Climate Funds Update

HEINRICH BÖLL STIFTUNG
WASHINGTON, DC
USA | Canada | Global Dialogue

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Climate Finance Thematic Briefing: Adaptation Finance

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Climate Finance Fundamentals 3

FEBRUARY 2021

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 COP 22. 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 Pilot Program for Climate Resilience (PPCR) of the World Bank's Climate Investment Funds (CIFs) and the Adaptation Fund (AF). 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 resource mobilisation to adaptation, with half of that going to the SIDS, LDCs and African states (see CFF 11) – is the largest provider of adaptation finance. In 2020, under its first year of its first replenishment (GCF-1), it approved the largest volume of adaptation finance that year, adding a further USD 313 million for 11 projects targeting adaptation. The amount of cumulative finance approved for adaptation from key climate funds tracked by Climate Funds Update (CFU) grew to USD 5.8 billion in 2020. 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

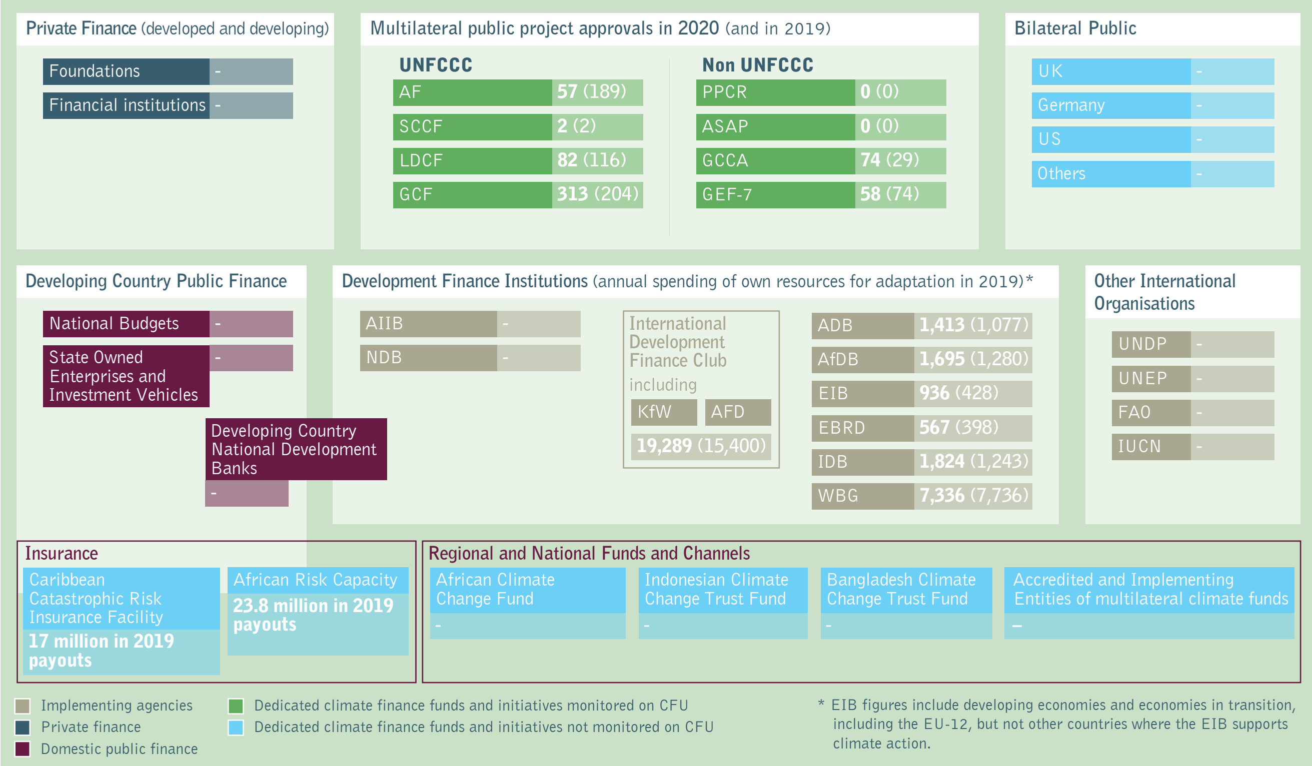
While efforts to mitigate climate change are crucial, it is also essential to assist developing countries to adapt to the rapidly worsening impacts of climate change already being experienced due to past and current greenhouse gas (GHG) emissions. Finance is necessary to fund activities that respond to impacts such as flooding, cyclones, coastal erosion, droughts and increased variability of precipitation. Currently 23% 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. 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, 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 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 586 million in multilateral funding approved for adaptation during 2020 from the funds in Table 1 and Figure 2. The PPCR did not approve additional projects in 2020. 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 286, with relatively small individual project funding. The LDCF approved USD 82 million in 2020 for 14 new projects. The Special Climate Change Fund (SCCF) approved USD 2 million for two new projects, whilst the AF approved USD 57 million for 28 new projects, the Global Climate Change Alliance (GCCA) approved USD 74 million for one project and the GEF 7 Trust Fund approved USD 58 million for 12 new projects. The Agriculture Smallholder Adaptation Programme (ASAP) did not approve further projects this year as it shifts into a new phase. Although a multi-thematic fund, the GCF is responsible for greatly increasing adaptation finance (see CFF 11), having approved the largest amount of USD 313 million for 11 adaptation projects in 2020 (and a further USD 408 million for nine projects with both adaptation and mitigation components).

Figure 1: Adaptation finance architecture diagram (USD millions)



Multilateral Funds and Initiatives	
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
KfW	Kreditanstalt für Wiederaufbau (German development bank)
NDB	New Development Bank
WBG	World Bank Group

Who pledges and deposits adaptation finance?

Europe, Germany, the United Kingdom and the United States represent 63% 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 205 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 122 countries) received 41% of the total amount approved, which represents a much lower concentration of funding than for mitigation finance (where the top 20 recipients receive 59% of total approved finance). Top recipients Bangladesh, Niger, Tanzania, Zambia, Mozambique, Cambodia, Nepal, Ethiopia, Samoa and Bolivia have all received more than USD 110 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 Côte d'Ivoire, both Fragile and Conflict-Affected States (FCAS) and among the world's most vulnerable countries according

Table 1: Multilateral funds supporting adaptation (2003-2020, USD millions)[1]

Fund	Pledged	Deposited	Approved	Projects approved
Green Climate Fund (GCF-IRM, GCF-1)	20,320.3	10,179.0[2]	1,620.0	63
Least Developed Countries Fund (LDCF)	1,686.4	1,583.8	1,265.7	283
Pilot Program for Climate Resilience (PPCR)	1,144.8	1,144.8	987.2	67
Adaptation Fund (AF)	1,039.2	978.3	777.3	238
Global Climate Change Alliance (GCCA)	1,332.9	1,332.9	380.9	40
Adaptation for Smallholder Agriculture Programme (ASAP)	406.5	331.8	293.1	42
Special Climate Change Fund (SCCF)	379.6	372.9	284.0	72
Global Environment Facility Trust Fund 7 (GEF-7)	700.5	700.4	132.1	21

to various vulnerability indices,[3] have received only USD 9.2 million and USD 6.3 million respectively in adaptation finance from multilateral climate change funds.

The GCF approved USD 313 million in 2020 for 11 adaptation-focused projects. These approvals are all grant-based, including two utilising the Simplified Approval Process (SAP). GCF approvals in 2020 included four projects in FCAS (in Zimbabwe, Liberia, Burundi and Sudan), bringing the total number of GCF adaptation projects in fragile states to 12. The GCF's largest adaptation project in 2020 was a regional project with USD 47 million in GCF grant support covering five Pacific countries to enhance climate information and knowledge services. GEF-7 projects approved in 2020 also supported six FCAS countries (in the Democratic Republic of the Congo, Liberia, Mali, Myanmar, Sudan and Yemen), with the largest project approved (USD 16 million) supporting resilient and sustainable livelihoods in rural Yemen.

Figure 2: Multilateral climate funds supporting adaptation (2003–2020)

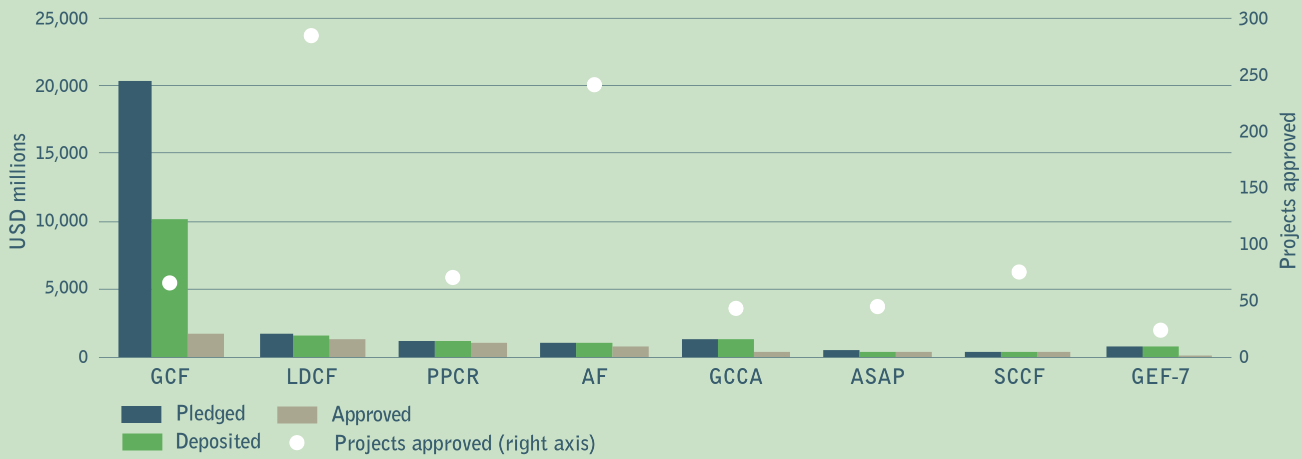


Figure 3: Pledges and deposits to funds supporting adaptation[4] (2003–2020)

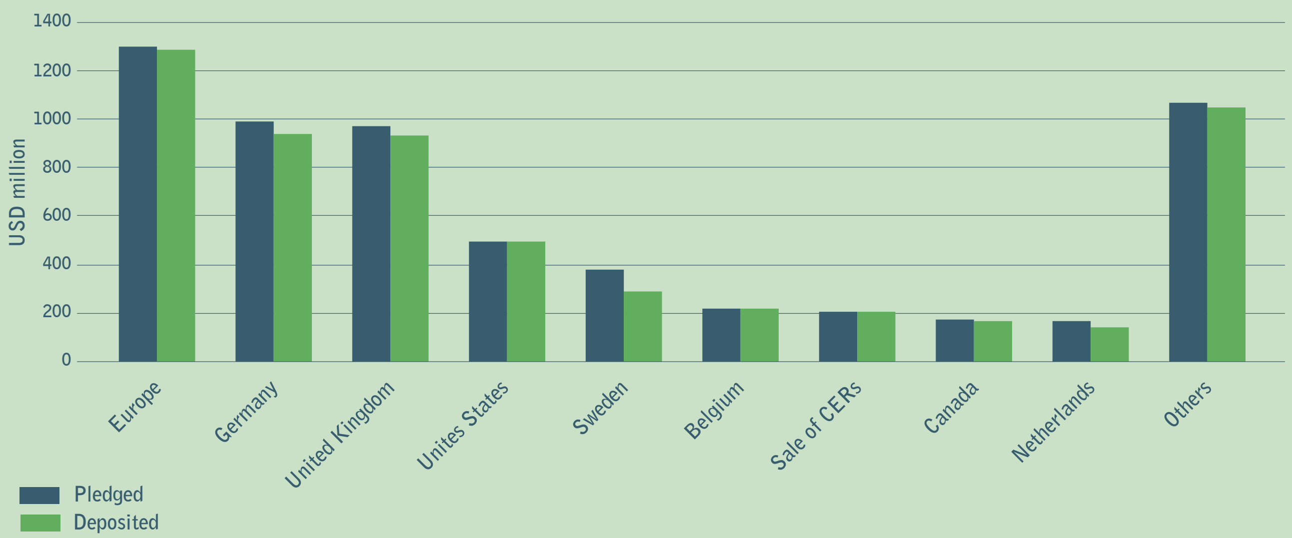
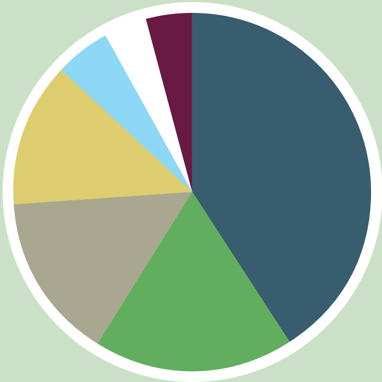


Figure 4: Regional distribution of approved adaptation finance from major climate change funds (2003–2020)



References and further reading

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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 both the IRM and GCF-1 replenishment. 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 and the official GCF-1 exchange rate set in October 2019 for GCF-1 contributions, not actual amounts received taking into account exchange rate fluctuations.
3. Global Adaptation Institute (GAIN) (http://index.gain.org/) and DARA indexes (https://daraint.org/climate-vulnerability-monitor/).
4. 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.

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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