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 suggests that developed countries have pledged USD 3.3 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. Developed countries' contributions to these funds remain low compared to those to mitigation; at a global level, adaptation remains underfunded. 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. The operationalisation of the Green Climate Fund (GCF), which is set to devote 50% of its funding to adaptation, with half of that going to the SIDS, LDCs and African states (see CFF 11), would constitute a much needed global corrective in terms of funding for adaptation.

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 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, vulnerable and marginalised groups.

CFU data shows additional USD 288 million in multilateral funding approved for adaptation during 2015. However, assessments of amounts disbursed are impeded by a lack of transparency and reporting on recipients.

Which are the main climate funds that focus on adaptation?

The adaptation finance architecture includes finance flows and mechanisms from private finance, public finance, as well as resources from development finance institutions and increasingly from insurance and risk pooling mechanisms (Figure 1). Sources have varying information availability. CFU compiles information from the dedicated multilateral climate funds targeting adaptation actions[1] (Table 1).
The PPCR has approved the largest amount of adaptation finance to date, including an additional USD 61 million this year (for five new projects). This fund's pilot approach involves supporting only a few countries with programmatic funding. In contrast, the LDCF has the highest number

Table 1: Dedicated Funds supporting adaptation (2003-2015)

Fund	Pledged	Deposited	Approved	Projects approved
Pilot Program for Climate Resilience (PPCR)	1125.00	1125.00	857.31	70
Least Developed Countries Fund (LDCF)	963.66	961.87	794.62	203
Adaptation Fund (AF)	487.10	482.54	330.30	51
Adaptation for Smallholder Agriculture Program (ASAP)	366.46	326.44	239.00	28
Special Climate Change Fund (SCCF)	350.08	344.07	277.89	64

Figure 1: Adaptation finance architecture (USD millions)

Private Finance (developed and developing)

Foundations	-
Financial institutions	-

Multilateral Public (project approvals in 2014)

UNFCCC

Adaptation fund	59
Special CC fund	85
Least Developed Country Fund	139
Green Climate Fund (GCF) [4]	115

Non UNFCCC

Pilot Programme Climate Resilience (PPCR)	71
Agriculture Smallholder Adaptation (ASAP)	83

Bilateral Public (approvals in 2013)

UK International Climate Fund	98
Germany International Climate Initiative	15
US	-
Others	-

Developing Country Public Finance

National Budgets	-
State Owned Enterprises and Investment Vehicles	-
Developing Country National Development Banks	-

Development Finance Institutions (annual spending of own resources for adaptation in 2014) [2]

Asian Infrastructure Investment Bank (AIIB)	-
New Development Bank (BRICS)	-
International Development Finance Club including KFW, AFD	16,000 in 2013
World Bank	2,846
ADB	665
AfDB	605
EIB	129
EBRD	188
IDB	81
IFC	18

Other International Organisations

UNDP	-
UNEP	-
FAO	-
IUCN	-

Insurance

Caribbean Catastrophic Risk Insurance Facility	3m in 2014 payouts, asset base 132 in 2014
African Risk Capacity	26m in 2014 payouts, 200 in intial capitalisation

Regional and National Funds and Channels [3]

African Climate Change Fund (AfDB) [1]	6
Indonesian Climate Change Trust Fund	22
Bangladesh Climate Change Trust Fund	190

Implementing agencies
Private finance
Domestic public finance
Dedicated climate finance funds and initiatives monitored on CFU
Dedicated climate finance funds and initiatives not yet monitored on CFU

1. Unclear how much of the total amount flows for adaptation activities
2. MBD data includes $97 million across all MDBs for the EU 13
3. Cumulative finance since establishment, not annual data
4. GCF approvals for 2015

of projects approved (203) across 54 different countries, although individual project funding is small. The AF shows an increase of USD 98 million in approved funding (16 new projects), and ASAP also shows an increase of USD 89 million (13 new projects). The SCCF has the smallest increase, with a further USD 24 million approved this year, for four new projects. The new pledges announced by a diverse set of countries (including middle-income Parties) during COP20 last year to the AF allowed the final approval of several projects under the AF pipeline (already approved but waiting for funding availability) as well as the approval of new projects.

Significantly, the Green Climate Fund has recently approved its first eight projects. Five of these provide a total of USD 114.6 in funding exclusively for adaptation.

Who pledges and deposits adaptation finance?

So far, the United Kingdom, Germany, and the United States represent 58% of the USD 3.2 billion pledged to adaptation funds[2] (98% of the pledges have been deposited). This includes 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, this funding still amounts to USD 194 million. Of total adaptation finance, 88% of deposits have been allocated to support projects and programs. The GCF has committed to allocate 50% of its USD 10.2 billion in initial resource mobilisation to adaptation (with half of this amount safeguarded for adaptation funding to LCDs, SIDS and African states).

Figure 2: Dedicated Adaptation Funds (2003-2015)

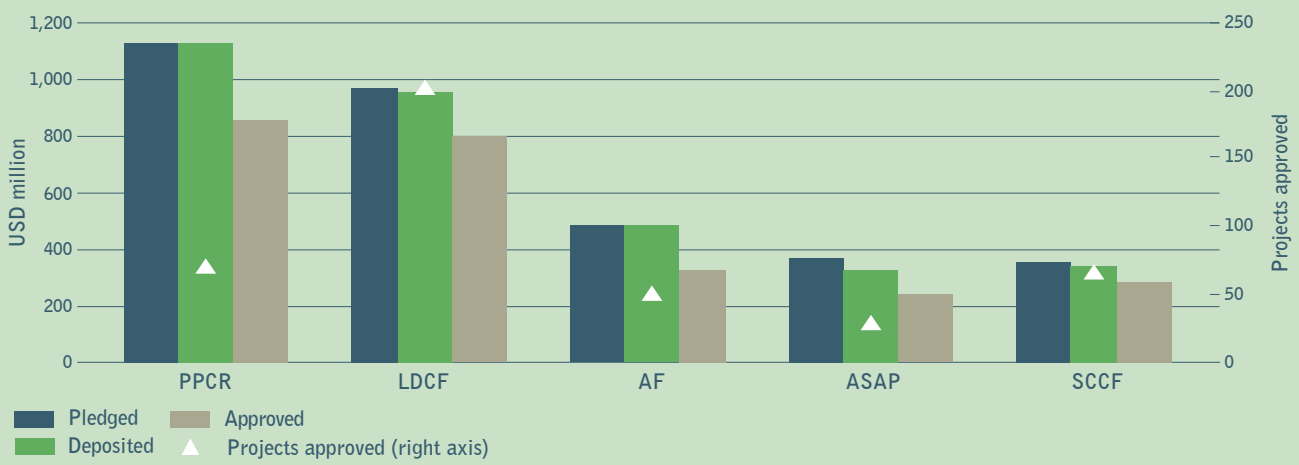
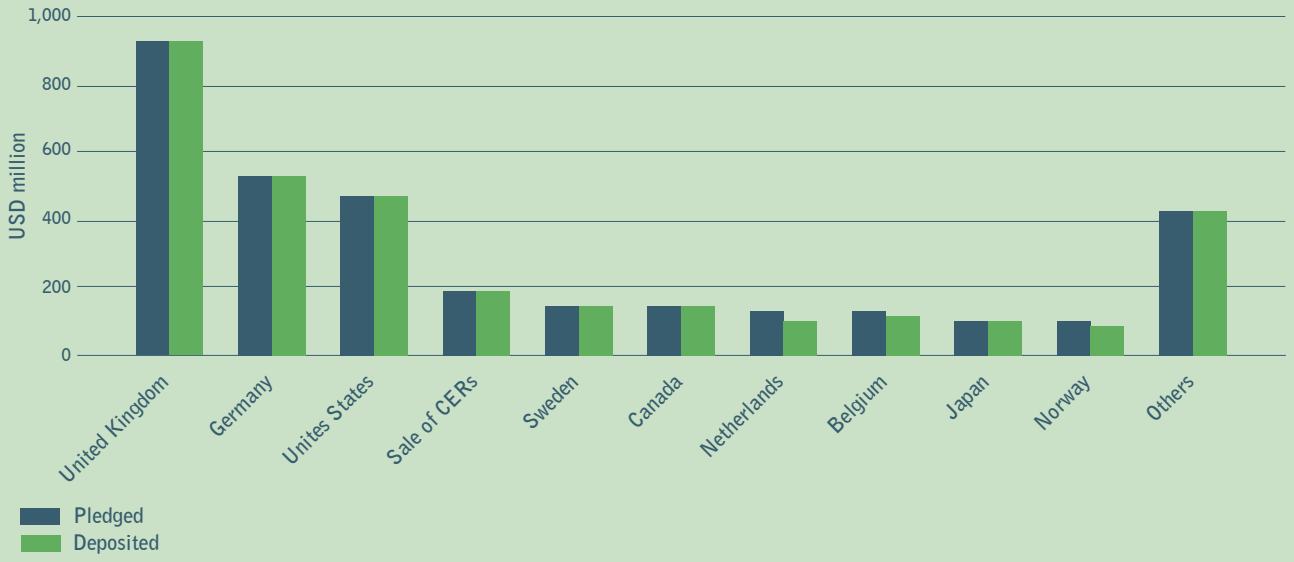


Figure 3: Pledges and deposits to dedicated funds supporting adaptation (2003-2015)

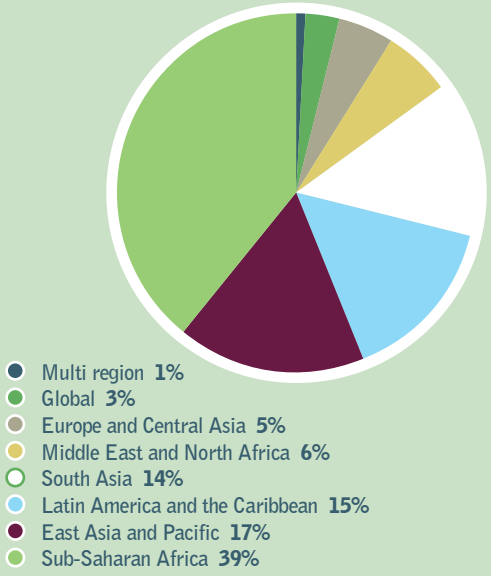


Who is receiving the money and what kinds of adaptation projects are funded?

Regionally, adaptation finance has primarily been directed to Sub-Saharan Africa and East Asia and the Pacific, followed by programs and activities in Latin America and the Caribbean (Figure 4). The top twenty recipients of adaptation finance (out of 114 countries) received 41% of the total amount approved, which represents a much lower concentration of funding than for mitigation finance (where the top twenty recipients receive 76% of total approved finance). Top recipients Bangladesh, Niger, Cambodia, Mozambique, Nepal, and Zambia all received between USD 94 and USD 190 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 among the world's most vulnerable countries according to various vulnerability indexes[3], currently receive only USD 8 and USD 12 million respectively from dedicated adaptation funds.

The scope of what constitutes an adaptation project is wide. Recent examples include the PPCR *Climate resilient Rural Infrastructure in Kampong Cham Province* (as part of the Rural Roads Improvement Project (RRIP-II)) (USD 9 million in grants and USD 7 million in concessional loans) in Cambodia, which aims to improve access to markets, jobs and social services in rural areas through a rural road network; and the ASAP grant for the *Programme de Promotion de l'Agriculture Familiale dans les régions de Maradi, Tahoua et Zinder (PRODAF)* (USD 13 million) in Niger aiming to improve resilience of agro-silvo-pastoral production systems through sustainable and integrated watershed management and strengthening the institutional and regulatory framework for sustainable natural resources management in three regions. In November 2015, the GCF approved USD 12.7 million for a climate information and early warning system in Malawi and USD 54.6 million to support two water supply projects in the Maldives and Fiji.

Figure 4: Regional distribution of approved adaptation finance (2003-2015)



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

- **Financing Intended Nationally Determined Contributions (INDCs): Enabling Implementation**. Meryln Hedger and Smita Nakhooda analyse the current and potential role for finance in INDCs published to date (October 2015).
  Available at: **http://bit.ly/1PzzKqc**
- **Climate Finance for Cities: How can climate funds best support low-carbon and climate resilient urban development?** Sam Barnard reviews the approaches taken by multilateral climate funds to support climate action in cities (June 2015).
  Available at: **http://bit.ly/1eTq23L**
- **What counts: tools to help define and understand progress towards the $100 billion climate finance commitment.** With Paul Bodnar, Jessica Brown, ODI's Smita Nakhooda, layout five simple tools to consider what should count to the 2020 target (August 2015).
  Available at: **http://bit.ly/1PzzQ0Y**
- **10 things to know about climate change and financing for development.** Smita Nakhooda and Charlene Watson highlight what you need to know about climate change and development finance (July 2015).
  Available at: **http://bit.ly/1RuUVgr**
- **From Innovative Mandate to Meaningful Implementation: Ensuring Gender-Responsive Green Climate Fund Projects and Programmes.** Liane Schalatek looks at the potential for the GCF to support gender responsive climate action (November 2015).
  Available at: **http://bit.ly/1HtEyMB**

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

References and useful links:

Climate Funds Update: www.climatefundsupdate.org (data accessed in November 2015)

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

IPCC Fifth Assessment Report (2013) 'Summary for Policymakers' http://www.climatechange2013.org/images/uploads/WGIAR5-SPM_Approved27Sep2013.pdf

UNEP 2014. The Adaptation Gap Report 2014. United Nations Environment Programme (UNEP), Nairobi

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UNFCCC (2014). Biennial Assessment and Overview of Climate Finance Flows Report. UNFCCC Standing Committee on Finance, Bonn, Germany.

End Notes

1. 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.
2. Including pledges to the PPCR, LDCF, AF, ASAP and SSCF only.
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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