Climate Funds Update

HEINRICH BÖLL STIFTUNG NORTH AMERICA

ODI

Climate Finance Thematic Briefing: Adaptation Finance

Alice Caravani and **Charlene Watson**, ODI and **Liane Schalatek**, HBS

Climate Finance Fundamentals 3

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The costs of adaptation to climate change in developing countries are substantial. Developed countries have commitments to scale up support for adaptation in developing countries particularly in LDCs and SIDS that have little historic responsibility and will bear large relative costs of climate change. 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 Pilot Program for Climate Resilience (PPCR) of the World Bank's Climate Investment Funds and the Least Developed Countries Fund (LDCF) administered by the Global Environmental Facility. Developed countries' contributions to these funds remain low compared to those going to mitigation; at a global level, adaptation remains underfunded. 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 mobilization 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 210 million for nine projects in eight different countries. The amount of cumulative finance approved for adaptation from key climate funds tracked by CFU has grown to USD 3.3 billion in 2016. 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). 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?

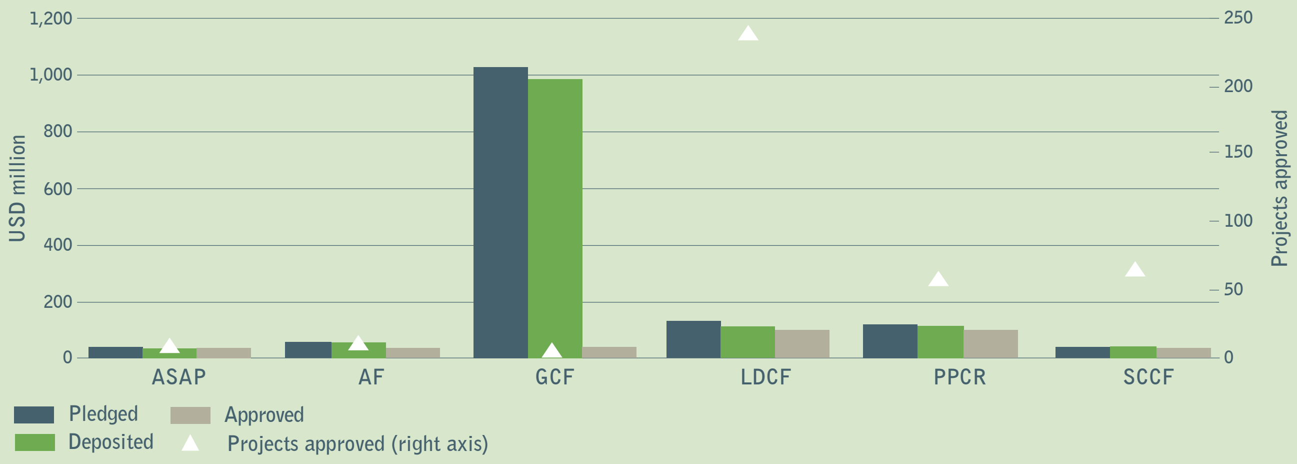
The adaptation finance architecture includes finance flows and mechanisms from private finance and public finance, as well as resources from development finance institutions and increasingly from insurance and risk pooling mechanisms (Figure 2). Sources have varying information availability.

CFU data shows additional USD 304 million in multilateral funding approved for adaptation during 2016 from the funds in Table 1 and Figure 1. The PPCR has approved the largest amount of adaptation finance to date, including an additional

Table 1: Multilateral funds supporting adaptation (2003-2016, USD millions)[1]

Fund	Pledged	Deposited	Approved	Projects approved
Adaptation for Smallholder Agriculture Program	366.45	336.25	345.00	48
Adaptation Fund	569.15	546.91	348.91	54
Green Climate Fund	10,255.39	9,896.38	324.19	14
Least Developed Countries Fund (LDCF)	1,250.16	1,077.01	973.24	237
Pilot Program for Climate Resilience (PPCR)	1,117.00	1,117.00	972.50	65
Special Climate Change Fund (SCCF)	367.31	362.31	298.5	71

Figure 1: Multilateral Climate Funds supporting Adaptation (2003-2016)



USD 115 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 (238) across 54 different countries, although individual project funding is small. The SCCF shows an increase of USD 24 million in approved funding (9 new projects), and the AF has the smallest increase, with a further USD 24 million approved this year, for only 3 new projects. ASAP also shows an increase of USD 106 million and is the adaptation fund with the highest number of new projects (20).

Although a multi-thematic fund, the GCF has greatly increased adaptation finance (see CFF11), approving USD 210 million for nine adaptation projects in 2016 (and a further USD500 million for 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 197 million.

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

Regionally, adaptation finance has primarily been directed to Sub-Saharan Africa, East Asia and the Pacific and South

Figure 2: Adaptation finance architecture (USD millions)

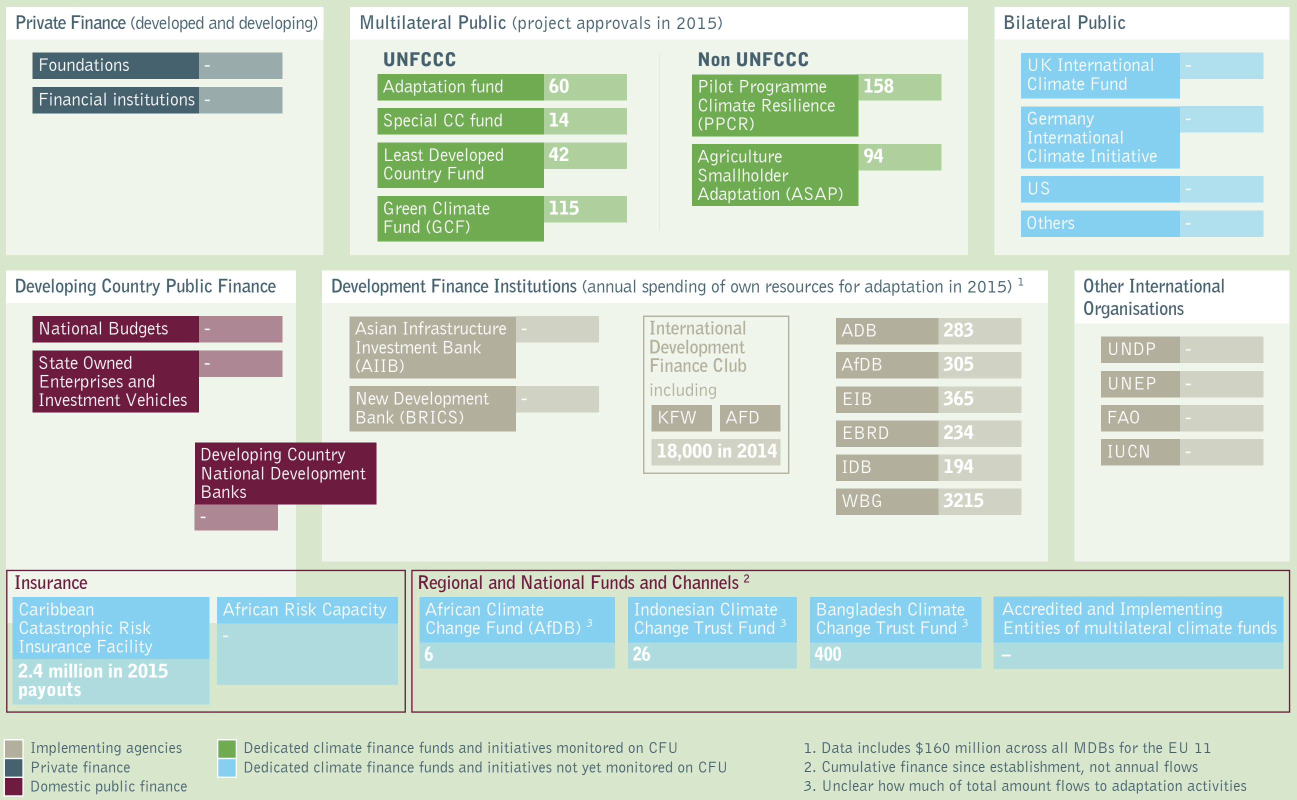
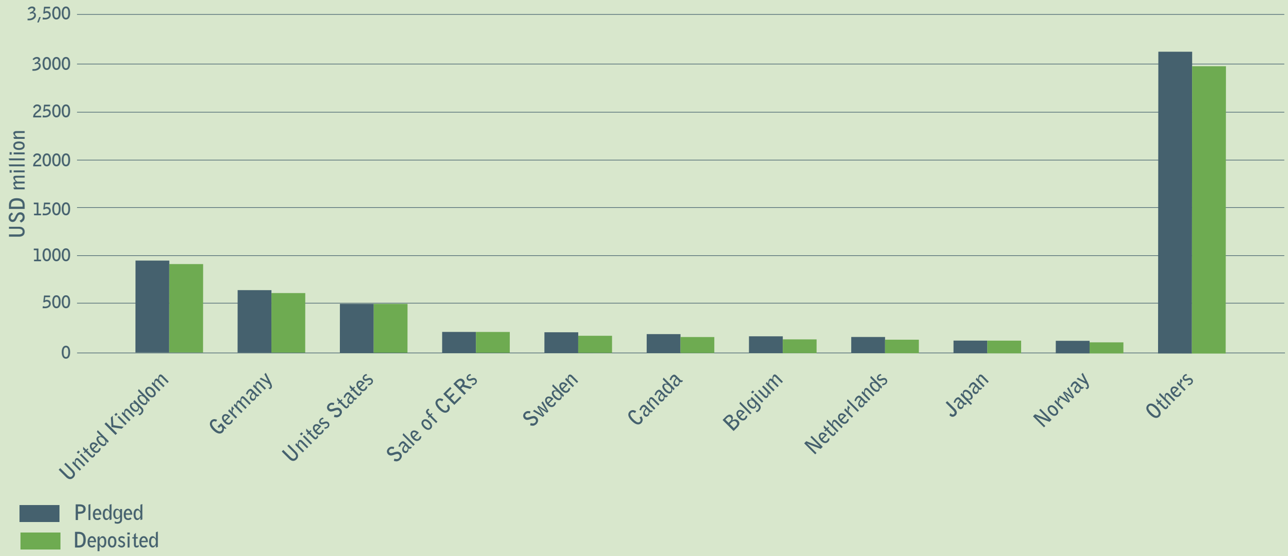


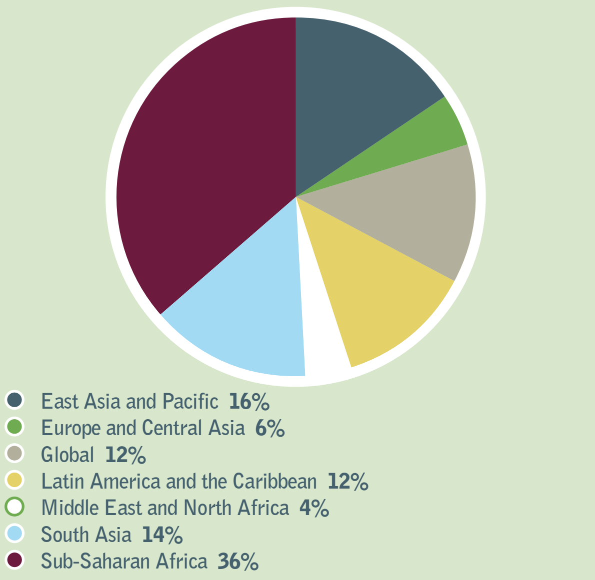
Figure 3: Pledges and deposits to funds supporting adaptation [2]



Asia, followed by programs and activities in Latin America and the Caribbean (Figure 4). The top twenty recipients of adaptation finance (out of 148 countries) received 39% of the total amount approved, which represents a much lower concentration of funding than for mitigation finance (where the top twenty recipients receive 59% of total approved finance). Top recipients Bangladesh, Niger, Nepal, Mozambique, Cambodia, and Bolivia all received between USD 101 and USD 208 million each (all also PPCR recipient countries). Some of the most vulnerable developing countries receive very little adaptation finance: for instance, Somalia and Central African Republic, both Fragile and Conflict-Affected States, and among the world's most vulnerable countries according to various vulnerability indexes,[3] have received only USD 8 and USD 12 million respectively from dedicated adaptation funds, with no new funding mobilised since 2013.

The GCF has approved USD 210 million in 2016 so far for 9 adaptation activities. The biggest adaptation project approved this year is the USD 38.1 million grant aimed at 'Strengthening the Resilience of Smallholder Farmers in the Dry Zone to Climate Variability and Extreme Events, through an Integrated Approach to Water Management' in Sri Lanka, followed by a USD 37 million loan to reduce glacial lake outburst flood risk in Northern Pakistan. In 2016, three multi-foci GCF projects worth USD 122 million will also contribute substantially to adaptation in Madagascar, Morocco and Vietnam.

Figure 4: Regional distribution of approved adaptation finance



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

- **Adaptation finance and the infrastructure agenda**. Smita Nakhooda and Charlene Watson review international efforts to support adaptation and their linkages with efforts to mobilise new finance for infrastructure. Available at: **http://bit.ly/2dMu8P3**
- **The AIIB and investment in action on climate change**. Darius Nassiry and Smita Nakhooda explore how the AIIB can expand markets for solar, wind and grid technologies, and extend China's leadership in the region in a manner consistent with the commitments to take ambitious action on climate change made by its member countries and prospective member countries as signatories to the Paris Agreement. Available at: http://bit.ly/2fk5Exe
- **Financing sustainable development: The critical role of risk and resilience**. Charlene Watson and Jan Kellett make the case that better risk management and the building of resilience are imperative for sustainable development. Available at: **http://bit.ly/2efIUtX**
- **Mutually Reinforcing: Climate Justice, Equitable Climate Finance and the Right to Development**. Liane Schalatek explores the ramifications of the right to development as an inalienable human right for the global challenge of climate change more broadly and more specifically for the concept of climate justice and its application to climate finance provision. Available at: **http://bit.ly/2eWfuRw**
- **In Search of Policy Coherence: Aligning OECD Infrastructure Advice with Sustainable Development.** Motoko Aizawa and Waleria Schuele discuss the privileged relationship of the OECD with the G20 in acting as a powerful voice on policy related to infrastructure investment and development globally and call for the OECD to use its political clout to demonstrate full policy coherence for investment in sustainable development. Available at: **http://bit.ly/1YeHkeE**

Contact us for more information at **info@climatefundsupdate.org**

References and useful links:

Climate Funds Update: www.climatefundsupdate.org (data accessed in October 2016)

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UNFCCC (2014) 'Technical paper on the second review of the Adaptation Fund' http://unfccc.int/resource/docs/2014/tp/07.pdf

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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 and bilateral funds are not included here, e.g. ICI.
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 (http://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**

Overseas Development Institute
203 Blackfriars Road | London | SE1 8NJ | UK
Tel:+44 (0)20 7922 0300

Heinrich Böll Stiftung North America
1432 K Street | NW | Suite 500 Washington | DC 20005 | USA
Tel:+1 202 462 7512