Climate Funds Update

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CLIMATE FINANCE THEMATIC BRIEFING: ADAPTATION FINANCE

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 Least Developed Countries (LDCs) and Small Island Developing States (SIDS) with promises made to double adaptation finance between 2014 and 2020 under a roadmap presented for COP22 and followed by a pledge at COP26 to at least double their collective provision of adaptation finance from 2019 levels by 2025. The largest sources of approved funding for adaptation projects are currently the Green Climate Fund (GCF), the Least Developed Countries Fund (LDCF) administered by the Global Environmental Facility (GEF), the Adaptation Fund (AF) and the Pilot Program for Climate Resilience (PPCR) of the World Bank's Climate Investment Funds (CIFs). However, developed countries' contributions to these funds remain low compared to funds supporting mitigation; at a global level, adaptation remains underfunded. The GCF – set to devote 50% of its resources to adaptation, with half of that going to the SIDS, LDCs and African states (see CFF 11) – is the largest provider of adaptation finance with USD 3.43 billion for 104 projects. In 2023, the GCF approved the most new adaptation funding with USD 1.02 billion for 19 new projects. The amount of cumulative finance approved for adaptation from key climate funds tracked by Climate Funds Update (CFU) grew to USD 8.2 billion in 2023. 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

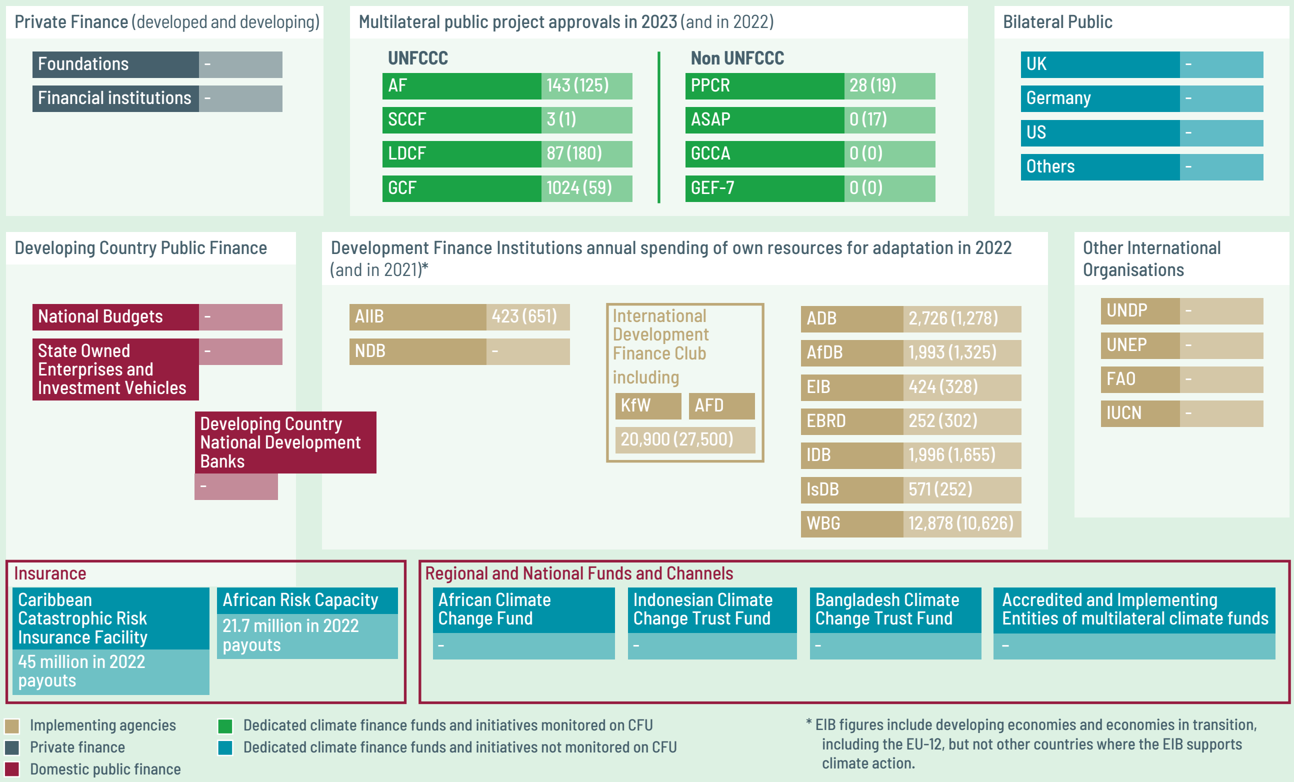
While efforts to mitigate climate change are crucial, it is also essential to assist developing countries to adapt to the rapidly worsening impacts of climate change already being experienced due to past and current greenhouse gas (GHG) emissions. Significantly more finance is necessary to fund activities that respond to impacts such as flooding, cyclones, coastal erosion, droughts and increased variability of precipitation (UNEP, 2023). Currently 25% 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 recent years. This was acknowledged at COP26 in Glasgow, which put a special emphasis on efforts to significantly scale up the provision of adaptation finance by developed countries to developing countries and urged them to at least double adaptation finance provided from 2019 levels by 2025 (UNFCCC, 2021), a call reiterated, with limited progress made as of 2023, in the UAE framework on the global goal on adaptation adopted at COP28 (UNFCCC, 2023). The provision of this finance is made more complex by the unequal distribution of climate change impacts with some of the poorest countries most affected, especially SIDS and LDCs (IPCC, 2023). 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 paid 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 (DFIs) and increasingly from insurance and risk-pooling mechanisms (Figure 1). Sources have varying availability of information.

CFU data shows an additional USD 1.29 billion in multilateral funding approved for adaptation during 2023 from the funds in Table 1 and Figure 2. The PPCR was conceived as a fund whose pilot approach focused on supporting only a few countries with large amounts of programmatic funding. Over time the approach has evolved to not only include larger country packages, and in 2023 the fund only approved USD 28 million for nine additional small-scale projects under the PPCR Business Development for Resilience Program.

Figure 1: Adaptation finance architecture diagram (USD millions)



Implementing Agencies and Institutions	
AF	Adaptation Fund (GEF acts as secretariat and WB as trustee)
ASAP	Adaptation for Smallholder Agriculture Programme
GCCA	Global Climate Change Alliance
GCF	Green Climate Fund
GEF	Global Environment Facility
LDCF	Least Developed Countries Fund (hosted by the GEF)
PPCR	Pilot Program for Climate Resilience (implemented through WB, ADB, AfDB, EBRD and IDB)
SCCF	Special Climate Change Fund (hosted by the GEF)
Other International Organisations	
FAO	Food and Agriculture Organization of the United Nations
IUCN	International Union for the Conservation of Nature
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme

Development Finance Institutions	
ADB	Asian Development Bank
AFD	Agence Française de Développement (French development agency)
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
IDB	Inter-American Development Bank
IsDB	Islamic Development Bank
KfW	Kreditanstalt für Wiederaufbau (German development bank)
NDB	New Development Bank
WBG	World Bank Group

Table 1: Multilateral funds supporting adaptation (2003–2023, USD millions)[1]

Fund	Pledged	Deposited	Approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1 and GCF-2)	33,157.9	17,771.0[2]	3,426.2	104
Least Developed Countries Fund (LDCF)	2,285.3	1,972.6	1,468.2	317
Adaptation Fund (AF)	1,828.7	1,613.5	1,139.1	316
Pilot Program for Climate Resilience (PPCR)	1,155.8	1,155.8	1,014.4	122
Global Climate Change Alliance (GCCA)	1,652.8	1,652.8	380.9	40
Adaptation for Smallholder Agriculture Programme (ASAP)	512.2	413.2	312.4	44
Special Climate Change Fund (SCCF)	449.0	387.7	287.6	74
Global Environment Facility Trust Fund 7 (GEF-7)	728.4	728.4	152.2	22

In contrast to the PPCR's now 122 total number of projects, both the LDCF and the AF have a much higher number of projects approved at 317 and 316 respectively with relatively small individual project funding levels. The LDCF approved USD 87 million in 2023 for 15 new projects, while the AF approved USD 143 million for 20 new projects. Both have surpassed the PPCR in total approved funding commitments. The Special Climate Change Fund (SCCF) approved only USD 2.6 million for one new project. The Global Climate Change Alliance (GCCA), the Agriculture Smallholder Adaptation Programme (ASAP) and the GEF-7 Trust Fund did not approve further projects this year. The GCF, which has been responsible for greatly increasing adaptation finance since 2015 (see CFF 11), approved a record amount of USD 1 billion for 19 adaptation projects in 2023 and thus was by far the fund with the most committed new adaptation funding in 2023. In addition, the GCF approved a further USD 1 billion for 14 projects with both adaptation and mitigation components, further accelerating its trend towards an increase in cross-cutting thematic funding.

Who pledges and deposits adaptation finance?

The European Union, Germany, the United Kingdom and the United States represent 60% 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 215 million.

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 programmes and activities in South Asia (Figure 4). The top 20 recipients of adaptation finance (out of over 126 countries) received 36% of the total amount approved, which represents a much lower concentration of funding than for mitigation finance (where the top 20 recipients receive 66% of total approved finance). Top recipients Bangladesh, Tanzania, South Africa, Cambodia, Niger, Mozambique, Zambia, Pakistan, Nepal, and Bolivia have all received more than USD 128 million each since 2003. Some of the most vulnerable developing countries receive very little adaptation finance: for instance, Côte d'Ivoire and South Sudan, both Fragile and Conflict-Affected States (FCAS) and among the world's most vulnerable countries according to various vulnerability indices,[3] have received only USD 26.1 million and USD 9.2 million respectively in adaptation finance from multilateral climate change funds.

Figure 2: Multilateral climate funds supporting adaptation (2003-2023)[1]

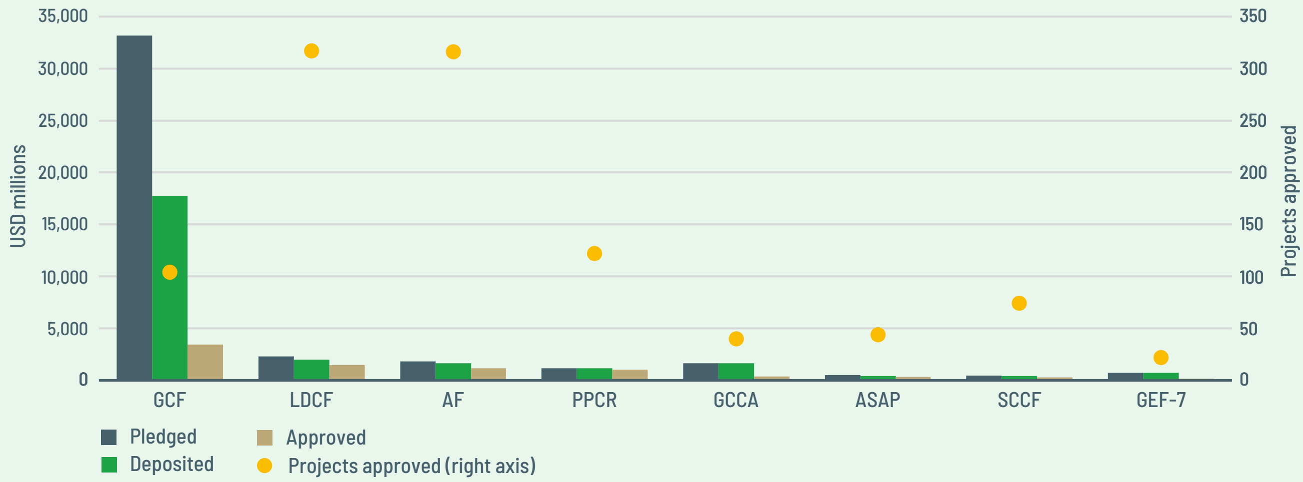


Figure 3: Pledges and deposits to funds supporting adaptation (2003-2023)[4]

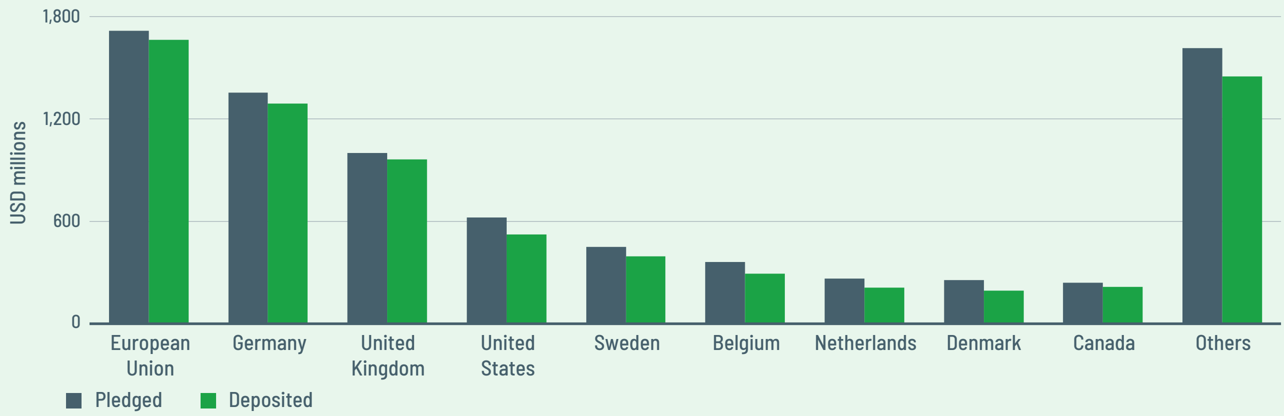
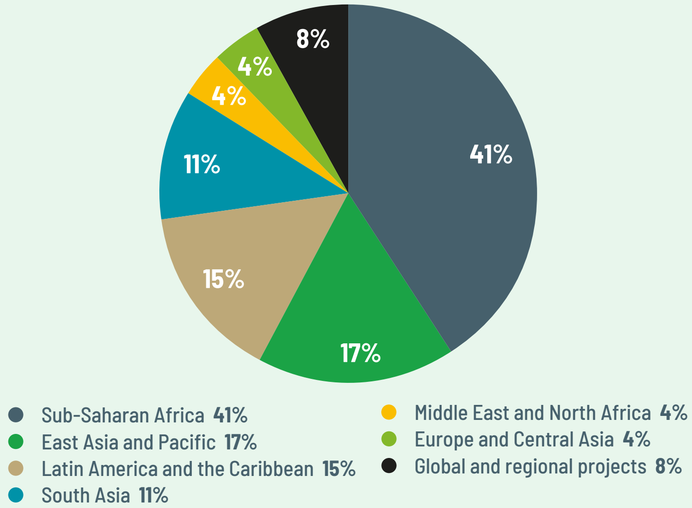


Figure 4: Regional distribution of approved adaptation finance from major climate change funds (2003-2023)



The GCF approved a record amount of USD 1.02 billion in 2023 for 19 adaptation-focused projects. GCF approvals in 2023 included USD 56 million for three projects in FCAS (Cote d'Ivoire, Haiti, Solomon Islands), bringing the total number of GCF adaptation projects in fragile states to 20. Nine GCF projects approved in 2023 totalling USD 219 million support adaptation in Least Developed Countries (LDCs). The two largest GCF projects approved in 2023 target efforts to improve climate resilience in sub-Saharan Africa: a single country project in South Africa to establish a national water reuse programme (of the USD 235 million in support USD 200 million are provided as a concessional loan) and a regional programme covering 19 countries and aiming to catalyse investments from private sector investors and pension funds in climate-resilient infrastructure (for a total of USD 254 million, including USD 240 million provided as equity).

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Endnotes

1. Due to its significant resource potential, the GCF is included here as 50% of the pledge will be programmed towards adaptation. The amounts include the IRM and GCF-1 and GCF-2 replenishments. 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 that are considered adaptation-focused.
2. This amount reflects countries' deposits using the official GCF initial resource mobilisation exchange rate set in November 2014 for GCF-IRM contributions, the official GCF-1 exchange rate set in October 2019 for GCF-1 contributions and the official GCF-2 exchange rate set in November 2023 for GCF-2 contributions, not actual amounts received taking into account exchange rate fluctuations.
3. Global Adaptation Institute (GAIN) (https://gain.nd.edu) and DARA indexes (https://daraint.org/climate-vulnerability-monitor/).
4. Including pledges to the PPCR, LDCF, AF, ASAP and SCCF only. It is not possible to determine the share of pledges arising from particular countries for the GCF or GEF-7 channelled to adaptation.

The Climate Finance Fundamentals are based on Climate Funds Update data and up to 2021 also available in French and Spanish at **www.climatefundsupdate.org**

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