The Current Landscape of Adaptation Finance

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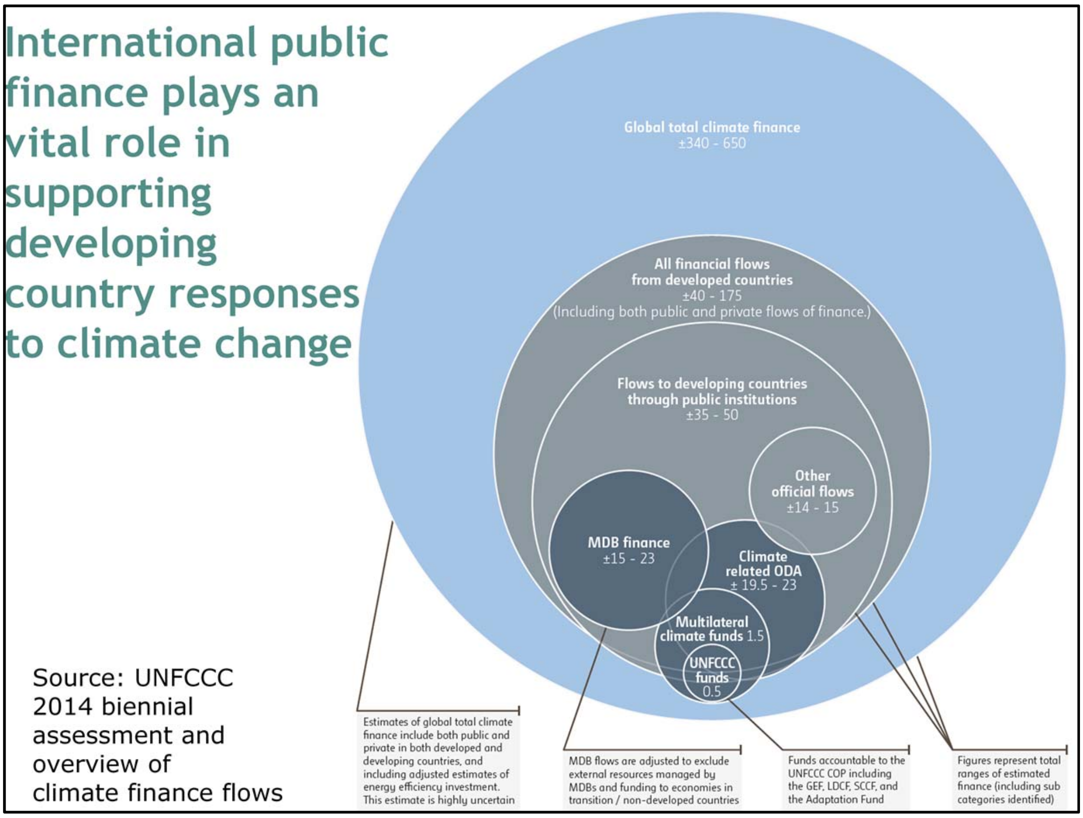
Adaptation Committee Workshop on Means of Implementation
Bonn
2 March 2015

•Structure of Presentation: Draw on the biennial assessment and wider ODI work on adaptation finance to offer insights into the questions posed by the co-chairs.

Who is involved and what are the trends?

In this section I will also touch on the questions posed by the co-chairs related to mobilising the private sector and understanding leverage and co-finance

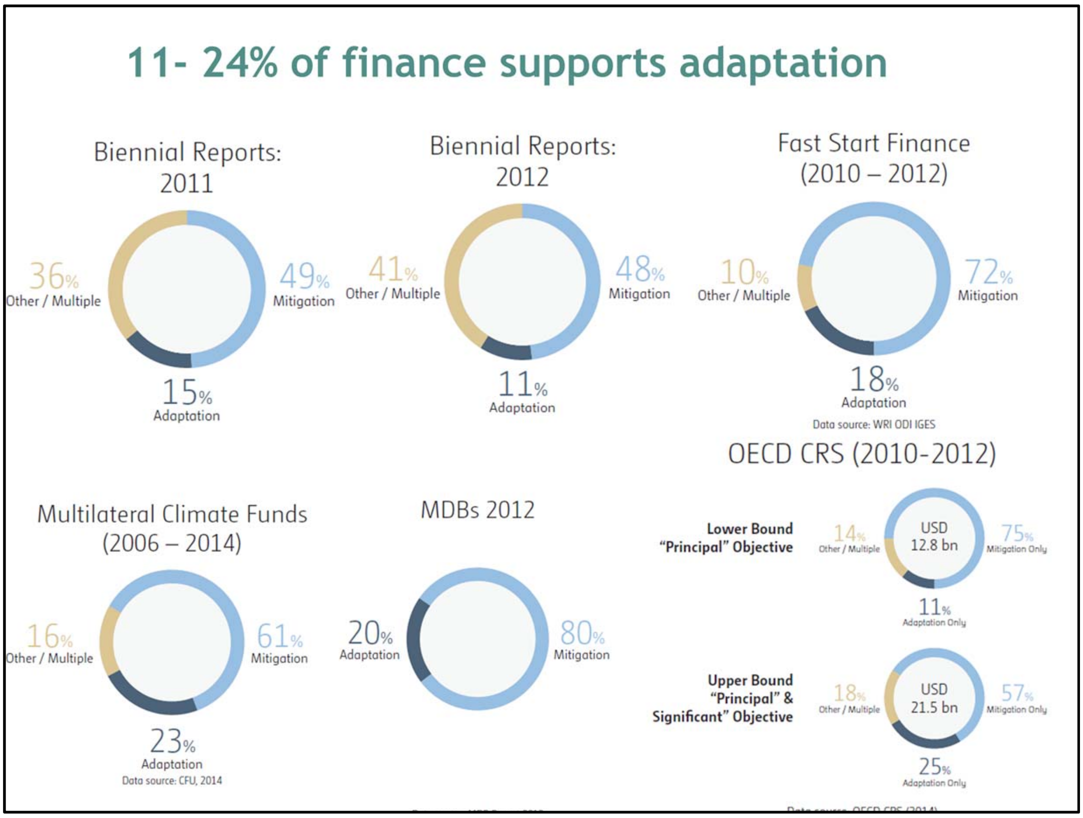


This figure is taken from the biennial assessment of climate finance flows developed under the oversight of the Standing Committee on Finance of the UNFCCC. It shows the multiple dimensions of the challenge at hand of greening global investment flows, and using international finance for developing countries to support the transition to low emission and climate resilient development. A subset of the flows to developing countries identified in the centre of the “onion” have been reported to the UNFCCC as climate finance in developed countries biennial reports of climate finance, and Fast Start Finance Reports.

Understanding Adaptation Finance: many challenges

- Lack of information on adaptation finance, particularly from private and domestic sources
  - *"Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts"*
- Different understandings of what counts, and difficulty distinguishing it
- The private sector is affected and is likely investing in adaptation even if it is not reported as such

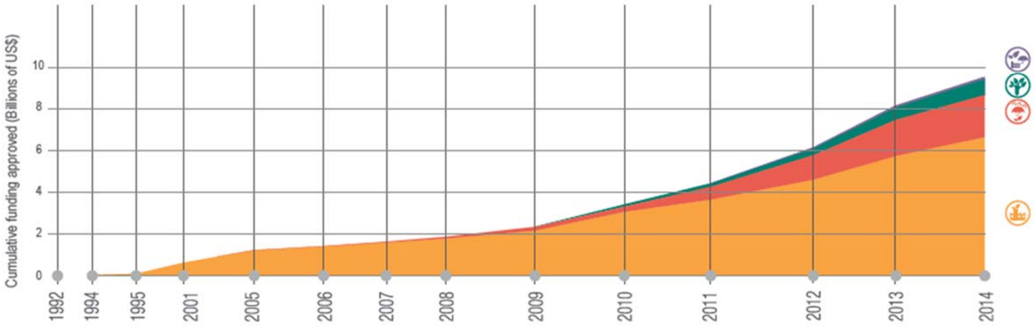
Attention to climate risk in the mainstream investment community needs to increase: some indicators of action
Maximise the complementarity with mainstream development finance, but grapple with challenges of additionality



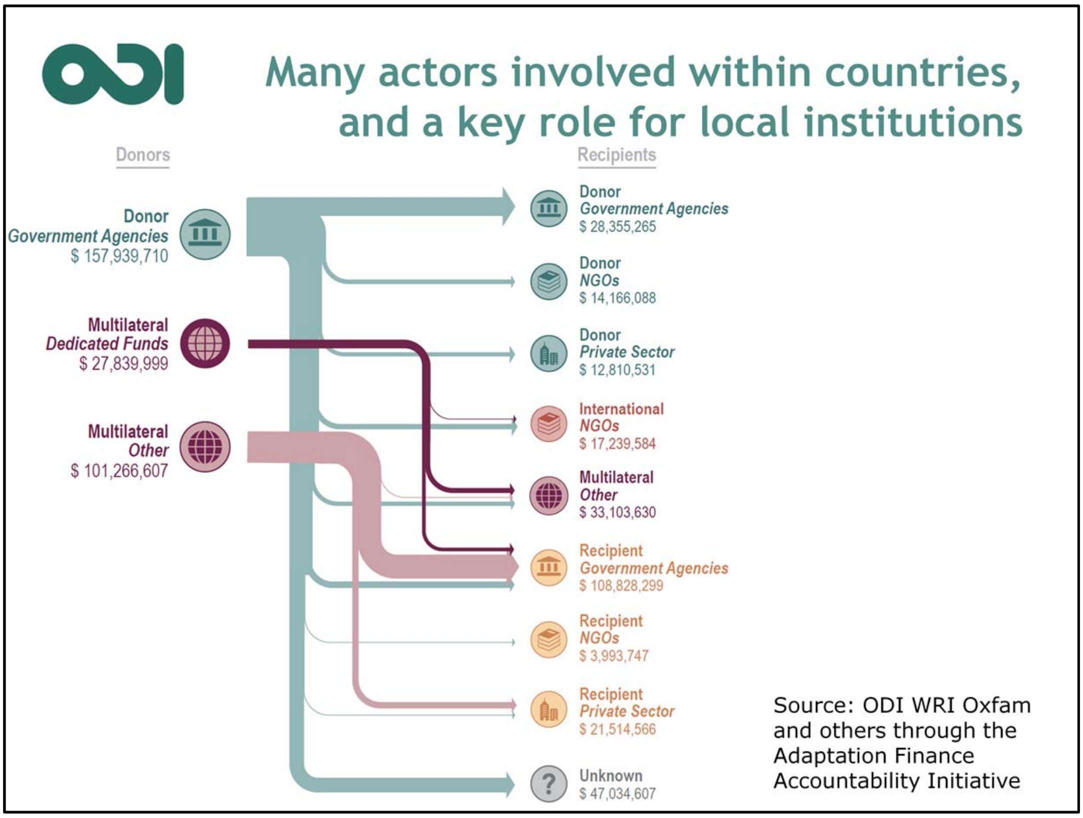
Forty-eight to seventy- eight per cent of finance reported as FSF, in BRs, through multilateral climate funds, and through MDBs supports mitigation or other/multiple objectives (6 to 41%). Classifying REDD+ finance as contributing to multiple objectives, as many countries have done in their BRs, results in a reduction in the share of mitigation finance relative to that reported in FSF. Adaptation finance in the same sources ranges from 11 per cent to 24 per cent. There is some evidence that adaptation finance has been increasing, though it remains a small share of the current estimates.4 The Least Developed Countries Fund, Special Climate Change Fund and Adaptation Fund approved an average USD 190 million per year between 2010 and 2012.

We have much better information on international public sources of adaptation finance than on private and domestic sources of adaptation finance. This is a result of the lack of a clear definition of what counts as adaptation finance, and the greater difficulty of distinguishing it from wider investment. Yet private actors are greatly affected by climate change, and are likely investing in adaptation even if it is not reported as such.

Though a small part of the landscape, adaptation flows through climate funds are increasing

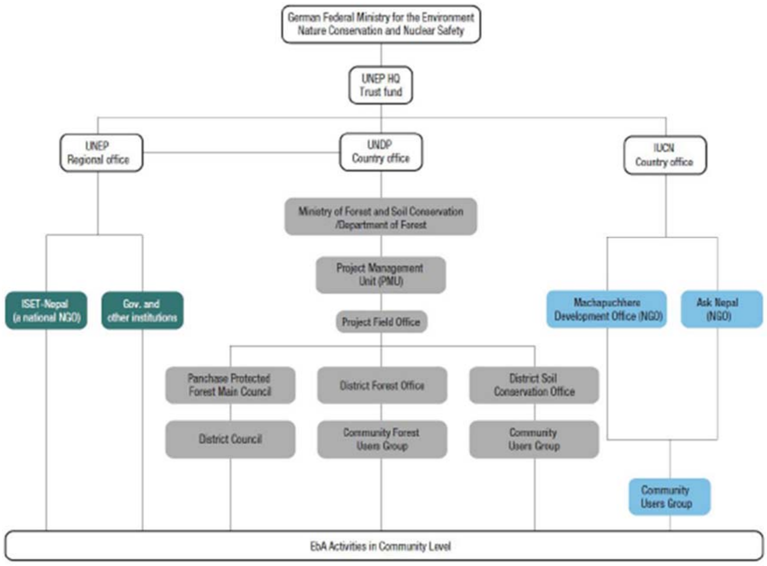


Source: Nakhooda and Norman *Climate finance: is it making a difference? A review of the effectiveness of multilateral climate funds* ODI 2014.



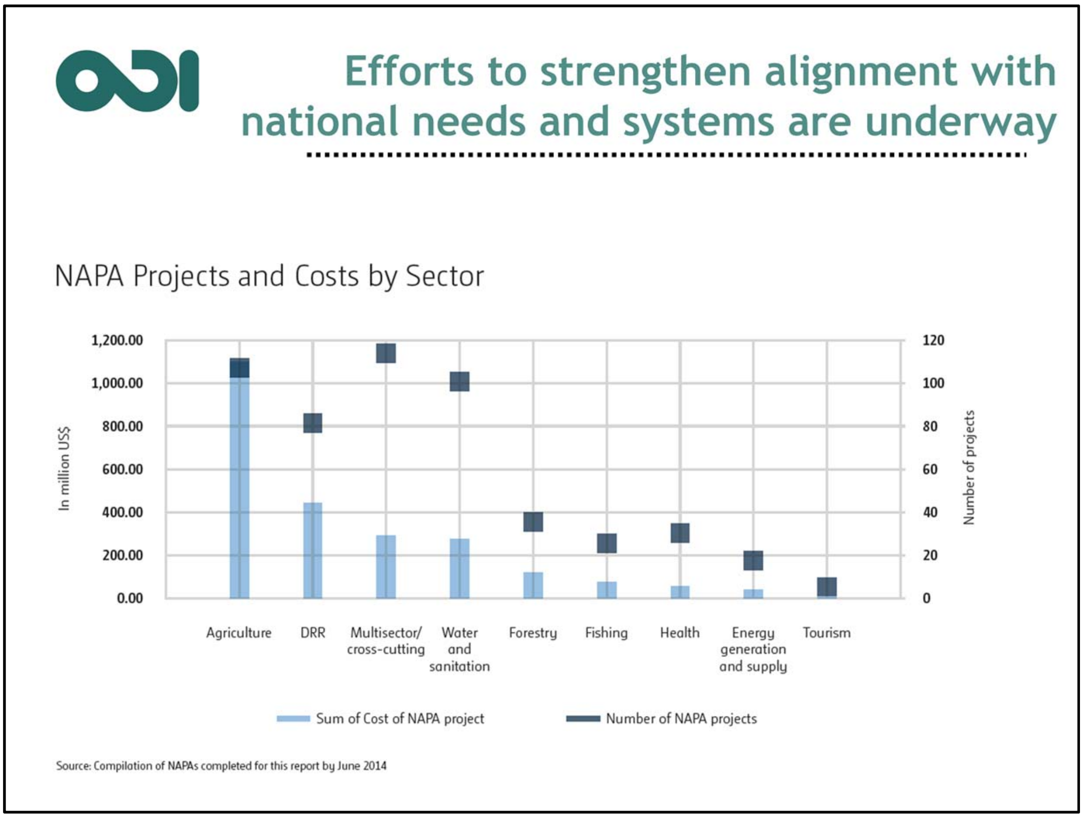
The reality on the ground and understandings of what counts as adaptation finance is often different, at the BA notes and other work that ODI WRI and Oxfam have been taking forward on adaptation finance within countries shows.
The BA also highlights the need for better local debate and reporting on adaptation finance from both national and international sources
Several recommendations to this end, including guidelines for national reporting on adaptation finance under BURs, and for both developed and developing countries to strengthen reporting of climate related finance within their countries from both international and domestic (public and private) sources

Many actors involved within countries, and a key role for local institutions

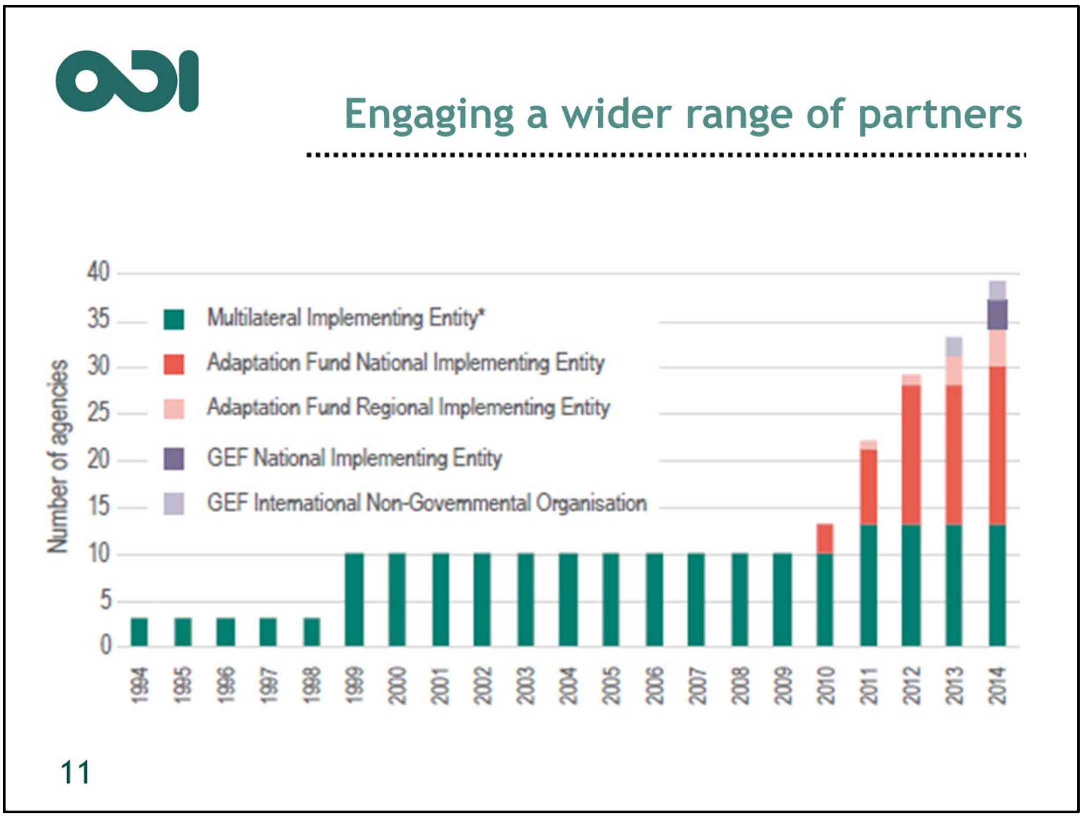


Source: E Wilkinson et al. *Going in the right direction? Tracking adaptation finance at the subnational level.* ODI WRI Oxfam 2014.

Institutional arrangements for adaptation: strengthening and simplifying access

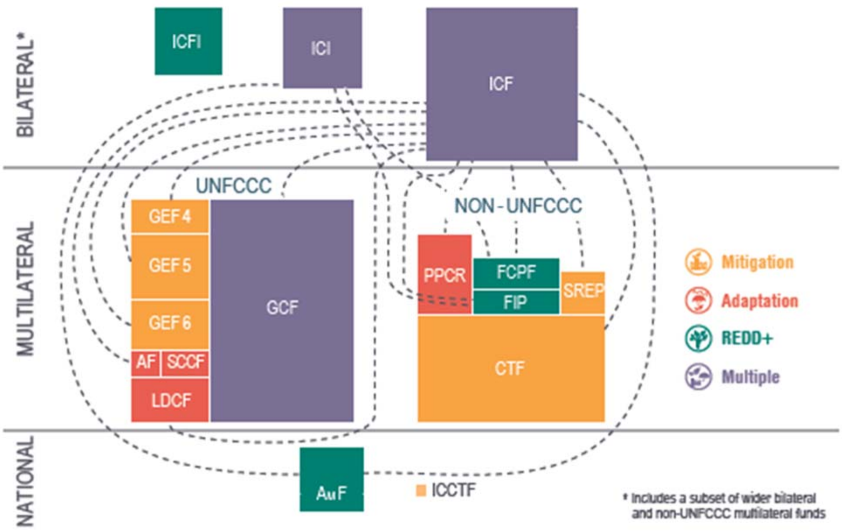


Alignment with needs: Many developing countries are assessing their needs for climate finance and the level of climate change investments. Case studies from Indonesia, the Maldives, Niger and Peru show that efforts are getting underway in developing countries to strengthen national systems to manage climate finance. Needs assessment processes have not always been well linked to decision-making on finance and investment. Better systems to track finance received may help strengthen alignment with national priorities.



But its not enough: much more that needs to be done, and many ways to increase impact, learning from experience

Strengthen and simplify



12

Source: Nakhooda and Norman *Climate finance: is it making a difference? A review of the effectiveness of multilateral climate funds.* ODI 2014.

As the summary of the BA shows, the Least Developed Countries Fund, Special Climate Change Fund and Adaptation Fund approved an average USD 190 million per year between 2010 and 2012.

http://www.climatefundsupdate.org

Comprehensive information on the objectives and scope of dedicated public climate finance:

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Monitoring and evaluation frameworks of major adaptation funds

PPCR	LDCF/ SCCF	AF
1.Degree of integration of climate change in national, including sector, planning. 2. Evidence of strengthened government capacity and coordination mechanism to mainstream climate resilience. 3. Quality and extent to which climate responsive instruments/investment models are developed and tested. 4. Extent to which vulnerable households, communities, businesses, and public sector services use improved PPCR supported tools, instruments, strategies, and activities to respond to climate variability or climate change. 5.Number of people supported by the PPCR to cope with the effects of climate change. Tables for reporting and scorecards have been developed. The full framework is included in the Annex.	1. Reduce vulnerability to address the adverse impacts of climate change, including variability. 2. Increase adaptive capacity to climate change, including variability. 3. Technology Transfer: Promote transfer and adoption of adaptation technology. Each outcome area includes indicators addressing outcomes and outputs. The full results framework is included in the annex.	Outcome 1: Reduced exposure at national level to climate-related hazards and threats. Outcome 2: Strengthened institutional capacity to reduce climate risks and losses. Outcome 3: Strengthened awareness and ownership of adaptation and climate risk reduction processes at local level. Outcome 4: Increased adaptive capacity within relevant development and natural resource sectors. Outcome 5: Increased ecosystem resilience in response to climate change and variability-induced stress. Outcome 6: Diversified and strengthened livelihoods and sources of income for vulnerable people in targeted areas. Outcome 7: Improved policies and regulations that promote and enforce resilience measures. These outcome areas are accompanied with output areas, and specific indicators. The full framework is included in the annex below.

Key recommendations from the Biennial Assessment

- Improve reporting to the convention on climate finance
- Develop guidelines for developing country reporting through Biennial Update Reports
- Advance work on operational definitions in partnership with other bodies
- Continue to advance common approaches to monitoring and assessing impact on greenhouse gas (GHG) emissions, low carbon development, and climate resilience
- Improve methods for estimating private climate finance
- Strengthen domestic reporting on climate finance in developed and developing countries
- Encourage climate finance providers to inform UNFCCC focal points of climate finance committed and reported to the Convention as directed to their country
- Deepen work on needs assessments and related processes

15