



Financing Responses to Climate Migration

The Unique Role of Multilateral Development Banks

Lawrence Huang
Ravenna Sohst
Camille Le Coz

INTERNATIONAL PROGRAM

Financing Responses to Climate Migration

The Unique Role of Multilateral Development Banks

Lawrence Huang
Ravenna Sohst
Camille Le Coz

Migration Policy Institute

November 2022

Contents

- Executive Summary** 1

- 1 Introduction** 3

- 2 Reviewing the Evidence on Climate Change, Migration, and Displacement** 5
 - A. Why Do People Move? 5
 - B. How Do People Move? 6

- 3 Challenges to MDB Financing for Climate Migration Projects** 8
 - A. A Need for More Context-Specific Data and Knowledge 9
 - B. Limited National Policy Frameworks and Client Demand 10
 - C. A Dearth of Concessional Financing and Grant Funding 10
 - D. Underdeveloped Internal Coordination and Capacity 11

- 4 Prevention: Targeting Climate Displacement Hotspots** 12
 - A. The What: Investments to Reduce Exposure to Climate Impacts 13
 - B. The How: Technical and Financial Tools 15

- 5 Preparedness: Supporting Host Communities, Migrants, and Displaced People** 17
 - A. Building Migrant-Inclusive, Climate-Resilient Infrastructure 19
 - B. Enhancing Private-Sector Development and Livelihood Opportunities 20

- 6 Conclusions** 22

- About the Authors** 24

- Acknowledgments** 25

Executive Summary

As the number of people forcibly displaced from their homes has steadily grown over the past decade, climate change is increasingly shaping how, why, and where people move. The links between climate change and mobility are neither straightforward nor easy to predict, but it is by now clear that climate change amplifies conflict, loss of livelihoods, and other factors that drive displacement, triggering short- and long-term movements both within and across national borders while also trapping some people in place. In 2021, more than 23 million people were internally displaced by disasters, and the World Bank expects that by 2050, 216 million people could choose or be forced to move within their countries because of the slow-onset effects of climate change.

The sheer volume of people moving because of unpredictable climate shocks—often into cities and other areas that are both unprepared for their arrival and themselves vulnerable to climate impacts—requires significant policy and programmatic responses. This includes measures to prevent displacement by building resilience *before* climate events, to help people move, and to support their integration into their new communities. In low- and middle-income countries, where the impacts of climate change are often most acute, this means navigating a complex landscape of donor, development, and humanitarian actors, each with their own priorities and operational strengths and limitations.

The links between climate change and mobility are neither straightforward nor easy to predict, but it is by now clear that climate change amplifies conflict, loss of livelihoods, and other factors that drive displacement.

Multilateral development banks (MDBs)—that is, banks that invest in projects that contribute to sustainable development, primarily in low- and middle-income countries—are increasingly critical (yet sometimes overlooked) players in this space. In 2021, MDBs committed USD 81 billion in climate finance, and some have financed large-scale projects on migration and displacement, but these two portfolios are generally not connected. MDBs are strategically positioned to invest in projects that tackle the climate-migration nexus, not least because the volume of their investments far outweighs those of most other actors, meaning they are equipped to invest in large-scale (i.e., hundreds of millions of USD) projects with long-term returns. But they also face key constraints because their business model works primarily via investment loans, which need to make an economic return, rather than grants. The projects they finance are also driven by the interests of their national government clients, which may prioritize other issues, and they require extensive expertise in local climate and migration conditions.

MDBs are already investing in projects in this area. First, they contribute to efforts to *prevent* climate-related forced displacement in two main ways:

- ▶ **Targeting hotspots of climate displacement.** MDBs can make large-scale investments in climate-resilient infrastructure and private-sector development in areas experiencing or predicted to experience significant climate displacement. For instance, the World Bank supports urban flood resilience in 14 municipalities in Niger, 11 of which are projected to be hotspots of climate out-

migration. MDBs also finance infrastructure, such as climate-resilient roads and bridges, for quicker evacuation and return after extreme weather events. And when people cannot stay in place or return after such events, MDBs can support planned relocation by investing in safe housing, livelihood creation, and other projects in the areas where they will settle. Yet, because MDBs rarely have a local presence in affected communities and may lack the knowledge and capacity to address such a context-specific, complex phenomenon, some may find it challenging to target large-scale infrastructure and livelihood projects to these hotspots.

- ▶ **Funding technical and financial tools.** Large-scale infrastructure and livelihood projects rely on technical know-how and innovative financing mechanisms that some MDBs are well placed to provide. For instance, the World Bank and the Asian Development Bank have funded modeling exercises to identify climate displacement hotspots, and the World Bank supports early warning systems that facilitate operational responses to extreme weather events. While most MDBs may not use their limited grant funding for these purposes, they could look to more flexible financing tools and products to enhance their activities in this area. For instance, some MDBs have dedicated funds for humanitarian emergencies, and they could consider forecast-based financing, which disperses funds based on credible warnings of imminent crises rather than after crises occur. These approaches are not, however, the core business of MDBs. Most will rely on partners to enhance modeling and disperse humanitarian finance, instead contributing to large-scale projects based on this modeling or in situations of protracted displacement.

MDBs have also financed projects that aim to *prepare* host communities in anticipation of the arrival of climate migrants by:

- ▶ **Building climate-resilient, migrant-inclusive infrastructure.** Some MDBs invest in building physical and social infrastructure to help host communities prepare to accommodate large-scale, unpredictable arrivals of climate migrants and displaced people. The Asian Development Bank has funded sanitation and health-care facilities in the flood-prone Bangladeshi districts where thousands of Rohingya displaced from Myanmar live. While most fled Myanmar because of conflict rather than climate, these projects could serve as a model for communities hosting climate migrants. Moreover, migrants and displaced people tend to move to urban peripheries and informal settlements that are vulnerable to climate shocks. Some MDBs already support the construction of climate-resilient housing and migrants' access affordable housing, projects that could help mitigate the risk of migrants and displaced people becoming "double displaced" by climate shocks. Such investments face two main challenges. First, MDBs cannot entirely predict when and where people will move as a result of sudden climate shocks, so these investments are riskier and better suited to tackling migration triggered by slow-onset climate impacts. And second, when climate migrants cross national borders, governments are often reluctant to take out loans to finance projects that chiefly benefit people who are not their own nationals, especially since the countries that host the most displaced people have contributed little to climate change.
- ▶ **Enhancing private-sector and livelihood opportunities.** MDBs also support host communities as they prepare for climate migration through projects that build livelihood opportunities for both local residents and migrants and displaced people. These projects range from attaching conditions to loans

made to small and medium-sized enterprises to incentivize them to hire displaced people, to directly providing microfinance to migrant entrepreneurs. Such projects, when they include beneficiaries from both host and migrant communities, can also defuse public anxieties around competition for jobs and resources. In Niger, for example, the World Bank aims to improve refugees' access to basic services and employment, but it takes a "status-blind" approach that selects beneficiaries based on the same vulnerability criteria, regardless of migration status. Such approaches, while promising, remain challenging to operationalize, require a thorough understanding of local dynamics, and have been poorly evaluated in general, let alone in the context of climate migration.

Despite their huge potential to contribute to managing climate migration, MDBs face important operational and financing constraints. Scaling up projects of the kind described above will take leadership, partnerships, and operational expertise. MDBs could start with the low-hanging fruit, reviewing their existing projects to identify lessons learned and either funding climate migration modeling or identifying existing data and sharing it among MDBs. They could also develop partnerships to better understand local climate migration contexts, and then provide technical assistance to

potential clients (often, national governments), supporting them with proposing projects on climate migration.

Partnerships both with other MDBs and with UN agencies, civil society, development agencies, and private-sector enterprises will be crucial to understand these contexts, support policy development, and access the grant funding needed for climate migration projects to be effective. At

first, MDBs could incentivize clients to include migrants and displaced people in their climate adaptation projects, but over time, MDBs may wish to expand their scope and finance large-scale infrastructure and livelihood projects in displacement hotspots. Such steps can enable MDBs to rise to the growing challenges climate migration poses for communities of origin and destination, and for migrants themselves.

Such steps can enable MDBs to rise to the growing challenges climate migration poses for communities of origin and destination, and for migrants themselves.

1 Introduction

Climate change has massive consequences for migrants, displaced people, and their host communities. Indeed, climate-related migration and displacement¹ are already underway, with more than 23 million people displaced within countries due to sudden-onset events such as floods and storms in 2021² and an unknown number displaced across international borders. In 2022, tens of millions were displaced by floods in Pakistan and Nigeria alone.³ Meanwhile, the slow-onset impacts of climate change, from droughts to rising sea levels, are threatening food security and making land uninhabitable, as when almost 1 million

1 The terms climate migration and climate-related migration are used interchangeably and refer broadly to people who move in part or largely because of climate change. Climate displacement (or climate-related displacement) refers to situations where people are forced to leave because of climate change. As the boundary between displacement and migration can be fuzzy, the term mobility refers to all forms of movement, voluntary or forced.

2 Internal Displacement Monitoring Centre (IDMC), *Global Report on Internal Displacement 2022* (Geneva: IDMC, 2022).

3 UN Office for the Coordination of Humanitarian Affairs (OCHA), "Pakistan: 2022 Monsoon Floods – Situation Report No. 6" (situation report, OCHA, September 16, 2022); Amudalat Ajasa, "Flooding in Nigeria Kills 500, Displaces 1.4 Million, Government Says," *Washington Post*, October 15, 2022.

people in Somalia were internally displaced by drought in 2022.⁴ These trends seem set to lead more people to migrate and could, in the worst case, lead to 216 million internal climate migrants by 2050.⁵ Even more climate-affected people will be stuck in place, without the resources to move. Responding to these escalating crises will require systemic, large-scale, and innovative development interventions and financing.

Multilateral development banks (MDBs)—such as the African, Asian, Inter-American, and Islamic Development Banks; the European Bank for Reconstruction and Development and the European Investment Bank; and the World Bank—are crucial actors in financing responses to climate-change-related migration and forced displacement. MDBs committed USD 81 billion in climate financing in 2021, 62 percent of which went to low- and middle-income countries⁶ where most climate displacement occurs. Yet, MDBs typically give loans rather than grants and finance large-scale infrastructure projects that unfold over longer time horizons. And while many of these institutions have shown interest in projects with positive social impacts for migrants and host communities, they often struggle to maximize these effects. Indeed, their long-term development focus and model based on projects that have economic returns mean they generally have a limited role in the immediate response to disaster displacement and cannot simply finance any projects they wish.

While many of these institutions have shown interest in projects with positive social impacts for migrants and host communities, they often struggle to maximize these effects.

Drawing on a review of existing research and MDB projects and strategies, and more than 30 interviews with MDB officials and other experts,⁷ this report introduces the unique role of MDBs in the climate finance landscape and highlights opportunities for migration, humanitarian, and other key actors to partner with MDBs on projects that effectively target climate-related migration and displacement. The report begins with an overview of the complex ways in which climate change interacts with migration and displacement, the role MDBs play in financing responses, and the specific challenges they face to doing so. It then outlines how MDBs can invest in projects that prevent climate-related displacement as well as those that prepare host-community economies and social services to support and integrate climate migrants. The report ends with concrete recommendations for MDBs on identifying and financing projects at the climate-migration nexus, starting with small-scale, low-cost interventions before moving to more ambitious and systemic solutions.

4 UN High Commissioner for Refugees (UNHCR), “UNHCR’s Grandi Sounds Alarm as Drought Grips Horn of Africa” (press release, October 25, 2022).

5 Viviane Clement et al., *Groundswell Part 2: Acting on Internal Climate Migration* (Washington, DC: World Bank, 2021).

6 African Development Bank (AfDB) et al., *2021 Joint Report on Multilateral Development Banks’ Climate Finance* (London: European Bank for Reconstruction and Development, 2022).

7 These include officials from AfDB, the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IADB), Islamic Development Bank, and World Bank; officials from the Food and Agriculture Organization, Green Climate Fund, International Organization for Migration (IOM), and Organization for Security and Cooperation in Europe; EU officials from the Directorate-General for International Partnership and Directorate-General European Civil Protection and Humanitarian Aid Operations; as well as experts in Africa, the Middle East, Southeast Asia, and the Western Balkans.

2 Reviewing the Evidence on Climate Change, Migration, and Displacement

The linkages between climate and mobility are multifaceted, both because the impacts of climate change are not uniform across contexts and because these impacts prompt people to move (or to not move) in different ways. This complexity means that tackling the intersection of these issues requires systemic and localized solutions and multistakeholder partnerships.

A. *Why Do People Move?*

Climate change's impacts on migration vary over time and across contexts. Four key climate impacts are commonly associated with mobility, or in other cases, involuntary immobility, where people are unable to move despite the adverse effects of climate change: drought and extreme heat; sea level rise and extreme precipitation events; extreme weather events (such as hurricanes and other storms); and natural resource degradation.⁸ These climate impacts do not operate in isolation and are interlinked with other drivers of migration, for instance:

- ▶ **Economic drivers.** Climate change can have direct effects on livelihoods and economic opportunities, for example by weakening crop outputs because of drought and flood or by undermining fisheries through coastal erosion and salination. In a 2021 survey of West African migrants conducted in Burkina Faso, Libya, Mali, Niger, Sudan, and Tunisia, 86 percent shared that they had left their countries of origin because of economic reasons and only 2 percent cited natural disasters or environmental reasons. However, when asked if environmental issues were a factor in their decision to leave, 41 percent agreed.⁹
- ▶ **Demographic drivers.** The countries and cities experiencing the most population growth are often those with the least adaptive capacity. Nine of the ten most climate-vulnerable countries expect to see rising population rates through 2100, while the rest of the world's population growth is expected to slow.¹⁰ Rapid demographic growth coupled with severe climate impacts could lead to more migration and displacement.
- ▶ **Sociocultural factors.** Cultural norms can keep people tied to a place and make them less likely to leave, despite worsening climate conditions. For example, many coastal Pacific Island communities facing sea level rise resist relocation because of traditional, cultural, and religious links to land, water,

8 These four pathways are identified in Global Knowledge Partnership on Migration and Development (KNOMAD), *Environmental Change and Migration: State of the Evidence* (Washington, DC: KNOMAD, 2014); Susan F. Martin, *Environmental Change and Migration: What We Know* (Washington, DC: Migration Policy Institute, 2013).

9 Francesco Teo Ficarelli, Jane Linekar, and Roberto Forin, "Climate-Related Events and Environmental Stressors' Roles in Driving Migration in West and North Africa" (briefing paper, Mixed Migration Center, January 2022).

10 Population Connection, "The Connections between Population and Climate Change" (info brief, Population Connection, Washington, DC, 2019).

and community.¹¹ In contrast, if climate change drives many people to leave a place, cultures of emigration could emerge and foster further migration.¹²

- ▶ **Fragility, conflict, and violence.** Eight of the ten most climate-vulnerable countries are also experiencing either conflict or fragility.¹³ Although climate change and fragility can independently trigger displacement, they can become mutually reinforcing when they overlap. For instance, some studies have pointed to drought-induced internal migration as contributing to the Syrian civil war, although poor government policies around agricultural and social welfare were likely just as important factors, if not more so.¹⁴

These same drivers can also keep people in place, especially if factors such as conflict or lack of livelihoods mean they do not have the resources to move. Often, particular groups with existing vulnerabilities (such as people with less education, women,¹⁵ and older people) are less able to move and, thus, left behind while those who are better-off can migrate for better opportunities.

Policy and programmatic responses to climate migration need to account for all of these complex linkages, including by adopting multisectoral approaches. Indeed, the climate-migration nexus matters in everything from governance (e.g., how to prove legal identity when disaster displaced people lose their documentation) to agriculture (e.g., how to insure smallholder farmers against climate shocks to reduce drivers of displacement). Urban development is another key dimension of tackling climate migration, since many climate-affected migrants move to cities. Responses should also involve a range of actors. This includes humanitarian actors, who have the expertise to address displacement due to extreme weather or climate-related conflict, as well as development actors able to target livelihoods or infrastructure changes. Finally, these responses need to involve local authorities and civil-society organizations that understand locally specific linkages between climate change and migration.

B. How Do People Move?

The ways people move (and do not move) as a result of climate impacts are equally complex. Most people who move do so within their own countries or regions and move for short periods of time. Extreme weather events tend to displace people for short periods and distances (although some events lead to prolonged displacement, such as Cyclone Amphan in 2020, which left 300,000 people displaced in India for more

11 Robert Oakes, "Culture, Climate Change and Mobility Decisions in Pacific Small Island Developing States," *Population and Environment* 40 (2019): 480–503.

12 Lore Van Praag, "The Nexus between Environmental Changes, Culture of Migration, and Migration Aspirations," in *Migration and Environmental Change in Morocco*, eds. Lore Van Praag, Loubna Ou-Salah, Elodie Hut, and Caroline Zickgraf (Cham, Switzerland: Springer, 2021).

13 Authors' calculations based on the Notre Dame Global Adaptation Index (ND-GAIN) Country Index classification of climate vulnerability and the World Bank's classification of fragile and conflict-affected situations. See ND-GAIN, "Rankings," accessed October 31, 2022; World Bank, "FY23 List of Fragile and Conflict-Affected Situations," accessed October 31, 2022.

14 Jan Selby, Omar S. Dahi, Christiane Fröhlich, and Mike Hulme, "Climate Change and the Syrian Civil War Revisited," *Political Geography* 60 (2017): 232–44; Colin P. Kelley, Shahrzad Mohtadi, Mark A. Cane, and Yochanan Kushnir, "Climate Change in the Fertile Crescent and Implications of the Recent Syrian Drought," *Proceedings of the National Academy of Sciences* 112, no. 11 (2015): 3241–46; Lina Eklund and Darcy Thompson, "Differences in Resource Management Affects Drought Vulnerability across the Borders between Iraq, Syria, and Turkey," *Ecology and Society* 22, no. 4 (2017).

15 Charlie Fidelman, "When Climate Change Drove All the Men Away," *Mother Jones*, March 1, 2020. In contrast, disasters tend to force entire households to flee.

than a year).¹⁶ Even slow-onset climate impacts such as sea level rise or drought tend to lead to circular or seasonal migration, rather than permanent emigration to destinations abroad.

Cities are affected by all of these kinds of movement as most internally displaced people move to urban areas. Over time, however,

recurrent extreme weather events and more severe slow-onset events are likely to make places less livable, leading to longer-term and longer-distance migration. In some cases, this may take the form of planned relocation (or “managed retreat”), such as when sea level rise causes repeat flooding and inundation of households in coastal cities and low-lying communities, and governments and donors support residents with moving away permanently.¹⁷

Recurrent extreme weather events and more severe slow-onset events are likely to make places less livable, leading to longer-term and longer-distance migration.

Still, most people severely affected by climate change will be *immobile*, either choosing to stay or forced to do so. In some contexts, communities experiencing the worst climate impacts see *less* migration and displacement.¹⁸ In Burkina Faso, for example, people living in better environmental conditions are more likely to migrate, in part because severe rainfall deficits and bad harvests can make it harder for people in other areas to gather the resources needed to move internationally.¹⁹ At the same time, climate-affected communities often *prefer* to stay in place by adapting to climate impacts, even where regular migration pathways are available.²⁰

The diverse ways people move (voluntarily and involuntarily, internally and internationally, short and long term) and do not move (by choice or by lack of resources and opportunities to do so) underscore why responses must be similarly context specific. Some interventions are needed that would allow those most vulnerable to climate impacts and forced immobility to move, including by opening up legal pathways to international migration and by supporting the integration of those who do move either internally or internationally, whether voluntary or forced. Indeed, migration can be used preemptively as a strategy to reduce resource stress in communities of origin and to enable migrants to contribute their financial and human capital to their households, most notably through financial remittances. Other interventions are needed to support people as they return home, for example after extreme weather events. Although states, rather than MDBs, manage the legal pathways that allow people to migrate, MDBs can contribute

16 IDMC, *Global Report on International Displacement 2021* (Geneva: IDMC, 2021).

17 Idowu Ajibade et al., “Are Managed Retreat Programs Successful and Just? A Global Mapping of Success Typologies, Justice Dimensions, and Trade-offs,” *Global Environment Change* 76 (2022). See, for example, Architesh Panda, “Climate Change, Displacement, and Managed Retreat in Coastal India,” *Migration Information Source*, May 22, 2020.

18 Lore Van Praag, Loubna Ou-Salah, Elodie Hut, and Caroline Zickgraf, *Migration and Environmental Change in Morocco: In Search for Linkages between Migration Aspirations and (Perceived) Environmental Changes* (Cham, Switzerland: Springer Nature, 2021), 141.

19 Sabine Henry, Victor Piché, Dieudonné Ouédraogo, and Eric F. Lambin, “Descriptive Analysis of the Individual Migratory Pathways According to Environmental Typologies,” *Population and Environment* 25, no. 5 (2004): 397–422; Sabine Henry, Bruno Schoumaker, and Cris Beauchemin, “The Impact of Rainfall on the First Out-Migration: A Multi-Level Event-History Analysis in Burkina Faso,” *Population and Environment* 25, no. 5 (2004): 423–60. Similar findings are replicated in Thailand and Vietnam: Esteban J. Quiñones, Sabine Liebenehm, and Rasadhika Sharma, “Left Home High and Dry: Reduced Migration in Response to Repeated Droughts in Thailand and Vietnam,” *Population and Environment* 42, no. 4 (2021): 579–621. See also Hélène Benveniste, Michael Oppenheimer, and Marc Fleurbaey, “Climate Change Increases Resource-Constrained International Immobility,” *Nature Climate Change* 126, (2022): 634–41.

20 Carol Farbotko, “Voluntary Immobility: Indigenous Voices in the Pacific,” *Forced Migration Review* 57 (2018): 81–83. See also M. M. Golam Rabbani, Matthew Cotton, and Richard Friend, “Climate Change and Non-Migration—Exploring the Role of Place Relations in Rural and Coastal Bangladesh,” *Population and Environment* 44, no. 1–2 (2022): 99–122.

to systemic action that addresses each type of climate-related mobility and immobility—if they are able to overcome challenges that can hinder the scaling up of their activities.

3 Challenges to MDB Financing for Climate Migration Projects

The nexus of climate change and migration has increasingly been a focus of international forums on climate, such as the UN Conference of the Parties (COP), and those on migration, such as the International Migration Review Forum, at which states discuss progress on implementing the Global Compact for Safe, Orderly, and Regular Migration. The international community has begun to mobilize resources to address the challenges posed by climate change, with high-income countries allocating increasing amounts to climate finance each year,²¹ though they still missed their USD 100 billion goal in 2020 by 16 billion.²² A number of governments, including those of Barbados and the United States, have also called for MDBs to make stronger commitments to climate action.²³

MDBs provide financing for economic and social development projects in low- and middle-income countries, but unlike other development actors, MDBs work primarily with loans instead of grants. These loans usually have long timescales, as they finance large public infrastructure projects, such as roads or hospitals, or private and financial sector projects, for instance through loans to central banks who then on-lend (or provide smaller loans) to small and medium-sized enterprises. And importantly, unlike grant-based overseas development programming, MDBs invest in projects that have an economic return and are client-driven, meaning that potential clients (typically governments, central banks, private-sector entities, or civil society) need to propose projects for MDBs to finance.

While MDBs' core business model allows them higher risk appetites and better technical expertise than most other private banks, it is not (without tweaks) well suited to projects focused on climate migration. In comparison, development agencies and the International Organization for Migration (IOM) have implemented small-scale initiatives connecting migrant returnees with green jobs.²⁴ Such initiatives have direct and simple links between climate and migration, but are typically too small for MDB finance.

As this section will explain, MDBs have faced four main challenges when working at the intersection of climate and migration issues: they often have limited in-house knowledge of local climate and migration conditions; their activities are guided by national policies and client interests, which may not focus on

21 See German Federal Ministry for Economic Cooperation and Development, "V20 and G7 Agree on Financial Protection Cooperation, to Formally Launch Global Shield against Climate Risks at COP27" (press release, October 14, 2022); Madeleine Speed, "Germany Steps up on Climate Finance and Seeks Overhaul of World Bank," *Financial Times*, October 20, 2022.

22 Organization for Economic Cooperation and Development (OECD), *Aggregate Trends of Climate Finance Provided and Mobilised by Developed Countries in 2013-2020* (Paris: OECD Publishing, 2022). See also Lawrence Huang, "Why Financing Responses to Climate Migration Remains a Challenge" (commentary, Migration Policy Institute, Washington, DC, October 2022).

23 See remarks by John Kerry, U.S. Special Presidential Envoy for Climate, *Financing Green Development: A Fireside Chat on US Climate Finance with Secretary John Kerry*, for the Center for Global Development, Washington, DC, April 20, 2022; Barbados Ministry of Foreign Affairs and Trade, "The 2022 Bridgetown Initiative" (press release, September 23, 2022).

24 See IOM, "Essentials of Migration Management 2.0 Handbook: Environment, Climate Change, and Reintegration," accessed October 29, 2022; IOM, "Mainstreaming Environmental Dimensions into Reintegration Support to Reduce the Effects of Climate Change on Migration in West Africa," accessed October 29, 2022.

climate migration; their most common types of financing are not well suited to projects of this kind; and they often do not have internal systems to coordinate between migration and climate teams.

A. *A Need for More Context-Specific Data and Knowledge*

Although MDBs have pledged to play a central role in both financing climate action and responding to displacement crises, these two areas of work remain disconnected. MDBs invest billions in climate action, primarily going towards mitigation (i.e., slowing down the pace of changes to climate) rather than adaptation (i.e., adjusting to current and expected climate changes). In parallel, MDBs have stepped up their support for displaced people and the communities that host them. For instance, the World Bank has developed a whole range of programs targeting refugees and host communities, and MDBs have set up an MDB Platform on Economic Migration and Forced Displacement to coordinate on these topics.²⁵ However, these activities on climate and on migration rarely overlap.

Projects that link climate adaptation with migration and displacement need to be tailored to locally specific climate *and* migration conditions. MDBs, however, may not have colleagues based in the countries where they finance projects or may not provide them with the training, capacity, and analytics needed to fully understand local climate and migration dynamics and identify projects that target the nexus between the two. In addition, MDBs usually work with governments and central banks, whereas civil-society organizations and local authorities that may better understand the localized links between climate change and migration usually struggle to access MDB financing. These local actors often lack both the credit ratings and the specialized expertise needed to propose bankable projects and take on loans. Their limited capacity to pitch projects also makes it more difficult to convince national governments to finance projects on climate migration.

Projects that link climate adaptation with migration and displacement need to be tailored to locally specific climate and migration conditions.

To overcome these difficulties, MDBs have increased their efforts to engage with actors that have local knowledge, such as the Asian Development Bank and Inter-American Development Bank with civil society and networks of city partners. The Inter-American Development Bank and World Bank are also decentralizing their staffing to the country level, with the goal of gaining more contextual knowledge. In parallel, MDBs rely on partners that do have an in-country presence, such as the European Investment Bank with EU delegations, the European Investment Bank and African Development Bank with the IOM, and the World Bank with the UN High Commissioner for Refugees (UNHCR). Yet, these partnerships often exist largely on paper and are rarely operationalized and funded to undertake concrete actions, such as joint research or programming.²⁶ In addition, only a few specifically cover climate migration. Moving forward, expanding the mandate of existing partnerships and creating new ones would require both capacity and funding to make them more concrete and action oriented.

²⁵ See, for example, AfDB et al., “Global Refugee Forum: Joint Commitments by the MDB Coordination Platform on Economic Migration and Forced Displacement” (news release, December 18, 2019).

²⁶ Author interviews with multilateral development bank (MDB) officials and project staff between April and September 2022.

B. *Limited National Policy Frameworks and Client Demand*

The global policy agenda on climate migration has evolved quickly over the past decade, but significant gaps remain in terms of national policies.²⁷ In many cases, these policies refer to internal climate displacement, without reference to cross-border displacement or migration, or they mention climate-related drivers of migration and displacement but do not propose investments that could be relevant for MDBs.²⁸ Underlying this policy gap is a reluctance on the part of many governments to engage on climate migration. While policymakers increasingly recognize the importance of climate action, migration is often a more politicized and controversial issue, and this can make policymakers hesitant to integrate migration into their climate-related policies. In turn, this constrains MDB investments because these institutions can only develop projects that align with the development priorities and national policies in each country.

In most cases, MDBs do not engage with governments on policy development, relying instead on partnerships with civil society and with UN and development agencies to support policy change. When MDBs really wish to push for policy reform, they may use policy-based lending, which supports sectoral policy development and then uses traditional investments to implement the newly developed policy. However, this relies on blending investment loans with grants, which are not always available. This approach can also face resistance from client governments unwilling to reform policies, especially on topics as sensitive as migration and displacement, and there is debate over whether MDBs should be leading policy development efforts. Still, in some contexts, this type of more direct engagement may be helpful since very few countries have policies specifically dedicated to climate change and migration, and only a few have integrated migration and displacement considerations into broader climate policies.

C. *A Dearth of Concessional Financing and Grant Funding*

Grants and concessional loans, which have more generous terms than traditional investment loans, are often needed to encourage governments to implement projects for climate-displaced people, especially if they are foreigners.²⁹ Governments usually target their own nationals when designing development projects, and they can be reluctant to include migrants and displaced people as direct beneficiaries, given they do not belong to their immediate constituency. MDBs have sometimes responded by using normal loan products for programs that benefit host communities and relying on grants and other concessional finance to incentivize clients to also include international migrants and refugees. As climate change forces more people to move across borders, however, MDBs' limited concessional resources will strain to meet the

27 Some regions have more advanced national and regional policy frameworks (e.g., the Pacific Islands), reflecting more severe climate impacts and greater prioritization of the climate-migration nexus, but these remain rare. See Fanny Thornton et al., “Policy Developments and Options to Address Human Mobility in the Context of Climate Risk in the Pacific Islands Region” (Pacific Climate Change and Human Security Policy Brief Series, IOM, Suva, Fiji, May 2021); Jonathan S. Blake, Aaron Clark-Ginsberg, and Jay Balagna, *Addressing Climate Migration: A Review of National Policy Approaches* (Santa Monica, CA: RAND Corporation, 2021).

28 Koko Warner et al., “Integrating Human Mobility Issues within National Adaptation Plans” (Nansen Initiative Joint Policy Brief No. 2, United Nations University, Bonn, June 2014).

29 For an overview of financing options more broadly, see Dennis Tänzler and Tobias Bernstein, *The Landscape of Financing Options to Address Human Mobility in the Context of Climate Change: Instruments and Approaches to Finance Measures on Climate Change Related Migration, Displacement and Relocation* (Bonn and Eschborn/Berlin: Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH and adelphi, 2022).

increasing demand. For example, of MDB climate adaptation finance to low- and middle-income countries in 2021, only 15 percent was via grants versus 63 percent via investment loans.³⁰

Climate migration projects already compete with other priorities for limited pots of concessional money, leading some MDBs to turn to partners for cofinancing and blended financing. Notably, across all sectors and issues, MDBs have long sought to “crowd in” financing, creating profitable investment opportunities for private-sector investors, for instance by blending private investments with concessional MDB financing to cover risks.³¹ But these efforts to mobilize private investment, as well as attempts to engage donors and climate funds such as the Global Environment Facility and the Green Climate Fund, have not been effective across MDB activities in general, let alone specifically on climate migration. At this stage, there is no clear path forward for MDBs to mobilize private finance or blend their financing with grant resources, despite the clear need for such approaches to tackle climate-related migration issues.

D. Underdeveloped Internal Coordination and Capacity

MDBs are only now beginning to work at the nexus of climate change, migration, and displacement, and the internal infrastructure to do so is still being developed in many institutions. In interviews, MDB officials noted that one obstacle to increasing climate-migration-related investments is that the teams working on climate change and on migration are typically located in separate units and work according to different agendas.³² Given the MDBs’ financing model and goal of increasing the volume of their investments, project officers, who directly prepare and manage loans and investments, have few incentives to integrate both sets of issues within their portfolio. These projects that aim to manage unpredictable climate events and migration flows are indeed more complicated, riskier, and take more time to develop than their regular operations. Staff also often lack information and operational guidance on how to integrate the complex links between climate and migration into their day-to-day loan projects. Nonetheless, some MDBs have established cross-cutting teams that include both migration and climate practitioners (e.g., the European Investment Bank, European Bank for Reconstruction and Development, and Asian Development Bank) or have focal points to connect their climate and social units (e.g., the Inter-American Development Bank). These arrangements have allowed for some internal mixing and coordination, but the teams in an MDB’s social unit are often small and therefore lack the capacity to fully explore the climate-migration nexus and to then ensure key considerations are reflected in projects.³³

As a result of all four of these limitations—and despite the growing interest in the connection between climate change and migration—most MDBs are still reviewing the relevant evidence and developing internal strategies and processes. Nonetheless, a significant evidence base already exists on the main linkages between climate and migration, with some contributions coming from MDBs themselves (e.g., a seminal report on climate migration in the Asia Pacific released by the Asian Development Bank as early as

30 AfDB et al., *2021 Joint Report on Multilateral Development Banks’ Climate Finance*.

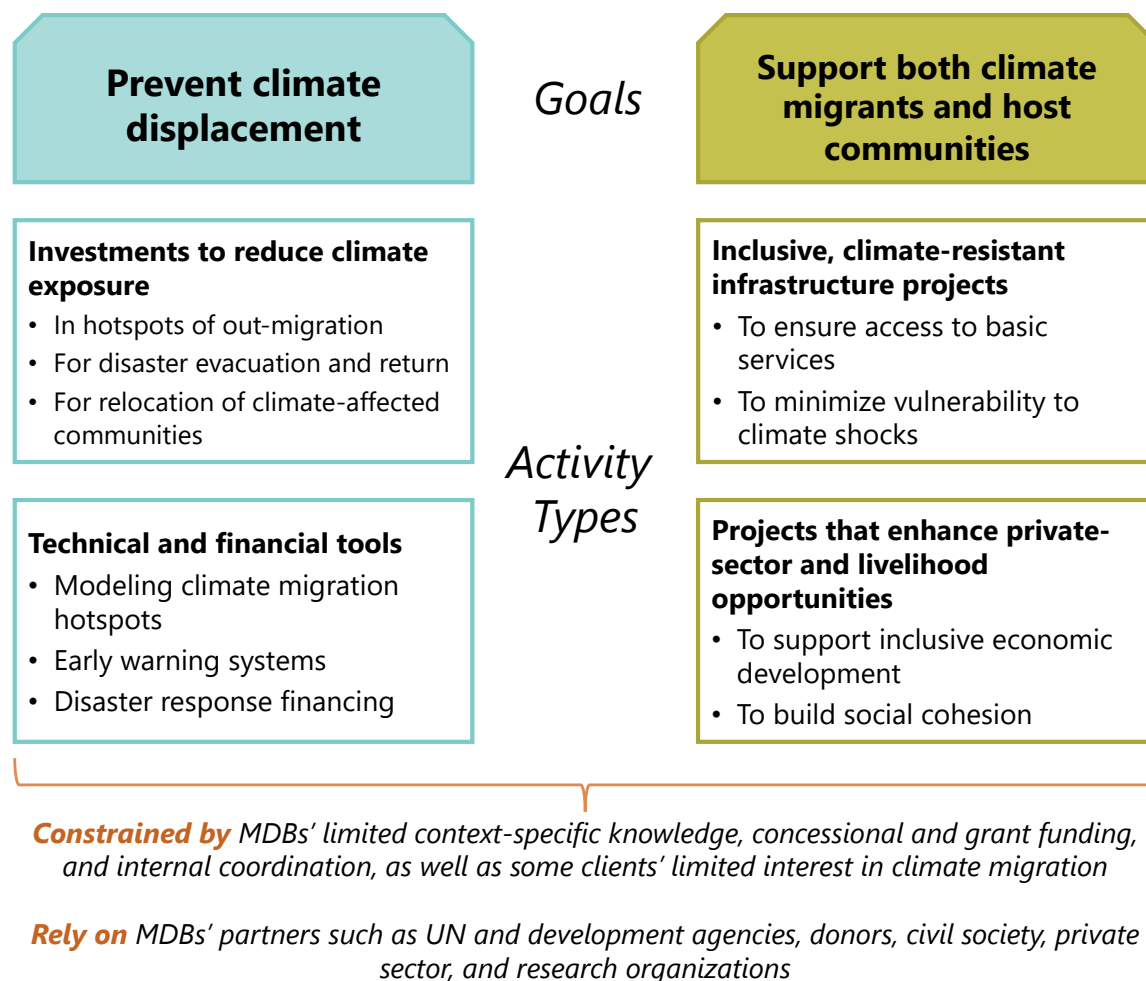
31 Deborah Murphy and Jo-Ellen Parry, *Filling the Gap: A Review of Multilateral Development Banks’ Efforts to Scale up Financing for Climate Adaptation* (Winnipeg, Canada: International Institute for Sustainable Development, 2020).

32 Author interviews with MDB officials and project staff between April and September 2022.

33 Author interviews with MDB officials and project staff between April and September 2022.

2012).³⁴ The next step will be to see how this evidence plays out in practice by piloting and learning from investments that integrate migration and displacement considerations into climate adaptation projects.

FIGURE 1
A Typology of MDB Activities on Climate, Migration, and Displacement



Source: Analysis by the authors.

4 Prevention: Targeting Climate Displacement Hotspots

MDBs have a comparative advantage over other development actors when it comes to making large-scale investments in economic and social infrastructure, from flood levies to schools and hospitals. This gives them a particularly important role in supporting climate adaptation in low- and middle-income countries, where large-scale adaptation projects are necessary and may help reduce forced displacement but where

³⁴ Bart W. Édes, François Gemenne, Jonathan Hill, and Diana Reckien, *Addressing Climate Change and Migration in Asia and the Pacific* (Manila: ADB, 2012).

large debt burdens and complex risk environments mean these projects rarely have immediate financial returns. MDBs, therefore, must be strategic about where and how they invest resources, particularly their limited concessional financing, to prevent climate displacement and support these countries. Doing so requires projects that enhance infrastructure and adaptive capacity in hotspots of climate displacement, as well as technical and financial tools to inform and support these large-scale investments (see Figure 1, left side).

A. *The What: Investments to Reduce Exposure to Climate Impacts*

MDBs have already made significant investments in large infrastructure projects that support climate adaptation, such as moving power lines underground in areas with variable weather and raising flood levies. Most of these interventions do not directly relate to forced displacement, but many can be tweaked or targeted to reduce certain populations' exposure to climate impacts. This can be achieved through three complementary approaches:

- ▶ **Targeting investments to hotspots of climate out-migration.** Modeling of climate migration, including by the World Bank,³⁵ can identify hotspots where people have been or are likely to be displaced. This data can inform MDB efforts to finance projects that enhance climate-resilient infrastructure and livelihoods in such locations. One example is the World Bank's USD 250 million Integrated Urban Development and Multisectoral Resilience Project in Niger, which was launched in 2022 and includes activities that aim to build urban resilience to flooding (e.g., embankments and flood barriers). Niger recorded 1.9 million internal flood displacements between 2008 and 2021,³⁶ and the project's appraisal document notes that 11 of the 14 municipalities that will be targeted are in southern Niger, which "is projected with high certainty to be a hotspot of climate out-migration."³⁷ Similarly, the Great Green Wall Initiative, led by the African Union and supported by the African Development Bank, European Investment Bank, and World Bank, among others, seeks to curb forced displacement by restoring degraded land and building climate-resilient livelihoods in the Sahel. As such, the initiative plans to create 10 million green jobs by 2030 in regions where climate impacts are leading to loss of livelihood, migration, and displacement. So far, however, the African Union and its partners have not been able to measure the project's impact on displacement.³⁸ Such assessment would, in any case, need to be carefully done: the Green Wall may minimize the number of people who lose incomes because of climate change and prevent their displacement, but the same groups that have benefitted from these livelihood opportunities may still emigrate, leveraging their additional resources to finance their move. MDB-backed projects may thus benefit from setting the clear objective of preventing displacement, rather than curbing migration.
- ▶ **Building resilient infrastructure in disaster-affected areas to allow displaced residents to return more quickly.** Although people displaced by disasters tend to return after relatively short periods,

35 Clement et al., *Groundswell Part 2*.

36 IDMC, "Niger," updated May 18, 2022.

37 World Bank, "Niger Integrated Urban Development and Multi-Sectoral Resilience Project" (project appraisal, World Bank, Washington DC, March 2022), 17.

38 Great Green Wall, "The Great Green Wall: Growing a World Wonder," accessed June 7, 2022; European Commission, "Programmes," accessed July 11, 2022; Jill Filipovic, "Will Africa's Great Green Wall Discourage Migration to Europe?," *The Guardian*, July 19, 2017.

severely damaged infrastructure can lead to protracted displacement.³⁹ Reconstructing infrastructure after extreme weather events can allow them to return more swiftly, and potentially minimize forced displacement in the future. MDBs have experience with this type of work. For instance, in 2022, the World Bank provided USD 169 million in credit to support the reconstruction and enhanced climate resilience of roads and bridges in flood-affected rural areas of Cambodia.⁴⁰ This intervention is expected to benefit 5.5 million people living in these areas by enabling them to maintain access to goods and basic services such as markets and hospitals even when floods hit.⁴¹ By reducing the costs and impacts of disaster displacement, such projects prevent future displacement and give people the resources to adapt in place or migrate away from these hotspots. Projects of this kind have not, however, been thoroughly evaluated.

- ▶ **Preparing for planned relocation.** By 2030, up to 879 million people are expected to live in low-elevation coastal zones.⁴² In some of these areas, along with places experiencing increased heat and drought, entire households and communities will need to move. Planned relocation, or “managed retreat,” is one way this may take place and entails the permanent, voluntary movement of a population to a new, less climate-vulnerable location, typically with support from governments and international organizations. MDBs have a long history of relocating people away from areas where they are financing large infrastructure projects, but they also have some experience in planned relocation specific to extreme weather events. After the 2009 Samoa tsunami, for example, the World Bank built road and transportation infrastructure so households could relocate inland.⁴³ At this stage, most projects on climate-related relocation are small-scale, typically helping a few hundred to a few thousand households⁴⁴ affected by environmental degradation move, rather than entire communities. Given the scale of climate-related planned relocations ahead, MDBs may have a growing role, with projects that support the construction of both individual houses and broader infrastructure in the places where people relocate. Such an approach would allow for a more targeted, hands-on role for MDBs in climate migration work, preemptively helping people who might otherwise be displaced migrate and integrate into their new communities in a safe, sustainable manner. These relocations are, however, extremely sensitive as communities are often reluctant to leave their homes even if they are extremely climate vulnerable. Therefore, while MDBs are likely to lead in infrastructure and private-sector development, it is critical that they partner with and support governments and civil-society organizations that consult affected communities in relation to relocation plans.

These three areas speak to the MDBs’ existing comparative advantages over other development actors, particularly in infrastructure development but also in private-sector development. The vast majority of MDB

39 Platform on Disaster Displacement (PDD), *Internal Displacement in the Context of Disasters and the Adverse Effects of Climate Change: Submission to the High-Level Panel on Internal Displacement by the Envoy of the Chair of the Platform on Disaster Displacement* (Geneva: PDD, 2020).

40 See World Bank, “World Bank Financing Will Improve Disaster and Climate Resilience of Flood-Damaged Rural Roads in Cambodia” (press release, May 25, 2022).

41 World Bank, “World Bank Financing Will Improve Disaster and Climate Resilience.”

42 Barbara Neumann, Athanasios T. Vafeidis, Juliane Zimmermann, and Robert J. Nicholls, “Future Coastal Population Growth and Exposure to Sea-Level Rise and Coastal Flooding: A Global Assessment,” *PLOS ONE* 10, no. 3 (2015): e0118571.

43 World Bank, “Samoa Post Tsunami Reconstruction Project,” updated April 16, 2012.

44 The ADB is, for instance, planning to fund a project to relocate 6,000 households in Tamil Nadu slums prone to disasters and environmental degradation, but most similar projects remain of smaller scale. See ADB, *Proposed Loan and Technical Assistance Grant India: Inclusive, Resilient, and Sustainable Housing for Urban Poor Sector Project in Tamil Nadu* (Manila: ADB, 2021).

climate finance goes to public-sector projects with a focus on public infrastructure. In 2021, USD 17.1 billion in climate adaptation finance for low- and middle-income countries went to the public sector compared to USD 0.5 billion that went to private-sector clients.⁴⁵ Given the scale of these investments, integrating displacement considerations into MDBs' infrastructure portfolio could be very impactful. Still, other tools centered on climate insurance and financial inclusion (for instance, helping vulnerable groups in climate displacement hotspots access savings accounts and microcredit) could prove a fruitful avenue for future exploration.

Given the scale of these investments, integrating displacement considerations into MDBs' infrastructure portfolio could be very impactful.

Ultimately, however, these three approaches to preventing climate displacement face two key limitations. First, they have not been thoroughly researched and evaluated. Specifically, there is a dearth of good practices and impact evaluations to guide future projects. And second, they cannot occur in a vacuum; instead, such projects' success relies on strong partnerships and on funding to support the development of an enabling policy and technical environment.

B. The How: Technical and Financial Tools

Adapting infrastructure and private-sector investments to prevent forced displacement goes beyond adjusting such projects' location and focus. It also requires myriad policy tools and financial innovations, some of which MDBs can enact themselves, but that often necessitate partnerships with other development actors. These partnerships range from easy and low cost (e.g., better information-sharing on climate modeling between MDBs) to more complex, long-term, and resource-intensive agreements with UN agencies and civil-society organizations that have critical contextual knowledge, technical abilities, and operational capacity. In this toolbox, three instruments have proved particularly useful:

- ▶ **Modeling project locations.** Well-designed, high-quality forecasts can guide MDB investments in climate adaptation, notably by informing where and how infrastructure investments take place. For instance, the aforementioned World Bank Integrated Urban Development and Multisectoral Resilience Project, which targets municipalities expected to see significant climate out-migration, relies on the World Bank's modeling of climate migration hotspots in Niger. Given that the World Bank and the Asian Development Bank have already funded displacement mapping or modeling, as have a range of civil-society actors, research institutions, and UN agencies, other MDBs may not need to invest their finite grant resources in developing their own modeling. Instead, MDBs could create better systems to share data with one another and to exchange concrete examples of projects built upon this modeling, for example through the existing MDB Platform on Economic Migration and Forced Displacement. This coordination requires both political willingness and technical expertise, and MDBs—instead of mustering such resources themselves—could instead benefit from the work of actors such as the Platform on Disaster Displacement that are already working to coordinate modeling and data gathering on climate migration.

⁴⁵ AfDB et al., 2021 *Joint Report on Multilateral Development Banks' Climate Finance*

- ▶ **Early warning systems to minimize the scale of climate displacement.** MDBs can also help build or strengthen early warning systems in climate-vulnerable communities, which can minimize the scale of displacement by triggering evacuations and quicker operational responses. For example, the World Bank's Global Facility for Disaster Reduction and Recovery, in partnership with the World Meteorological Organization (WMO) and the UN Office for Disaster Risk Reduction, is implementing a USD 5.5 million grant to support early warning services in the Caribbean. This initiative involves policy dialogue, capacity building, and awareness raising, as well as directly designing and implementing early warning services and alert systems.⁴⁶ Unlike the World Bank, most MDBs would not be equipped to implement such a project themselves, lacking the grant resources and established relationship with entities such as the WMO. In some cases, however, MDBs have been able to fold grants for early warning systems into larger loan-financed projects. The bigger challenge—given MDBs are primarily development, not humanitarian, actors—will be to link up better early warning systems with better operational responses. Still, these enhanced early warning systems can support MDBs' efforts to improve their financial and operational responses to disaster displacement.
- ▶ **Quicker, more flexible financing in response to extreme weather events.** Developing financial tools and setting aside dedicated finances *before* risks become acute is an important element of managing vulnerabilities to climate hazards.⁴⁷ This can include allocated emergency funds for extreme weather events, as the International Federation of Red Cross and Red Crescent Societies does with its Disaster Relief Emergency Fund. This fund uses forecast-based financing, in which funds are set aside and automatically dispersed after a specific emergency threshold is reached (e.g., for extreme weather events such as floods or storms, or even for forced displacement).⁴⁸ As a result, these funds can be dispersed relatively quickly. Similarly, the Inter-American Development Bank's USD 600 million Contingent Credit Facility for Natural Disaster Emergencies offers up to USD 100 million loans to countries affected by disasters of a specific, predetermined severity.⁴⁹ Other MDBs (e.g., the Asian Development Bank⁵⁰) have special funds to support natural disaster response, although these grants may be smaller in amount than loan financing. These financial products that address disasters do not need to explicitly aim to prevent disaster displacement, but they are often necessary to minimizing its scope, costs, and duration.

These three technical and financial tools can prove useful as MDBs consider how to invest in large-scale projects to prevent forced displacement. All three require funding and the cultivation of partnerships, however, and resources allocated to these activities will need to be balanced against those dedicated to the other half of MDBs' agenda on climate migration: preparing host communities to be resilient and welcome migrants and displaced people.

46 Climate Risk and Early Warning Systems (CREWS), "Caribbean: Strengthening Hydro-Meteorological and Early Warning Services," accessed September 2, 2022.

47 Gloria M. Grandolini, "Investing in Pre-Crisis Financial Risk Management Eases Post-Disaster Recovery," World Bank, Voices blog, August 15, 2022.

48 International Federation of Red Cross and Red Crescent Societies (IFRC), "Disaster Relief Emergency Fund – 2019 Annual Report," accessed July 8, 2022; IFRC, "Forecast-Based Financing – Practitioners Manual," accessed July 8, 2022.

49 Golda Lee Bruce, "What Is the Contingent Credit Facility?," IADB, Caribbean DEVTrends blog, September 10, 2019.

50 ADB, "Asia Pacific Disaster Response Fund," accessed September 2, 2022.

5 Preparedness: Supporting Host Communities, Migrants, and Displaced People

Despite efforts to prevent forced displacement, climate change will still lead large numbers of people to move to new communities, typically within the same country or region. Some rural regions will become transit or even settlement zones, but most of this movement will be felt by cities and urban areas, where 60 percent of refugees and 80 percent of internally displaced people already live.⁵¹ MDBs are already working to prepare cities in low- and middle-income countries for increasing urbanization, including by preparing them for future migrant arrivals. MDBs also have extensive experience supporting host communities as they respond to large-scale, prolonged displacement (e.g., after the 2015–16 migration and refugee crisis in Europe, and ongoing displacement from Venezuela and Myanmar). These projects, despite not focusing on climate change, provide rich lessons for MDBs to learn from and adapt to the context of climate-induced migration.

At the same time, climate-related inflows also pose a unique set of planning, policy, and financing challenges in receiving cities and countries (see Box 1). Since most climate mobility is internal, some governments are increasingly working to prepare “climate-resilient, migrant-friendly cities and towns.”⁵² Each major MDB has strategies, dedicated funds, and teams working specifically on urban development, and these often address urban climate challenges and, separately, increases in protracted displacement in urban areas. However, these concerns are generally not addressed together.⁵³ To date, MDBs have sought to support host communities as they prepare for climate migration and to enhance social cohesion between migrants and host communities in two ways: by building climate-resilient, migrant-inclusive infrastructure and by enhancing private-sector development and livelihood opportunities for both newcomers and local residents (see Figure 1, right side).

Climate-related inflows also pose a unique set of planning, policy, and financing challenges in receiving cities and countries.

51 UNHCR, “World Cities Day: Cities Lead the Way in Protecting Forcibly Displaced against Impact of COVID-19” (press release, October 31, 2020).

52 Sarder Shafiqul Alam, Saleemul Huq, Faisal Bin Islam, and Hasan Mohammed Asiful Hoque, “Building Climate-Resilient, Migrant-Friendly Cities and Towns” (policy brief, International Centre for Climate Change and Development, Dhaka, July 2018); William Roderick, Snigdha Garg, Luisa Miranda Morel, Kate Brick, and Maggie Powers, *Cities, Climate and Migration: The Role of Cities at the Climate-Migration Nexus* (N.p.: C40 Cities and Mayors Migration Council, 2021).

53 For instance, the World Bank is finalizing a white paper on “Forced Displacement: An Agenda for Cities and Towns.” The AfDB has a dedicated multidonor trust fund, the Urban and Municipal Development Fund, which supports urban development in line with climate action goals. See AfDB, “Urban and Municipal Development Fund: Interim Report 2022” (Abidjan, Côte d’Ivoire: AfDB, 2022).

BOX 1**Host-Community Perspectives: What Makes Climate Migrants Different from Other Migrants?**

From the perspective of host communities, many of the issues involved in receiving and supporting climate migrants are similar to those that arise with other groups of migrants. Yet, at least four challenges set climate migration apart:

- ▶ **Speed and unpredictability.** As extreme weather events become more severe and common, so will sudden inflows of disaster displaced people. Local authorities in communities that frequently host people who are evacuated or displaced may need to build up permanent or semipermanent shelters and take steps to ensure they can scale up social services to meet these recurrent yet often unpredictable inflows.
- ▶ **Scale.** The number of people displaced for long periods and in need of resettlement or integration support also appears set to grow. This is especially true in urban areas, where climate-related rural-to-urban migration is expected to exacerbate the challenges of mass displacement and unmanaged urbanization. In Bangladesh, for example, the mayor of Dhaka North estimates that 2,000 people arrive each day from other climate-affected areas within the country.
- ▶ **Public attitudes.** In some contexts, members of the public may be more welcoming of people displaced by climate change than of other categories of migrants. Evidence shows that “climate migrants” are viewed more favorably than “economic migrants” in Germany and the United States, for example, though the same does not hold true in other contexts (e.g., Kenya, New Zealand, and Vietnam). This may come down to difficulties in assessing why people are displaced, the extent to which they are seen as at fault (e.g., people displaced by hurricanes may be welcomed while those who leave because crop yields have gradually declined are not), and the length of displacement (e.g., the initial warm welcome may eventually wear off).
- ▶ **Integration and social cohesion.** Because most climate displacement is internal, certain issues around social cohesion and integration *may* be more muted than with international migration, if the migrants and host communities share linguistic, ethnic, or religious backgrounds or if they have the same legal rights to jobs and services. The evidence here is mixed. For instance, some studies in Bangladesh have found that the arrival of climate migrants is less likely than that of other migrant groups to result in protests and conflict, but others have found that it can still strain jobs markets, housing stock, and food security in host communities, creating other forms of tension.

Sources: C40 Cities, “[Global Mayors Launch Task Force on Climate and Migration](#)” (press release, June 22, 2021); Sabrina B. Arias and Christopher W. Blair, “Changing Tides: Public Attitudes on Climate Migration,” *The Journal of Politics* 84, no. 1 (2022): 560–67; Gabriele Spilker, Quynh Nguyen, Vally Koubi, and Tobias Böhmelt, “Attitudes of Urban Residents towards Environmental Migration in Kenya and Vietnam,” *Nature Climate Change* 10, no. 7 (2020): 622–27; Olivia E.T. Yates, Sam Manuela, Andreas Neef, and Shiloh Groot, “[Attitudes towards Climate Migrants in Aotearoa New Zealand: The Roles of Climate Change Beliefs and Immigration Attitudes](#),” *Regional Environmental Change* 22, no. 88 (2022); Kristina Petrova, “[Natural Hazards, Internal Migration and Protests in Bangladesh](#),” *Journal of Peace Research* 58, no. 1 (2021): 33–48; Kyle Frankel Davis, Abinash Bhattachan, Paolo D’Odorico, and Samir Suweis, “[A Universal Model for Predicting Human Migration under Climate Change: Examining Future Sea Level Rise in Bangladesh](#),” *Environmental Research Letters* 13, no. 6 (2018).

A. *Building Migrant-Inclusive, Climate-Resilient Infrastructure*

Climate migration can challenge infrastructure and service capacity in host communities, such as housing, schools, health care, and transportation. Such services can be strained by all forms of migration and displacement, but because climate change makes sudden, large-scale inflows more frequent and unpredictable, it can create particularly acute challenges (see Box 1). Meanwhile, people internally displaced by climate impacts often move into host communities that are themselves vulnerable to the same climate pressures that prompted these movements in the first place. Cities, for instance, may need to accommodate large numbers of disaster-displaced people without knowing when and how many will arrive and whether they will return home, while at the same time facing the consequences of climate change and environmental shocks. Therefore, MDBs' projects should seek to bridge immediate humanitarian demands and development needs as these movements become prolonged or recurrent.

Responding to present and future arrivals of climate migrants requires an inclusive approach to urban planning. Infrastructure and services should be designed to respond to fluctuations in demand and to ensure host communities' access to such resources is not negatively affected by sudden migration-related pressures.

People internally displaced by climate impacts often move into host communities that are themselves vulnerable to the same climate pressures that prompted these movements in the first place.

One common concern, for instance, is safe water and sanitation when migrants, displaced people, and other vulnerable groups live in overcrowded, unsafe living conditions,⁵⁴ given the risks of disease spread.⁵⁵ To address these concerns, in 2022, the Asian Development Bank approved a USD 41.4 million grant to build water, sanitation, and health-care facilities in a district of Bangladesh that hosts large numbers of displaced persons from Myanmar.⁵⁶ This project relies on grants, as many of this kind do, because governments are unlikely to take on loans for initiatives that primarily benefit non-nationals in the short term. However, even grant projects to fund social infrastructure face limitations, not least that foreign-born migrant and refugee communities sometimes live in camps or settlements that are rather disconnected from the national population, and governments may still prefer to use limited grant funding to benefit their nationals, especially because the countries that host the most displaced people have contributed relatively little to climate change.

Moreover, migrants and displaced people often move to informal settlements or live, with other vulnerable groups, in climate-vulnerable housing. In 2021, for instance, thousands of Rohingya refugees who had settled in the Cox's Bazar district of Bangladesh became homeless after flooding due to monsoon rains.⁵⁷ Most notable are situations of "double displacement," in which people who are displaced or who decide to relocate away from communities affected by floods or sea level rise move to areas where they are again

54 Claudio Deola and Ronak B. Patel, "Health Outcomes of Crisis Driven Urban Displacement: A Conceptual Framework," *Disaster Health* 2, no. 2 (2014): 92–96.

55 Nashwan Shawkat Mizzouri, Shawkat Ahmed Kochary, and Nesreen Barwari, "Decentralized Sanitation Solutions for Temporal Internally Displaced People (IDPs) and Refugees Camps and Residential Complexes in Duhok Province: Case Study," *Ain Shams Engineering Journal* 13, no. 4 (2022): 101706.

56 ADB, "ADB Continues Support for Displaced Persons from Myanmar in Bangladesh" (news release, June 22, 2022).

57 Hannah Macdonald and Ehsanul Hoque, "Floods Bring New Misery for Rohingya Refugees in Bangladesh Camps," UNHCR, July 30, 2021.

forced to leave because of the impacts of climate change.⁵⁸ This is a particularly important phenomenon in many of the countries hosting the largest number of refugees, such as Bangladesh, Lebanon, Pakistan, Sudan, and Uganda, which also rank among the worst in terms of their vulnerability to and readiness to adapt to climate change.⁵⁹ Therefore, providing newcomers with access to decent housing is critical to ensure that they are not vulnerable to further displacement, and that they can integrate and access livelihoods and services. MDBs are well-practiced at building housing, including climate-resilient housing, and some have also made investments that support migrants' access to housing. For instance, the Inter-American Development Bank approved a USD 11.3 million grant in March 2020 that, along with measures to support host communities, helps some 13,500 migrants in six Colombian cities access secure housing by subsidizing their rental payments for six months.⁶⁰ Projects that build climate-resilient housing and those that support migrants' access to housing, while generally separate, could be made complementary by using grant funding and incentives to ensure migrants have access to climate-resilient housing; doing so would address the real risks faced by migrants along with other vulnerable groups forced to live in housing poorly adapted to climate change.

Given the funding and political constraints, this could be an area ripe for creativity and collaboration. For instance, if MDBs were to build housing in a locality and development agencies were to fund rental subsidies for migrants and other vulnerable groups, this blended financing model could assist both migrants and the broader communities in which they live—and thus avoid the social tensions that can sometimes arise if migrants are seen as receiving types of support that are also sorely needed by other local residents. Over time, MDBs may need to take more risks by investing in social infrastructure capacity based on the expectation that climate change will lead to larger-scale and more prolonged displacement situations, for example building hospitals and schools in areas that do not currently host many permanent climate migrants but that are likely to in the future.

B. Enhancing Private-Sector Development and Livelihood Opportunities

As more people move to urban areas because of climate change, MDBs have launched projects to help cities create the conditions for economic development. This is essential to ensure that migrants and displaced people have access to livelihoods, not just emergency services and infrastructure. But these investments must be made in such a way that host communities do not feel threatened by newcomers entering the labor market, or do not see migrants as receiving benefits that are not readily available to them. Such an approach often involves opening livelihood opportunities both to host communities and to migrants and displaced people. This can be challenging when migrants and displaced people come from another country and are barred from formal job markets, financial services, skills training, and/or entrepreneurship. And even those displaced within a country may face de facto barriers to employment. Policy reforms, technical assistance, and financial investments are all needed to help these groups transition into the labor market, to

58 See Fiona Miller et al., "Double Displacement – Interactions Between Resettlement, Environmental Change and Migration," *Geoforum* 129 (2022): 13–27. One academic expert in the Philippines also shared in a May 2022 interview with the authors anecdotal evidence of people displaced to Manila being double displaced by landslides and floods.

59 Notre Dame Global Adaptation Initiative, "Country Index," accessed September 6, 2022.

60 IADB, "Colombia to Foster Migrants' Urban Integration with IDB, EU Backing" (news release, March 11, 2020).

avoid (real and perceived) competition with host communities, and to harness mobile populations' skills and knowledge to support economic growth.

MDBs can leverage their expertise in microloans and intermediated lending (large loans to local banks that then offer smaller loans to small and medium-sized enterprises [SMEs]) to support climate-displaced people. For instance, the European Investment Bank's 50 million euro Economic Resilient Initiative SME Guarantee Facility provides financial incentives for local and central banks in Jordan and Lebanon to offer loans to SMEs that hire migrants, refugees, and other vulnerable populations.⁶¹ Also in Jordan, the European Bank for Reconstruction and Development has extended loans to microfunds for more than 6,000 refugee women—a particularly vulnerable group that is often excluded from the labor market—to encourage self-reliance and livelihood generation.⁶² These projects are, however, difficult to implement effectively (and rarely evaluated), so they are not widely replicated and targeted to cities hosting large and increasingly permanent populations of climate migrants. The fact that the implementation and impact of these projects largely depends on policy frameworks makes them reliant on political support and inappropriate for some contexts (e.g., since refugees may not have the right to work or to open bank accounts in receiving countries).

Integrating migrants into these private-sector interventions raises the tricky question of social cohesion, which has implications for how to best target beneficiaries. MDBs often work to promote social cohesion by ensuring their interventions benefit both migrants and nonmigrants who meet the same vulnerability criteria, thereby defusing the perception within host communities that migrants and displaced people are

MDBs often work to promote social cohesion by ensuring their interventions benefit both migrants and nonmigrants who meet the same vulnerability criteria.

being given an unfair advantage. For example, the World Bank's Refugees and Host Communities Support Project in Niger, which aims to enhance economic opportunities through cash grants for agricultural work and other livelihood opportunities, relies on a spatial targeting strategy that is expressly status-blind (i.e., all people in

certain geographies who meet certain criteria are eligible beneficiaries).⁶³ In such projects, migrants and displaced people may be one potentially vulnerable group (often alongside others such as youth and women), but migration status alone is not enough to qualify somebody to benefit from the project.

But for these initiatives to be successful, MDBs still need to recognize and address vulnerabilities specific to migrants and forcibly displaced persons (e.g., access to documentation, the formal labor market, and public services). Those forced to flee unexpected extreme weather events can be particularly vulnerable, as can those who migrate as a last resort after their assets and savings have been depleted by climate events. Besides, there is still a lot of work to be done to identify the best ways to combat xenophobia and build social cohesion by supporting both migrants and host communities. Improving on these approaches requires better evaluations of existing projects and initiatives, incentives for private-sector

61 EIB, "ERI SME Guarantee Facility," accessed July 11, 2022.

62 EBRD, "EBRD & Microfund for Women: Lending to Refugees," accessed July 11, 2022.

63 Author interviews with World Bank project staff and thematic experts in displacement and cities in Washington, DC and Niger, June and July 2022; World Bank, "Niger Refugees and Host Communities Support Project," accessed July 5, 2022. This is described as a "people-in-place" approach in a forthcoming white paper from the World Bank.

clients to participate in livelihood initiatives that benefit migrants and displaced people, and the contextual knowledge to understand when and where climate migrants need to be targeted as their own beneficiary group versus when this is counter-productive.

6 Conclusions

Climate change is having major impacts on migrants and displaced people and on their host communities, from pushing people into at-risk settlements to generating additional pressure on the labor market and public infrastructure in host regions. These effects will continue to increase, becoming wider in scope and more unpredictable as climate events become more frequent. Humanitarian and development actors, as well as the private sector and other partners, are working to address these issues and mitigate future risks. Given MDBs' ability to finance large-scale infrastructure and private-sector development, they can play a critical role in financing responses to the climate-migration nexus. But while these institutions consistently agree on the need for more projects in this area, many find it difficult to develop, implement, and measure the effects of such interventions.

Efforts to enhance MDB financing on climate migration, therefore, need to start with the low-hanging fruit, where small amounts of funding can build their knowledge base and experience on this topic. MDBs cannot do this alone, and strong partners are needed to implement systemic and context-specific solutions. To begin, MDBs could:

- ▶ **Review and learn from their portfolio of investments that target climate, migration, and forced displacement.** MDBs likely already have climate adaptation investments that contribute to migration and displacement goals, but these projects are typically managed by project staff without the expertise and the resources to identify impacts on mobility. A portfolio review could draw out these connections and identify promising practices to support further projects at the intersection of these issues. This is particularly important given the lack of evidence on which projects have led to positive outcomes, how they have been financed, and which partners were involved. Such a portfolio review could be modeled off a similar exercise conducted by the World Bank in 2021.⁶⁴ In the long term, MDBs could also implement systems within their project development and approval processes to track projects that work on climate migration, in order to continue improving their approaches to the issue and eventually communicate with donors and the public about their contributions to managing climate migration.
- ▶ **Fund and/or share analysis, data, and modeling.** In order to target the climate-migration nexus effectively, MDBs need better modeling and data on which geographic hotspots will see significant climate out- and in-migration. Some data of this kind already exist or are forthcoming, but more data sharing—and in some cases, data gathering and modeling—would allow MDBs to better target investments and to make the business case to clients and donors for investing in these hotspots. Modeling can be costly, depending on the level of detail and geographic scope, so MDBs without existing expertise and projects on modeling could instead work to map existing data (e.g., from the

64 Kanta Kumari Rigaud, Silke Heuser, Nathalie Abu-Ata, and Anmol Arora, *Operational Experiences and Lessons Learned at the Climate Migration Development Nexus* (Washington, DC: World Bank Group, 2021).

Internal Displacement Monitoring Center or the Africa Climate Mobility Initiative⁶⁵) to create simple guidance for project officers.

- ▶ **Provide upstream assistance to potential clients.** Some MDBs provide technical and financial support to potential clients, helping them to develop project proposals that are likely to be financed.⁶⁶ Similar services may be needed to help clients see the value in projects that address climate migration and to prepare them to propose such projects. Since full advisory services are expensive and difficult to set up, this could instead involve guidance to help project staff make a convincing business case to potential clients about addressing climate migration. In other cases, it could involve partnerships with UN agencies or international organizations or using available grant financing to provide this upstream technical assistance. In the short term, this is likely to happen on an ad hoc basis, but it could become more systematized over time.
- ▶ **Develop partnerships for policy, financing, and project implementation.** Partnerships will be key to any work on climate migration. To start, these partnerships are crucial to support climate-vulnerable countries with developing policies on different types of climate displacement and migration. Some MDBs, notably the World Bank, can directly support this capacity building and policy work, while others will need to build closer partnerships both with clients and with donors and other development actors. Moreover, partnerships between MDBs, the Green Climate Fund,⁶⁷ and other climate financiers and with civil society and UN agencies with different sectoral expertise (including those with stronger humanitarian profiles) could allow MDBs to unlock further financing sources and contribute to systemic change. Some donors, particularly in Europe and North America, are increasingly active in this nexus, and MDBs with experience financing projects on climate migration may be well-positioned to engage these donors.
- ▶ **Integrate migration and displacement into climate adaptation investments.** MDBs have worked to mainstream gender across all of their programming, and they could, on a smaller scale, work to integrate migration in a similar manner. This could include incentives to target migrants as beneficiaries in climate adaptation initiatives (e.g., through access to jobs or private-sector financing) and bringing migration and displacement considerations into climate adaptation risk planning (to acknowledge, for example, the risk that investments in urban climate-resilient infrastructure miss areas where migrants tend to live).

MDBs have both a crucial responsibility and an important opportunity to contribute to systemic solutions for managing climate migration. These recommendations aim to inform MDBs' *approach* to targeting the climate-migration nexus, but the specific *types* of investments will vary by context. Taking these initial steps in the short term—gathering data, analyzing good practices, and piloting initiatives—is crucial to ensuring MDBs are well-equipped to intervene with larger-scale, systemic solutions as public and donor attention to climate migration grows.

65 IDMC, "Global Internal Displacement Database," accessed October 31, 2022. Modeling from the Africa Climate Mobility Initiative is forthcoming.

66 For instance, the EIB's ADAPT service support clients within the European Union on climate adaptation projects. See EIB, "Climate Adaptation Investment Advisory Platform," accessed August 7, 2022.

67 The Green Climate Fund, for example, considered a project on climate migration with the West African Development Bank, although the project has not yet been approved. See Green Climate Fund, "Addressing Accelerated Climate Change-Induced Urban-to-Rural Migration through Low Emissions Climate Resilient Agro-Spatial Development in Togo" (concept note, January 2021).

About the Authors



LAWRENCE HUANG [@Lawrence_Huang9](https://twitter.com/Lawrence_Huang9)

Lawrence Huang is an Associate Policy Analyst with the Migration Policy Institute (MPI) International Program. His work focuses on the impacts of the COVID-19 pandemic on migration and mobility, as well as the migration, environment, and climate change nexus. Previously, Mr. Huang worked as a consultant at the International Organization for Migration (IOM), where he led capacity-building and knowledge management in an 11-country global program on migration and sustainable development. Earlier, he was an Editor at the *Oxford Monitor of Forced Migration* and co-ran the annual conference of the Oxford Migration Studies Society.

He holds a master's degree in migration studies from the University of Oxford, funded by the Healy Scholarship at St. Cross College, and a BA in government with honors from Georgetown University.



RAVENNA SOHST [@RavennaSohst](https://twitter.com/RavennaSohst)

Ravenna Sohst is an Associate Policy Analyst at MPI Europe, where she conducts research and policy analysis on European migration, including on asylum, resettlement, integration, and the links between development and migration. Previously, she worked with the IOM's Global Migration Data Analysis Centre (IOM GMDAC) on migration forecasts and at the Organization for Economic Cooperation and Development (OECD) on studies relating to immigrant integration and social mobility.

Dr. Sohst holds a PhD from the University of Luxembourg, a MSc from the United Nations MERIT University/Maastricht University in public policy, with a specialization in social protection, and a BA in political science from the University of Freiburg and the Institut d'Études Politiques d'Aix-en-Provence.



CAMILLE LE COZ [@CamilleLeCoz](https://twitter.com/CamilleLeCoz)

Camille Le Coz is a Senior Policy Analyst with MPI and MPI Europe, primarily working on EU migration issues. Her research areas include EU policies on development and humanitarian aid, labor migration, resettlement, and complementary pathways. Previously, Ms. Le Coz was a Project Director for Altai Consulting based in Kenya and Afghanistan, where she managed research projects for institutions such as the European Union, UN High Commissioner for Refugees (UNHCR), and IOM. She has also conducted fieldwork in countries including Senegal, The Gambia, Niger, Libya, Morocco, Ethiopia, Djibouti, Somalia, Kenya, and Afghanistan.

She holds a dual master's degree in international relations from Sciences Po Paris and the London School of Economics. She also holds a bachelor's degree from Sciences Po Paris.

Acknowledgments

This report draws on research conducted as part of Migration Policy Institute (MPI) cooperation with the Migration Team at the European Investment Bank (EIB) to review the evidence on the links between climate adaptation, migration, and forced displacement and to identify concrete approaches through which investments by multilateral development banks can address the climate-migration nexus.

The authors thank EIB colleagues, particularly Julia Chambers, Elina Väänänen, Andreas Berkhoff, Moa Westman, Gerhard Gunz, Sander Van Kooten, Albert Soer, Cinzia Losenno, Jim Hodges, Sladjana Cosic, Mary O'Mahony, Eefje Schmid, Michael Steidl, and Georg Weiers, for their valuable comments and exchanges throughout this collaboration. The authors are also grateful to the members of the MDB Coordination Platform on Economic Migration and Forced Displacement for their participation in a virtual workshop on June 30, 2022, and other representatives of multilateral development banks for their willingness to discuss their approach to climate migration. Finally, the authors thank MPI colleagues Natalia Bogdan-Banulescu for her review of this report and Lauren Shaw for her very thoughtful edits.

MPI is an independent, nonpartisan policy research organization that adheres to the highest standard of rigor and integrity in its work. All analysis, recommendations, and policy ideas advanced by MPI are solely determined by its researchers.

© 2022 Migration Policy Institute.
All Rights Reserved.

Design: Sara Staedicke, MPI
Layout: Liz Hall
Cover photo: © UNICEF/Asad Zaidi

No part of this publication may be reproduced or transmitted in any form by any means, electronic or mechanical, or included in any information storage and retrieval system without permission from the Migration Policy Institute. A full-text PDF of this document is available for free download from www.migrationpolicy.org.

Information for reproducing excerpts from this publication can be found at www.migrationpolicy.org/about/copyright-policy. Inquiries can also be directed to communications@migrationpolicy.org.

Suggested citation: Huang, Lawrence, Ravenna Sohst, and Camille Le Coz. 2022. *Financing Responses to Climate Migration: The Unique Role of Multilateral Development Banks*. Washington, DC: Migration Policy Institute.

The Migration Policy Institute is an independent, nonpartisan think tank that seeks to improve immigration and integration policies through authoritative research and analysis, opportunities for learning and dialogue, and the development of new ideas to address complex policy questions.



www.migrationpolicy.org

1275 K St. NW, Suite 800, Washington, DC 20005
202-266-1940

