

Executive summary by the Standing Committee on Finance

Report on the doubling
of adaptation finance



United Nations
Framework Convention on
Climate Change

ABBREVIATIONS AND ACRONYMS

AFOLU	agriculture, forestry and other land use
BR	biennial report
BUR	biennial update report
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COP	Conference of the Parties
DAC	Development Assistance Committee
GCF	Green Climate Fund
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
LAC*	Latin America and the Caribbean
LDC	least developed country
LDCF	Least Developed Countries Fund
MDB	multilateral development bank
NAP	national adaptation plan
NC	national communication
NDC	nationally determined contribution
non-Annex I Party	Party not included in Annex I to the Convention
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
SCCF	Special Climate Change Fund
SCF	Standing Committee on Finance
SDR	special drawing rights
SIDS	small island developing State(s)
UNEP	United Nations Environment Programme

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I. Context and mandate

1. In the Sharm el-Sheikh Implementation Plan, CMA 4 requested the SCF to prepare a report on the doubling of adaptation finance in line with paragraph 18 of decision 1/CMA.3 for consideration at CMA 5.¹ This refers to the paragraph of the Glasgow Climate Pact in which developed country Parties were urged to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025, in the context of achieving a balance between mitigation and adaptation in the provision of scaled up financial resources, recalling Article 9, paragraph 4, of the Paris Agreement.

2. Article 9, paragraph 4, of the Paris Agreement states that the provision of scaled-up financial resources should be aimed at achieving a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the LDCs and SIDS, considering the need for public and grant-based resources for adaptation.

3. This report provides an overview of quantitative and qualitative information on progress towards the doubling of adaptation finance from 2019 levels by 2025 on the basis of the latest available data and trends, including methodological issues related to tracking adaptation finance and adaptation outcomes. It includes assessment of the distribution of adaptation finance and its effectiveness, as well as considerations relevant to achieving a balance with mitigation finance. In addition, it presents challenges and opportunities in relation to doubling adaptation finance from 2019 levels by 2025.

4. The report on the doubling of adaptation finance comprises this executive summary prepared by the SCF and a technical report² prepared by external experts under the guidance of the SCF and draws on a wide range of sources of information. The technical report was subject to extensive stakeholder input and expert review but remains a product of the experts.

II. Approach

A. Sources of information

5. This report presents quantitative and qualitative information on adaptation finance since 2019, obtained from a wide variety of sources in line with the approach followed for previous SCF technical reports, such as the reports on the biennial assessment and overview of climate finance flows³ and the report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation action and transparency on implementation⁴. The report draws on data and information from Parties' national reports, such as BRs, BURs and biennial communications under Article 9, paragraph 5, of the Paris Agreement, supplemented by other relevant data and information, including from OECD, international financial institutions, United Nations organizations, academia, non-governmental organizations and think tanks, in order to enhance the comprehensiveness of the report. Another source of information is the submissions received from Parties and non-Party stakeholders in response to the call for inputs issued by the SCF for the development of the report.⁵

6. This report was prepared under the guidance of co-facilitators, Mattias Frumerie (Sweden) and Richard Muyungi (United Republic of Tanzania), and benefited from inputs and guidance from the SCF in 2023.

¹ Decision 1/CMA.4, para. 42.

² The technical report will be made available at <https://unfccc.int/SCF>.

³ See <https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows>.

⁴ FCCC/CP/2022/INF.2, annex.

⁵ See <https://unfccc.int/report-on-the-doubling-of-adaptation-finance>. The deadline for inputs was 31 July 2023. The 17 submissions received are available at <https://unfccc.int/topics/climate-finance/resources/standing-committee-on-finance-info-repository#Report-on-the-doubling-of-adaptation-finance>.

B. Challenges and limitations

7. Tracking and reporting on the doubling of adaptation finance is challenging owing to a number of factors and limitations. CMA 3 communicated 2019–2025 as the time frame for the doubling of adaptation finance from developed to developing country Parties;⁶ however, there is no further clarity or guidance on how to measure and track efforts towards achieving the doubling.

8. Further, there are methodological issues underlying the adaptation finance data from the various sources of information. The Convention and the Paris Agreement provide a framework for a bottom-up approach whereby Parties can take a nationally determined methodological approach to tracking, measuring and reporting climate finance provided, mobilized and received, and defining climate finance. However, this can make it challenging to aggregate the available data on climate, including adaptation, finance. In addition, the granularity and classification of data, such as by geographical region, are not uniform across data sources.⁷

III. Key findings

A. Methodological issues related to tracking adaptation finance and outcomes

9. **Substantial gaps and time lags in official reporting on climate finance under the Convention and the Paris Agreement lead to challenges in using the data for tracking the doubling of adaptation finance.** The nature of adaptation is context-specific and at times cross-cutting,⁸ which can make it challenging to track volumes of finance provided for it. In fulfilling their reporting obligations under the Convention and the Paris Agreement, Parties employ different approaches to determining amounts of climate-specific finance provided for adaptation, mitigation and cross-cutting

activities respectively. The majority of Parties use a methodology that relies on the Rio markers with fixed coefficients to derive amounts of climate-specific finance. A few Parties examine each activity on a case-by-case basis, or apply a case-by-case approach to identifying amounts of climate-specific finance for activities scored against the Rio markers or specific coefficients for each sector or purpose code, or do not use the Rio markers at all.

10. The information reported by Parties in their BRs on multilateral channels primarily comprises data on inflows to multilateral development banks and multilateral funds. As a result, BR data do not reflect the complete financial flows directed towards projects in developing countries, particularly the outflows from multilateral funds and development banks to these projects. These data gaps in the coverage of multilateral outflows substantially affect the use of data reported under the Convention and the Paris Agreement as a basis for understanding the doubling of adaptation finance. Substantial gaps persist in the data on the disbursement of finance provided and mobilized, especially through multilateral channels, as well as on climate finance received by developing country Parties owing to a combination of infrequent, non-standardized reporting and capacity gaps.

11. Moreover, there are different time lags in data reporting through the various sources of information, which affects the reporting of the aggregate data from those sources. Given current reporting time lags, an estimate of whether the doubling of adaptation finance has been achieved by 2025 will not be available until 2028 in some aggregate reports. Relevant data reported by Parties under the enhanced transparency framework will be available in early 2029.⁹

12. Table 1 presents strengths and weaknesses of various data sources as well as BRs and BURs to illustrate their relevance to tracking the doubling of adaptation finance.

6 Decision 1/CMA.3, para. 18.

7 In line with the approach used for the SCF biennial assessment and overview of climate finance flows, for presenting an overview of the provision of adaptation finance, various data sources are used to illustrate flows from developed to developing countries, without prejudice to the meaning of those terms in the context of the Convention and the Paris Agreement, including but not limited to Parties included in Annex I to the Convention and Parties included in Annex II to the Convention to non-Annex I Parties and MDBs; OECD member countries to countries that are not OECD members; and OECD DAC members to countries eligible for OECD DAC ODA; and other relevant classifications.

8 Cross-cutting finance serves both mitigation and adaptation purposes. Activities that have both mitigation and adaptation components include nature-based solutions, sustainable agriculture and enhancing energy access.

9 Parties are to submit their third biennial transparency report by 31 December 2028, which will nominally cover the provision and mobilization of climate finance in 2025–2026.

Table 1

Strengths and weaknesses of sources of information for tracking the doubling of adaptation finance

Source of information	Strengths	Weaknesses
BRs	<ul style="list-style-type: none"> Official climate-specific data on financial support provided under the Convention 	<ul style="list-style-type: none"> Data on finance through multilateral channels predominantly cover inflows to multilateral institutions rather than outflows to adaptation projects in developing countries and limit the ability of Parties to tag finance as adaptation-specific Mix of commitments and disbursements in aggregate data
BURs	<ul style="list-style-type: none"> Official data on climate finance received under the Convention 	<ul style="list-style-type: none"> Significant limitations on data coverage and reporting geographically and by channel Mix of commitments and disbursements in aggregate data No attribution to developed countries of multilateral outflows received
Oxfam climate finance shadow report series	<ul style="list-style-type: none"> Methodology for estimating net grant-equivalent amounts of climate finance provided is applied 	<ul style="list-style-type: none"> Methodology for estimating net grant-equivalent amounts of climate finance provided is not in line with decision language No attribution of multilateral flows to developed countries Climate-specific net assistance estimates based on qualitatively marked data rather than on official climate-specific data with own coefficient applied for activities identified as having adaptation as a significant objective according to the Rio markers Assumptions on grant-equivalence of concessional loans from MDBs Restriction of coverage of instruments is not specified in decision language on the doubling of adaptation finance
UNEP adaptation gap report series	<ul style="list-style-type: none"> Based on OECD DAC qualitative data with country-reported coefficients applied for activities identified as having adaptation as a principal or significant objective according to the Rio markers Common point of measurement in terms of financial commitments Attribution of multilateral finance flows to developed countries 	<ul style="list-style-type: none"> Own coefficients applied to bilateral flows from Parties not using Rio markers to report climate-specific finance in BRs Methodological approach inconsistent with the climate finance definitions of many contributors in the context of the Convention and the Paris Agreement
OECD report series on climate finance and the USD 100 billion goal	<ul style="list-style-type: none"> Aggregate of reported climate-specific finance through bilateral channels and OECD DAC outflows from multilateral institutions Attribution of multilateral finance flows and private finance mobilized to developed countries 	<ul style="list-style-type: none"> Mix of commitments and disbursements in data for bilateral flows owing to using data reported in BRs

13. **The lack of methods for disaggregating finance provided for activities that serve both mitigation and adaptation objectives has implications for estimating the total climate finance for adaptation and understanding its balance with finance for mitigation.** Although MDBs and multilateral climate funds make efforts to disaggregate mitigation- and adaptation-specific amounts of finance within cross-cutting projects, this is not common practice across the majority of climate finance reporting. The consideration of the volume of cross-cutting finance is especially relevant in the context of achieving a balance in finance between adaptation and mitigation and presents a technical challenge.

14. **Methods for considering contextual information related to the doubling of adaptation finance are not commonly understood.** The urging of developed country Parties to double adaptation finance is in the context of achieving a balance between mitigation and adaptation in the provision of scaled-up financial resources. However, an agreed approach to measuring this balance under the Convention or the Paris Agreement does not exist. The GCF, an operating entity of the Financial Mechanism, has operationalized one possible approach to measuring the balance within its project portfolio, but applying a similar approach across all data sources is not necessarily appropriate or technically possible owing to data constraints, including confidentiality.¹⁰

15. The aggregate quantitative assessment of balance is made further challenging by different accounting methodologies. Further, the context-specific nature of adaptation makes it comparatively more difficult to track than mitigation.

16. Article 9, paragraph 4, of the Paris Agreement, which is recalled in the aforementioned decision language on the doubling of adaptation finance, refers to taking into account country-driven strategies, and the priorities and needs of developing country Parties. However, relatively few sources of information link developing country needs and priorities with the provision and mobilization of finance flows for adaptation, which makes it challenging to track finance that takes into account country-driven strategies and is aligned with those needs and priorities.

17. **Efforts to measure adaptation finance outcomes and impacts more comprehensively are emerging.**

Improved assessment of the potential positive or negative outcomes of adaptation options, where exposure or vulnerability is increased as opposed to reduced in effective adaptation outcomes and impacts, is an emerging area of research with several tools and frameworks under development. While the ambition behind adaptation activities is to effectively reduce vulnerability to climate change, there is also a potential risk that they fail to do so or even increase vulnerability if not planned properly.

18. The core indicator for measuring adaptation finance outputs is often the number of beneficiaries with increased adaptive capacity. This metric is applicable across contexts but says little about the degree to which adaptive capacity increased. However, more detailed sector-specific indicators have been adopted in recent years and MDBs and bilateral contributors have diverse strategies for reporting climate finance impacts. A review of the applied indicators and metrics of MDBs and bilateral finance providers shows considerable overlap with the indicators reported by multilateral climate funds, pointing to a growing convergence of methodologies for measuring impacts across sources of climate finance.

19. An ongoing challenge for assessing the impacts of climate action, including adaptation, is that it is simpler, and therefore more common, to undertake the assessment on the basis of direct project output indicators instead of indicators that assess outcomes and impacts at a higher level. However, efforts to assess adaptation outcomes and impacts at an international, national and local level are emerging, which include assessing qualitative criteria such as the impact on ecosystems, the climate and social systems, considering the importance of equity in adaptation effectiveness, and assessing the impacts on low-income populations, different genders and marginalized ethnic groups.

¹⁰ The GCF measures balance as a 50:50 calculation of the grant-equivalent values of adaptation and mitigation components of climate finance across its project portfolio on a cumulative basis.

B. Overview of the provision of adaptation finance from developed to developing countries

20. Various estimates across sources of data may inform the tracking of efforts towards the doubling of adaptation finance from 2019 levels by 2025.

21. Provided adaptation-specific finance reported in BRs amounted to USD 7.1 billion in 2019 (USD 6.7 billion through bilateral channels and USD 0.5 billion through multilateral channels as inflows to multilateral institutions) and USD 12.5 billion in 2020 (USD 11.6 billion through bilateral channels and USD 0.9 billion as multilateral inflows). Solely on the basis of this source of information, the 75 per cent increase in adaptation finance in 2020 from the 2019 level would imply that an increase of USD 1.7 billion in annual adaptation finance would achieve a doubling of adaptation finance by 2025 (equivalent to USD 14.2 billion). However, BRs lack coverage of outflows of climate finance from multilateral institutions, including climate funds and MDBs, to developing countries.

22. In addition, data on adaptation finance received, reported in BURs, are limited owing to gaps in capacity and resources. Of 92 non-Annex I Parties with submitted BURs, 15 reported data on adaptation finance in 2019 for a total amount of USD 1.1 billion.

23. However, information on volumes of adaptation-specific finance from sources with better coverage of adaptation finance flows to developing countries through both bilateral and multilateral channels, and attributed to developed countries, helps to provide a more complete picture.

24. The Oxfam *Climate Finance Shadow Report 2023*¹¹ contains an estimate of USD 9 billion for grant-equivalent adaptation finance in 2019 according to the Oxfam methodology for estimating climate-specific net assistance. In 2020, an 18 per cent increase led to an amount of USD 10.6 billion, which means that a further USD 7.4 billion would be required to achieve a doubling of adaptation finance to USD 18 billion.

25. The UNEP adaptation gap report series¹² includes an estimate of the amount of adaptation finance provided to developing country Parties in 2019 of USD 19.2 billion. In 2020, this increased to USD 25.2 billion, which implies that an increase of USD 13.2 billion in annual adaptation finance would be required to achieve a doubling of adaptation finance. Data in the report series on adaptation finance through bilateral channels are similar to those in the BRs, with USD 6.9 billion in 2019 and USD 11.0 billion in 2020, while accounting for outflows from multilateral institutions leads to the report identifying USD 12.2 billion and USD 14.2 billion in 2019 and 2020 respectively through multilateral channels.

26. The OECD report series on climate finance and the USD 100 billion goal¹³ captures adaptation finance flows from developed to developing countries from a wide variety of sources, including private finance mobilized, which increased by 41 per cent between 2019 and 2020 from USD 20.3 billion to USD 28.6 billion. This implies a gap of about USD 12 billion in annual adaptation finance to achieve a doubling. In the report series, estimated adaptation finance through bilateral channels was similar to that in both the BRs and the UNEP report series at USD 7.2 billion in 2019 and USD 11.2 billion in 2020. Adaptation finance through both bilateral and multilateral channels was reported to be similar to the UNEP report estimates at USD 18.8 billion in 2019 and USD 25.4 billion in 2020.

27. Both the UNEP and OECD report series identify similar levels of adaptation finance in 2019 as in the *Climate Finance Delivery Plan Progress Report*,¹⁴ published in 2022, which identified a shared understanding that the collective doubling of adaptation finance is a scale-up from USD 20 billion in 2019 to USD 40 billion in 2025.

28. On the basis of the sources of information considered (see figure 1 and table 2), adaptation finance from developed to developing countries in 2019 was between USD 7.1 billion and USD 20.3 billion, implying a doubling to between USD 14.2 billion and USD 40.6 billion by 2025. Three of the five sources of information reviewed point to a baseline from 2019 of USD 19.4 billion on average across all included channels, thus

11 Oxfam. 2023. *Climate Finance Shadow Report 2023: Assessing the delivery of the \$100 billion commitment*. Oxford: Oxfam GB. Available at <https://policy-practice.oxfam.org/resources/climate-finance-shadow-report-2023-621500/>.

12 See <https://www.unep.org/resources/adaptation-gap-report>.

13 See <https://www.oecd.org/climate-change/finance-usd-100-billion-goal/>.

14 Available at <https://www.auswaertiges-amt.de/blob/2560806/8cc5034f86da07811f8cb6adacba1130/neuer-inhalt--1--data.pdf>.

indicating a doubling to USD 38.8 billion by 2025. Across all the sources of information, adaptation finance was found to have increased in 2020 from the 2019 level by between 18 and 75 per cent.

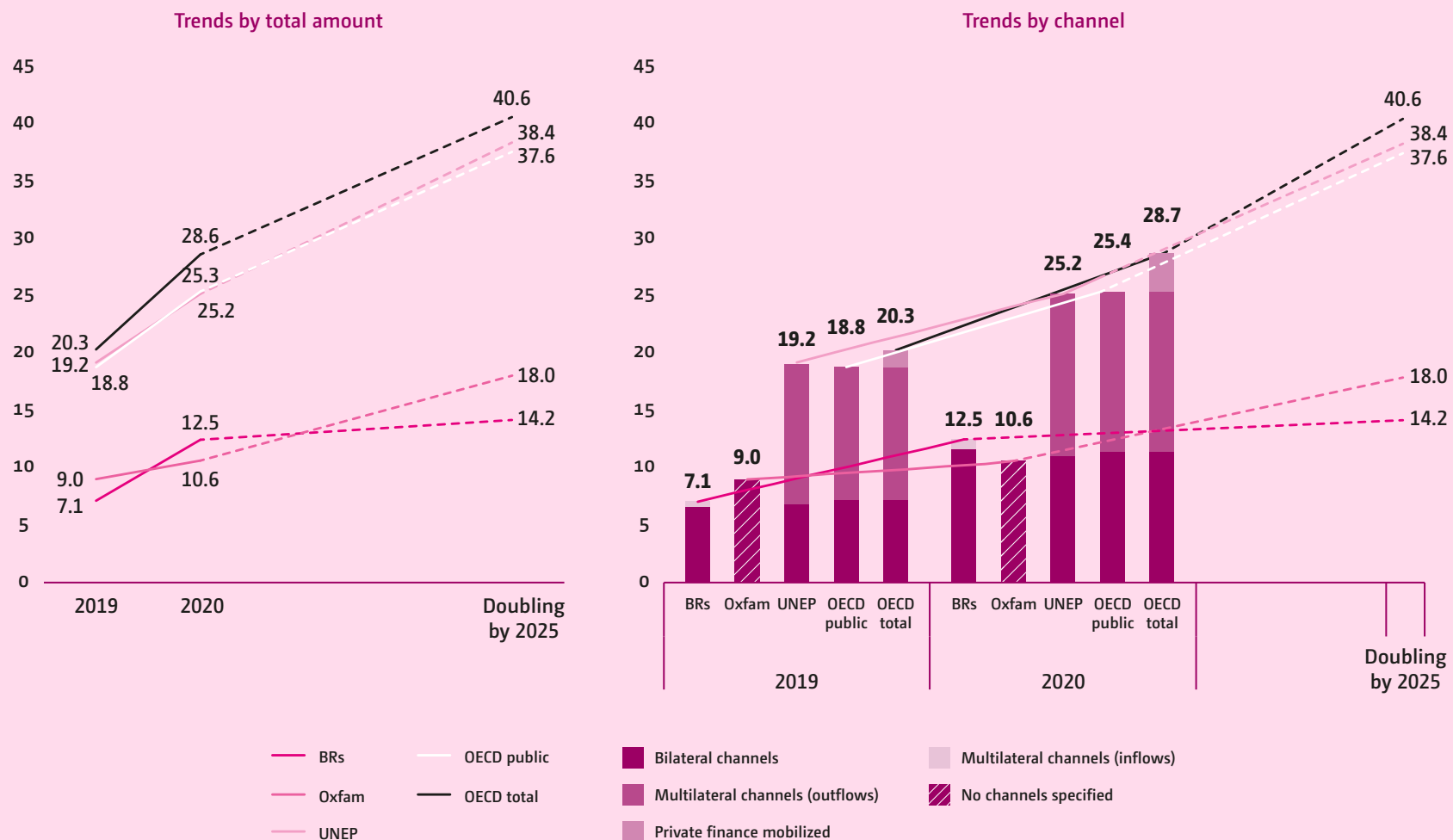
29. Cross-cutting finance, which serves both mitigation and adaptation objectives,¹⁵ decreased between 2019 and 2020 according to information across most of the sources. However, it still plays a significant role in financing adaptation action, particularly through bilateral climate-specific channels (see figure 5), where it amounted to USD 5.3 billion in 2019 compared with USD 7.1 billion for adaptation-specific finance according to BRs. Total adaptation and cross-cutting finance amounted to USD 16.2 billion to 29.0 billion in 2019, and USD 21.0 billion to 34.6 billion in 2020, based on different sources of information.

30. Some bilateral and multilateral finance providers have communicated their commitments to increase adaptation finance. In particular, seven Parties have emphasized their commitment to at least double their contributions in their biennial communications in accordance with Article 9, paragraph 5, of the Paris Agreement. An additional 16 Parties have emphasized their efforts to achieve a balance between mitigation and adaptation in their climate finance allocation. However, only three MDBs have specified targets for 2024–2025 for scaling up adaptation finance as part of their overall climate finance strategy.

¹⁵ While some climate finance providers such as MDBs and the GCF provide aggregate adaptation finance data that include amounts from cross-cutting projects, most sources of information do not provide this level of granularity.

Figure 1

Adaptation finance in 2019–2020 and its potential doubling from 2019 levels by 2025 according to the sources of information



Sources: BR5; OECD. 2022. Climate Finance Provided and Mobilised by Developed Countries in 2016–2020 Insights from disaggregated analysis. OECD. Available at https://www.oecd-ilibrary.org/finance-and-investment/climate-finance-provided-and-mobilised-by-developed-countries-in-2016-2020_286dae5d-en; Oxfam. 2023. Climate Finance Shadow Report 2023: Assessing the delivery of the \$100 billion commitment. Oxford: Oxfam GB. Available at <https://policy-practice.oxfam.org/resources/climate-finance-shadow-report-2023-621500/>; UNEP. 2023. Adaptation Gap Report 2023. Nairobi: UNEP. Available at <http://www.unep.org/resources/adaptation-gap-report-2023>.
Notes: BUR data are excluded due to substantial data gaps. The amounts visualized relate to finance for adaptation, excluding cross-cutting finance. If amounts of cross-cutting finance are taken into account, the range in 2019 is between USD 16.2 billion and USD 29 billion and in 2020 between USD 21 billion and USD 34.6 billion. This implies that a total increase of between USD 11.4 billion and USD 23.4 billion in annual adaptation finance would achieve a doubling of adaptation finance by 2025. Oxfam data represent the midpoint of a low to high range in each year.

Table 2

Adaptation finance by channel since 2019 according to sources of information

(Billions of USD)

Channel	Source	Adaptation				Cross-cutting		
		2019	2020	2021	Implied doubling by 2025	2019	2020	2021
Bilateral channels	BRs	6.7	11.6		13.4	5.3	4.1	
	BURs	0.1	0.0		0.2	0.2	0.1	
	UNEP	6.9		8.2	13.8	11.0		
	OECD	7.2	11.4		14.4	5.7	4.4	
Multilateral channels	BRs	0.4	0.8		0.8	3.8	4.4	
	BURs	1.0	0.1		2.0	0.1	0.0	
	UNEP	12.2	14.2	13.1	24.4			
	OECD	11.6	14.0		23.2	1.7	0.7	
Private finance mobilized	OECD	1.5	3.3		3.0	1.2	0.5	
Total	BRs	7.1	12.5		14.2	9.1	8.5	
	BURs	1.1	0.1		2.2	0.6	0.2	
	Oxfam	9.0	10.6		18.0	2.1	2.0	
	UNEP	19.2	25.2	21.3	38.4	7.6	8.4	8.8
	OECD – public	18.8	25.3		37.6	7.5	5.1	
	OECD – total	20.3	28.6		40.6	8.7	6.0	

Sources: BRs; BURs; OECD. 2022. Climate Finance Provided and Mobilised by Developed Countries in 2016–2020 Insights from disaggregated analysis. OECD. Available at https://www.oecd-ilibrary.org/finance-and-investment/climate-finance-provided-and-mobilised-by-developed-countries-in-2016-2020_286dae5d-en; Oxfam. 2023. Climate Finance Shadow Report 2023: Assessing the delivery of the \$100 billion commitment. Oxford: Oxfam GB. Available at <https://policy-practice.oxfam.org/resources/climate-finance-shadow-report-2023-621500/>; UNEP. 2023. Adaptation Gap Report 2023. Nairobi: UNEP. Available at <http://www.unep.org/resources/adaptation-gap-report-2023>.

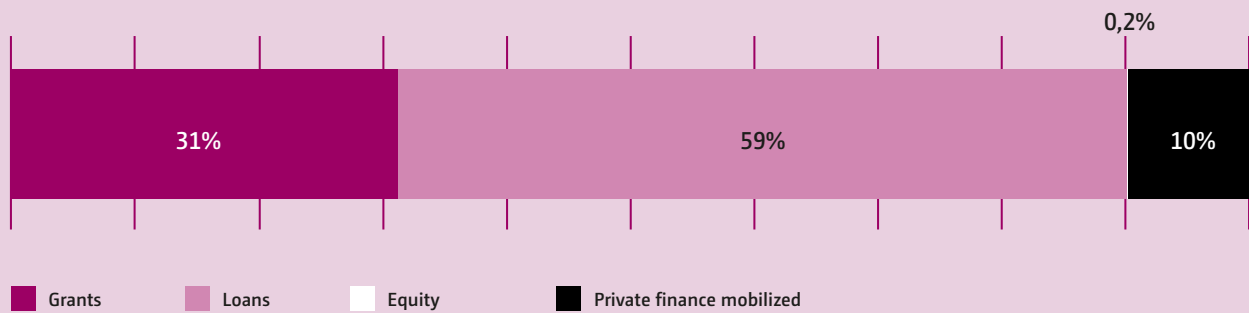
C. Assessment of the provision of adaptation finance from developed to developing countries

31. In total, 59 per cent of adaptation finance delivered in 2019–2020 was through loans (annual average of USD 14.3 billion) and 31 per cent was delivered through grants (annual average of USD 7.6 billion) (figure 2). The

predominant share of loans is due largely to the role in aggregate finance estimates of MDBs, which provided the majority (83 per cent) of their adaptation finance as loans in that period. In contrast, almost all adaptation finance from multilateral climate funds was delivered as grants, while bilateral sources provided 57 per cent of adaptation finance through grants (figure 3).

Figure 2

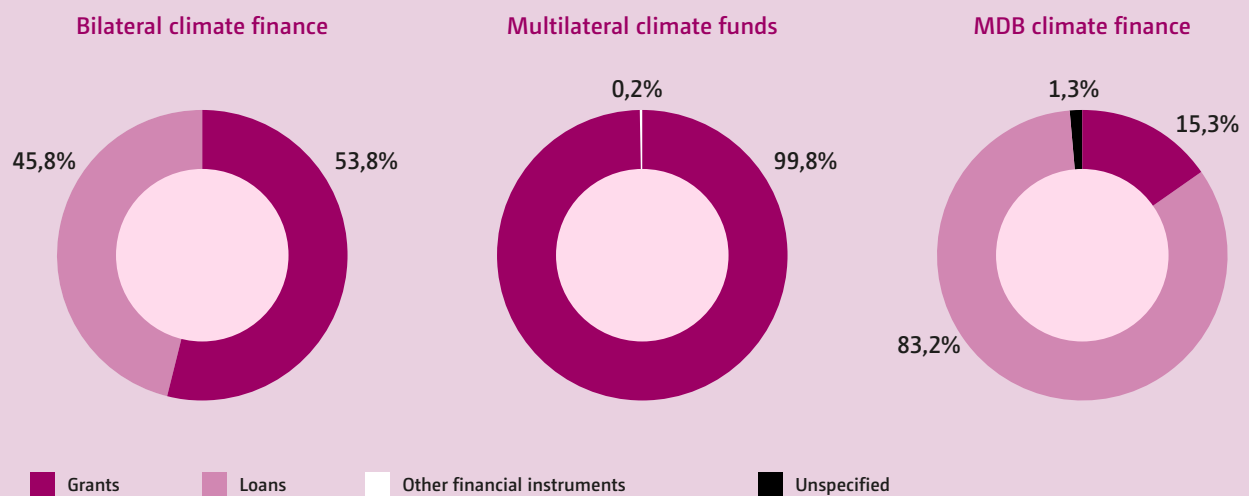
Share of financial instruments in aggregate adaptation finance flows, 2019–2020



Sources: OECD. 2022. Climate Finance Provided and Mobilised by Developed Countries in 2016–2020 Insights from disaggregated analysis. OECD. Available at https://www.oecd-ilibrary.org/finance-and-investment/climate-finance-provided-and-mobilised-by-developed-countries-in-2016-2020_286dae5d-en.

Figure 3

Share of financial instruments in adaptation finance by channel, 2019–2020



Sources: BR5s for bilateral climate finance; CFU. 2023. Climate funds update. Available at <https://climatefundsupdate.org/> for multilateral climate funds; OECD. 2022. Climate Change: OECD DAC External Development Finance Statistics - OECD. Available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm> for MDB climate finance.

32. **By region, Asia and Africa received the largest amounts of adaptation finance in 2019–2020, reflecting their large geographical and population sizes.** Asia accounted for the largest shares of the adaptation finance received through bilateral channels (36 per cent share) and MDBs (42 per cent), while Africa received the most adaptation finance from multilateral climate funds (35 per cent) (see figure 4). Notably, the share of adaptation finance received in 2019–2020 by Africa is larger than its share of overall climate finance by channel, particularly through multilateral climate funds and MDBs. At the subregional level, sub-Saharan Africa, Southern Asia and South-Eastern Asia received over half of adaptation finance from bilateral sources, multilateral climate funds and MDBs, with subregions in Latin America and the Caribbean, Europe and Oceania receiving the remainder. Latin America and the Caribbean received a larger share of adaptation finance from MDBs (at 15 per cent) than from bilateral or multilateral climate funds (10 and 12 per cent respectively). Oceania received a substantially higher

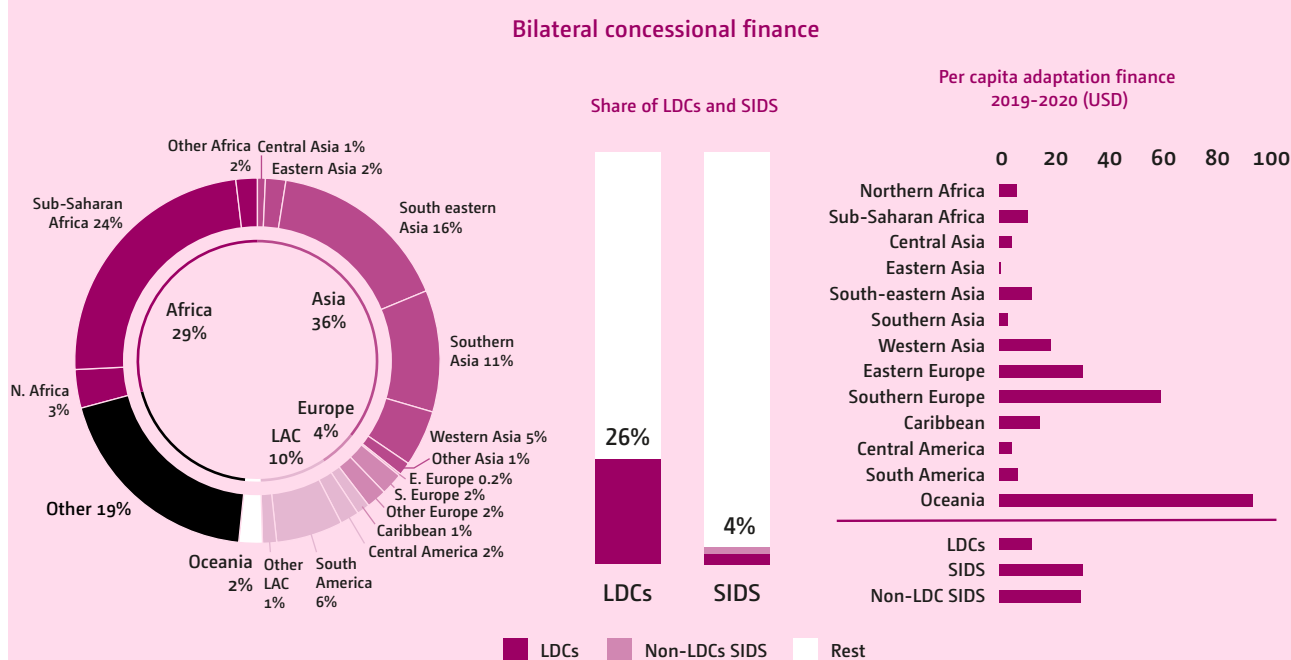
share of adaptation finance from multilateral climate funds (at 8 per cent) than from bilateral sources and MDBs (2 and 1 per cent respectively).

33. On a per capita basis, less populous subregions such as Oceania and Eastern and Southern Europe feature prominently across the different channels, in contrast with their shares based on nominal amounts. The Caribbean received a relatively large amount of per capita adaptation finance from multilateral climate funds (USD 0.94 per capita), while Central Asia (USD 9.95 per capita) and Central America (USD 5.50 per capita) received a large amount of MDB adaptation finance compared with other subregions.

34. **The LDCs and SIDS receive greater proportions of adaptation finance than their shares of overall climate finance flows.** In 2019–2020, of the total adaptation finance from multilateral climate funds, the LDCs received 38 per cent compared with their 26 per cent of total climate finance. From MDBs, the LDCs received 32 per

Figure 4

Geographical distribution of adaptation finance by channel measured by volume and per capita, 2019–2020

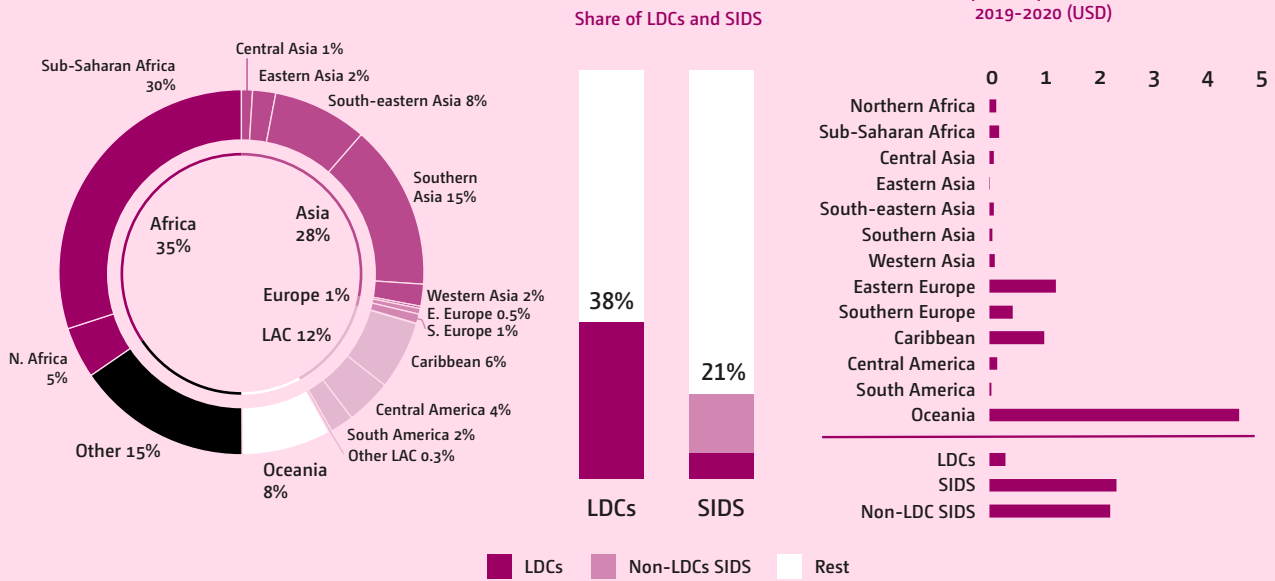


Sources: CFU. 2022. Climate Funds Update. Available at <https://climatefundsupdate.org/>. OECD. 2022. Climate Change: OECD DAC External Development Finance Statistics - OECD. Available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>. Note: Subregions labelled as "other" are finance when the subregion or country level are not specified. Full names of sub-regions are Northern Africa, Sub-Saharan Africa, Central Asia, Eastern Asia, South-eastern Asia, Western Asia, Eastern Europe, Southern Europe, Caribbean, Central America, South America, Oceania.

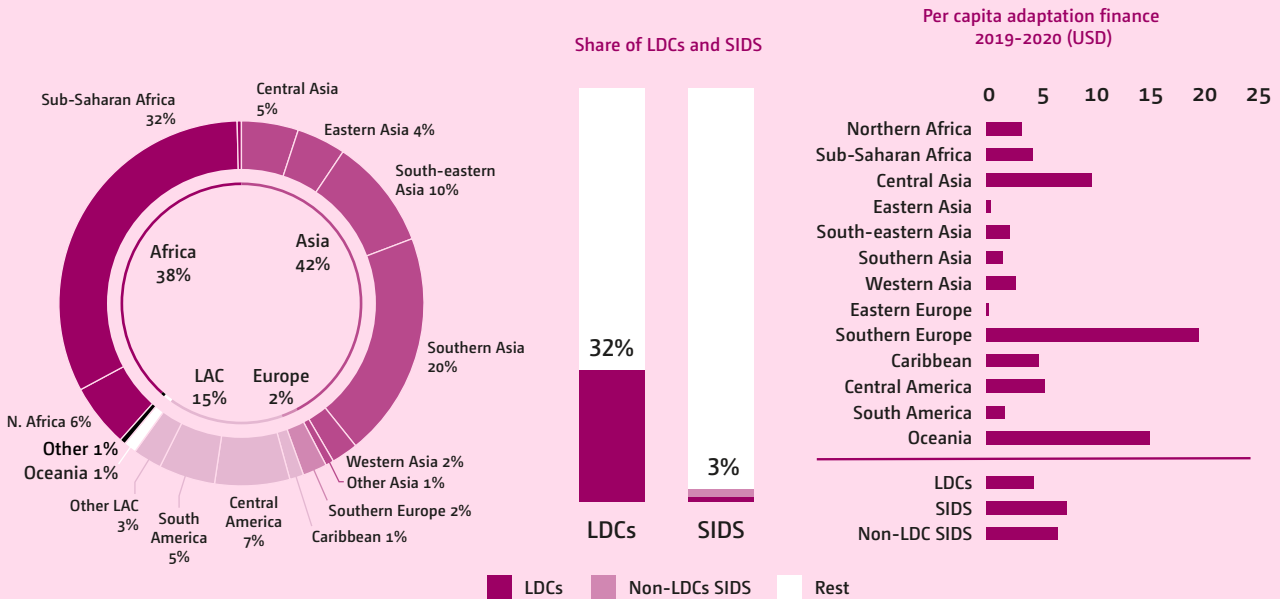
Figure 4

Geographical distribution of adaptation finance by channel measured by volume and per capita, 2019–2020

Multilateral climate funds



Multilateral development banks



Sources: CFU. 2022. Climate Funds Update. Available at <https://climatefundsupdate.org/>. OECD. 2022. Climate Change: OECD DAC External Development Finance Statistics - OECD. Available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>. Note: Subregions labelled as "other" are finance when the subregion or country level are not specified. Full names of sub-regions are Northern Africa, Sub-Saharan Africa, Central Asia, Eastern Asia, South-eastern Asia, Western Asia, Eastern Europe, Southern Europe, Caribbean, Central America, South America, Oceania.

cent of adaptation finance but 20 per cent of overall climate finance. Their share of bilateral adaptation finance is marginally greater at 26 per cent compared with their 25 per cent share of bilateral climate finance. In 2019–2020, of the total adaptation finance from multilateral climate funds, SIDS received 21 per cent compared with 7 per cent of overall climate finance. Of the total bilateral and MDB adaptation finance, SIDS received 4 and 3 per cent respectively, marginally greater than their share of overall climate finance from the same sources. On a per capita basis, the LDCs and SIDS received relatively high shares of adaptation finance compared with regions, particularly from multilateral climate funds.

35. Consideration of the balance between mitigation and adaptation in the provision of scaled-up financial resources and addressing the needs and priorities of developing countries depends on multiple factors. While the doubling of adaptation finance is in the context of achieving a balance between mitigation and adaptation in the provision of scaled-up financial resources, there is no defined approach to or guidance for measuring the balance between mitigation and adaptation under the Paris Agreement. Data on cumulative climate finance in 2019–2020 show that the share of adaptation finance is in the range of 24–30 per cent compared with 52–61 per cent for mitigation, as well as 9–22 per cent for cross-cutting, which supports both adaptation and mitigation objectives. The proportional shares of adaptation finance have increased over time as total climate finance has also increased. For example, while total climate-specific finance provided through bilateral channels according to BRs increased by 8 per cent from 2015–2016 to 2019–2020, the share of adaptation in the total climate-specific finance increased from 15 to 29 per cent.

36. Two important factors in assessing the balance between mitigation and adaptation finance are the generally smaller amounts of funding for individual adaptation activities compared with mitigation projects and the larger role of grants in finance for adaptation compared with loans, which are more prevalent in the funding of mitigation projects by the largest climate finance providers such as MDBs. Sources of information analysing the proportion of grants or grant-equivalent amounts in total climate finance show a greater share for adaptation (at 42–45 per cent compared with 33–45 per cent for mitigation).

37. Of the needs and priorities expressed by developing countries for finance, technology and capacity-building related to implementing the Convention and the Paris Agreement, the first needs determination report¹⁶ prepared by the SCF showed that 52 per cent of needs expressed in 149 NCs, 47 per cent in 153 NDCs and 11 per cent in 62 BURs related to adaptation. Notwithstanding limitations on costing adaptation needs, the report identified 13–14 per cent of costed needs in NDCs for adaptation measures, 43 per cent in NCs and 32 per cent in BURs, as reported by 78, 46 and 24 Parties respectively.

38. Five priority areas for adaptation stand out across NDCs and NAPs: freshwater resources and supply, food security, ecosystems and biodiversity, climate-resilient infrastructure and health system resilience. Other common priority areas include disaster risk reduction (including early warning systems), coastal protection and enhancing resilience of urban settlements.

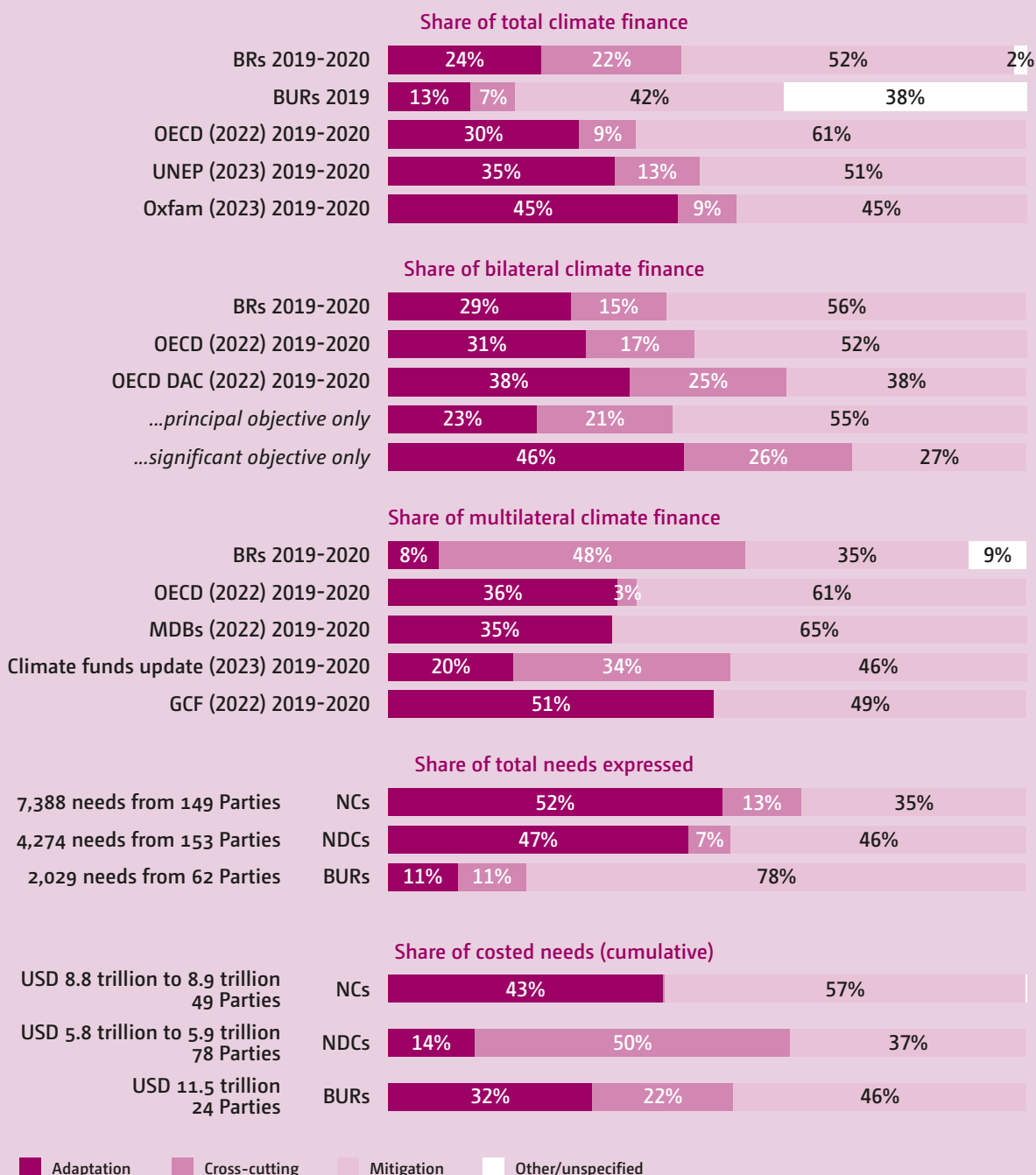
39. Access to adaptation finance from multilateral climate funds by national accredited entities increased from 2019 to 2022, from 5 to 12 per cent of total outflows. Regardless of whether international, regional or national accredited entities are implementing adaptation projects, at least one government entity was included as a recipient in the majority of adaptation projects approved between 2019 and 2022. The timeliness of the funding reaching projects on the ground is also improving, for example from an average of 19 months in 2019 to 11 months in 2022 for GCF-approved projects. However, adaptation projects take longer than mitigation projects to move through the pipeline and for implementation to begin.

40. Beyond multilateral climate funds, access to concessional finance through some bilateral ODA or multilateral institutions is based on metrics for gross national income per capita, updated annually to account for changes in poverty level in line with the mandates of those funders. However, this approach may not be suitable in the context of climate change, since adaptation finance often targets the most vulnerable populations but not all of them are located in countries with low gross national income per capita. Seven Parties above a median vulnerability rating in the Notre Dame Global Adaptation Initiative index, including five SIDS, are not eligible for ODA, and 40 Parties, including

¹⁶ See <https://unfccc.int/topics/climate-finance/workstreams/needs-report>.

Figure 5

Balance of adaptation and mitigation finance across sources of information and compared with needs



Sources: BR5s; BURs; African Development Bank, Asian Development Bank, Asian Infrastructure Development Bank, et al. 2022. 2021 Joint Report on Multilateral Development Banks' Climate Finance. European Investment Bank. Available at www.eib.org/mdbs-climate-finance; CFU. 2023. Climate Funds Update. Available at <https://climatefundsupdate.org/>; GCF. 2023. GCF-1 Progress Report. Green Climate Fund. Available at <https://www.greenclimate.fund/gcf-1-progress-report>; OECD. 2022. Climate Finance Provided and Mobilised by Developed Countries in 2016-2020 Insights from disaggregated analysis. OECD. Available at https://www.oecd-ilibrary.org/finance-and-investment/climate-finance-provided-and-mobilised-by-developed-countries-in-2016-2020_286dae5d-en; OECD. 2023. Climate Change: OECD DAC External Development Finance Statistics - OECD. Available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>; Oxfam. 2023. Climate Finance Shadow Report 2023: Assessing the delivery of the \$100 billion commitment. Oxford: Oxfam GB. Available at <https://policy-practice.oxfam.org/resources/climate-finance-shadow-report-2023-621500/>; UNEP. 2023. Adaptation Gap Report 2023. Nairobi: UNEP. Available at <http://www.unep.org/resources/adaptation-gap-report-2023>; FCCC/CP/2021/10/Add.2-FCCC/PA/CMA/2021/7/Add.2. Notes: Oxfam data are grant-equivalent values only. BR data on multilateral channels are primarily inflows to multilateral institutions. MDB data represented here are totals for low- and middle-income economies. GCF data are measured from the first project approved in 2015 to May 2023. Data on the NCs, NDCs and BURs are from submissions up to 31 May 2021. OECD DAC data are from the OECD DAC climate-related development finance database (OECD 2023a).

one LDC and six SIDS, are not eligible for concessional finance from the International Development Association of the World Bank Group. Access to capital markets is also hindered by vulnerability to climate impacts, with IMF analysis showing that the effect of increases in climate vulnerability on the cost of capital in long-term government bonds from developing and emerging economies is five times greater than for advanced economies.

41. Fundamental to ensuring the effectiveness of adaptation finance is **country ownership** of adaptation measures and activities, and efforts to create the absorptive capacity for adaptation finance through planning and implementation are notable. A total of 84 per cent of developing countries have one adaptation policy, law or instrument in place for enabling adaptation action, and 37 developing countries are preparing for or are integrating adaptation tracking into national budgets that support country ownership of adaptation measures and actions. Ensuring locally led adaptation interventions is an area that has received increased attention in recent years through multi-stakeholder initiatives, often based on the principles of locally led adaptation.

42. In terms of **impacts of adaptation finance**, adaptation finance from across multilateral climate funds is expected to benefit 437 million people¹⁷ and has led to 3,630 policies, plans or strategies for mainstreaming climate resilience being implemented.¹⁸ The Adaptation Fund reports 516 early warning systems introduced and 162 km coastline protected, and the Climate Investment Funds reports 2,658 km climate-resilient roads and 636 km flood-protection measures. Other impact metrics demonstrate the overlap of adaptation and mitigation action, such as the protection or sustainable management of up to 26.7 million ha land (an area approximately equivalent to the size of Gabon or New Zealand) through multilateral climate funds, or the GCF reporting physical assets valued at USD 1.3 billion made more resilient to climate change or more able to reduce greenhouse gas emissions. Although many bilateral agencies and MDBs report project- or portfolio-level adaptation impact results, no sources of information compile or collect results on adaptation impacts or outcomes achieved through these channels.

IV. Towards the doubling of adaptation finance from 2019 to 2025

43. Key challenges and opportunities in relation to at least doubling adaptation finance from 2019 to 2025 reflect the interplay between supply- and demand-side drivers of adaptation finance flows from developed to developing countries.

A. Key challenges

44. **The small scale and context-specific nature of adaptation measures lead to higher transaction costs than for mitigation projects.** Adaptation involves identifying climate vulnerabilities and the responses needed to manage those vulnerabilities. Demonstrating climate rationale and how the activity is different from development is challenging, requires substantial quantitative and scientific capacity, and is often a critical factor for mobilizing adaptation finance, resulting in high transaction costs for adaptation measures, particularly small-scale projects. Making such a differentiation is easier in dedicated adaptation interventions than in activities where adaptation or resilience has been mainstreamed in existing processes or financing for activities such as providing clean water and sanitation, housing and health care. Dedicated adaptation interventions include specific capacity-building activities or deploying systems, such as for early warning, and processes to manage climate risks, which are relatively small-scale funding projects. Mainstreaming climate resilience in activities related to infrastructure or broader climate risk management in the agriculture and health sectors involves significant finance flows and capital and therefore lower transaction costs, although costing them as adaptation-specific funding needs is more difficult. More simplified approaches to demonstrating adaptation-specific rationale have emerged in recent years, such as the GCF adopting climate impact potential principles and MDBs establishing new frameworks for tracking adaptation finance.

45. **Lack of long-term predictable funding models for dedicated adaptation funding** can affect the ability of project implementers and beneficiaries to plan effective adaptation interventions. Many dedicated adaptation finance sources, such as the Adaptation Fund, the LDCF

¹⁷ This includes the expected results of GCF adaptation projects (332.00 million direct and indirect beneficiaries), the Adaptation Fund (35.92 million beneficiaries), the LDCF (60.17 million direct beneficiaries) and the SCCF (8.91 million direct beneficiaries). In addition, the LDCF reported the implementation of 2,299 policies or plans that mainstream climate resilience.

¹⁸ This includes 2,288 policies or plans for mainstreaming climate resilience reported by the LDCF, 587 policies or plans for mainstreaming climate resilience reported by the SCCF and 755 plans or strategies for integrating climate change into development planning reported by the Pilot Programme for Climate Resilience.

and the SCCF, although accounting for a small share of overall adaptation finance flows, play a significant role in supporting developing countries, particularly the LDCs and SIDS. These funds rely on ad hoc, often single-year, contributions to fund their activities, although a record number of pledged contributions to the Adaptation Fund (USD 356 million) were made at COP 26 and some contributors provided multi-year pledges to enhance predictability, as noted at CMP 17.¹⁹

46. Private sector involvement in adaptation finance has been limited. In addition to being a barrier to scaling up public finance for adaptation, factors such as the small size and limited scalability of adaptation measures also inhibit private sector interest as they imply high transaction costs and limited return on investment. Difficulties in pricing climate risks that would prove the business case for adaptation investment, limited awareness of potential adaptation projects, lack of incentives, regulations and revenue streams, and misaligned time-horizons (the relatively uncertain and longer-term climate impact scenarios that adaptation measures respond to vie against short-term business interests) are key challenges that hinder private sector involvement in adaptation. However, even when projects incorporate adaptation, private sector actors often do not tag investments as such as they lack appropriate data or methodologies that are not resource intensive.

47. Lack of capacity and capacity constraints in developing countries in relation to identifying needs and tracking impacts is particularly acute for adaptation finance. As reported in the first needs determination report, there is relatively limited capacity in developing countries to robustly quantify costs and build project pipelines for adaptation action. Notable challenges include institutional coordination between the national and local level, as well as across line ministries, in order to identify, cost and articulate project-specific needs comprehensively; high staff turnover, leading to loss of knowledge and expertise in needs identification; and the costing of adaptation needs owing to methodological limitations and their long-term nature.

48. Developing countries lack capacity to track climate and adaptation-specific finance flows, which is problematic owing to the potential for tracking to inform policy for achieving national goals and to help to

identify potential sources of funding. In particular, data constraints at disbursement level prevent understanding of the impact of finance on the ground. Having data on both commitments and disbursements is important for understanding whether finance is reaching the ground and the time frame between commitments and disbursements. However, so far there has been no comprehensive reporting of data on disbursement of finance through multilateral channels, especially MDBs.

49. Limited understanding of the overall climate finance architecture inhibits identification of potential funding sources owing to lack of knowledge of the processes, eligibility criteria and requirements of the various multilateral and bilateral funds at the international level and the funding available at the national, subnational and local level from public and private finance providers. In submissions to the Adaptation Committee on capacity gaps in accessing adaptation funding,²⁰ Parties emphasized the limitations of one-off, project-based, consultancy-led workshops and reports in terms of building sustainable capacity in recipient countries.

50. Capacity to develop a pipeline of adaptation projects and programmes is lacking in developing countries. Data constraints contribute to challenges in identifying adaptation needs and designing funding proposals. As per an assessment by the GCF Independent Evaluation Unit in 2021, up to 40 per cent of GCF adaptation project concept notes are withdrawn owing to the challenge of identifying the climate rationale. Simplified approaches to demonstrating adaptation-specific impact potential are being implemented and further data tools are being made available, including the adoption of climate impact potential principles by the GCF and new frameworks for tracking adaptation finance by MDBs.

51. Readiness Programme funding and project development funds through the climate funds are designed to enable countries to develop plans and project pipelines, a particular challenge for adaptation projects. Although climate funds such as the GCF are making efforts to provide such support beyond an initial one-year time frame, key drawbacks to these funding modalities remain, such as their short-term nature inhibiting the sustainability of capacity built or long-term planning and

19 Decision 5/CMP.17, para. 11.

20 See Adaptation Committee document AC20/INFO/7A. Available at <https://unfccc.int/documents/302884>.

the inability to spend funds on staffing costs resulting in an overreliance on temporary consultants often unfamiliar with local contexts, which means that the potential to develop capacity is unrealized.

52. Slow and complex processes for accessing finance remain a key challenge for developing countries but continue to improve. When accessing concessional sources of finance through multilateral climate funds, countries face complex and slow application and approval processes that apply across the project cycle for readiness support, project preparation funding, project appraisal and approval, and accreditation of entities. Despite efforts to improve project approval procedures and reduce delays, such as shortening GCF approval timelines, slow project approval cycles means that many initial project designs are no longer viable for implementation once they are due to be approved.

53. Income-based criteria for accessing sources of concessional finance may limit the flow of adaptation finance to where it may be most needed. Grants and concessional finance instruments are recognized as particularly crucial in financing adaptation measures given the ‘public good’ nature of adaptation activities and lack of revenue streams to pay back loans. The distinct mandates of key sources of concessional finance such as ODA and the International Development Association to alleviate poverty may limit funding to countries that have higher income levels but are particularly vulnerable to climate impacts and risks (e.g. SIDS).

54. The fiscal space to finance adaptation priorities in many developing countries has severely deteriorated since 2015. The fiscal position of many developing countries, in particular those most vulnerable to climate risks and in need of adaptation interventions, is well documented. Since 2015, the proportion of low-income countries assessed as being at high risk of or in debt distress has doubled, and IMF found that only 7 of 29 analysed low-income countries with adaptation needs had the fiscal space to invest in adaptation. The importance of adaptation is evident in the fact that, when fiscal space is available, the vast majority of domestic budget resources in the countries that tag their expenditure for climate action go to adaptation measures.

B. Key opportunities

55. Scaling up public sources of adaptation finance through bilateral and multilateral channels, particularly in the short term, represents an important opportunity to unlock broader flows. Given the important role of public and grant-based finance for adaptation, as recognized in the Paris Agreement, channelling scaled-up adaptation finance through bilateral and multilateral channels will be key. Information in biennial communications from Parties under Article 9, paragraph 5, of the Paris Agreement points to increases in bilateral sources of adaptation finance until 2025.

56. Furthermore, contributions or replenishments in 2023–2024 to or of dedicated funds such as the Adaptation Fund, the LDCF and the SCCF, or funds with specific programming priorities for addressing urgent and immediate adaptation and resilience needs, such as the GCF, provide an opportunity to scale up sources of grant finance and other concessional instruments.

57. CMA 3 decided that an equivalent of 5 per cent of the share of proceeds issued from authorized emission reductions under the mechanism established by Article 6, paragraph 4, of the Paris Agreement would be transferred to the Adaptation Fund to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.²¹ This could be an opportunity to scale up the supply of adaptation finance, particularly through the high demand for support from the Adaptation Fund.

58. Many MDBs have adopted relative adaptation finance targets as a share of their total lending, indicating that scaling up climate finance from these institutions will result in increases in adaptation finance flows, while recognizing the mix of instruments deployed.

59. Another opportunity for scaling up public adaptation finance is to use SDR, as highlighted, along with other efforts to expand multilateral climate finance, at COP 26 and 27.²² The reallocation of SDR 31.2 billion (USD 41.5 billion), as at 30 June 2023, to the IMF Resilience and Sustainability Trust is a key example of the ability of other sources of public financing to assist countries in building resilience to external shocks and ensuring sustainable development.

²¹ Decision 3/CMA.3, annex, para 66 and 67.

²² Decisions 1/CMA.3, para. 48 and 1/CMA.4, para 61.

60. Trends towards improved and detailed national planning, programmatic approaches and data availability provide an opportunity to improve project pipelines and enhance the demand for adaptation.

On the demand side, trends are emerging that should support opportunities to significantly increase the number of viable adaptation projects at scale in many developing countries. Developing countries are increasing the clarity and detail of their adaptation planning through NAPs and other economic integration planning tools and strategies. With over 60 countries preparing NAPs and more countries providing information on climate finance needs through biennial transparency reports, NDCs, adaptation communications and other documents, the level of sophistication of adaptation planning is increasing. Deploying additional implementation policies and incentives will assist in turning plans into action, for example fiscal incentives, concessional lending rates and guarantee schemes for firms taking adaptation action, and tax relief. It will be important to take advantage of evolving readiness programmes to better support long-term planning and capacity-building through multi-year funding, enabling countries to better navigate multilateral funding processes.

61. More effectively integrating adaptation and resilience measures into national and local level budgeting systems, in particular for capital expenditure on infrastructure, and policies presents an opportunity to increase awareness and capacity, lower transaction costs (see para. 44 above) and embed adaptation and resilience in macro-fiscal planning. Demonstrating resilient macro-financial planning can, in turn, potentially increase access to broader financial markets. Through the use of tools such as budget tagging and monitoring climate risks to the economy, financial instruments such as debt-for-nature swaps as agreed bilaterally, sovereign green bonds (e.g. the Egypt green bond that partially covers adaptation) and other funding pathways can enable better financing terms than the existing market can.

62. Furthermore, easier access to the publicly available data resources necessary to design adaptation interventions could support improved access to adaptation finance. At the fund level, opportunities exist to further simplify design and approval processes, enhance coherence between funds and merge processes and documentation requirements across funds to improve access. For example, in 2022 the GCF refined its guidance for proposing the impact potential of climate adaptation projects, particularly in cases where local data are limited, and partnered with the World

Meteorological Organization to provide online data resources and tools for climate science information, at no cost, in order to inform investments. Both the IPCC and the Global Center on Adaptation have identified the opportunity for sustained, targeted support to increase access to high-resolution climate data at low cost so that future adaptation planning is better informed to avoid maladaptation and to assist financiers in undertaking climate risk assessments.

63. Further work, such as supporting the long-term placement of staff in government agencies to build and retain capacity in the long term, is necessary to build on these trends. More programmatic approaches, transboundary and regional windows and locally led adaptation windows would also create opportunities. Lessons learned from initiatives such as the Climate Finance Access Network and ongoing implementation of the principles and recommendations developed by the Task Force on Access to Climate Finance would be of significant value in this regard.

64. Pursuing adaptation action in the near term that has strong synergies with mitigation action should make it easier to prove eligibility for climate funding. Such action can be fast-tracked, with limited need for an individualized climate rationale. Such near-term action highlighted by the IPCC includes investment in energy reliability and stability, increasing water-use efficiency and forest-based adaptation as high-level synergies, and cropland management, agroforestry, biodiversity management, sustainable fisheries, coastal zone management, enhanced health services and other actions as medium-level synergies.

65. Simplifying and harmonizing adaptation action in the form of targets, for example in NAPs, and campaigns could help to focus finance allocations on initiatives to reach adaptation-specific outcomes rather than relying on project-based approaches. For example, the Early Warnings for All initiative was formally launched by the United Nations Secretary-General at COP 27, with a target of a worldwide early warning system by the end of 2027. The initiative includes a number of key United Nations and multilateral agencies, co-led by the World Meteorological Organization and the United Nations Office for Disaster Risk Reduction and supported by the International Telecommunication Union and the International Federation of Red Cross and Red Crescent Societies with implementing partners the Food and Agriculture Organization of the United Nations, UNEP, the United Nations Office for the Coordination of

Humanitarian Affairs, the United Nations Development Programme, the United Nations Educational, Scientific and Cultural Organization, Risk-informed Early Action Partnership, and the World Food Programme, and enables specific components for implementation across the development finance ecosystem to reach the goal.

66. Key opportunities to increase private sector finance for adaptation and resilience-building have potential with more details on national adaptation planning and improved access to data resources. Firstly, resilience and adaptation can be embedded into standards and requirements at the national and international level as a way to enable private finance to flow. For example, in 2018 Jamaica adopted international building codes that require construction materials and practices that are resistant to extreme weather events.

67. A second opportunity relates particularly to developing countries and regions where significant infrastructure asset investment is needed and where policy and regulatory frameworks exist to support private sector participation. For example, in 2020 the Inter-American Development Bank developed a tool for integrating climate resilience risk consideration into each stage of a public-private-partnership contracting negotiation, including project identification, business case development, transaction and contract management. Steps in the tool include measures to better identify and allocate risk among partners in a way that can enhance investment in climate-resilient infrastructure and adaptive capacity. Since 2018, the Philippines has required integration of key environmental and social considerations into public-private partnerships, specifically safeguards against environmental impacts and resilience to climate change, alongside gender equality and preserving culture and heritage. In 2023, IMF approved a USD 764 million loan to Jamaica under the Resilience and Sustainability Trust that includes financing to support implementation of a public-private partnership framework among other public policies and climate finance measures.

68. A third opportunity is to scale up private equity and venture capital platforms that will target new innovative companies and solutions providing adaptation-related technologies and services in developing countries. For example, the Climate Innovation for Adaptation and Resilience Alliance is composed of digital finance companies, development finance institutions and civil society dedicated to

advancing technology-enabled climate finance solutions for vulnerable people and the planet. In 2023, the Alliance highlighted 11 successful ventures in providing weather data services, insurance cover and online marketplaces and launched several working groups designed to scale up solutions for private investment.

69. Another opportunity depends on the degree to which financial instruments related to adaptation and resilience may be scaled up in particular developing countries that have local and liquid capital markets. Adaptation and resilience considerations are already a feature of sovereign green bonds issued by several developing countries, and banks and corporations may similarly emphasize adaptation investment as part of their green bond issuances, provided methodological issues related to identifying these projects are overcome. Debt-for-nature swaps also offer an innovative solution.

70. Additional innovative sources of adaptation finance that require exploration include:

- (a) Crowdfunding: development of crowdfunding sources and platforms could be considered an opportunity to scale up climate finance from citizens and initiatives to support projects in developing countries;
- (b) Levies: other revenue-raising methods have been proposed for climate finance, including adaptation finance.

71. Adopting better frameworks for measuring adaptation impact and preventing maladaptation can ensure that adaptation finance is spent wisely. Effectively assessing adaptation outcomes can set off an appropriate feedback loop for finance to flow where it can have the most impact. However, the IPCC has highlighted the difficulty of assessing the effectiveness of climate adaptation action. More holistic frameworks for assessing effectiveness can include efforts to identify how adaptation action, such as investing in coastal infrastructure, insurance schemes and spatial planning, may lead to maladaptive results. An opportunity exists to reset assessment frameworks along a continuum of activities from adaptation to maladaptation, considering how vulnerabilities and risks will change over time, and to capture considerations related to targeting marginalized and vulnerable groups and broader co-benefits.

72. Climate change impacts can intensify gender and other social inequalities, while gender-responsive activities tend to be more effective in reaching their adaptation objectives. Given the important role of gender-responsive finance for adaptation, as recognized in the Lima work programme on gender and its gender action plan and in Article 7, paragraph 5, of the Paris Agreement, prioritizing projects that take into account the unique vulnerabilities, needs and contributions of all people can increase the effectiveness of adaptation finance.

C. Recommendations

73. The SCF invites the CMA to consider the following recommendations:

- (a) *Welcome* the increase in 2019–2020 in adaptation finance from developed to developing country Parties according to various sources of information and encourage developed country Parties to continue their efforts in line with paragraph 18 of decision 1/CMA.3;
- (b) *Acknowledge* that, owing to methodological limitations, it is not yet feasible to establish a definitive baseline for the doubling of adaptation finance, and that three of the five sources of information reviewed for this report point to a baseline from 2019 of USD 19.4 billion on average across all included channels, thus indicating a doubling to USD 38.8 billion by 2025;
- (c) *Underscore* the importance of providing further clarity on the baseline for at least doubling the collective provision of adaptation finance by developed country Parties from 2019 levels by 2025 in the context of achieving a balance between mitigation and adaptation in the provision of scaled-up financial resources, recalling Article 9, paragraph 4, of the Paris Agreement;
- (d) *Encourage* developed country Parties, and other Parties that provide support, in line with Articles 9 and 13 of the Paris Agreement, to enhance the quality and granularity of data reported on adaptation finance provided and mobilized, and further encourage developing country Parties to enhance their reporting on adaptation finance needed and received;
- (e) *Encourage* the operating entities of the Financial Mechanism, MDBs and other climate finance providers, as well as data aggregators, to enhance the quality and granularity of data on adaptation finance in their reports;
- (f) *Encourage* continued efforts to support developing country Parties in building and maintaining data management capacity at the national level in order to track climate finance received, including adaptation finance;
- (g) *Acknowledge* the challenges highlighted in this report in relation to the predictability and scale of adaptation finance channelled through dedicated multilateral adaptation funds;
- (h) *Welcome* the inclusion and update of information in NDCs, NAPs, national adaptation programmes of action and other documents on adaptation programmes and projects as providing opportunities to channel adaptation finance to developing countries and enhance their ownership of such projects;
- (i) *Encourage* developed country Parties, the operating entities of the Financial Mechanism, MDBs and other climate finance providers to continue making adaptation finance a priority in their climate finance strategies and policies, and climate finance recipients to continue prioritizing adaptation finance needs in their partnership dialogues, including in relation to finance for activities with mitigation co-benefits;
- (j) *Encourage* developed country Parties, other climate finance providers and climate finance recipients to identify and support scalable approaches to attracting private sector finance for adaptation activities.



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