



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 sources of approved funding for adaptation projects are currently the Green Climate Fund (GCF), the Pilot Program for Climate Resilience (PPCR) of the World Bank's Climate Investment Funds, the Least Developed Countries Fund (LDCF) administered by the Global Environmental Facility, and the Adaptation Fund. Developed countries' contributions to these funds remain low compared to those funds supporting mitigation; at a global level, adaptation remains underfunded. The GCF – 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) – becomes the largest provider of adaptation finance and approved the largest volume of adaptation finance this year, adding a further USD 202 million for 11 projects targeting adaptation in 2019. The amount of cumulative finance approved for adaptation from key climate funds tracked by CFU has grown to USD 4.8 billion in 2019. 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 in a gender-responsive and equitable manner 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 rapidly worsening 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 24% of the financing approved since 2003 flowing from the dedicated climate finance initiatives that CFU monitors supports adaptation, a proportion that has remained largely stagnant over the past year. 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.

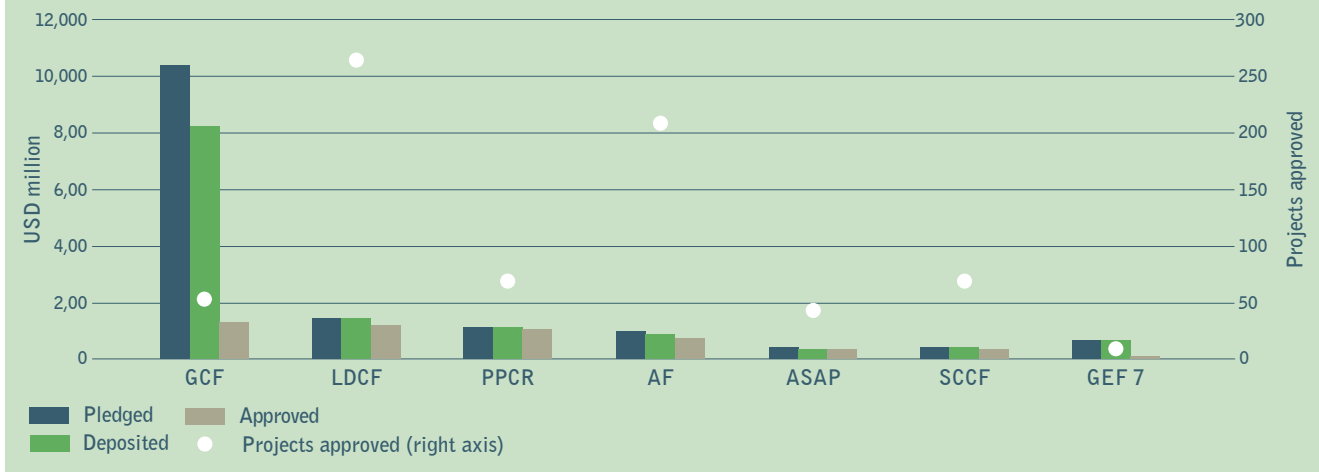
Which climate funds support adaptation?

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 availability of information.

Table 1: Multilateral funds supporting adaptation (2003-2019, USD millions)¹

Fund	Pledged	Deposited	Approved	Projects approved
Green Climate Fund (GCF)	10,319.6	8,144.7 ²	1,288.1	52
Least Developed Countries Fund (LDCF)	1,463.5	1,411.5	1,161.0	263
Pilot Program for Climate Resilience (PPCR)	1,144.8	1,144.8	988.1	67
Adaptation Fund (AF)	956.6	890.7	720.5	207
Adaptation for Smallholder Agriculture Programme (ASAP)	381.7	330.3	291.2	42
Special Climate Change Fund (SCCF)	377.4	369.0	279.4	68
Global Environment Facility Trust Fund 7 (GEF 7)	654.2	654.1	48.3	8

Figure 1: Multilateral Climate Funds supporting Adaptation (2003-2019)



CFU data shows an additional USD 555 million in multilateral funding approved for adaptation during 2019 from the funds in Table 1. The PPCR did not approve additional projects in 2019. This fund’s pilot approach involves supporting only a few countries with large amounts of programmatic funding. In contrast, the LDCF has a high number of projects approved at 263, with relatively small individual project funding. The LDCF approved USD 114 million in 2019 for 14 new projects. The SCCF approved just one new project, whilst the AF approved USD 180 million this year for 39 new projects, and the GEF 7 Trust Fund approved USD 48 million for eight new projects. Although a multi-thematic fund, the GCF is responsible for greatly increasing adaptation finance (see CFF11), approving the largest amount of

USD 202 million for 11 adaptation projects in 2019 (and a further USD 366 million for 12 projects with both adaptation and mitigation components).

Who pledges and deposits adaptation finance?

The United Kingdom, Germany, and the United States represent 54% of finance pledged to adaptation funds in Table 1 (excluding the multi-foci GCF and GEF 7) (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 certified emissions reductions (CERs) from the Clean Development Mechanism (2% of CERs from all projects), although small compared to what was expected, still amounts to USD 202 million.

Figure 2: Adaptation finance architecture diagram (USD millions)

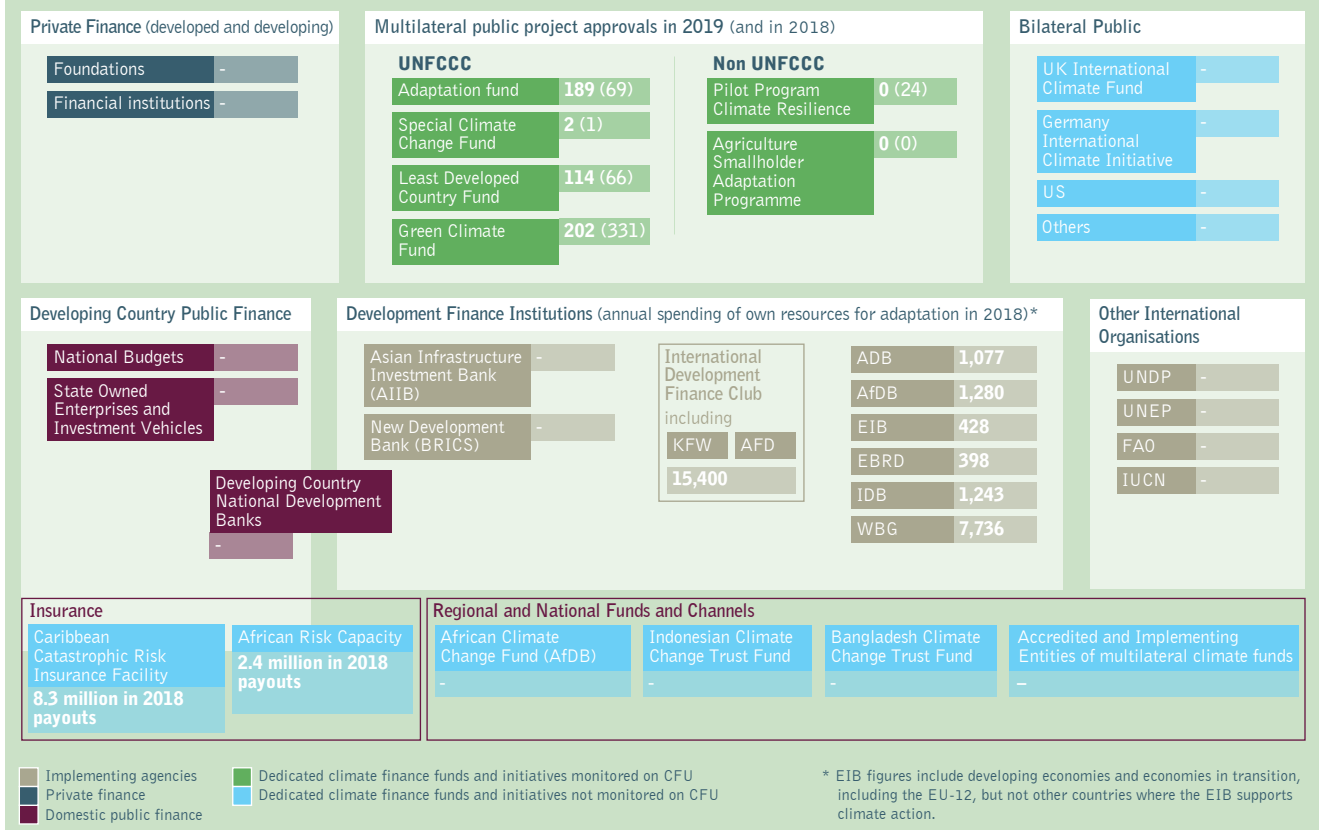
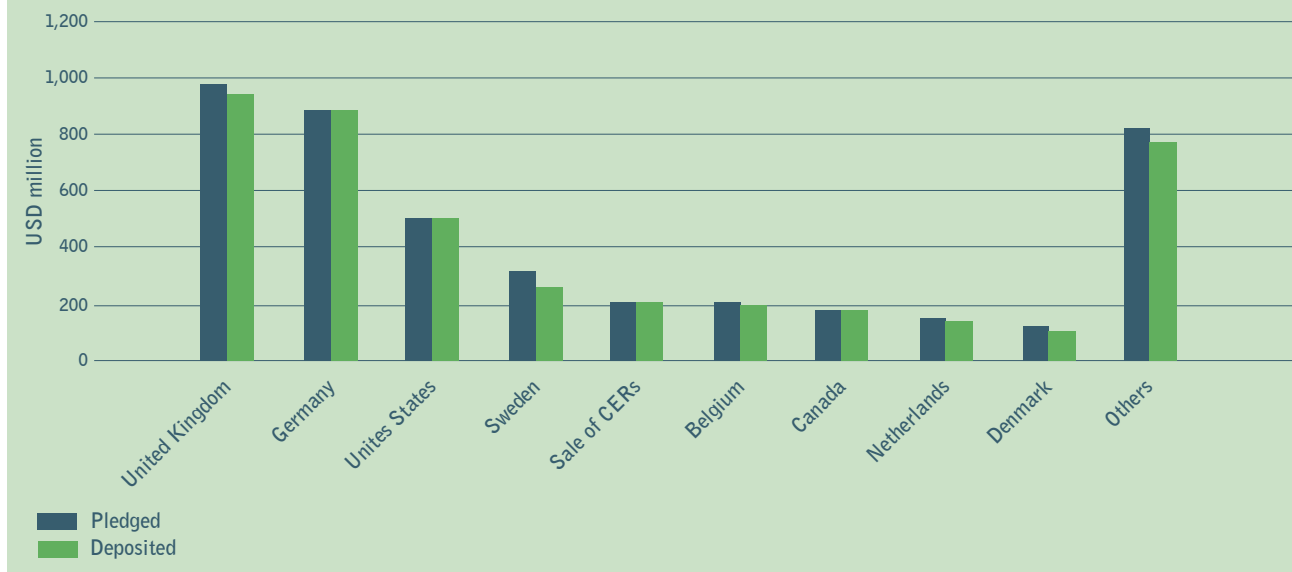


Figure 3: Pledges and deposits to funds supporting adaptation³ (2003-2019)

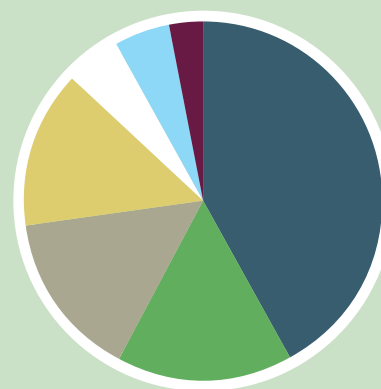


Who is receiving the money and what kinds of adaptation projects are funded?

Regionally, adaptation finance from 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 over 122 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 65% of total approved finance). Top recipients Bangladesh, Niger, Zambia, Cambodia, Tanzania, Nepal, Mozambique, Samoa, Bolivia and Tajikistan have all received more than USD 100 million each since 2003 (all are PPCR recipient countries except Tanzania). 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 indexes⁴, have received only USD 9.2 million and USD 6.34 million respectively in adaptation finance from multilateral climate change funds.

The GCF has approved USD 202 million in 2019 for 11 adaptation-focused projects. These approvals are predominantly grant based and include three projects in Fragile and Conflict Affected States (Timor Leste, Marshall Islands and Zimbabwe), bringing the total number of GCF adaptation projects in fragile states to eight. The GCF's largest adaptation project in 2019 is in Pakistan, where USD 35 million of grant finance will reinforce agriculture and water management through the introduction of state-of-the-art technology development.

Figure 4: Regional distribution of approved adaptation finance from major climate change funds (2003-2019)



- Sub-Saharan Africa 42%
- East Asia and Pacific 16%
- Latin America and the Caribbean 15%
- South Asia 14%
- Europe and Central Asia 5%
- Middle East and North Africa 5%
- Global and regional programmes 3%

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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. The GEF Trust Fund Climate Change Focal Area is also a multi-foci fund. The number of approved projects and approved total from the GCF and GEF 7 refer only to projects considered adaptation focussed.
2. This amount reflects countries' deposits using the official GCF initial resource mobilization exchange rate set in November 2014, not actual amounts received taking into account exchange rate fluctuations.
3. 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 or GEF 7 channelled to adaptation.
4. Global Adaptation Institute (GAIN) (<http://index.gain.org/>) and DARA indexes (<https://daraint.org/climate-vulnerability-monitor/>).

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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