, how monitoring can support financing decisions, when risk-sharing tools become appropriate, how safeguards and local legitimacy can be maintained, and how institutions can reduce duplication without creating parallel systems.

Land restoration in fragile and conflict-affected settings can contribute to resilience, livelihoods, resource governance, cooperation, and long-term stability, but these outcomes require more than project finance. They require financing systems that are attuned to delivery realities, institutions that cooperate across mandates, and mechanisms for learning and adaptation as conditions change. Financing continuity, collaborative design, and operational derisking give existing institutions a way to preserve progress, reduce friction, and support responsible action in the places where restoration needs are greatest.

Next steps

Next steps for the Fragility Finance Mechanism & Platform Approach

- Use COP17 to convene interested governments, financing institutions, UN entities, development partners, peacebuilding actors, humanitarian actors, and technical organisations around a shared design process.
- Identify 2 to 3 pilot contexts where restoration need, local or institutional interest, and cooperation potential are present.
- Test the platform approach across at least two phases of the financing sequence, not only at project preparation.
- Develop a shared minimum monitoring logic focused on delivery feasibility, local legitimacy, adaptation, risk allocation, and continuity.
- Generate operational evidence on what helps programmes move without repeated redesign or loss of momentum.
- Use pilot learning to refine institutional roles, financing tools, and conditions for wider application.

The seventeenth session of the Conference of the Parties (COP17), in Mongolia, provides an opportunity to move from diagnosis to collaborative design. The next step is to identify interested partners, select appropriate pilot contexts, and test whether a platform approach can improve continuity, co-design, delivery support, monitoring, risk management, and interoperability in practice.

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