



Climate Finance Thematic Briefing: Adaptation Finance

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Climate Finance Fundamentals **3**

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The costs of adaptation to climate change in developing countries are substantial. Developed countries have committed to scale up support for adaptation in developing countries, particularly in LDCs and SIDS. They promised to double adaptation finance between 2014 and 2020 under a roadmap presented for COP 22. The largest source of approved funding for adaptation projects is currently the Pilot Program for Climate Resilience (PPCR) of the World Bank's Climate Investment Funds. The Green Climate Fund (GCF) is increasingly becoming a major source of adaptation finance; set to devote 50% of its USD 10 billion initial resource mobilisation to adaptation, with half of that going to the SIDS, LDCs and African states (see CFF 11). The GCF approved the largest volume of adaptation finance this year, with USD 332 million for projects targeting adaptation. The amount of cumulative finance approved for adaptation from key climate funds tracked by CFU has grown to USD 4.4 billion in 2018. Developed countries' contributions to multilateral funds supporting adaptation remain lower than those supporting mitigation; at a global level, adaptation remains underfunded. Directing adaptation funding to countries most vulnerable to the impacts of climate change as well as to the most vulnerable people and population groups within recipient countries remains an imperative, with grant financing continuing to play a major role.

Introduction

While efforts to mitigate climate change are crucial, it is also essential to assist developing countries to adapt to the impacts of climate change already being experienced due to past and current GHG emissions. Finance is necessary to fund activities that respond to impacts such as flooding, cyclones, coastal erosion, droughts and increased variability of precipitation. Currently about 25% of the financing approved since 2003 flowing from the dedicated climate finance initiatives that CFU monitors supports adaptation. The provision of this finance is made more complex by the unequal distribution of climate change impacts with some of the poorest countries affected worst, especially Small Island Developing States (SIDS) and Least Developed Countries (LDCs) (IPCC, 2018). These

countries also have differing institutional capacities to respond to climate change and to ensure that financing is utilised effectively and equitably, including with attention to gender, and vulnerable and marginalised groups.

Which climate funds support adaptation?

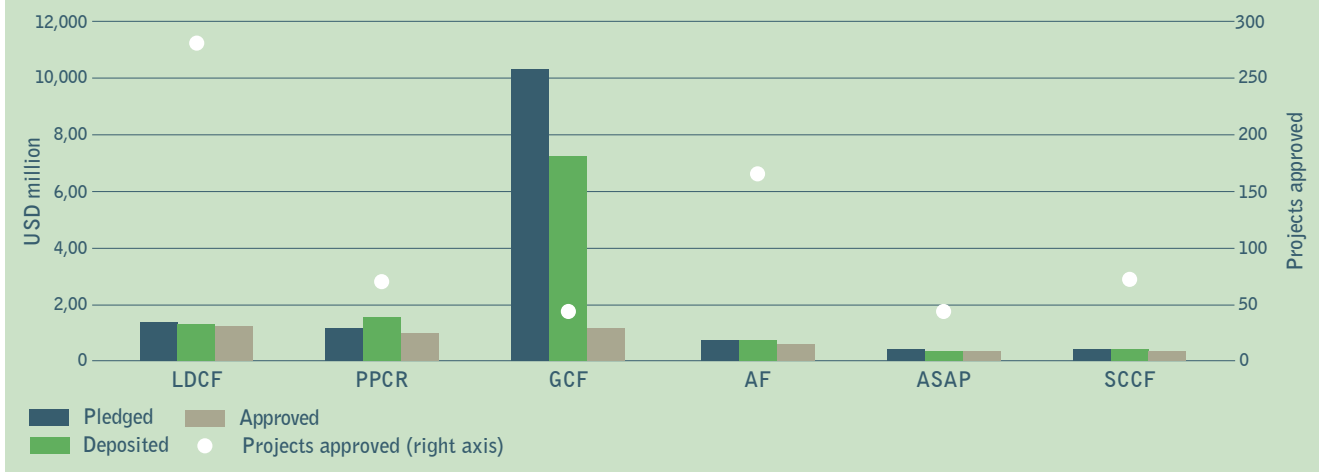
The adaptation finance architecture includes finance flows and mechanisms from private finance, public finance, as well as resources from development finance institutions and increasingly from insurance and risk pooling mechanisms (Figure 2). Sources have varying information availability.

CFU data shows an additional USD 472 million in multilateral funding approved for adaptation during 2018

Table 1: Multilateral funds supporting adaptation (2003-2018, USD millions)¹

Fund	Pledged	Deposited	Approved	Projects approved
Least Developed Countries Fund (LDCF)	1,371.72	1,317.18	1,219.80	278
Green Climate Fund (GCF)	10,302.30	7,234.24	1,153.65	42
Pilot Program for Climate Resilience (PPCR)	1,154.66	1,514.66	960.43	67
Adaptation Fund (AF)	755.45	755.45	531.57	163
Adaptation for Smallholder Agriculture Programme (ASAP)	381.67	326.72	307.00	42
Special Climate Change Fund (SCCF)	371.06	366.06	285.65	69

Figure 1: Multilateral Climate Funds supporting Adaptation (2003-2018)



from the funds in Table 1. The PPCR, one of the largest adaptation funds, approved an additional USD 24 million this year. This fund’s pilot approach involves supporting only a few countries with programmatic funding. In contrast, the LDCF has the highest number of projects approved at 278, although individual project funding is small. The LDCF approved USD 52 million this year. The SCCF had one new project approved, whilst the AF approved USD 69 million this year, for 24 new projects. Although a multi-thematic fund, the GCF has greatly increased adaptation finance (see CFF11), approving the largest amount of USD 332 million for 16 adaptation projects in 2018 (and a further USD 895 million for 13 projects with both adaptation and mitigation components).

Who pledges and deposits adaptation finance?

The United Kingdom, Germany, and the United States represent 57% of finance pledged to adaptation funds in Table 1 (excluding the multi-foci GCF) (Figure 3). These figures do not capture the country contributions to multi thematic funds such as the GCF or GEF, however. The amount that the AF has obtained through the sale of CERs from the Clean Development Mechanism (2% of CERs from all projects), although small compared to what was expected, still amounts to USD 199 million.

Figure 2: Adaptation finance architecture (USD millions)

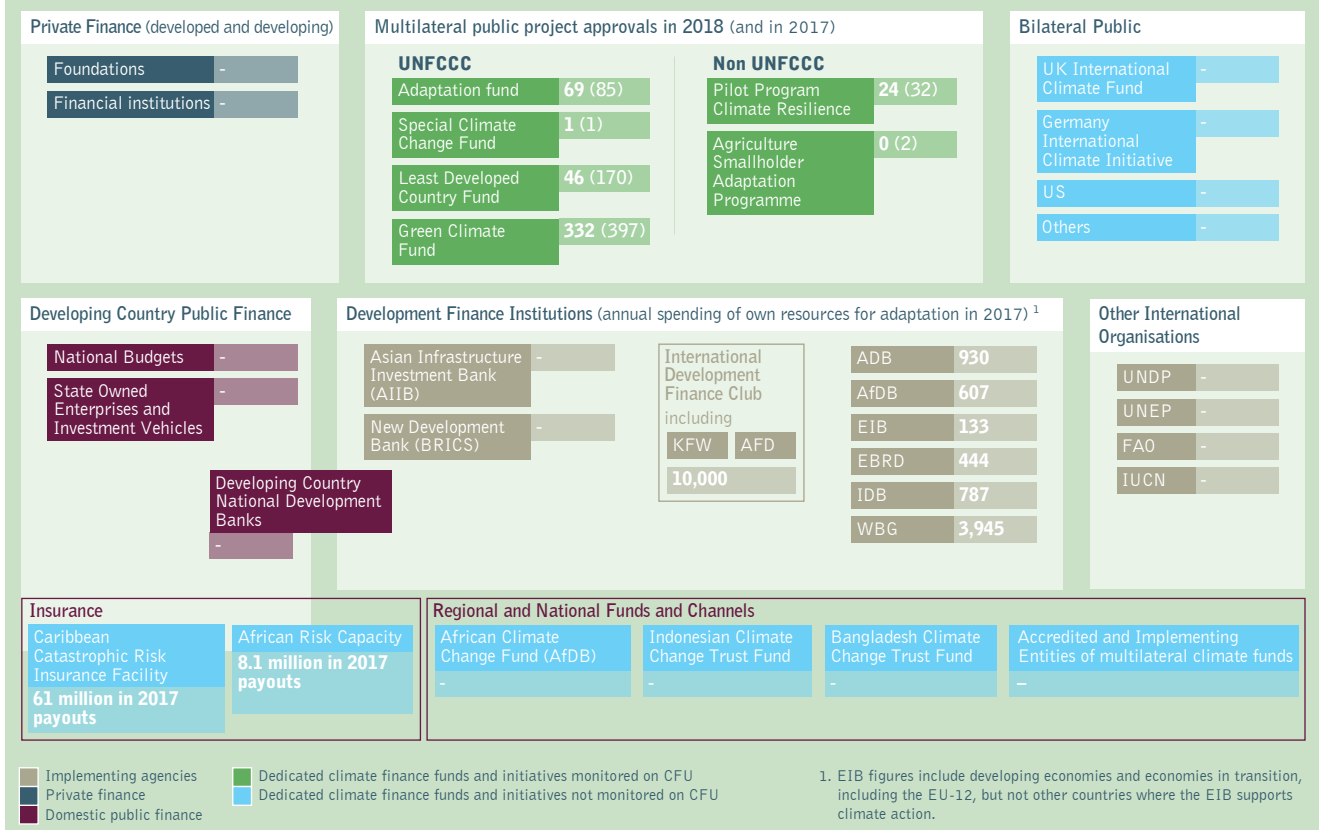


Figure 3: Pledges and deposits to funds supporting adaptation (2003-2018)²

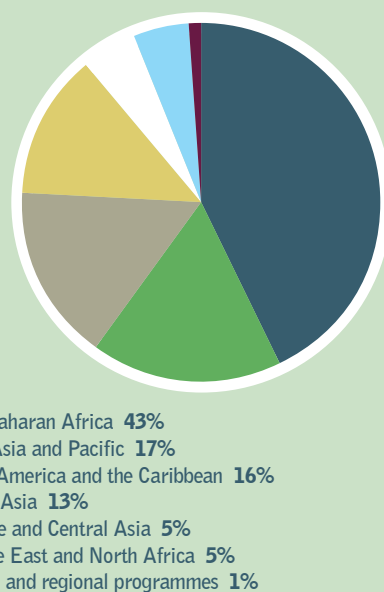


Who is receiving the money and what kinds of adaptation projects are funded?

Regionally, adaptation finance over all multilateral funds included on CFU has primarily been directed to Sub-Saharan Africa, East Asia and the Pacific, and Latin America and the Caribbean, followed by programs and activities in South Asia (Figure 4). The top twenty recipients of adaptation finance (out of 125 countries) received 45% of the total amount approved, which represents a much lower concentration of funding than for mitigation finance (where the top twenty recipients receive 71% of total approved finance). Top recipients Bangladesh, Niger, Tanzania, Mozambique, Zambia, Cambodia, Nepal, Samoa, Bolivia and Ethiopia have all received more than USD 100 million each since 2003 (all are PPCR recipient countries except Tanzania and Ethiopia). Some of the most vulnerable developing countries receive very little adaptation finance: for instance, South Sudan and Cote d’Ivoire, both Fragile and Conflict-Affected States, and among the world’s most vulnerable countries according to various vulnerability indexes³, have received only USD 9.2 million and USD 7.05 million respectively in adaptation finance from multilateral climate change funds.

The GCF has approved USD 332 million in 2018 for 16 adaptation-focused projects. This amount includes, for the first time, USD 23 million in equity to a regional project in Africa to support agricultural micro-, small- and medium-sized enterprises. The GCF’s largest adaptation project in 2018 is in The Comoros, an LDC and Small Island Developing State. USD 41.9 million of grant finance will reinforce the management of climate resilient water supply, protect water quality and increase the climate resilience of water supply infrastructure consistent with priorities identified in the country’s NAPA.

Figure 4: Regional distribution of approved adaptation finance (2003-2018)



In addition to the series of 12 Climate Finance Fundamentals, these recent ODI and HBS publications may be of interest:

- **Clean energy project preparation facilities: mapping the global landscape.** Darius Nassiry, Sam Pickard, Shelagh Whitely and Andrew Scott from ODI provide a comprehensive mapping of the project preparation facility global landscape. The results cover 150 project preparation facilities and form the most comprehensive study of its kind to date. Available at: <https://bit.ly/2RcGuQc>
- **“Back to the Future” for GCF After Recent Bahrain Board Meeting.** Liane Schalatek from Heinrich Böll Stiftung North America goes “Back to the Future” reporting on the October 2018 Green Climate Fund board meeting and its implications. Available at: <https://bit.ly/2r5dTkj>
- **Local actors ready to act: Six proposals to improve their access to the Green Climate Fund.** Menno Bosma, Maaïke de Hon, Annelieke Douma, Daan Robben, Raju Pandit Chhetri, Titi Soentoro and Liane Schalatek, bring together Both ENDS; Heinrich Böll Stiftung North America; Aksi! for gender, social and ecological justice; and the Prakriti Resources Centre to describe six specific proposals to stimulate more and deeper debate on the crucial role local actors play in the transformative change needed to deal with global climate change. Available at: <https://bit.ly/2SdV2PH>
- **Not a Silver Bullet.** Julie-Anne Richards and Liane Schalatek look at whether insurance is fulfilling its promise and argue that in many instances it can serve as a distraction from alternative financing solutions for loss and damage. A Heinrich Böll Stiftung North America product. Available at: <https://bit.ly/2PW3aYr>
- **Financing Loss and Damage: A Look at Governance and Implementation Options.** Julie-Anne Richards and Liane Schalatek discuss categorisations of loss and damage approaches, financing options and whether existing climate funds could channel loss and damage financing. A Heinrich Böll Stiftung North America product. Available at: <https://bit.ly/2nT55wa>
- **Radical Realism for Climate Justice.** A Civil Society Response to the Challenge of Limiting Global Warming to 1.5°C. Heinrich Böll Stiftung Berlin. Available at: <https://bit.ly/2PYfGqs>

Visit our website for more information and to contact us: ClimateFundsUpdate.org

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Climate Funds Update: www.climatefundsupdate.org (data accessed in December 2018)

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End Notes

1. Due to its significant resource potential, the GCF is included here as 50% of the pledge will be programmed towards adaptation. Other multi-foci funds are not included here e.g. the GEF Trust Fund Climate Change Focal Area. The number of approved projects and approved total from the GCF refer only to projects considered adaptation focussed.
2. Including pledges to the PPCR, LDCF, AF, ASAP and SSCF only. It is not possible to determine the share of pledges arising from particular countries for the GCF channelled to adaptation.
3. Global Adaptation Institute (GAIN) (<http://index.gain.org/>) and DARA indexes (<https://daraint.org/climate-vulnerability-monitor/climate-vulnerability-monitor-2012/monitor/Indices>).

The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at www.climatefundsupdate.org

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