Climate Funds Update

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ODI

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 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. CFU data suggest that developed countries have pledged USD 3 billion cumulatively to multilateral adaptation funds. 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. The Special Climate Change Fund (SCCF) and the Adaptation Fund (AF) have also increased adaptation financing in the last year. A sizeable new adaptation dedicated initiative is the USD 353 million Adaptation for Smallholder Agriculture Program (ASAP) under the International Fund for Agricultural Development (IFAD). Nevertheless, developed countries' contributions to these funds remain low, and at a global level adaptation remains underfunded. A related challenge is to direct public adaptation funding 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. This is one reason why the confirmed commitment by the new multi-billion Green Climate Fund (GCF), which might start disbursing financing in 2015, to devote 50 percent of its funding to adaptation, with half of that going to the SIDS, LDCs and African states (see CFF 11), will constitute a much needed corrective.

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. 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. 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.

CFU data describes a 57%[1] increase in multilateral funding approved for adaptation over the last year. However, assessments of amounts disbursed are impeded by a lack of transparency and reporting on recipients.

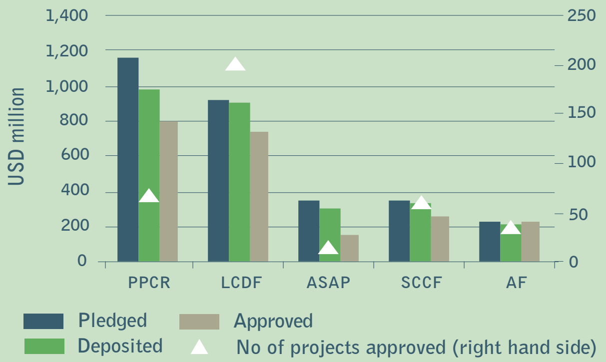
What are the main dedicated climate funds that focus on adaptation finance?

Table 1 lists the dedicated multilateral climate funds exclusively targeting adaptation actions. The EU's Global Climate Change Alliance (GCCA) also delivers considerable adaptation funding but is not listed here as it also supports multiple objectives and activities aside from adaptation. The PPCR has approved the largest amount of adaptation finance to date, and registered a 93% increase this year (USD 383 million), however it support only few countries with programmatic funding because of its pilot approach In contrast, he LDCF, is the fund with the highest number of projects approved (199) in 52 different countries, although individual projects are pretty small. The AF and the SCCF have approved similar amounts of funding, with increase in approvals this year of 22% and 41%. The AF, which receives part of its funding from CDM revenue, remained hampered by plummeting carbon prices and contributions. This shortfall has so far not been made up with increased grant contributions by developed countries.

Table 1: Funds exclusively supporting adaptation (2003-2014)

Fund	Pledged (USD M)	Deposited	Approved	No of projects approved
Pilot Program for Climate Resilience (PPCR)	1,160.00	973.00	796.00	65
Least Developed Countries Fund (LDCF)	914.47	903.05	733.40	199
Adaptation for Smallholder Agriculture Program (ASAP)	352.86	300.66	149.91	15
Special Climate Change Fund (SCCF)	347.30	336.07	253.50	60
Adaptation Fund (AF)	226.33	213.71	231.55	35

Figure 1: Funds exclusively supporting adaptation[2]

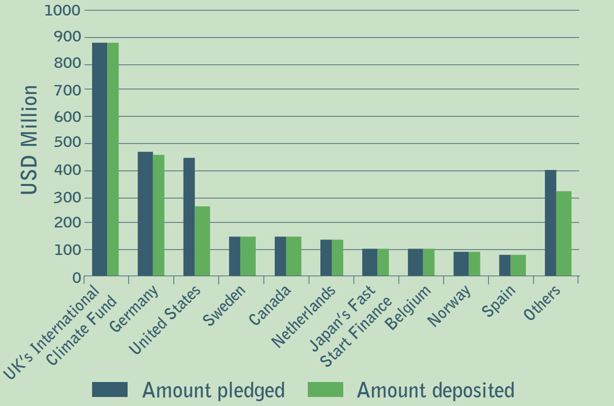


Who pledges & deposits to adaptation funds

So far, the United Kingdom, through the International Climate Fund, Germany, the United States Sweden and Canada represent 69% of the USD 3 billion pledged to adaptation funds thus far; of this, about USD 2.72 billion has been deposited. 79% of the deposited finance has been approved to support projects and programs. The gap between amounts pledged and deposited to the funds is small, at around 9%. This suggests that adaptation finance is flowing, even if the exact amount disbursed is difficult to assess.

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

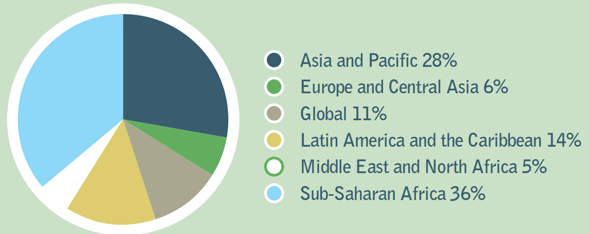
Figure 2: Pledges and deposits to adaptation funds



Regionally, adaptation finance has primarily been directed to Sub-Saharan Africa and Asia and the Pacific, followed by global project and programs and activities in d Latin America and the Caribbean. The top twenty recipients of adaptation finance (out of 114 countries) receive 54% of the total amount approved, which represents a much lower concentration of funding than for mitigation finance(where the top twenty recipients receive 89% of total approved finance). Top recipients Bangladesh, Mozambique, Niger, Nepal, Zambia all receive between USD 94 - 190 million each (all five are also PPCR recipient countries), with the next five top countries receiving from USD 55 to 90 million each. Some of the most vulnerable developing countries receive very little adaptation finance: for instance, Somalia and Central African Republic, both among the world's most vulnerable countries according to various vulnerability indexes[3], currently receive only USD 8 and 10 million respectively from dedicated adaptation funds. This isa relative increase from last year but still far from what is needed in these fragile countries to adapt to the impacts of climate change.

The scope of what constitutes an adaptation project is wide. The largest recently approved projects are the ASAP grant for 'Adaptation for Smallholders in the Hilly Areas (ASHA)' (USD 15 million) in Nepal, which aims to strengthen the Local Adaptation Plan for Action (LAPA) development process to implement Nepal's National Adaptation Programme of Action (NAPA) at the local level; and the PPCR concessional loan 'Disaster Vulnerability Reduction Project' (USD 15 million) in St. Lucia which would benefit the country's 174,000 inhabitants by reducing the risk of failure of key infrastructure, improving the overall national understanding of risk, and rehabilitate damaged public infrastructure following a natural hazard.

Figure 3: Regional distribution of adaptation finance



References and useful links:

Climate Funds Update: www.climatefundsupdate.org (data accessed in November 2014)

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GEF (2014) Progress Report on the Least Developed Country Fund and on the Special Climate Change Fund (2014) http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF-LDCF.SCCF_.17-03,%20Progress%20Report%20on%20the%20LDCF%20and%20the%20SCCF,%202014-10-08.pdf

End Notes

1. Excluding ASAP which was not tracked on CFU last year.
2. Japan's bilateral FSF is excluded here as what it counts as climate finance is not comparable with other bilateral contributors of climate finance. For a detailed analysis of Japan's FSF and other top contributors of climate finance see: http://www.climatefundsupdate.org/global-trends/fast-start-finance
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**

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