

## Climate Finance Thematic Briefing: Adaptation Finance

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## Climate Finance Fundamentals 3

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Meeting the costs of adaptation to climate change in developing countries is a major challenge for the international community; studies suggest that developing countries' needs for adaptation actions may be in the range of USD 100 billion - USD 450 billion a year (Montes 2012; CFU 2012). CFU data suggest that the largest sources of disbursed funding for adaptation projects are currently the EU's Global Climate Change Alliance, the Least Developed Countries Fund and the Special Climate Change Fund, although the Adaptation Fund and the Pilot Program for Climate Resilience of the World Bank's Climate Investment Funds have added substantially to the financing amounts approved. Nevertheless, major challenges remain in generating sufficient funding for adaptation, which remains seriously underfunded, and directing it to those countries most vulnerable to the impacts of climate change as well as to the most vulnerable people and population groups within recipient countries.

### Overview

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. Just 15% percent of the financing approved since 2004 to flow from the dedicated climate finance initiatives that we monitor on CFU supports adaptation. Adaptation finance is necessary to fund new activities that are required in response to impacts such as flooding, coastal erosion, and increased variability of precipitation and water availability. This funding is required on top of traditional development needs. The provision of this finance is made more complex by the unequal distribution of climate change impacts and the differing institutional capacities of countries to frame responses to climate change, and to ensure that financing is utilised effectively and equitably. There has certainly been an increase in funding approved for adaptation over the last year. However, a lack of transparency and reporting on recipients makes it very difficult to accurately assess the actual amounts flowing to vulnerable countries (WRI 2012).

### What are the main dedicated climate funds that focus on adaptation finance?

The dedicated climate funds targeting adaptation actions either exclusively or dominantly are those listed in Table 1.

The EU's Global Climate Change Alliance (GCCA) has substantially increased its approved funding by USD 100 million

Figure 1: Funds primarily supporting adaptation

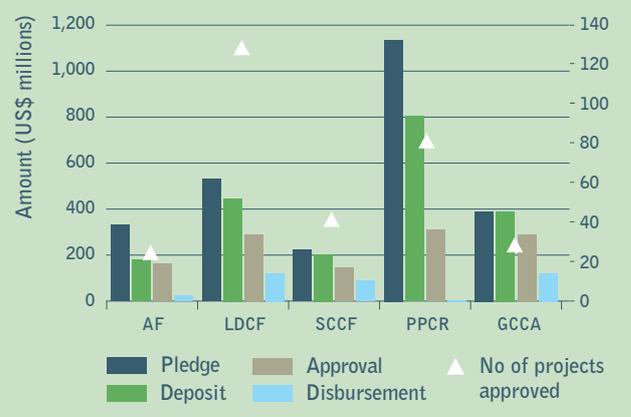


Table 1: Funds primarily supporting adaptation (USD millions)

Fund	Pledge	Deposit	Approval	Disbursement	No of projects approved
Adaptation Fund (AF)	323.05	186.48	166.36	29.14	25
Least Developed Country Fund (LDCF)	536.65	435.46	286.73	126.63	126
Special Climate Change Fund (SCCF)	241.61	196.4	147.25	100.23	39
Pilot Programme for Climate Resilience (PPCR)	1119	804.8	317.48	8	79
Global Climate Change Alliance (GCCA)	385.36	365.36	296.81	130.99	29

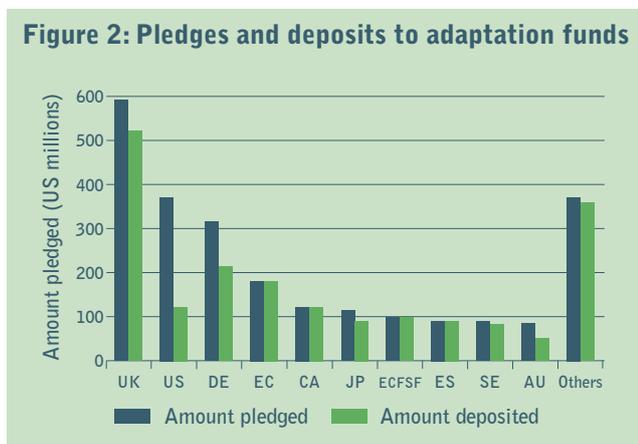
in the last year and accelerated its disbursement for adaptation projects, making it now the largest global funder of adaptation activities. This complements the USD 227 million disbursed by the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) since their inception in 2002. Although it is largely undisbursed to date, the USD 483 million approved through the Adaptation Fund (AF) and Pilot Project on Climate Resilience (PPCR) represents a large additional resource of adaptation finance.

There has been a considerable increase in the number of projects approved by these funds over the past year. For instance the PPCR has approved forty-nine new actions under its country and regional programs since October 2011, while thirty projects have been approved under the LDCF. The new Green Climate Fund (GCF) is proposed as a significant additional channel for multilateral adaptation finance after its operationalization by early 2014.

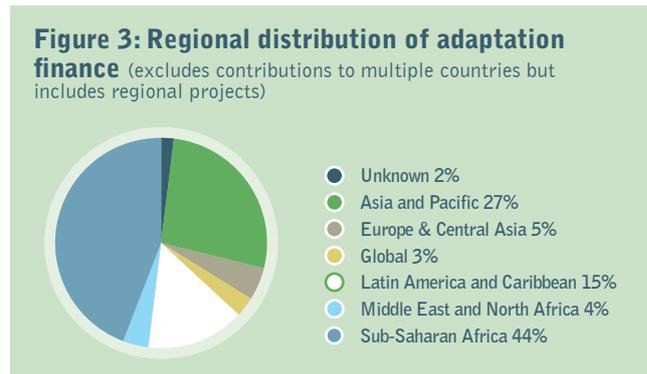
### Who pledges & deposits to adaptation funds?

The United Kingdom, the United States, Germany, the European Commission, Canada and Japan represent more than seventy per cent of the USD 2.73 billion pledged to adaptation funds thus far; of this, about USD 2.23 billion has been deposited (see Figure 2). So far, only USD 1.22 billion of this finance has been approved to support projects and programs. This suggests a backlog in processing funding proposals, and the possibility that there will be significant increases in approved funding in the near future.

### Who receives the money and what kinds of adaptation projects are funded?



Adaptation finance has been directed to sub-Saharan Africa and Asia and the Pacific primarily, with Latin America and the Caribbean receiving relatively less finance, followed by the Middle East and North Africa (Figure 3). Twenty countries (16.8% of the one hundred and nineteen countries receiving adaptation finance) receive 50.3% of total adaptation funding. Some of the most vulnerable developing countries receive very little: For instance, Haiti and Zimbabwe, both in the top three of the world's most vulnerable countries according to the Climate Change Vulnerability Index, currently receive only USD 6.6 and USD 6.9 million respectively for adaptation from dedicated climate funds.



The scope of what constitutes an adaptation project is wide. Recently approved examples are the eight early-warning system projects under the LDCF that will help rural communities across Sub-Saharan Africa plan for droughts and floods.

It does so through mainstreaming climate resilience into development strategies at national and local levels; integrating climate resilience practices into agro-sylvo-pastoral systems; and ensuring coordination of the activities. The project also includes a component dedicated to monitoring and evaluating the different activities. Another large project is the USD 34.5 million 'Support Project to the Government of Mozambique: Mainstreaming of Climate Change into policies and strategies to adapt to Climate change impacts' under the GCCA. The project's main activities involve: strengthening institutional capacity and technical expertise of key government institutions, particularly the Ministry for the Coordination of Environmental Action; and implementing information sharing and training activities; undertaking field operations to identify and test appropriate strategies for adapting traditional farming and livelihood systems to changing climatic conditions.

### References

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The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at [www.climatefundsuppdate.org](http://www.climatefundsuppdate.org)