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# CLIMATE-RESILIENT INVESTMENT IN FRAGILE AND CONFLICT-AFFECTED SITUATIONS: OPPORTUNITIES FOR BUSINESS?

KATONGO SEYUBA AND FLORIAN KRAMPE


## SUMMARY

● Climate change exacerbates risk in fragile and conflict-affected situations (FCS), deepening vulnerabilities, disrupting livelihoods and heightening the risk of violent conflict. These dynamics create a vicious circle that undermines resilience, peace and stability, while also affecting business operations and global supply chains. The business sector has a critical but underexplored role in promoting climate resilience and peacebuilding in these contexts. This research policy paper highlights the role of businesses—from local small to medium-sized enterprises to multinationals—in investing in resilience-building initiatives and innovations that strengthen local economies, reduce conflict drivers and open new markets. Businesses, however, face major obstacles in FCS, such as insecurity, weak governance, reputational risk and lack of growth capital. Governments, donors and financial institutions can de-risk fragile markets and build enabling ecosystems for peace-positive investment. At the same time, businesses should embed conflict sensitivity, forge equitable local partnerships and treat resilience as a core business strategy.


## I. Introduction

Climate change exacerbates risk in fragile and conflict-affected situations (FCS) by deepening existing vulnerabilities. This often creates a reinforcing cycle that undermines resilience and heightens the risk of conflict.[1] Addressing such compound challenges requires long-term investment in climate-resilient development that integrates both mitigation and adaptation efforts and supports sustainable development, resilience and peacebuilding.[2] Tackling the climate–conflict nexus provides a critical opportunity to promote integrated efforts across a range of actors, including the business sector.

The business sector has only played a minor role in current debates around responses to climate-related security risks. This is a significant gap, as businesses—from local small and medium-sized enterprises (SMEs) to multinational corporations (MNCs)—have the potential to be key actors in mobilizing capital and driving innovation to help address climate-related insecurities. However, their incentives, capacities and connection to local communities differ vastly. To highlight some of these issues, SIPRI hosted a high-level business lunch at the 2025 Stockholm Forum on Peace and Development, which brought together business leaders, venture capitalists, government representatives, development organizations, financial institutions and non-governmental organizations to share knowledge and identify opportunities for business and private sector investment in climate-resilience and peace in FCS.

This research policy paper draws on insights from the high-level business lunch and the literature to explore how local and international businesses can engage in climate-resilient investments in FCS, recognizing that their

[1] Intergovernmental Panel on Climate Change (IPCC), *Climate Change 2022: Impacts, Adaptation and Vulnerability*, Contribution of Working Group II to the Sixth Assessment Report of the IPCC (Cambridge University Press: Cambridge, UK and New York, NY, 2022); Black, R. et al., *Environment of Peace: Security in a New Era of Risk* (SIPRI: Stockholm, 2022); and Crawford, A. et al., *Promoting Climate-resilient Peacebuilding in Fragile States* (International Institute for Sustainable Development: Winnipeg, 2015).

[2] IPCC (note 1); and Crawford et al. (note 1).

distinct roles require tailored strategies and support, if such investments are to yield benefits for businesses and peacebuilding more broadly.

The findings suggest that businesses can serve as key allies in peacebuilding and addressing climate-related security risks through their operations, commercial activities and engagement with local communities in FCS. They also highlight the challenges of operating in such environments and recommend strategies for unlocking new investment opportunities for businesses, climate resilience and peacebuilding.

The paper outlines how climate resilience can be leveraged as a business and peace strategy in FCS and the challenges of investing in such settings. It makes recommendations of relevance to businesses and investors, as well as governments, donors and multilateral financial institutions.

## II. Climate resilience as a business and peace strategy

Climate change is already shaping security, stability and development outcomes. Rising temperatures, shifting rainfall patterns and more frequent extreme weather events are undermining food and water security, damaging infrastructure and disrupting livelihoods. These climate-related impacts exacerbate social and economic inequalities, deepen resource competition and heighten the risk of violence, particularly in fragile and conflict-affected situations.[3]

FCS are among the most vulnerable to and affected by the impacts of climate change. More than 3.3 billion people live in areas that are extremely or highly vulnerable to the impacts of climate change, while approximately 2 billion people reside in contexts of high or extreme fragility.[4] FCS receive less funding and investment for climate adaptation and resilience compared to non-conflict affected or stable nations.[5] Without immediate action, the adverse effects of climate change will worsen. Future projections identify more frequent and severe extreme weather events, which will disproportionately affect these vulnerable populations and could contribute to increased conflict risks.[6]

Similarly, climate change and extreme weather events affect business operations by disrupting supply chains, damaging infrastructure and altering resource availability, which makes the need for climate-resilient investment even greater in FCS. While international businesses with sufficient capital can choose between bearing the costs of continuing operations in such regions or relocating elsewhere, local businesses tend to continue to operate despite the challenges. It is therefore crucial to support and strengthen the capacities of local businesses while also creating incentives for international businesses to invest in environments that might otherwise be deemed too risky.

[3] Tarif, K. et al., Climate, Peace and Security Research Paper, *Insights on Climate, Peace and Security* (SIPRI: Stockholm, 2023); IPCC (note 1); and Black et al. (note 1).

[4] IPCC (note 1); and Organisation for Economic Co-operation and Development (OECD), *States of Fragility 2025* (OECD Publishing: Paris, 2025).

[5] Hardaway, A. 'How to unlock climate finance for fragile states', World Economic Forum, Centre for Nature and Climate, 14 Feb. 2023.

[6] IPCC (note 1).

Climate-resilient investments are essential to protect people from the immediate and future impacts of climate change. They also present a strategic opportunity to generate benefits for businesses and peacebuilding.[7]

The business sector has significant potential to contribute to climate resilience and to addressing climate-related security risks by mobilizing its expertise, capital and capacity for innovation. Strategic investments in clean energy, water resources, infrastructure, early warning, sustainable agriculture and viable livelihood diversification, for example, can help to strengthen local economies and disaster preparedness, and to reduce the environmental and resource pressures that often drive climate-related security risks. Moreover, climate-related interventions, if well planned and implemented, can promote social cohesion and livelihood security, strengthen local governance and create platforms for collaboration across divided communities.[8]

The Artisanal Mining Grand Challenge by Conservation X Labs in the Amazon region offers interesting ideas on how such investment can be structured in an integrated way to address climate/environmental issues and conflict risks. It targeted the environmental and social harms of artisanal and small-scale gold mining—a sector that provides vital livelihoods but is also a major driver of conflict, deforestation and pollution in fragile areas like the Amazon.[9] The project invested significantly to source and scale technologies for mercury-free mining and for land remediation. This intervention functioned as a direct peacebuilding tool. By creating pathways to a safer and more profitable formal economy, the investment addressed core economic and environmental grievances that might otherwise lead to violence and instability. This approach demonstrates how catalysing innovation in a specific sector can transform a conflict-prone industry into a more equitable and sustainable one, thereby contributing to local peace.

A second example of a proactive, opportunity-driven approach comes from south-central Somalia, a region grappling with the interconnected challenges of energy poverty, conflict and climate change.[10] There, the International Organization for Migration (IOM) is implementing solar power solutions not just as an energy project, but as a core component of an environmental peacebuilding strategy. The initiative directly addresses a key driver of conflict: widespread reliance on firewood and charcoal, which fuels environmental degradation and intense competition for scarce resources.

The investment model is structured around local public-private partnerships (PPPs) that bring together communities, local businesses and district councils. In this model, communities take ownership of and co-fund projects, local businesses provide technical and operational skills, and the

[7] Daniella, M., Gallagher, E. and Dugard, J., *Private Sector Engagement to Advance Climate Adaptation and Resilience: A Guide to Building Effective Partnerships* (United States Agency for International Development: Washington, DC, 2023); Brandon, C. et al., *Strengthening the Investment Case for Climate Adaptation: A Triple Dividend Approach* (World Resources Institute: Washington, DC, May 2025); and Crawford et al. (note 1).

[8] Hegazi, F. and Seyuba, K., 'The social side of climate change adaptation: Reducing conflict risk', SIPRI Policy Brief, Sep. 2022; Hagazi, F. and Seyuba, K., 'Leveraging livelihood diversification for peacebuilding in climate- and conflict-affected contexts', SIPRI Policy Brief, Apr. 2024; and Mercy Corps, 'Bridging the fragility gap: Climate action in fragile and conflict-affected settings', Apr. 2025.

[9] See Conservation X Labs, 'Artisanal Mining Grand Challenge: The Amazon', [n.d.], accessed 13 August 2025.

[10] Böhle, A.-S. and Tarif, K, 'Solar power and environmental peacebuilding in south-central Somalia', SIPRI Policy Brief, Feb. 2025.

district council offers regulatory support and oversight. This collaborative framework is designed to yield a clear peace dividend. It aims to reduce resource-based tensions by providing a sustainable energy alternative, building horizontal trust between communities through shared project ownership and strengthening vertical trust by positioning local government as a capable service provider, thereby enhancing its legitimacy. This approach of embedding deep, multi-stakeholder collaboration into the project's design resonates with other innovative models. Similar cases, such as the Fire Grand Challenge in North America, while in a different non-fragile context, also validate the relevance of requiring co-creation with local and indigenous communities to ensure that technological solutions strengthen social cohesion and prevent conflict.[11]

A third example is the model of using technological innovation as a peacebuilding or derisking tool in the fight against environmental crime in the Amazon Basin. A suite of new platforms, often created through PPPs, uses geospatial and predictive analytics to combat the illegal deforestation and mining activities that fuel conflict and instability. Tools such as PrevisIA and MapBiomas leverage artificial intelligence to monitor and predict deforestation risks, while platforms such as Amazônia Protege help companies perform due diligence and support legal action against offenders. These interventions directly address conflict drivers and help to 'de-risk territories' for legitimate, climate-smart investment. Critically, this data is being used by prosecutors, and such interventions have yielded fines, seizures and frozen assets of over US$3 billion, proving the efficacy and scalability of the model.[12]

Investments in response to climate change can, under certain conditions, also drive demand for innovative products and services, such as green technologies and energy transition solutions, creating further prospects for growth for the business sector.[13] For example, companies investing in renewable energy infrastructure—such as the Nuru solar mini-grid in Goma, eastern Democratic Republic of the Congo—can tap into rapidly expanding markets, including those in FCS. The solar mini grid project, which was initially co-financed by development funding, has provided communities with cheaper, more reliable power, reducing reliance on diesel generators, which contribute to pollution, and replacing them with clean energy.[14] It has also spurred local business activities and powered water treatment and distribution systems. When the town was seized by M23 rebels earlier this year, the solar grid infrastructure remained intact—often protected by community members—allowing electricity supply to continue even as other areas faced power cuts linked to the violent conflict.[15] The transition to green energy and other climate solutions represents a phenomenal time to build, creating numerous business opportunities and multiplier effects such as job creation.

[11] See Conservation X Labs, Fire Grand Challenge, [n.d.], accessed 13 Aug. 2025.

[12] Muggah, R. and Smith, P., 'New technologies to map environmental crime in the Amazon Basin', Mongabay, 12 Apr. 2024.

[13] Brandon et al. (note 7); Daniella, Gallagher and Dugard (note 7); and Tall, A. et al., *Enabling Private Investment in Climate Adaptation & Resilience* (World Bank Group and the Global Facility for Disaster Reduction and Recovery: Washington, DC, n.d.).

[14] See Webber, T., Kabumba, J. and Sawasawa, M., 'Solar minigrid brings light and hope to a Goma neighborhood, offering blueprint for rest of Congo', AP News, 1 July 2025.

[15] See Webber, Kabumba and Sawasawa (note 14).

## Making the peace case for businesses

The above examples show that it is plausible that investments in climate resilience can create co-benefits that can help to provide the foundations for peacebuilding. For businesses based in stable economies, however, the case for engaging in FCS might not seem obvious. In practice, the business case for climate-resilient, peace-positive investment follows two distinct logics: strategic risk management and proactive opportunity.

For multinational companies with existing supply chains or assets in fragile regions, investing in resilience is a form of strategic risk management. Take the case of H&M, which sources many of its products from Bangladesh. Bangladesh is affected both by fragility and by increasingly severe and frequent floods. The recent political crisis has also affected H&M's supply chain.[16] This illustrates that climate impacts and political instability are not peripheral issues but core risks to business continuity. Unsurprising, H&M, through its foundation, is already engaging in emergency relief to support people in Bangladesh following Cyclone Remal in 2024.[17]

While addressing these challenges, particularly those linked to climate change, might entail short-term costs, the cost of inaction for communities and businesses is far greater.[18] Money spent on climate action is not lost, but serves as an investment that stimulates economic activity and unlocks opportunities for long-term growth.[19]

Another example of strategic risk management logic is the case of Tipiel in Colombia, where the engineering and construction company successfully brokered an agreement among conflict parties, which enabled it to advance its project with minimal tension while also generating tangible community benefits.[20]

Recent global shocks—such as the Covid-19 pandemic, geopolitical tensions and ongoing conflicts in Ukraine, the Middle East and Africa—have demonstrated how easily the supply of critical resources can be disrupted. Business Sweden's global economic outlook report identifies political instability, regional conflicts and the impacts of climate change as among the key factors expected to constrain global economic growth and business opportunities in 2025.[21] Investing in activities that strengthen business operations, supply chains and interconnected markets—while also generating peace dividends at various scales—can serve as a strategic risk management tool that creates benefits for businesses and peacebuilding in FCS.[22]

16 *Times of India*, 'H and M, Zara face major disruptions as Bangladesh garment factories shut down amid political crisis', 8 Aug. 2024.

17 H&M foundation, 'H&M Foundation provides emergency relief to support people in Bangladesh after Cyclone Remal', [n.d.], accessed 15 August 2025.

18 Brandon et al. (note 7).

19 Extracts from the high-level lunch with business actors, development organizations, financial institutions and the private sector at the 2025 Stockholm Forum on Peace and Development, 14 May 2025. The Stockholm Forum on Peace and Development is a multi-day conference with high-level panels, workshops and discussions that connect global policy, research and practitioners, providing a neutral space to share knowledge and solutions on current peace and development issues.

20 Miller, B. et al., 'A seat at the table: Capacities and limitations of private sector peacebuilding', Social Science Research Network, 7 Jan. 2019.

21 Business Sweden, 'Dip in the global economy: Global economic outlook', Stockholm, Apr. 2025.

22 Joseph, J. et al., 'Business, conflict, and peace: A systematic literature review and conceptual framework', *Journal of Management Studies*, vol. 62, no 4 (2024), pp. 1779–1810; Miklian, J. and Schouten, P., 'Broadening "business", widening "peace": A new research agenda on business and

For other businesses, particularly in the green technology and renewable energy sectors, FCS represent untapped markets with enormous growth potential, thereby presenting a 'proactive opportunity' for investment.

It is important to acknowledge, however, that it is difficult to justify these investments based on purely economic returns. Consequently, meaningful engagement often comes from either large corporations with dedicated foundations or locally embedded firms with an existential stake in stability and a moral obligation to prevent human insecurity. For example, during the 2007–2008 election-related violence in Kenya, local business leaders quietly mediated and used their influence to persuade key stakeholders to end the conflict. Their reliance on discreet diplomacy and their credibility as independent actors made their efforts effective. They were seen as key factors in helping to prevent a recurrence of elections-related violence in 2013.[23]

The pathways through which businesses can support peace efforts can include promoting inclusive local economic development, engaging in focused mediation and social cohesion efforts, creating dialogue platforms, supporting the rule of law and strengthening local institutions, and contributing to post-conflict reconstruction.[24] An example of business contributing to post-conflict reconstruction is the case of Juan Valdez coffee in Colombia, which created livelihood opportunities and supported the reintegration of ex-combatants.[25]

There is evidence to suggest that businesses already play a critical role in shaping peace and conflict dynamics through their operations, partnerships and engagement with communities.[26] Globally, there has been a push for the business community to take a more active role in peacebuilding and post-conflict reconstruction. For example, initiatives such as Business for Peace, launched by the United Nations Global Compact, and the growing scholarship on business and peace make strong calls for the business community to proactively invest in and contribute to peacebuilding.[27]

While there is a global push for engagement, however, it must be done in the right way. Businesses can also cause harm if they do not behave in a conflict-sensitive way. Peace requires many focused efforts to address the various drivers of conflict. In some instances, businesses can make unintentional or even intentional contributions to fragility and conflict.[28] For example, while

peace-building', *Conflict, Security & Development*, vol 19, no. 1 (2019), pp. 1–13; and Austin, J. L. and Wennmann, A., 'Business engagement in violence prevention and peacebuilding: The case of Kenya', *Conflict, Security & Development*, vol. 17, no. 6 (2017), pp. 451–72.

[23] Austin and Wennmann (note 22).

[24] Fort, T. L., *Business, Integrity and Peace: Beyond Geopolitical and Disciplinary Boundaries* (Cambridge University Press: Cambridge, 2007); Berdal, M. and Mousavizadeh, N., 'Investing for peace: The private sector and the challenges of peacebuilding', *Survival*, vol. 52, no. 2 (2010), pp. 37–58; Miklian and Schouten (note 22); and Joseph et al. (note 22).

[25] Miklian, J., 'Mapping business-peace interactions: Five assertions for how businesses create peace', Social Science Research Network, 30 Dec. 2016; and Berdal and Mousavizadeh (note 24).

[26] Miklian and Schouten (note 22); and Joseph, J., Katsos, J. E. and Daher, M., 'Local business, local peace? Intergroup and economic dynamics', *Journal of Business Ethics*, vol. 173, no. 4 (2021), pp. 835–54.

[27] UN Global Compact, 'Join Business for peace', [n.d], accessed 10 August 2025; Joseph et al. (note 22); Miklian, J. and Medina Bickel, J. P., 'Theorizing business and local peacebuilding through the "Footprints of Peace" coffee project in rural Colombia', *Business & Society*, vol. 59, no. 4 (2020), pp. 676–715; and Miklian and Schouten (note 22).

[28] Abuya, W. O., 'Mining conflicts and corporate social responsibility: Titanium mining in Kwale, Kenya'. *Extractive Industries and Society*, vol. 3, no. 2 (Apr. 2016), pp. 485–93; Miklian and Schouten

Swedish-led carbon offsetting forestry projects in Uganda were intended to contribute to combating climate change, they resulted in land grabbing and increased food insecurity for local populations.[29] Similarly, the Salma Dam project in Afghanistan, which was intended as a peacebuilding and climate adaptation effort by India and Afghanistan, instead sparked violent local conflicts over the water scarcity it created for downstream communities.[30] These unintended outcomes ultimately fuelled conflict, demonstrating how corporate engagement can backfire without sufficient conflict sensitivity.

## III. Challenges of investing in FCS

Investing in fragile and conflict-affected situations might present opportunities, but it also entails considerable financial, political and reputational risk for businesses and investors. Research on the barriers to climate-related investments in FCS highlights the overarching challenges, which primarily stem from a 'complex operating environment'.[31] This complexity is often driven by insecurity, weak governance and fragile institutions, which can restrict financial flows, hinder the protection of investment infrastructure, limit access to the most affected communities and reduce the effectiveness of resilience efforts.

Weak governance, fragmented institutions and political instability are among the most significant barriers to investment in fragile contexts. Climate-resilient investments require coordination across multiple sectors and systems, and the challenge is magnified where governance structures are weak or broken.[32] For example, a climate adaptation initiative in eastern Ghouta, Syria, faced major obstacles linked to ongoing conflict, fragile institutional capacity, insecurity and a shortage of skilled personnel, all of which limited project effectiveness. Similarly, countries such as Burkina Faso, Mali, Benin and Togo face political instability and inadequate infrastructure, which hampers the implementation of climate resilience efforts.[33]

Investing in climate-resilient projects in FCS is typically more costly and more risky than in stable contexts. There is often a critical lack of capital for companies that have moved beyond the initial seed funding stage. While early-stage capital is available, there is a shortage of growth capital to maintain investments and offer initial backers a return on their investments. This makes investors reluctant to make the initial outlay, which increases pressure on local businesses and communities.[34]

(note 22); and Joseph et al. (note 22).

29 Lang, C., 'Trees for global benefits: "Climate neutral" burgers in Sweden; Starvation in Uganda', REDD-Monitor, 6 May 2024.

30 Krampe, F., Smith, E. S. and Hamidi, M. D., 'Security implications of climate development in conflict-affected states: Implications of local-level effects of rural hydropower development on farmers in Herat', *Political Geography*, vol. 90 (Oct. 2021), 102454.

31 Mercy Corps (note 8).

32 Organisation for Economic Co-operation and Development (OECD), 'Scaling up finance and investment for climate change adaptation', *OECD Net Zero+ Policy Papers*, no. 7 (OECD Publishing: Paris, 2025).

33 Adaptation Fund, 'Addressing climate change adaptation in fragile settings and conflict-affected countries: Lessons learned from the Adaptation Fund's portfolio', Jan. 2024.

34 Organisation for Economic Co-operation and Development (note 32); and Goering, L., 'Can climate funders overcome fear to tread in conflict zones?', Climate Home News, 19 Nov. 2024.

The complexity and uncertainty surrounding FCS further constrain long-term investments in and financial flows for climate change adaptation. In this context, urgent humanitarian needs often take priority over resilience-building, making it even more difficult to mobilize the resources required.[35] In addition, lack of technical expertise, if not effectively transferred, coupled with weak institutions can hinder both implementation and the ability to sustain investments over time.

Furthermore, businesses may encounter reputational risks if their investments yield unintended negative consequences for the communities in which they operate. Well-intentioned initiatives, such as corporate social responsibility programmes, can inadvertently favour certain groups, reinforce inequalities or provoke tensions, particularly if the benefits are captured by elites.[36] It can also be challenging to ensure that any benefits are equitably shared at the community level due to a lack of control over local power structures and governance systems. A representative from a major investment bank highlighted this during the high-level business lunch at the Stockholm Forum on Peace and Development, and described the challenges encountered in ensuring that the proceeds from carbon credits are shared equitably with local communities, especially in areas with competing interests.[37] Businesses may also be compelled to make payments to armed actors to ensure security and maintain operations. While not intended to perpetuate conflict, such payments can empower these actors. Weak or absent institutions in these contexts can also enable exploitative business practices that directly shape the dynamics of conflict and peace.[38]

## IV. Recommendations on unlocking business investment in climate-resilience and peace

Businesses inevitably affect peace and conflict; effective engagement therefore requires, among other measures, deliberate, locally grounded and conflict-sensitive strategies to ensure that their activities support peace.[39] However, translating these principles into practice in FCS will require overcoming several obstacles. Governments, donors, development finance institutions and policymakers must devise enabling policies that reduce the risks of operating in complex environments and provide support for capacity-building and financial mechanisms targeted at overcoming the challenges of investing in FCS. While ensuring equitable development is primarily a government function, the instability and operational risks in FCS require businesses to adopt a broader, more proactive role as a matter of long-term strategic self-interest and market stability. The business sector has a role to play in unlocking the full potential of climate-resilient investments for peacebuilding. Recommendations for each set of actors are set out below.

[35] Organisation for Economic Co-operation and Development (note 32).
[36] Joseph et al. (note 22).
[37] Extracts from the high-level lunch with business actors, development organizations, financial institutions and the private sector at the 2025 Stockholm Forum on Peace and Development, 14 May 2025.
[38] Joseph et al. (note 22).
[39] Joseph et al. (note 22); and Miklian (note 25).

### For businesses and investors

The following are suggested recommendations for business sector actors, investors and multinational corporations in developed economies that seek to make climate-resilient investments that are both profitable and peace-positive in fragile and conflict-affected situations.

*Embed conflict sensitivity as a non-negotiable principle*

Recognize that all business activities in FCS have an impact on peace and conflict dynamics, whether intentionally or unintentionally. A failure to understand the local context can lead well-intentioned projects to backfire, as seen in the Swedish-led forestry project in Uganda that led to land grabbing and the Salma Dam in Afghanistan that sparked water conflicts. Before investing, business actors and investors should conduct a thorough conflict analysis to understand local power structures, historical grievances and potential conflict triggers, and design projects and their beneficiaries with these in mind. Guidance is readily available to support this process, such as the UNDP's 'Heightened Human Rights Due Diligence for Business in Conflict-Affected Contexts' or the UN Global Compact ten principles for responsible business practices.[40] Continuous monitoring is critical of the impact of projects on these dynamics. Benefits, such as jobs or revenues from carbon credits, should be shared equitably, and elite capture must be prevented if conflict is to be mitigated and new tensions avoided. This might mean working closely with existing governance structures, formal or traditional, to ensure an equitable distribution of benefits.

*Forge deep and equitable local partnerships*

Businesses and investors should move beyond simple extraction or transactional relationships in FCS. Lasting success and stability are built from the ground up. Partnering meaningfully with local actors is essential for navigating complex environments and ensuring investments are sustainable and avoid unintended negative consequences. Partnerships with local SMEs should be prioritized as they are often the largest employers and most trusted economic actors in their communities. Investments should be structured to build local capacity, for example, by emulating the Solar Sister model, which empowers women entrepreneurs to build clean energy distribution networks in their own communities. Businesses must ensure that, from the outset, investment design includes and benefits marginalized groups such as women, youth and indigenous peoples to avoid exacerbating local power dynamics and tensions.

*Integrate resilience as a core business strategy, not as charity*

Instead of viewing engagement in FCS as a peripheral corporate social responsibility activity, businesses and investors should view engagement in FCS as long-term strategic risk management and market creation. As highlighted above, instability in one region can create shocks and disrupt supply chains globally. A systematic mapping of supply chain vulnerabilities to local climate-related security risks would justify and help target investments in

[40] United Nations Development Programme (UNDP), *Heightened Human Rights Due Diligence for Business in Conflict-affected Contexts: A Guide* (UNDP: New York, 2022).

resilience to ensure long-term operational stability and market growth. The case of H&M's sourcing from Bangladesh, a country facing both political fragility and severe climate impacts, demonstrates how intertwined these risks are with core business operations.

*Develop and leverage technology for de-risking and transparency*

Technology can help to de-risk territories to enable further legitimate investment. Business actors and investors should develop and use technology as a tool to support local institutions to address the root drivers of conflict and to create a more transparent and stable operating environment. Businesses and investors should invest in or partner with platforms that use technology to increase transparency and combat illegal activities that fuel conflict. Examples include using geospatial and AI-powered tools such as PrevisIA and MapBiomas to monitor and predict deforestation and illegal mining. This approach can directly tackle the environmental and economic grievances that lead to violence, transforming a conflict-prone industry into a more sustainable one. The development of such tools provides a business opportunity in itself.

### For governments, donors and financial institutions

The role of governments, donors and financial institutions is to create an ecosystem in which business investments in climate-resilient peacebuilding are not only possible but attractive. Given the many competing humanitarian and development needs, using scarce Official Development Assistance (ODA) to de-risk private sector investment requires a strong justification. The rationale is that catalysing business engagement is a strategy for efficiency and long-term sustainability. Unlike short-term aid projects, business investment can create jobs, build local capacity and generate sustainable revenue, creating a virtuous circle that reduces dependency and builds lasting resilience.

*Strengthen the enabling environment for investment*

Weak governance, political instability and corruption are among the most significant barriers to investment. Creating a stable and predictable policy and legal environment is crucial. Governments and peacebuilding actors should support governments in FCS to strengthen the rule of law and implement anti-corruption measures. Furthermore, governments in FCS can act as anchor clients for green technologies by using blended public and development finance mechanisms to commit to the long-term procurement of services such as renewable energy for public buildings or clean water systems. While governments elsewhere may already engage in such practices, this approach can play a distinctive role in FCS. It can reduce investor risk in fragile markets, create predictable demand where private sector purchasing power is limited and signal government commitment to inclusive service provision. This would provide a stable revenue stream for investors while at the same time anchoring local demand. Wealthy nations can also contribute by closing legal loopholes that facilitate tax evasion by companies operating in FCS.

### *Deploy 'smart finance' strategically*

The high level of risk and the lack of growth capital mean that the business sector cannot bridge the investment gap in FCS alone. In fact, the use of Private Military Companies (PMCs), especially in the extractive sector, is a significant conflict risk in itself. Public and development finance must be used strategically to absorb initial risks and attract private sector capital. There is therefore a need to expand the use of blended finance structures where public or philanthropic funds provide first-loss capital, effectively cushioning private sector investors from initial losses. Increased access to and awareness of political risk insurance and guarantees through entities such as the World Bank's Multilateral Investment Guarantee Agency (MIGA), as well as facilities from the Green Climate Fund or the African Development Bank (AfDB), can offer strategic entry points for businesses and investors. The Private Infrastructure Development Group (PIDG) serves as another strong model. It has successfully used such tools to attract private sector investment in high-risk markets.

### *Foster collaborative ecosystems and build capacity*

Effective investment requires coordination between businesses, governments, local communities and development organizations. Often, these groups lack the platforms and expertise to work together effectively. Establishing and funding platforms for knowledge exchange—such as the high-level business lunch held at the Stockholm Forum on Peace and Development—that bring together diverse stakeholders to share knowledge, identify opportunities and co-design solutions should be further explored. Development partners should fund targeted technical assistance to help local SMEs become 'investment ready' for climate-smart projects. This would include building local institutional capacity not only to implement projects, but to sustain them long term, overcoming the challenge of projects failing once external expertise is withdrawn.

### *Build the evidence base for 'peace dividends'*

To justify and scale-up the use of ODA in these high-risk settings, donors need stronger evidence of what works. A key recommendation is to invest in research and development or implement clear monitoring and evaluation frameworks specifically designed to measure how climate-resilient business activities contribute to tangible peace and stability outcomes. This would help to build legitimacy, improve project design and enable the scaling of successful approaches. In addition, it would be useful to commission research to further quantify the financial and economic opportunities for climate-resilient investment in specific fragile and conflict-affected situations.

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**STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE**
Signalistgatan 9
SE-169 72 Solna, Sweden
Telephone: +46 8 655 97 00
Email: sipri@sipri.org
Internet: www.sipri.org

SIPRI RESEARCH POLICY PAPER

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## ABOUT THE AUTHORS

**Katongo Seyuba** is a Researcher in the SIPRI Climate Change and Risk Programme. His research focuses on climate-related security risks and policy actors' responses, particularly in the context of Africa and other geographical areas.

**Dr Florian Krampe** is the Director of Studies, Peace and Development, at SIPRI. He is also currently Acting Director of the SIPRI Climate Change and Risk Programme. His particular focus is on peace and conflict research, environmental and climate security, and international security. His work bridges academia and policy and focuses on the foundations of peace and security, especially the processes of building peace after armed conflict in regions highly exposed to climate change.

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