

UNFCCC Standing Committee on Finance

Report on the doubling of adaptation finance



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TABLE OF CONTENTS

ACKNOWLEDGEMENTS	6
ABBREVIATIONS AND ACRONYMS	7
INTRODUCTION.....	26
1.1 Background, mandate and objectives	27
1.2 Approach used in preparing the report	27
1.3 Challenges and limitations.....	27
1.4 Structure of the report	28
METHODOLOGIES RELATED TO TRACKING ADAPTATION FINANCE AND MEASURING ADAPTATION OUTCOMES.....	29
2.1 Methodological issues related to tracking and reporting adaptation finance	30
2.1.1 Identifying climate finance for adaptation	31
2.1.2 Data coverage by sources and channels	34
2.1.3 Data coverage by financial instrument	36
2.1.4 Data coverage by point of measurement	36
2.1.5 Geographical coverage	41
2.1.6 Geographical coverage	41
2.1.7 Contextual considerations	42
2.1.8 Summary	43
2.2 Methodological issues in measuring adaptation finance outcomes	45
OVERVIEW OF THE PROVISION OF ADAPTATION FINANCE FROM DEVELOPED COUNTRIES TO DEVELOPING COUNTRIES.....	52
3.1 Introduction.....	53
3.2 Adaptation finance through bilateral, regional and other channels.....	53
3.3 Adaptation finance through multilateral channels.....	55
3.4 Adaptation finance through multilateral channels.....	58
ASSESSMENT OF THE PROVISION OF ADAPTATION FINANCE FROM DEVELOPED COUNTRIES TO DEVELOPING COUNTRIES	61
4.1 Distribution of adaptation finance	62
4.1.1 Financial instruments	62
4.1.2 Sectors	64
4.1.3 Geographical distribution	65
4.2 Balance between mitigation and adaptation finance and taking into account country-driven needs and priorities.....	68
4.2.1 Trend in country-driven adaptation plans and strategies in national reports	68
4.2.2 Assessing balance between mitigation and adaptation	69
4.2.3 Addressing priority areas and sectors.....	72
4.3 Effectiveness of adaptation finance: access, ownership and impacts	74
4.3.1 Access to adaptation finance.....	74
4.3.2 Ownership	78
4.3.3 Timely delivery of climate finance to projects.....	80
4.3.4 Impacts of adaptation finance, selected results and experience.....	81
TOWARDS THE DOUBLING OF ADAPTATION FINANCE FROM 2019 TO 2025	87
5.1 Key challenges	88
5.2 Potential opportunities	91

ANNEXES	96
Annex A: Overview of the approaches used in sources of information and data on adaptation finance	97
Annex B. Climate finance in 2019 and 2020 reported in Biennial Reports.....	103
Annex C: Submissions received in response to the call for inputs for the report on the doubling of adaptation finance ..	107
REFERENCES	108

LIST OF TABLES

TABLE 1	10
TABLE 2	13
TABLE 2.1	38
TABLE 2.1	39
TABLE 2.1	40
TABLE 2.2	44
TABLE 2.3	46
TABLE 2.3	47
TABLE 2.3	48
TABLE 2.4	50
TABLE 3.1	56
TABLE 3.2	57
TABLE 3.3	60
TABLE 4.1	77
TABLE 4-2	83
TABLE B.1	104
TABLE B.2	105
TABLE B.3	106
TABLE B.4	107

LIST OF FIGURES

FIGURE 1	14
FIGURE 2	15
FIGURE 3	15
FIGURE 2-1	31
FIGURE 2.2	34
FIGURE 2.3	42
FIGURE 3-1	54
FIGURE 3-2	59
FIGURE 4-1	63
FIGURE 4-2	63
FIGURE 4-3	64
FIGURE 4-4	66
FIGURE 4-5	68
FIGURE 4-6	71
FIGURE 4-7	72
FIGURE 4-8	73
FIGURE 4-9	76

LIST OF BOXES

BOX 4.1	80
BOX 4-2	85

ACKNOWLEDGEMENTS

Special thanks go to the contributors of the technical report, Mahlet Eyassu Melkie, at Rocky Mountain Institute (RMI), and Georgia Savvidou. Thanks also go to support received from Selamawit Wubet, Leonard Schmidt, Risa Tanaka in the preparation of the report.

Acknowledgements and appreciation go to all external contributors and their teams in particular Parties and non-Party stakeholders that have submitted their views on the doubling of adaptation finance and observers to the SCF meetings that have provided comments on the drafts.

Within the SCF, this report was prepared under the guidance of co-facilitators, Mattias Frumerie and Richard Muyungi. The report has benefited from inputs and guidance from other SCF members in 2023, including Kevin Adams, Diann Black-Layne, Gabriela Blatter, Zaheer Fakir, Fiona Gilbert, Javier Antonio Gutiérrez Ramírez, Hyekyoung Jung, Katarzyna Kowalska, Konstantin Kulikov, Emilie Mariendal, Zerihun Getu Mekuria, Apollonia Miola, Mohamed Nasr, Ian Naumkin, Vicky Noens, Chandni Raina, Saiko Saito, Gertraud Wollansky, Brittany Young, Ivan Zambrana Flores, and Liucaï Zhu.

ABBREVIATIONS AND ACRONYMS

ACCESOS	Economic Inclusion Programme for Families and Rural Communities in the Territory of Plurinational State of Bolivia	IDA	International Development Association
ADB	Asian Development Bank	IDBG	Inter-American Development Bank Group
AF	Adaptation Fund	IDFC	International Development Finance Club
AfDB	African Development Bank	IFAD	International Fund for Agricultural Development
AIIB	Asian Infrastructure Investment Bank	IMF	International Monetary Fund
Annex I Party	Party included in Annex I to the Convention	IPCC	Intergovernmental Panel on Climate Change
Annex II Party	Party included in Annex II to the Convention	IsDB	Islamic Development Bank
BA	biennial assessment and overview of climate finance flows	LDC	least developed country
BR	biennial report	LDCF	Least Developed Countries Fund
BUR	biennial update report	MDB	multilateral development bank
CFAN	Climate Finance Access Network	MVI	multidimensional vulnerability index
CIF	Climate Investment Funds	NAP	national adaptation plan
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement	NC	national communication
COP	Conference of the Parties	NDC	nationally determined contribution
CPI	Climate Policy Initiative	NDR	report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement
CRS	Creditor Reporting System	NGO	non-governmental organization
CTF	common tabular format	non-Annex I Party	Party not included in Annex I to the Convention
DAC	Development Assistance Committee	non-Annex II Party	Party not included in Annex II to the Convention
DFI	development finance institution	ODA	official development assistance
EBRD	European Bank for Reconstruction and Development	OECD	Organisation for Economic Co-operation and Development
EIB	European Investment Bank	POP	persistent organic pollutant
ETF	enhanced transparency framework under the Paris Agreement	PPCR	Pilot Program for Climate Resilience of the Climate Investment Funds
EU	European Union	SCCF	Special Climate Change Fund
FIP	Forest Investment Program of the Climate Investment Funds	SCF	Standing Committee on Finance
GCA	Global Centre on Adaptation	SDR	special drawing rights
GCF	Green Climate Fund	SIDS	small island developing State
GEF	Global Environment Facility	UNDP	United Nations Development Programme
GHG	greenhouse gas	UNEP	United Nations Environment Programme
ICA	international consultation and analysis	WBG	World Bank Group
		WRI	World Resources Institute

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/2560806/8cc5034f86da0781f8cb6adacba1130/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.

Table 2

Adaptation finance by channel since 2019 according to sources of information

(Billions of USD)

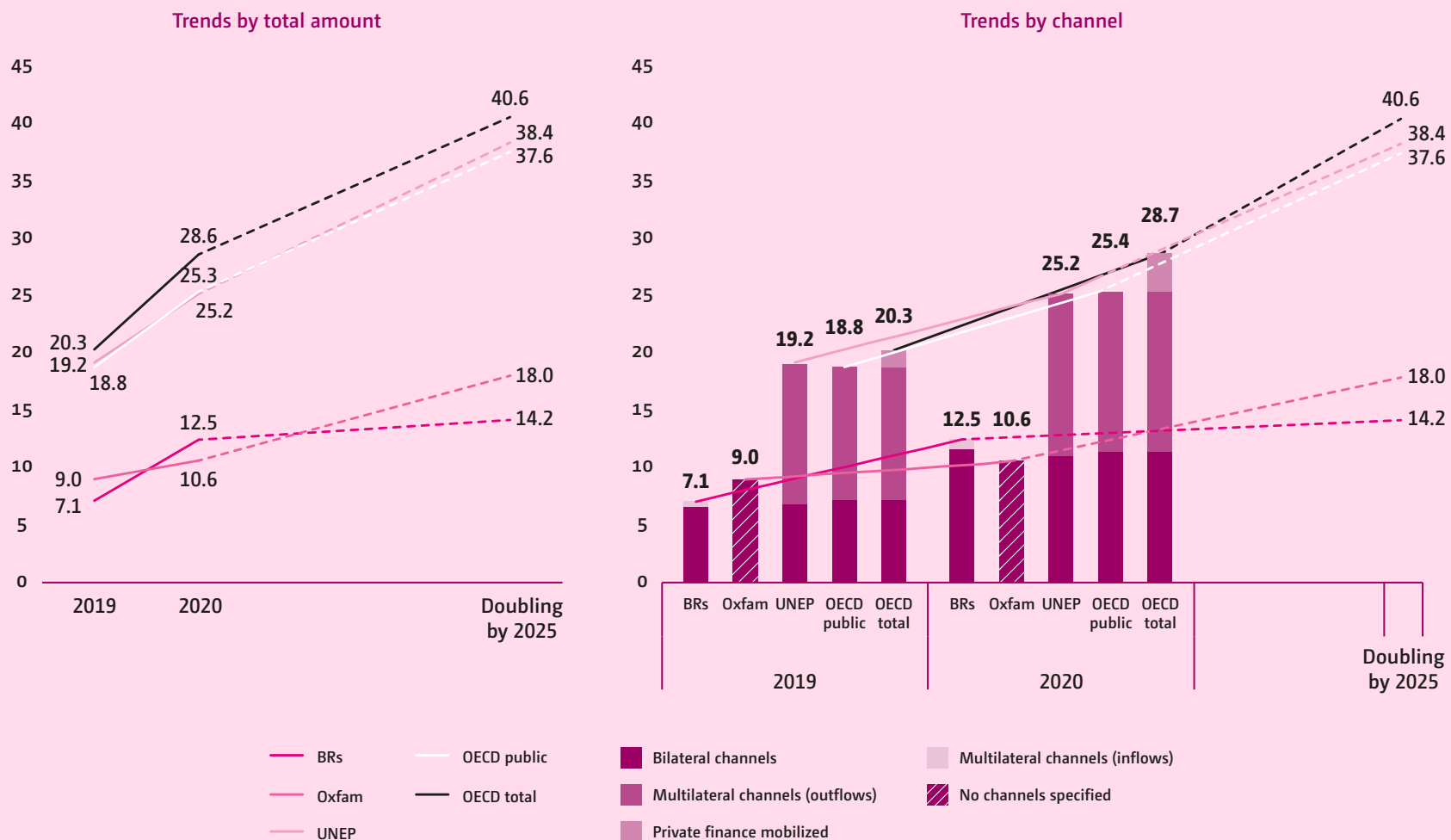
Channel	Source	Adaptation				Cross-cutting		
		2019	2020	2021	Implied doubling by 2025	2019	2020	2021
Bilateral channels	BRs	6.7	11.6		13.4	5.3	4.1	
	BURs	0.1	0.0		0.2	0.2	0.1	
	UNEP	6.9		8.2	13.8	11.0		
	OECD	7.2	11.4		14.4	5.7	4.4	
Multilateral channels	BRs	0.4	0.8		0.8	3.8	4.4	
	BURs	1.0	0.1		2.0	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: BR5; 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>.

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: BRs; 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.

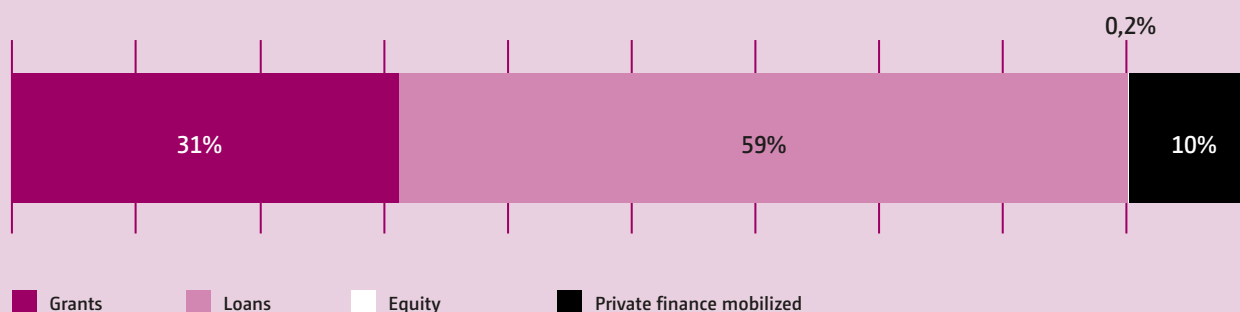
C. Assessment of the provision of adaptation finance from developed to developing countries

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

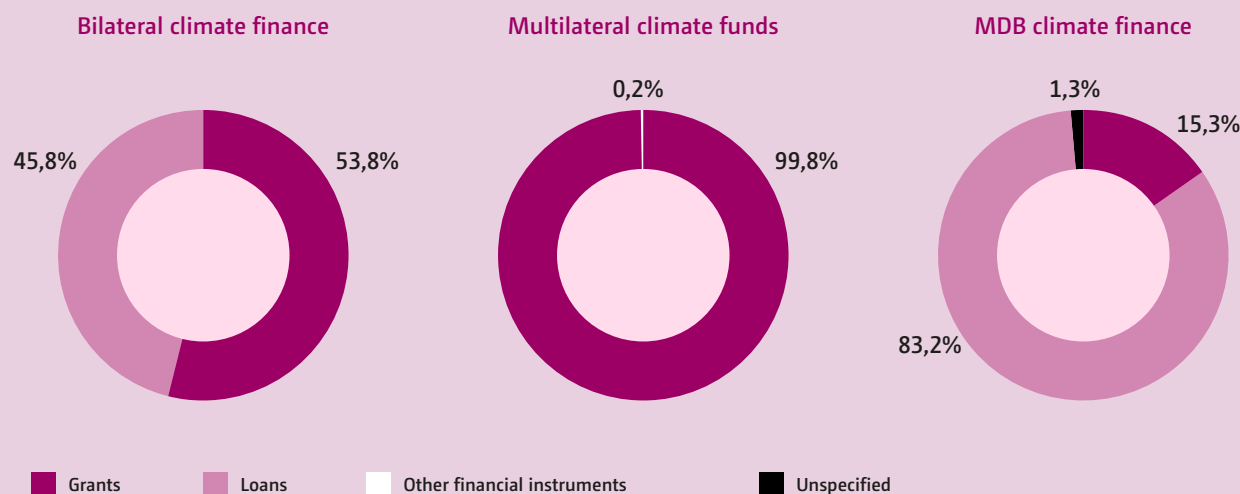
Share of financial instruments in aggregate adaptation finance flows, 2019–2020



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

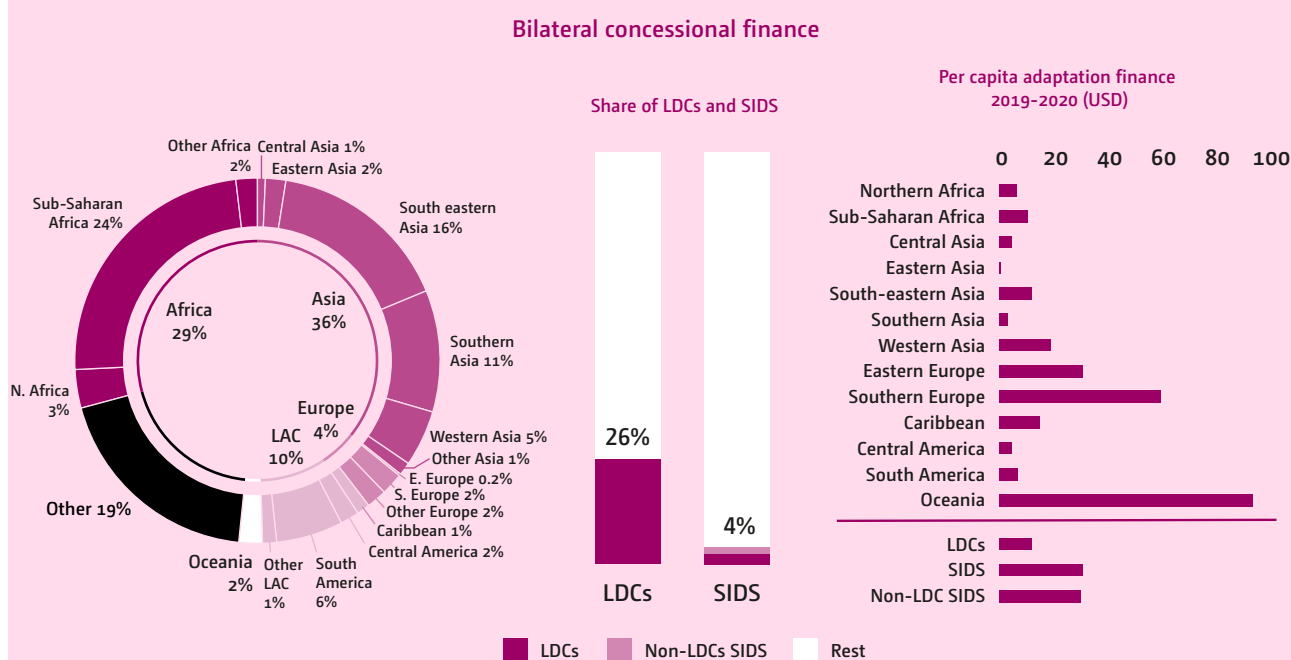
share of adaptation finance from multilateral climate funds (at 8 per cent) than from bilateral sources and MDBs (2 and 1 per cent respectively).

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

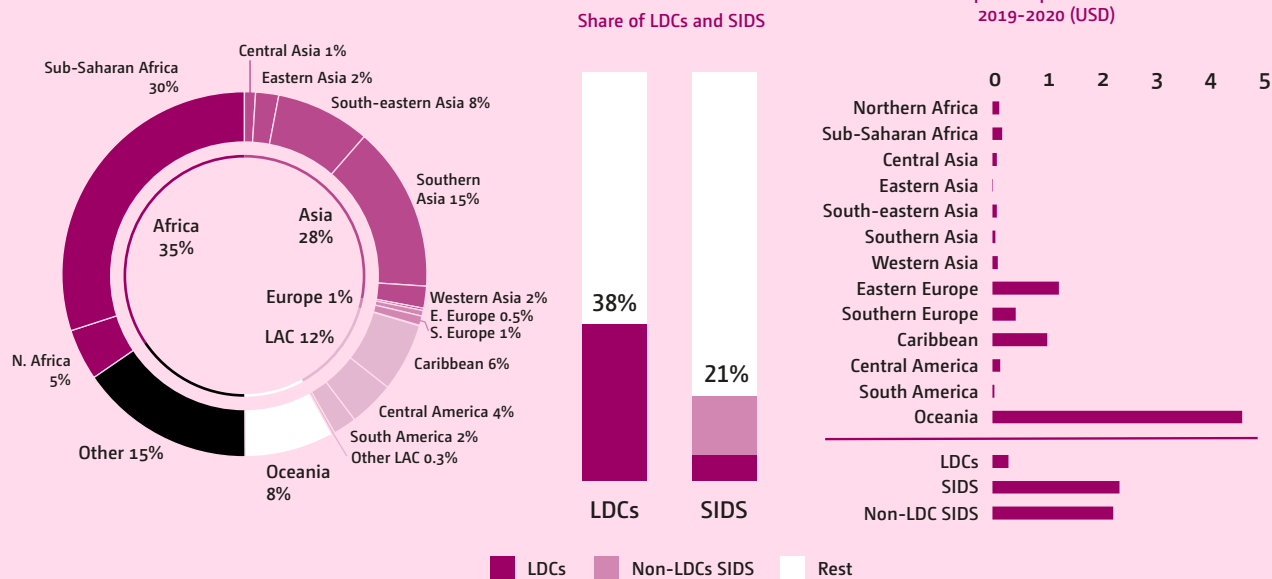


Sources: CFU. 2022. Climate Funds Update. Available at <https://climatefundsupdate.org/>. OECD. 2022. Climate Change: OECD DAC External Development Finance Statistics - OECD. Available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>. Note: 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.

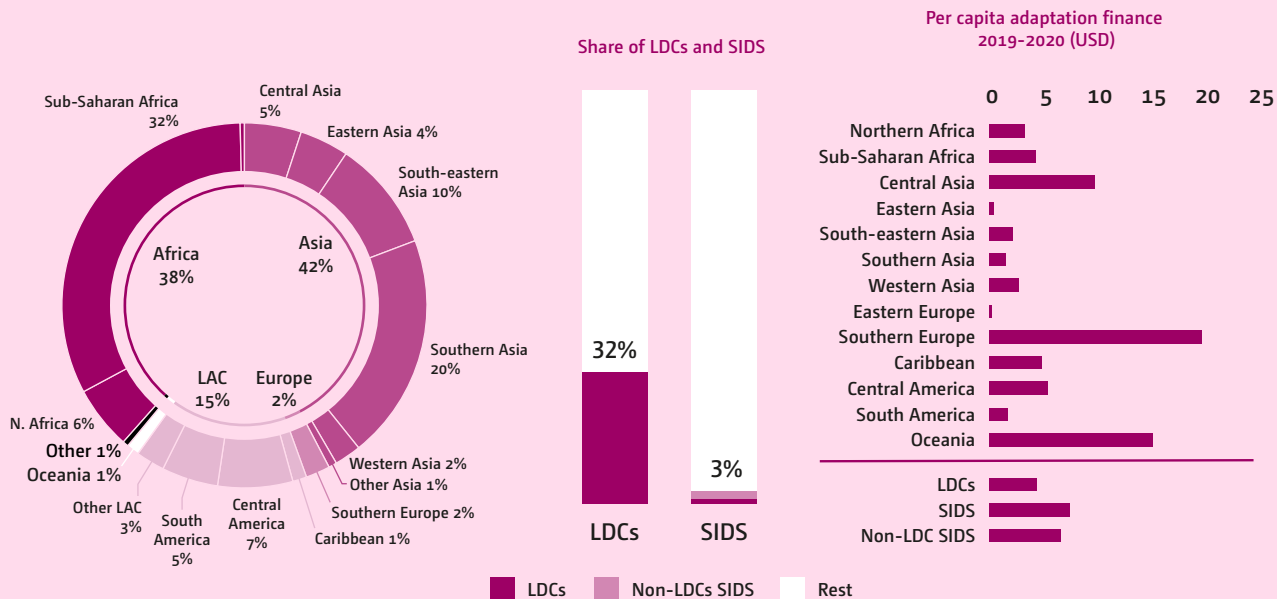
Figure 4

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.

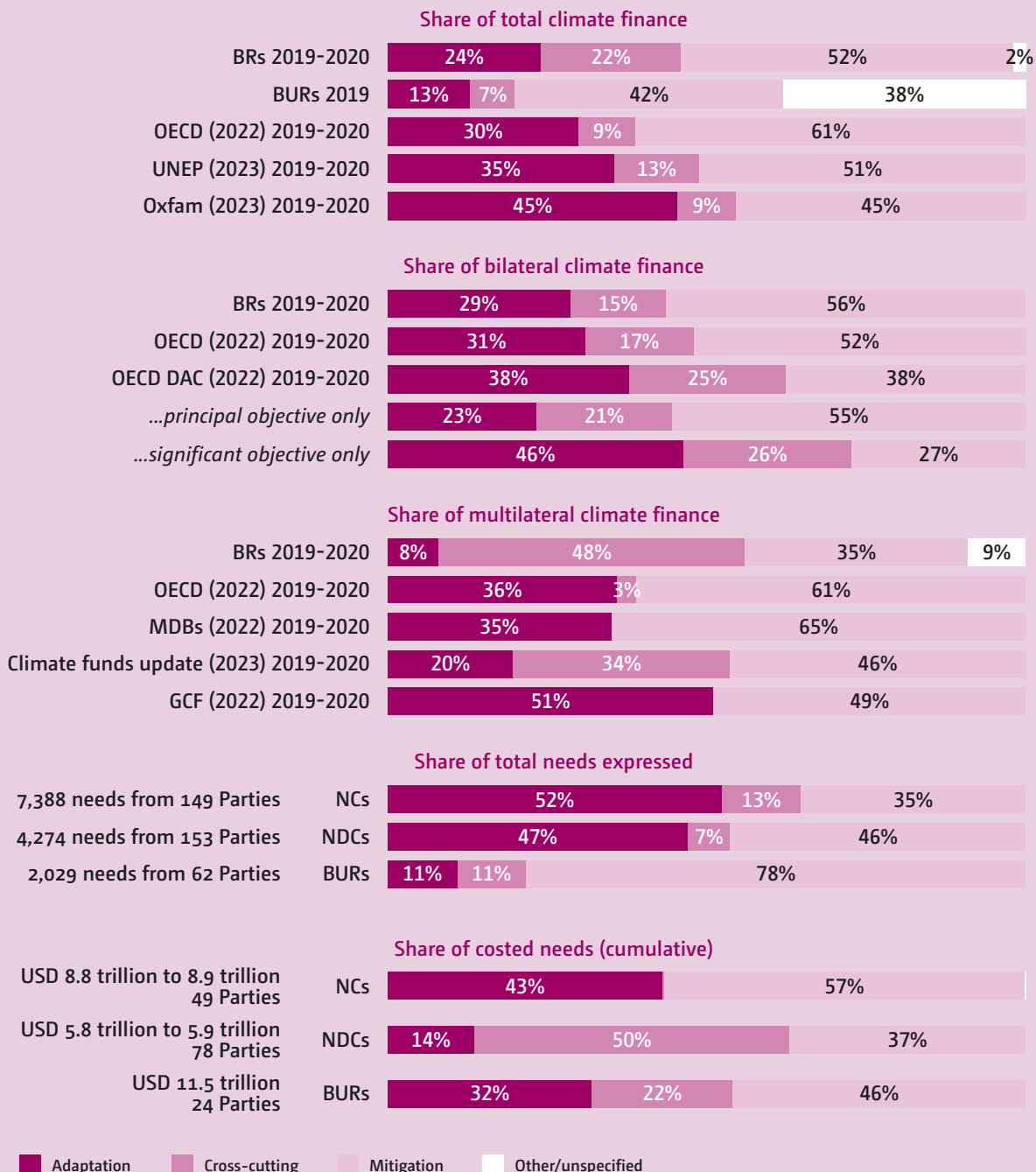
39. Access to adaptation finance from multilateral climate funds by national accredited entities increased from 2019 to 2022, from 5 to 12 per cent of total outflows. Regardless of whether international, regional or national accredited entities are implementing adaptation projects, at least one government 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.

1

Introduction

1.1 Background, mandate and objectives

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 by CMA 5.²³ This refers to the paragraph of the Glasgow Climate Pact which, “urges developed country Parties 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 technical 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 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. It further presents challenges and opportunities towards doubling adaptation finance from 2019 levels by 2025.

1.2 Approach used in preparing the report

4. This technical 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 BA reports 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 implementation. This report draws data and information from Parties’ national reports and submissions to the secretariat, 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, NGOs and think tanks, in order to enhance the comprehensiveness of the report. Another source of information is submissions received from Parties and non-Party stakeholders in response to the call for inputs issued by the SCF for the development of this report.²⁴

5. Where possible, disaggregated information on themes, instruments, sectors and the geographical distribution of adaptation finance, including to the LDCs and SIDS, and on the impacts and outcomes of adaptation finance, are reflected.

6. The report was prepared under the guidance of the SCF following the general outline agreed at its 30th meeting in March 2023. Further feedback was received at SCF 31 in July and in written form

1.3 Challenges and limitations

7. Tracking and reporting on the doubling of adaptation finance remains challenging owing to a number of factors and limitations. CMA 3 communicated the 2019–2025 as the time frame for the doubling of adaptation finance; however, there is no further clarity or guidance on how to measure and track efforts towards achieving the doubling, in particular to the baseline amount in 2019, the sources, contributors, channels, recipients and financial instruments to be included, the point of measurement (commitments or disbursements) or the contextual considerations related to achieving a balance between mitigation and adaptation in the provision of scaled-up financial resources, as stated in Article 9, paragraph 4, of the Paris Agreement.

²³ The 17 submissions received are listed in annex III and available at <https://unfccc.int/topics/climate-finance/resources/standing-committee-on-finance-info-repository#Report-on-the-doubling-of-adaptation-finance>.

²⁴ The 17 submissions received are listed in annex III and available at <https://unfccc.int/topics/climate-finance/resources/standing-committee-on-finance-info-repository#Report-on-the-doubling-of-adaptation-finance>.

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 determine their own methodological approach for tracking, measuring and reporting climate finance provided 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 classification of data such as by geographical region or by granularity is not uniform across data sources.²⁵ Further information on definitions of climate finance, including adaptation finance, are included in the SCF work on definitions of climate finance.²⁶

9. Party-level reporting on adaptation finance in 2019–2020 through the submission of BRs and BURs following their respective reporting guidelines is mandated by the Convention, while this report and the doubling of the collective provision of climate finance for adaptation is mandated under the Paris Agreement. There are, however, gaps in Party-level reporting on some channels, in particular outflows from multilateral institutions and finance mobilized, and significant gaps in data on adaptation finance received by developing country Parties.

10. Further, it is a challenge to treat data on finance for activities whose objectives are for both adaptation and mitigation (cross-cutting finance) when it is not possible to identify the adaptation-specific financial amounts. Such data are presented separately in chapter 3 below and in the consideration of the balance of finance between adaptation and mitigation in chapter 4 below.

11. Finally, there are different time lags in data availability for 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 was achieved by 2025 will not be available until 2028 in aggregate reports and by early 2029 under the ETF. Further information on methodological challenges and limitations is elaborated in chapter 2 below.

1.4 Structure of the report

12. The report is structured following the general outline agreed at SCF 30. Chapter 2 below provides an overview of key methodological issues related to measuring adaptation finance, reporting information on the doubling of adaptation finance and measuring adaptation outcomes. More information on the underlying approaches and methodologies specific to each source of information used for the report is provided in annex I.

13. Chapter 3 below provides an overview of the latest data and trends relevant to the doubling of adaptation finance from 2019 level. Estimates from the sources of information are presented separately for adaptation finance flows through bilateral, regional and other channels, for multilateral channels and in aggregate.

14. Chapter 4 below provides an assessment of the provision of adaptation finance from developed countries to developing countries, in particular a breakdown by instrument and sector and the geographical distribution, including by subregion and for particularly vulnerable countries such as SIDS and the LDCs. The balance of finance flows for adaptation and mitigation is considered, in addition to an assessment of the effectiveness of adaptation finance.

15. Chapter 5 below considers the challenges and opportunities associated with the doubling of adaptation finance by 2025.

²⁵ 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 Parties not included in Annex I to the Convention 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.

²⁶ See <https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows> and https://unfccc.int/sites/default/files/resource/cp2022_08_add02_cma2022_07_add02_adv.pdf?download.

2

Methodologies related to tracking adaptation finance and measuring adaptation outcomes

16. Sources of information tracking adaptation finance from developed to developing countries employ a variety of methodologies, resulting in differences in data coverage and completeness in terms of relevance to the doubling of adaptation finance. This chapter provides an overview of the methodological issues and of considerations related to measuring adaptation outcomes. A detailed description of the methodology employed for each source of data and information is provided in annex I.

2.1 Methodological issues related to tracking and reporting adaptation finance

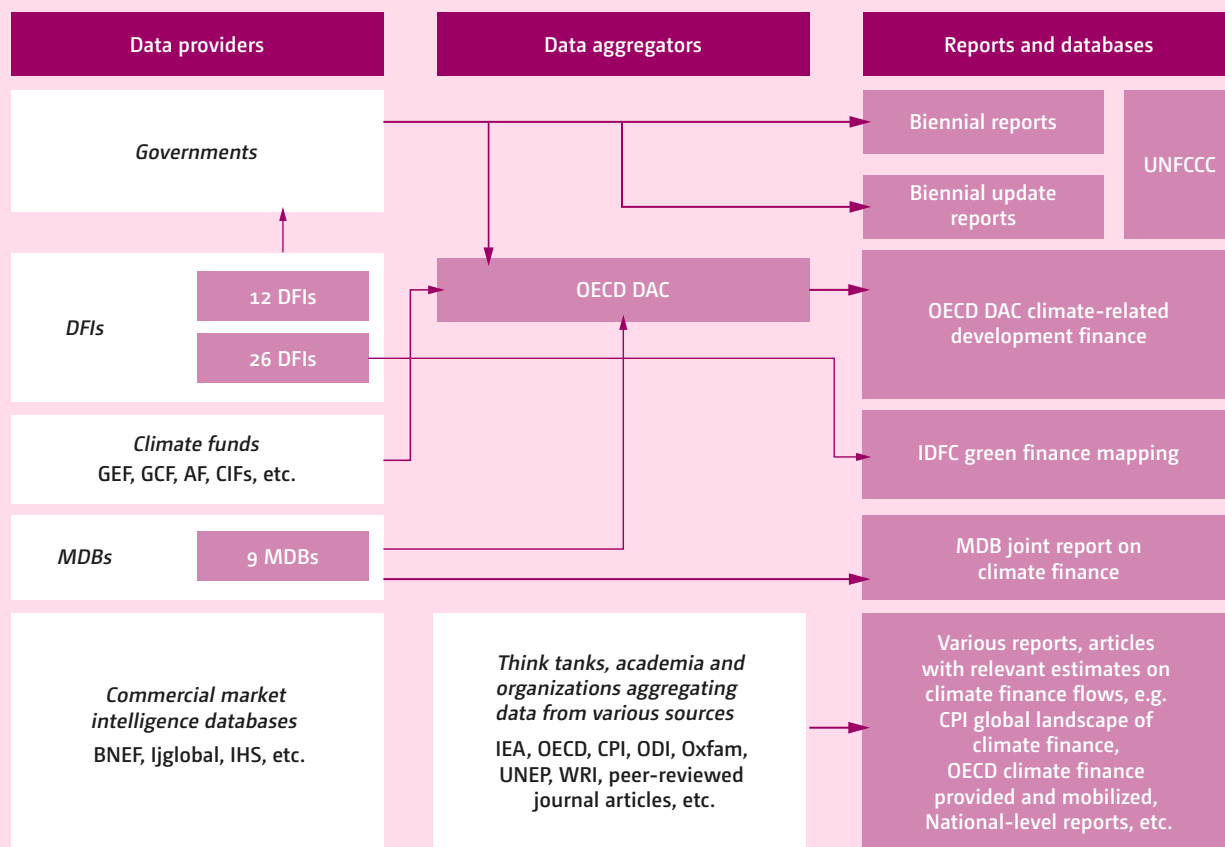
17. The BAs by the SCF provide a meta-analysis of data on and trends in the provision of climate finance from developed countries to developing countries across a variety of sources of information (see figure 2.1), namely.

- Official reporting by Parties under the Convention (BRs by Annex II Parties, and other Annex I Parties,²⁷ on financial support provided and BURs by non-Annex I Parties);
 - OECD DAC CRS information on climate-related development finance;
 - The joint report of the MDBs and the IDFC;
 - Other sources of information, such as reports and analyses that aggregate climate finance data from various sources (e.g. the Climate Funds Update, the OECD report series on climate finance and the USD 100 billion goal, the CPI *Global Landscape of Climate Finance*, the Oxfam *Climate Finance Shadow Report*, the UNEP *Adaptation Gap Report* and peer-reviewed scientific articles.
18. As a meta-analysis, the BA does not have its own approach to aggregate data points on climate finance from developed countries to developing countries and therefore is not presented as a distinct source of information in this technical report. Chapters 2 and 3 below present the primary sources of information that the BA references.
19. The following chapters outline the key methodological issues underlying the sources of information referenced in the BA (figure 2.1) with regard to how they may relate to tracking the doubling of adaptation finance.

²⁷ Several other Annex I Parties provide information on finance support provided voluntarily.

Figure 2-1

Climate finance data providers, aggregators and reports referenced in the biennial assessment and overview of climate finance flows



Note: Arrows indicate formal reporting processes, for example through the UNFCCC, OECD DAC or joint reporting by MDBs and IDFC. Some DFIs report data to their national Governments to be included in reporting to the UNFCCC or OECD DAC.

2.1.1 Identifying climate finance for adaptation

20. There are strong relationships between efforts to adapt to climate change and pursuing sustainable development. Differentiating between the two is complicated, which creates challenges for the measurement of adaptation finance as a separate category from development finance.

21. In fulfilling their reporting requirements under the Convention in accordance with the *UNFCCC biennial reporting guidelines for developed country Parties*,²⁸ Parties follow different approaches to identifying the

climate-specific amounts of finance for adaptation, mitigation and cross-cutting activities. In general, the following approaches are used.

- OECD DAC climate-related development finance data marked with Rio markers: finance providers identify activities having adaptation as a principal or significant objective. Most Annex II Parties apply a fixed coefficient approach to deduce climate-specific amounts of finance from Rio-marked activities, with 85–100 per cent applied to financing amounts for activities marked as principal and 0–50 per cent applied for activities marked as significant;

- Case-by-case methodology: reporters identify climate-specific amounts of finance per activity;
- Other Parties apply specific coefficients for each sector or purpose code for OECD DAC climate-related development finance data, which can range from 2 to 80 per cent.

22. In addition to the different approaches used for identifying climate-specific amounts of finance, bilateral and multilateral finance providers lack a universally agreed approach to account for international adaptation finance, and they employ a variety of accounting practices. MDBs follow the joint MDB methodology to adaptation finance tracking developed in 2015, which is based on component-level adaptation finance accounting (for which only the portion of the transaction that specifically targets climate change adaptation is counted). The case-by-case methodology used by Parties mentioned above corresponds closely to the joint MDB methodology. The differences in accounting methodologies used make it challenging to compare the reported adaptation finance figures of Parties and institutions.

23. The MDB methodology on adaptation finance tracking consists of the following three steps:

- Setting out the climate change vulnerability context of the project;
- Making an explicit statement of intent of the project to reduce climate change vulnerability;
- Articulating a clear and direct link between specific project activities and the project's objective to reduce vulnerability to climate change.

24. The identification and estimation of adaptation finance is limited solely to those project activities (i.e. projects, project components, or elements or proportions of projects) that are clearly linked to the climate change vulnerability context. The three steps were included in the OECD guidance on applying the adaptation Rio marker.

25. As it is used as the basis for identifying adaptation finance in official climate-specific reporting by many Parties, it is important to understand the approach used for the Rio markers methodology. The Rio marker for adaptation (and for mitigation) is a qualitative marker used by DAC members, bilateral donors and a number of institutions. The climate change adaptation marker was

introduced in 2010 and is based on a definition updated in 2021 to refer to the Paris Agreement; it reads as follows:

“It intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them, in line with the Paris Agreement. This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions.”

26. In 2016, the OECD developed a handbook (OECD 2016) to summarize methodological information on the climate change markers and provide reporting instructions through a guidance table on activity-level screening that supports users to denote activities as targeting adaptation as either a principal objective or a significant objective. Guidance on how Rio markers may be applied for the OECD DAC sector and purpose codes is provided. Activities are qualitatively marked in this way and no adjustments to financial amounts are made in the OECD DAC data. Therefore, the full value of each transaction is tagged with the Rio markers. Data reported by DAC members is subject to annual data quality reviews by the OECD DAC secretariat.

27. However, numerous studies argue that the self-reported data from finance providers to the UNFCCC and the OECD, along with the absence of independent quality control, result in low data reliability and sometimes substantial overestimations of finance flows in reporting (UNEP, 2021; Toetzke, Stünzi and Egli, 2022; Weikmans and Roberts, 2019; Weikmans et al., 2017; Zagema et al., 2023). The studies point to the lack of consistent definitions of adaptation finance (Weikmans et al., 2017), the fact that finance providers report data of loan amounts at face value, rather than using the grant-equivalent amounts, resulting in overestimates of loan amounts (Oxfam International, 2020; Roberts et al., 2021), the fact that the financial flows reported include the administrative costs of finance providers and in-donor refugee costs, which can be high in some cases (Atteridge and Savvidou, 2020), and to political interests in reporting by finance provider institutions (Junghans and Harmeling, 2012; Adaptation Watch, 2015; Michaelowa and Michaelowa, 2011) as the key drivers of potential over-reporting.

28. The UNEP Adaptation Gap Report in 2021 found that more than one third of activities marked as having adaptation as a principal objective did not meet the respective OECD criteria (UNEP, 2021). The OECD acknowledges that “significant inconsistencies in terms of methodologies, categorizations and definitions adopted across countries” exist in the official reporting to the UNFCCC by developed countries that hinder aggregation of data (OECD, 2022). At the same time, not all financial transactions in the OECD DAC databases are screened against the Rio marker for adaptation, so there may be adaptation-related finance flows that are not captured (Savidou et al., 2021).

29. MDBs, based on their collective experience of applying the joint methodology over the past decade, conducted a review of the joint methodology used to track finance for adaptation between 2021 and 2022. During this time, they continued to use both the joint methodology and the shared principles established by both the MDBs and the IDFC. The review had the objective to improve the characterization of adaptation activities for tracking adaptation finance, and to provide guidance for using the joint methodology for a broader range of financial instruments.

30. The MDB review resulted in three main outcomes. First, adaptation is now seen not only as an additional aspect of development finance but also as essential to steer development towards resilience. Therefore, support for adaptation has diversified beyond traditional infrastructure sectors to include a broader spectrum of sectors, including basic development sectors such as health, education, social protection, financial services, and research and innovation for adaptation solutions. Second, financing modalities for adaptation also diversified from the typical investment loans and programmes to a variety of financial instruments, such as policy-based loans, working capital and credit lines. Third, progress in emerging green and sustainable finance in recent years, such as the EU taxonomy for sustainable finance and impact reporting for green bonds, introduced new concepts and approaches for improving the definition, the reporting and the monitoring of adaptation activities, including private finance in adaptation.

31. In addition, the MDBs committed to making their operations consistent with Article 2, paragraph 1(c), of the Paris Agreement on aligning finance commitments with low-carbon and climate-resilient development. They have also developed a joint methodology to assess the alignment of their operation with the Paris Agreement, to be applied at the project level. In their joint methodology, guidance is provided for estimating such finance activities. In particular, three aspects are taken into account:

- Measures to address identified climate risk and opportunities to enhance climate resilience;
- The potential for maladaptation;
- The documentation of the selected climate resilience response.

32. Multilateral climate funds such as the GCF and the AF apply principles and broad descriptions to support the identification of adaptation activities that they may finance. The GCF, in its initial investment framework, provides definitions for its initial criteria for assessing programme or project proposals, which include the potential to contribute to the achievement of GCF objectives in terms of mitigation and adaptation; paradigm shift potential; sustainable development potential, including the wider co-benefits; recipient needs; country ownership; and efficiency and effectiveness.²⁹ In 2022, the GCF Board adopted principles for demonstrating the impact potential of adaptation activities to be used by the GCF secretariat and the independent technical advisory panel.³⁰ Four high-level principles are identified that align with the three steps of MDBs, namely:

- Identification: proposals should identify how the activity addresses current or future climate risks or impacts;
- Response: proposals should explain how the activity will reduce exposure and/or vulnerability (of people, systems or ecosystems), and thus lessen the climate change risks or impacts;

29 Adopted by GCF decision B.07/06 (a); updated in GCF decision B.27/06 (k); applicable from B.27 onward (November 2020). Sets out the GCF investment policies, investment guidelines (including investment criteria) and updated investment strategy and portfolio targets for the first GCF replenishment cycle. Available at <https://www.greenclimate.fund/document/initial-investment-framework-updated>.

30 Available at <https://www.greenclimate.fund/document/principles-demonstrating-impact-potential-gcf-supported-activities>.

- **Alignment:** proposals should confirm alignment of the proposed activity with host country national plans and strategies;
- **Monitoring and evaluation:** projects should include a description of the monitoring and evaluation system that will be used to assess the outcomes of adaptation activities and to quantify the adaptation beneficiaries.

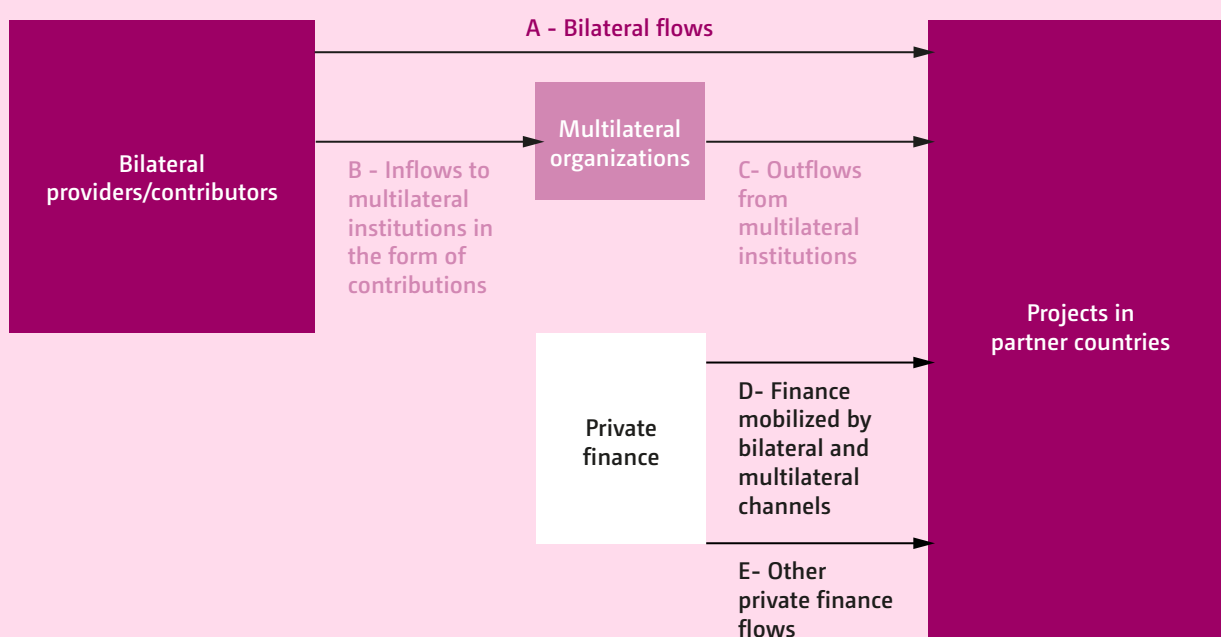
33. The AF, in its operational policies and guidelines for Parties to access resources, defines adaptation projects and programmes as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. The activities aim at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability. Adaptation projects or programmes can be implemented at the community, national, regional and transboundary level. Projects or programmes concern activities with specific objectives and concrete outcomes and outputs that are measurable, monitorable and verifiable.³¹

2.1.2 Data coverage by sources and channels

34. In terms of coverage of sources and channels of climate finance, few sources of information provide a complete overview of adaptation finance from developed countries to developing countries. As reflected in figure 2.2, the channels and sources can include direct bilateral public finance flows from developed countries to developing countries (A), inflows to multilateral institutions from developed countries (B), outflows from these multilateral institutions to projects in developing countries (C), private finance mobilized by both bilateral and multilateral public finance (D) and other private finance flows (E). The finance through these channels may be received directly by partner country governments, or by domestic and international NGOs, civil society and private sector entities implementing projects in the partner countries.

Figure 2.2

Sources and channels of international climate finance from developed countries to developing countries



Note: Graph not to scale. Adapted from OECD.

31 See <https://www.adaptation-fund.org/document/operational-policies-guidelines-parties-access-resources-adaptation-fund/>.

35. **Under the reporting system of the Convention,** climate finance provided is reported through the BRs of Annex II Parties with information on climate-specific finance flows in bilateral, regional and other channels (reflected as A in figure 2.2), and on climate-specific finance flows through multilateral channels. Core general contributions through multilateral channels are also reported where it is not possible to determine the climate-specific amounts of finance. The information available to Parties in their reporting on multilateral channels means that these data predominantly consist of inflows to multilateral funds and development banks (reflected as B in figure 2.2). BR data therefore do not reflect the full finance flows directed to projects in developing countries, in particular the outflows from multilateral funds and MDBs to projects. In addition, several Parties report on mobilized finance through their BRs, but this reporting is not comprehensive.

36. **Provision and mobilization:** A potential technical consideration is in the reflection of a differentiation, if any, between adaptation finance provided, as reflected in the decision language of the doubling, and the aggregate of finance provided and mobilized.

37. Although current official BR reporting is through two CTFs on financial support provided through bilateral, regional and other channels, and multilateral channels (with a third summary table of the two), some Parties include data on private finance mobilized in their reporting, in accordance with the BR guidelines. Other sources of information, including BURs, the OECD DAC climate-related development finance database (OECD 2023a), Oxfam and UNEP, do not include private finance mobilized in their data owing to either data limitations or choices on the methodological approach for their reporting. The OECD report series on climate finance and the USD 100 billion goal (OECD 2022) includes estimates of private finance mobilized by bilateral and multilateral institutions, separate to public bilateral and multilateral finance and removes any duplication of reporting on private finance mobilized in the reporting of Parties to the UNFCCC when aggregating bilateral public climate finance in order to avoid double counting in aggregates.

38. The enhanced transparency framework (ETF) under the Paris Agreement, which is to be implemented from the end of 2024, builds on the reporting system of the Convention, in which developed country Parties, and other Parties encouraged to do so, shall report on financial support provided through bilateral, regional and other channels (A in figure 2.2), multilateral

channels including inflows and outflows as available and applicable (B and C in figure 2.2), and finance mobilized by public interventions (D in figure 2.2).

39. In reporting on climate finance received, the BURs of non-Annex I Parties can provide a more complete perspective on climate finance flows to projects in developing countries; however, their coverage is limited owing to the non-standardized and infrequent reporting under the Convention and capacity gaps in reporting on both bilateral and multilateral finance flows (UNFCCC, 2022a). As at 30 June 2023, 92 Parties had submitted BURs, with 15 reporting adaptation finance received in 2019. Until the advent of the ETF, no common reporting format was available to report on climate finance received, although a growing number of Parties are providing such information in tabular format. Most Parties include project-level titles, amounts of finance and the time frame for the support received, but only 40 per cent included information on the type of support (see annex C of the fifth BA (UNFCCC, 2022a) for more information). These data gaps pose challenges in aggregating and comparing information on adaptation finance received with information on adaptation finance provided.

40. **Multilateral climate funds and MDBs** each report on their climate finance outflows to projects (reflected as C in figure 2.2) through their websites, annual reports or joint reports such as the joint MDB report on climate finance series. The OECD DAC CRS system collects development finance data that can include bilateral flows (A in figure 2.2) and both inflows to multilateral institutions and outflows from multilateral institutions (B and D in figure 2.2) respectively through data sets reflecting the perspectives of the provider and the recipient. However, these data represent climate-related development finance totals for which qualitative markers on whether climate mitigation and adaptation were principal or significant objectives of development finance activities are applied, and do not reflect climate-specific amounts of finance as reported through the BRs.

41. **Other sources of information** that aggregate across data sources to estimate climate finance flows aim to provide a more comprehensive view. The OECD report series on climate finance and the USD 100 billion goal captures climate-specific bilateral flows reported in BRs (A in figure 2.2), multilateral outflows (C in figure 2.2) and private finance mobilized (D in figure 2.2) from the OECD DAC, and climate-related export credits. Oxfam's Climate Finance Shadow Report analyses OECD DAC

bilateral and multilateral outflow data to estimate net climate-specific assistance, or grant-equivalent values, for public finance only (A and C in figure 2.2). The report includes a separate analysis of the BR5s of Annex II Parties and multilateral outflows through the OECD CRS unattributed to developed countries. The UNEP Adaptation Gap Report estimates climate-specific bilateral flows (A in figure 2.2) by applying the coefficients used by countries when reporting to the UNFCCC on flows marked as principal and significant. It also estimates multilateral outflows (C in figure 2.2) using the coefficients to estimate the multilateral climate finance commitments attributable to developed countries. It does not include private finance mobilized (D in figure 2.2) nor climate-related export credits and it excludes any coal-related financial flows and any flows for the administrative costs of finance providers.

42. **Double counting:** Climate finance contributors use multiple mechanisms for reporting (e.g. OECD DAC and biennial reporting to the UNFCCC). Climate finance can also flow through institutions (e.g. bilateral contributors provide resources to multilateral organizations such as the MDBs, which report both these and their own resources annually; see figure 3). This means that care must be taken when aggregating data in order to avoid double counting climate finance flows.

2.1.3 Data coverage by financial instrument

43. A wide range of financial instruments are reported across the sources of information. Article 9, paragraph 3, of the Paris Agreement refers to the mobilization of climate finance from a wide variety of sources, instruments and channels. The reporting systems under the Convention and the ETF provide for a wide range of financial instruments to be reported, including grants, equity, concessional loans, non-concessional loans, guarantees, insurance and others. In their BRs, most Annex II Parties report a range of these instruments, while 11 Parties choose to report only grants or grant-equivalent amounts of loans. Where available, non-Annex I Parties also report climate finance received across these range of instruments, although they also note the importance of grants and concessional finance for adaptation when reporting on needs.

44. Multilateral climate funds and MDBs report climate finance flows through a range of instruments within their institutional mandates and operational models. For example, some climate funds only provide finance

through grants, such as the AF, LDCF and SCCF, while others, such as the GEF, GCF and CIF, provide funding through grants, loans or equity. The GCF also provides finance through guarantees, reimbursable grants and results-based financing. MDBs, as primarily lending institutions, differentiate their climate finance reporting by investment loans, credit lines, policy-based financing, results-based financing, grants, equity and guarantees.

45. The OECD DAC CRS climate-related development database instrument-specific information includes grants, equity and debt instruments, with concessionality of instruments marked according to the OECD criteria, but excludes guarantees. In its analysis, Oxfam calculates grant-equivalent values for concessional debt instruments from the OECD DAC CRS. In particular, for bilateral loans Oxfam's methodology uses discount rates linked to the issuing country's long-term funding costs at the time the loan is disbursed and for MDB loans, for which disbursement data is not available, the OECD standard methodology of grant-equivalency is applied.

46. As it compiles data from various sources, the OECD report series on climate finance and the USD 100 billion goal does not differentiate aggregates of concessional and non-concessional loans owing to differences in the definitions used by bilateral and multilateral sources. Public finance is reported through grants, equity and loans while private finance is mobilized across a range of leverage mechanisms, including syndicated loans, guarantees, shares in collective investment vehicles, direct investments in companies and special purpose vehicles, credit lines and simple co-financing arrangements. The UNEP *Adaptation Gap Report* uses the OECD DAC and therefore provides data reported mainly through grants and loans.

2.1.4 Data coverage by point of measurement

47. The point of measurement of the finance flow may also vary and can impact on the amounts tracked at a given time or within a time frame. Under the ETF, of the Paris Agreement data reporting on both commitments (the approved amounts for a given activity over its lifetime) and disbursements (financial transfers for a given activity in the calendar or fiscal year) is possible. Climate finance data on commitments are the most common points of measurement used across the sources of information. Data on disbursements have less data coverage. Pledges or contributions to multilateral climate funds may also be regarded as different points

of measurement, depending on the perspective of the provider or recipient of the climate finance.

48. In their BR reporting under the Convention on climate finance through bilateral, regional and other channels, 12 Annex II Parties report disbursements only, 7 report commitments only and 4 report either commitments or disbursements depending on the project or source of the funding. Eighteen Parties report data through multilateral channels in the form of disbursements as it represents capital contributions from Parties to multilateral institutions, while four report only commitments. BURs also include a mix of commitments and disbursements depending on the information reported by non-Annex I Parties.

49. In the joint MDB report on climate finance, data is provided on commitments. The OECD DAC CRS³² database includes data on both commitments and disbursements, while the OECD DAC External Development Finance Statistics database³³ includes only commitment data.

50. Overall, while some providers report commitment-level data on adaptation finance, other providers report disbursement figures, which presents a challenge in estimating aggregate amounts. This is especially a challenge for aggregating disbursement amounts, since MDBs do not report on disbursements.

³² Available at <https://stats.oecd.org/index.aspx?DataSetCode=CRS1>.

³³ Available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm#:~:text=Statistical%20analysis&text=Activities%20with%20climate%20change%20as,by%20a%20few%20DAC%20members>.

Table 2.1

Summary of methodological and data coverage approaches used in sources of information

	Biennial reports	Biennial update reports	MDB joint report ^a	OECD DAC climate-related development finance	OECD report series on climate finance and the USD 100 billion goal	Oxfam Climate Finance Shadow Report	UNEP Adaptation Gap Report
Geographic classification	Annex II Parties ^b to non-Annex I Parties	GEF, Annex II Parties and other Parties that provide support, the GCF and multilateral institutions	Finance flows to all countries of operation with income-group categories	No developed or developing classification. Captures data from DAC and non-DAC members, multilateral institutions and others to ODA recipient countries	Developed: Annex II Parties plus EU member States, Liechtenstein and Monaco Developing: non-Annex I Parties and/or OECD DAC ODA eligible recipients	Developed: Annex II Parties Developing: unspecified	Annex II Parties to non-Annex I Parties
Channels and data sources	Bilateral, regional and other channels Multilateral channels (typically only inflows to multilateral institutions) Limited information on private finance mobilized	Bilateral and multilateral channels	MDB own resources and external resources managed by MDBs	Bilateral, multilateral and philanthropic sources, both ODA and other official flows	Bilateral public climate finance (BRs); multilateral climate finance (outflows ^c), attributed to developed countries (OECD DAC); climate-related export credits (OECD ECG database); private finance mobilized through bilateral and multilateral channels (OECD DAC)	Bilateral and multilateral channel outflows (OECD DAC)	Bilateral public climate finance and multilateral climate finance (outflows) attributed to developed countries (OECD DAC)

a. The MDB joint report is a joint report by the following MDBs: the AfDB, ADB, AIIB, Council of Europe Development Bank, EBRD, EIB, IDBG, IsDB, New Development Bank and WBG.

b. Other Annex I Parties also report information on financial support provided.

c. Inflows to multilateral institutions only considered where data on outflows are unavailable.

Table 2.1

Summary of methodological and data coverage approaches used in sources of information

	Biennial reports	Biennial update reports	MDB joint report ^a	OECD DAC climate-related development finance	OECD report series on climate finance and the USD 100 billion goal	Oxfam Climate Finance Shadow Report	UNEP Adaptation Gap Report
Financial instruments	Grants, concessional loans, non-concessional loans, equity, other, depending on the Party reporting	Grants, concessional loans, non-concessional loans, equity, other, depending on the Party reporting	Equity, grants, guarantees, lines of credit, investment loans, policy-based financing, results-based financing, other instruments	Debt instruments, debt swaps, equity and shares in collective investment vehicles, mezzanine finance instruments, unspecified	Public finance: grants, loans, equity (developmental guarantees by one Party only) Export credits: loans, guarantees and insurance Private finance mobilized by grants, loans, mezzanine/hybrid finance, equity, developmental guarantees	Climate-specific net assistance based on grants and grant-equivalent value of concessional loans, and equity	Concessional and non-concessional grants and loans, other (equity and shares in collective investment vehicles, mezzanine finance instrument)
Point of measurement	Commitments and/or disbursements depending on the Party reporting	Commitments and/or disbursements depending on the Party reporting	Commitments/project approval	Commitments data only	Commitments and/or disbursements based on source	Disbursements and commitments	Main analysis based on commitments; disbursement analysis in one chapter

a. The MDB joint report is a joint report by the following MDBs: the AfDB, ADB, AIIB, Council of Europe Development Bank, EBRD, EIB, IDBG, IsDB, New Development Bank and WBG.

Table 2.1

Summary of methodological and data coverage approaches used in sources of information

	Biennial reports	Biennial update reports	MDB joint report ^a	OECD DAC climate-related development finance	OECD report series on climate finance and the USD 100 billion goal	Oxfam Climate Finance Shadow Report	UNEP Adaptation Gap Report
Other notes				Guarantees are excluded Excludes general budget support, imputed student costs, debt relief except debt swaps, administrative costs, development awareness and refugees in donor countries	Exclusion of coal-related financing	Exclusion of coal-related projects, non-concessional loans, guarantees, export credits and other instruments Activities marked as significant under the Rio marker methodology discounted to 30–50 per cent of project values	Exclusion of: coal-related projects, administrative costs of finance providers, export credits, mobilized private finance Activities marked as significant and principal under the Rio marker methodology discounted based on coefficients to identify amounts of finance attributable to developed countries from multilateral finance providers applied

a. The MDB joint report is a joint report by the following MDBs: the AfDB, ADB, AIIB, Council of Europe Development Bank, EBRD, EIB, IDBG, IsDB, New Development Bank and WBG.

2.1.5 Geographical coverage

51. Under the Paris Agreement, in the modalities, procedures and guidelines for the ETF, and in the relevant decision pertaining to the doubling of adaptation finance, no classification of developed and developing country Parties is included or outlined.

52. Different categorizations for either developed or developing country groups are used across the various sources of information. In reporting under the Convention, 24 Annex II Parties are obliged to report financial support provided to non-Annex I Parties in their BRs. A further 13 Annex I Parties also report data voluntarily to varying degrees of data coverage. The guidelines for reporting by non-Annex I Parties outline that reporting on climate finance received can include finance from the Financial Mechanism, including the GEF and GCF, and Annex II Parties and other Parties that provide support.

53. One Party, in its second biennial communication in accordance with Article 9, paragraph 5, of the Paris Agreement, stated that it considered all high-income economies, except vulnerable SIDS, to be developed countries and therefore relevant to contribute to the doubling of adaptation finance, based on the polluter-pays principle and capacity to pay.

54. MDBs report climate finance to developing and emerging economies and, since 2020, to all countries, including breakdowns by income-group category. The OECD DAC External Development Finance Statistics database is limited to finance commitments to ODA eligible countries. Oxfam and UNEP analyses are based on the OECD DAC database and are therefore limited in flows to ODA eligible countries. For finance providers, Oxfam includes all DAC members, while UNEP filters out DAC members that are not Annex II Parties. The OECD report series on climate finance and the USD 100 billion goal uses a classification of developed countries as Annex II Parties plus EU member States not included in Annex II, Liechtenstein and Monaco. Developing countries are classified as non-Annex I Parties and/or those on the DAC list of ODA eligible recipients.³⁴

2.1.6 Geographical coverage

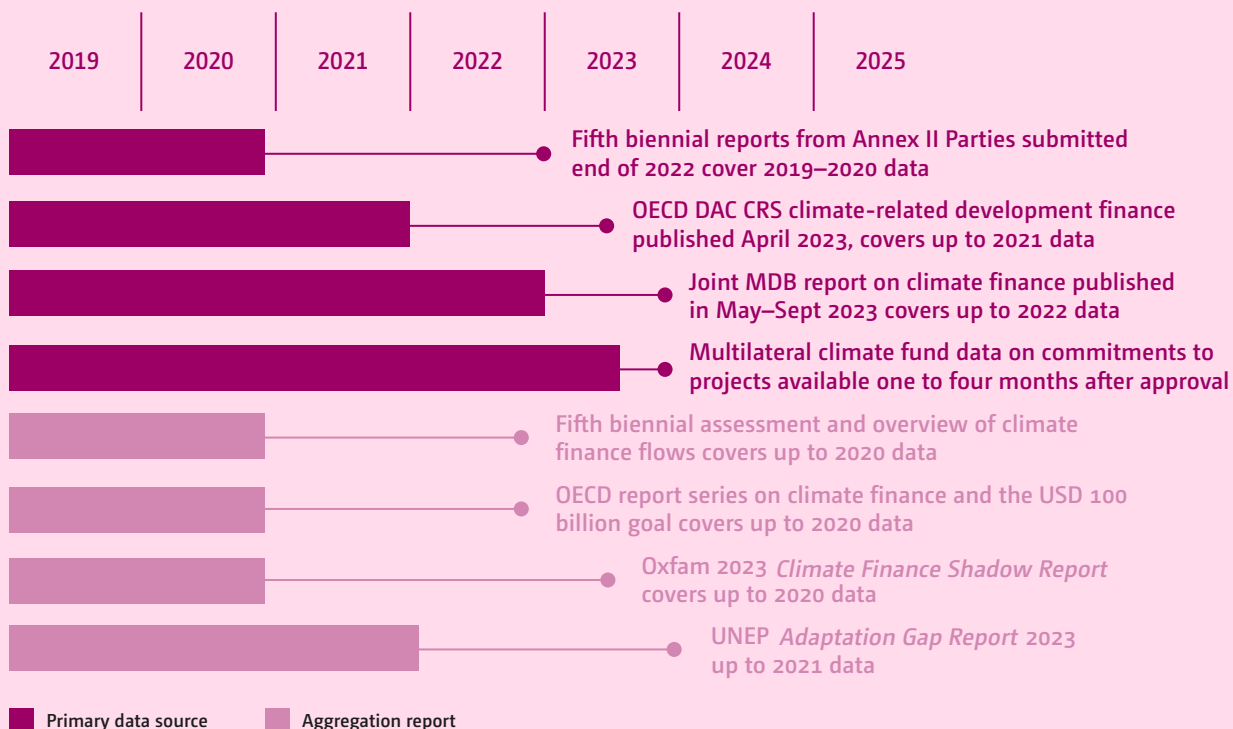
55. Time lags in data reporting in the underlying sources of information vary from two to three years of financial flows in the case of official reporting by Parties to six to nine months in the case of MDBs and one to four months based on approvals by the multilateral climate funds. The variations in data availability impact on aggregate reports, leading to relevant aggregates on adaptation finance available up to 2020. Based on current reporting timelines, an estimate of whether the doubling of adaptation finance was achieved by 2025 would be available in 2028.

56. Through their official reporting to the UNFCCC, Parties are due to submit their third biennial transparency report under the ETF on 31 December 2028, which will nominally cover the provision and mobilization of climate finance in 2025–2026.

³⁴ Countries and territories listed as developing beyond non-Annex I Parties include Belarus, Kosovo, Montserrat, Saint Helena, Tokelau, Türkiye, Ukraine, and Wallis and Futuna.

Figure 2.3

Time lags in data availability by source of information



2.1.7 Contextual considerations

57. The nature of adaptation activities is context-specific. This differs from mitigation activities, for which, according to the MDBs (AfDB et al, 2022), it is possible to define lists of typical activities because a reduction in GHG emissions has the same impact regardless of where the activities take place. Adaptation activities are project- and location-specific, and therefore it is not possible to produce a stand-alone list of adaptation activities that can be used under all circumstances. This presents a challenge for tracking financial volumes and impact.

58. Furthermore, some adaptation activities also address mitigation objectives, also known as cross-cutting activities. Activities in the areas of nature-based solutions, sustainable agriculture and energy access provide examples of such a cross-cutting nature of adaptation, as they have the potential to increase resilience or reduce vulnerability while also reducing emissions. This

cross-cutting nature of some adaptation activities poses a technical challenge in tracking adaptation finance volumes since care needs to be taken for their inclusion in either adaptation or mitigation in order to avoid double counting. The consideration of cross-cutting finance volumes, especially in the context of the balance between adaptation and mitigation (Article 9, paragraph 4, of the Paris Agreement), presents a technical challenge.

59. **Balance between mitigation and adaptation:** 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. A group of 13 Parties that established the Champions Group on Adaptation Finance in 2021 announced numerous initiatives at COP 27, including in relation to doubling adaptation finance, achieving a greater balance with mitigation and supporting specific initiatives targeting vulnerable countries in Africa, the LDCs, SIDs and

locally led adaptation action.³⁵ However, there is no agreed approach to measuring balance between overall mitigation and adaptation finance under the Convention or the Paris Agreement.

60. The fifth BA identifies the quantitative assessment of balance as complex owing to the different approaches used in accounting for adaptation and mitigation finance, the reporting of amounts at face value and the context-specific nature of adaptation, which does not allow for the development of a unique list of adaptation activities suitable across projects, unlike mitigation, for which it is comparatively easier to track relevant activities.

61. While reporting of bilateral finance is partially based on the application of qualitative Rio markers in most cases, multilateral finance from MDBs is a result of the common principles approach and considers only the climate component of a programme or project. Mitigation components can often be easier to identify when reported as total project costs (e.g. a renewable energy project) or as specific technologies (e.g. energy efficiency). Adaptation activities, however, require a clear link with climate vulnerabilities and only the incremental costs of project activities that respond to the vulnerability are accounted for. According to the MDBs (AfDB et al, 2022), for mitigation activities it is possible to define lists of typical activities as a reduction in GHG emissions has the same impact regardless of where the activities take place. However, adaptation activities are project- and location-specific, and therefore it is not possible to produce a stand-alone list of adaptation activities that can be used under all circumstances.

62. One of the operating entities of the Financial Mechanism, the GCF, is mandated to achieve a balance between mitigation and adaptation activities. Its initial investment framework translated this into a 50:50 portfolio target over time. The GCF has operationalized an approach to measuring this 50:50 balance in its portfolio in terms of grant-equivalent values of adaptation and mitigation components in order to enable a comparison of funding amounts that considers the types of financial instruments used on a cumulative basis (GCF decision B.06/06). However, applying a similar approach across all data sources is not possible owing to data and confidentiality constraints.

63. **Taking into account country driven needs and priorities:** Information on country-driven needs and priorities has been collected through the various national reporting processes. The first report on the determination of the needs of developing country Parties to implement the Convention and the Paris Agreement (NDR) gathered information on needs from nine different types of national report, in addition to global and regional reports by the IPCC, International Energy Agency, UNEP and other organizations.

64. However, there are relatively few methodologies that compare how finance flows take into account country-driven needs and priorities in existing sources of information. 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 implementation (UNFCCC, 2022d) conducted an analysis of the balance of finance flows by theme, geography and sector, against the balance of needs expressed and/or costed in the NDR (UNFCCC, 2021a). This approach is replicated in chapter 4.2 below.

65. The UNEP *Adaptation Gap Report* compares three aspects: the estimated costs of adaptation for developing countries, the adaptation finance needs based on NDC/NAP costs and the international public adaptation finance flows.

2.1.8 Summary

66. Taking account of the methodological issues related to each source of information covered in chapters 2.1.1–2.1.7 above, of all the sources of information covered, two were found most relevant to tracking the progress on doubling adaptation finance: the UNEP *Adaptation Gap Report* and the OECD report series on climate finance and the USD 100 billion goal. It is necessary to identify the technical strengths and weaknesses of these data sources in the context of the doubling of adaptation finance and its specific decision language. Table 2.2 presents the strengths and weaknesses of these two data sources along with the BRs and BURs to demonstrate their relevance to the doubling of adaptation finance.

35 See <https://www.government.nl/latest/news/2022/11/11/cop27-ministers-on-adaptation-finance#:~:text=Since%20the%20Champions%20Group%20on,been%20championing%20increases%20in%20the>.

Table 2.2

Technical considerations for each source of information related to tracking progress on the doubling of adaptation finance

Source of information	Strengths	Weaknesses
Biennial reports of Annex II/Annex I Parties ^a on financial support provided	<ul style="list-style-type: none"> Official climate-specific data under the Convention 	<ul style="list-style-type: none"> Data on finance through multilateral channels predominantly covers 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 of non-Annex I Parties on climate finance received	<ul style="list-style-type: none"> Official data on climate finance received under the Convention 	<ul style="list-style-type: none"> Significant limitations in data coverage and reporting geographically and by channel Mixture of commitments and disbursements in aggregate data No attribution to developed countries of multilateral outflows received
Oxfam Climate Finance Shadow Report	<ul style="list-style-type: none"> Methodology to estimate net grant-equivalent amounts in climate finance provided 	<ul style="list-style-type: none"> Methodology to estimate net grant-equivalent amounts in climate finance provided No attribution of multilateral flows to developed countries CSNA (climate-specific net assistance) based on DAC CRS qualitatively marked data rather than official reported data with own coefficient applied on significant marked projects. Assumptions made on grant-equivalency of concessional loans for MDBs Adjustment to coverage of instruments is not specified by decision language on doubling adaptation finance
UNEP Adaptation Gap Report	<ul style="list-style-type: none"> Based on OECD DAC qualitatively marked data with country reported coefficients applied to activities marked as principal or significant 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 officially 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"> Mixture of commitments and disbursements in data for bilateral flows owing to the use of BR official data

Source: Authors based on UNFCCC (2022a), Oxfam (2023), UNEP (2023) and OECD (2022).
a. Other Annex I Parties report information on financial support provided voluntarily.

67. The official data reported by Annex II Parties, and other Annex I Parties voluntarily, allow for the aggregation of climate-specific finance for adaptation reported in accordance with the guidelines agreed by Parties, but lack a significant segment of flows to developing countries in the form of outflows from multilateral climate funds and MDBs. Technically, this means that the full coverage of finance flows to developing countries is not available in the BRs. In addition, a mixture of reported committed and disbursed finance, although in line with the reporting guidelines, hinders the aggregation of consistent information on finance provided in a given year.

68. As discussed in chapter 2.1.2 above, collecting data on climate finance received by non-Annex I Parties is hindered by the presence of significant data gaps from a number of reporters owing to capacity constraints, lack of data availability and shortcomings in specific reporting guidelines. The data also does not attribute multilateral adaptation finance received by developed country Parties.

69. The Oxfam climate finance shadow report uses the OECD DAC database and applies coefficients to activities marked as significant and principal (only for a Party) by reporters. A general 30-50% coefficient range is applied unless the country applies a lower coefficient itself. In addition, Oxfam's methodology does not attribute the multilateral outflows to developed countries, which does not align with the decision language. In its analysis, Oxfam applies grant-equivalent values to debt instruments from the OECD DAC database.

70. The UNEP *Adaptation Gap Report* uses the OECD DAC database and applies coefficients to activities marked as significant and principal by reporters. Party-level coefficients as reported by Parties themselves for how they convert Rio marker data for their reporting to the UNFCCC are applied. A general 40 per cent coefficient is applied to the activities marked as significant by the seven Parties that do not use the Rio markers as the basis for their UNFCCC reporting. Furthermore, coefficients are used to estimate the multilateral finance outflows attributed to developed countries.

71. The OECD report series on climate finance and the USD 100 billion goal aggregates bilateral finance data from official BR reporting, and the OECD DAC CRS aggregates finance for multilateral outflows. Inflows from developed countries to multilateral institutions are only included when outflows are unavailable. Multilateral flows are attributed to developed countries based on a methodology that takes account of the institution-specific share of developed countries paid-in recent and historical contributions to multilateral climate funds and the concessional windows of MDBs.³⁶ However, the inclusion of the BR bilateral data also replicates the weakness of mixing both commitments and disbursements data in aggregating Party reporting.

72. A key technical consideration cutting across all the sources of data relates to the currencies reported and whether and how to take account of inflation in tracking progress. As developed countries provide financial support to developing countries in multiple currencies that can appreciate or depreciate relevant to the United States dollar, doubling may be observed in a local currency that is not reflected in United States dollars equivalent.³⁷ Exchange rate fluctuations over time may partially reflect inflationary effects, but accounting for inflation in a single currency may also encounter similar difficulties in accurately reflecting efforts to double adaptation finance.

2.2 Methodological issues in measuring adaptation finance outcomes

73. Many multilateral and bilateral institutions continue to develop new indicators on adaptation outcomes at the project level in their official reports. This chapter provides an overview and comparison of methodologies in use, including new developments in reporting international climate finance outcomes since the fifth BA. Chapter 4.3.4 below includes an analysis of the expected and reported results of the operating entities of the Financial Mechanism.

74. Result and impact frameworks have progressed recently, with funds such as the GCF, GEF and AF

³⁶ For climate finance from non-concessional windows, the methodology sums the share of total paid-in capital contributions to institutions' accounts and the share of callable capital, which may be called upon in exceptional circumstances from developed countries with a credit rating of A or above during the analytical period. However, to reflect the higher value of paid-in capital in contributing to climate finance flows to developing countries, its portion of the calculation is weighted at 90 per cent, with a 10 per cent weighting applied to the callable capital portion. The application of the methodology results in institution-specific attributions ranging from 4.8 per cent to close to 100 per cent depending on the institution (OECD, 2022).

³⁷ For example, a doubling of EUR 750 million in pledges to the GCF in its initial resource mobilization to EUR 1.5 billion in the first GCF replenishment resulted in a 69 per cent increase in nominal United States dollars equivalent rather than a 100 per cent increase.

updating their respective result management systems in line with their strategies or replenishments. After an independent review in 2018, the GCF developed its Integrated Results Management Framework, which provides an enhanced and simplified measurement architecture and reduces the number of indicators tracked from 177 to 42 (GCF, 2021). The GEF began to roll out its revised results framework based on 11 core indicators during the eighth GEF replenishment cycle, which is captured in the GEF Scorecard (GEF, 2022). The AF developed a reporting framework with five core indicators for a portfolio in line with the pillars of the midterm strategy for 2023 to 2027.

75. Funds typically report results bottom-up, whereby detailed project-level subindicators are aggregated to a smaller defined set of core portfolio-level indicators. In addition, some funds, such as the GCF or GEF, seek to capture the systemic or transformational impact of its intervention through qualitative or quantitative indicators that are part of the project-level reporting requirements.

76. A mapping of the results frameworks of multilateral climate funds for this technical report shows that there are 123 adaptation outcome- or output-level indicators in use.³⁸ Of those, 46 core impact indicators are reported at the portfolio level, aggregated from individual project-level results. The funds reviewed report on between 3 and 10 core indicators on adaptation projects. Table 2.3 provides a breakdown of the core indicators reported, disaggregated by the most relevant sectors. Some indicators are presented in several sectors and can therefore occur more than once in the table.

Table 2.3

Overview of the core result indicators in use by multilateral climate funds, by theme and sector

Sector	Adaptation		
	Indicator	Unit	Fund
	General adaptation	Number of direct and indirect beneficiaries or livelihood co-benefits	Number of beneficiaries (disaggregated by gender)
	Area of land or ecosystems brought under sustainable, improved or climate-resilient management practices	Hectares	GCF, GEF, AF, LDCF/SCCF, FIP, PPCR
	Value of physical assets made more resilient to the effects of climate change	Value in USD million	GCF
	Early warning systems implemented	Number of projects, systems, beneficiaries or media reports	AF, LDCF/SCCF (not core: GCF)
	Number of assets, policies or institutions that increase adaptive capacities and resilience or introduce measuring, reporting and verification or risk and vulnerability assessments systems	Number of assets, policies or institutions	AF, LDCF/SCCF, PPCR
	Increased the adaptive capacity of communities to respond to the impacts of climate change	Amount of increased income, or avoided decrease in income/ type of income sources for households generated under a climate change scenario	AF

38 The AF, GCF, GEF, LDCF/SCCF and the CIF associated funds (FIP, PPCR) were included in the analysis.

Table 2.3

Overview of the core result indicators in use by multilateral climate funds, by theme and sector

Sector	Adaptation		
	Indicator	Unit	Fund
	Energy	General adaptation indicator	Value in USD
	Reduction, avoidance of emissions of POPs to air from point and non-point sources	Weight (grams of toxic equivalent gTEQ)	GEF
	Policies implemented to control emissions of POPs to air	Number of policies	GEF
Transport	Kilometres of climate-resilient road constructed or rehabilitated	Kilometres	PPCR
	General adaptation indicator	Value in USD	GCF
Industry	Reduction, disposal/destruction, phase-out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes	Metric tonnes	GEF
	Reduction or avoidance of emissions of POPs to air from point and non-point sources	Weight (grams of toxic equivalent)	GEF
	Countries with legislation and policies implemented to control chemicals and waste	Number of countries and descriptive text on legislation	GEF
Agriculture and forestry	General adaptation indicator	Hectares	AF, GCF, GEF, FIP, LDCCF/SCCC, PPCR
	Number of livestock brought under sustainable management practices	Tonnes of livestock	GCF
	Area of high conservation value forest loss avoided	Hectares	GEF
	Reduction, avoidance of emissions of POPs to air from point and non-point sources	Weight (grams of toxic equivalent)	GEF
	Reduction, disposal/destruction, phase-out, elimination and avoidance of chemicals of global concern and their waste in the environment and in processes	Metric tonnes	GCF

Table 2.3

Overview of the core result indicators in use by multilateral climate funds, by theme and sector

Sector	Adaptation		
	Indicator	Unit	Fund
	Water and sanitation	Number of shared water ecosystems (fresh or marine) under new or improved cooperative management	Number of systems or policies
	Level of national/regional commitment to implement and manage a shared water system	Rating (1 to 4)	GEF
	General adaptation indicator	Number of beneficiaries	GEF
Other (infrastructure, including buildings and cities)	Metres of coastline protected	Metres	AF
	Change in expected losses of lives owing to the impact of extreme climate-related disasters	Number of individuals	GCF
	General adaptation indicators	Value or beneficiaries	GCF
Other (land use and biodiversity)	General adaptation indicator	Hectares	GEF, FIP
	Increased ecosystem resilience in response to climate change induced stresses	Hectares or Management Effectiveness Tracking Tool score (qualitative measure of management effectiveness)	AF, GEF
Other (marine, including fisheries)	Area of marine habitat protected under improved practices or management	Hectares, qualitative description or Management Effectiveness Tracking Tool score	GEF
	Number of shared water ecosystems (fresh or marine) under new or improved cooperative management	Number of systems or policies	GEF
	Amount of marine litter avoided (retired)	Number of marine litter avoided	GEF
	Amount of fish stock moved to more sustainable levels	Metric tonnes or tonnes	GEF (not core GCF)
Other (health and food)	General adaptation indicator	Number of beneficiaries	GCF
Other (finance)	Number of targeted institutions benefiting from direct access and enhanced direct access modality	Number of assets, systems, policies and institutions	AF
	Barriers to climate finance access targeted	Qualitative, yes/no	LDCF/SSCF

Notes: For mapping purposes, sector classifications from original sources (when available) have been translated to sectors based on categories used in reporting on climate finance to the UNFCCC. Shaded indicators are subindicators that show the availability of sector-specific granular result indicators with specific metrics beyond the core indicators presented. The indicator 'Reduction/phase-out of chemicals' has potential implications for both mitigation and adaptation owing to associated emission reductions and positive benefits for human health and the status of environmental degradation.

77. The most common indicators reported include the number of beneficiaries, at times split by sex and/or direct and indirect beneficiaries, and the land or maritime area, measured in hectares, brought under sustainable, improved or climate-resilient practices. These indicators are reported by all adaptation-relevant funds (the AF, GCF, GEF, LDCF/SCCF and PPCR). Many other adaptation indicators are expressed, with a number of institutions, policies, assets or systems introduced through interventions that increase adaptive capacities and climate resilience or mainstream measuring, reporting and verification and risk and vulnerability assessments. Particular attention is directed towards the establishment of early warning systems, which are measured as a stand-alone indicator by four funds. The GCF measures the value in United States dollars of physical assets made more resilient to the effects of climate change across sectors. Similar to the mitigation theme, the transport, industry and infrastructure, including cities and buildings, sectors have few dedicated outcome indicators, with the exception of kilometres of climate-resilient road constructed or rehabilitated (PPCR) and metres of coastline protected (AF), and three GEF measures related to the reduction and avoidance of chemicals and emissions from persistent organic pollutants (POPs).

78. Core and subindicator outcomes related to gender are reported at the level of gender-disaggregated reporting of the number of beneficiaries. The GCF, GEF, LDCF/SCCF and PPCR provide gender-disaggregated portfolio-level reporting on number of beneficiaries, while the AF and FIP do not report gender-specific figures. At the project scale, gender-disaggregated figures are often applied for vulnerability assessments, risk exposure, or soft and hard capacity-building of developing countries, regardless of the sector. The GCF records gender-disaggregated beneficiary numbers at the

project level for six subcategories pertaining to climate-resilient livelihoods, food security and water security, early warning systems, innovations for climate resilience and increased resilience climate hazards.

79. The MDBs and IDFC do not currently include information on indicators of adaptation outcomes in their joint report. As noted in the fourth BA, the MDBs and IDFC developed jointly the climate resilience metrics framework that since 2020 has guided the development of climate resilience metrics for individual projects on two levels: the quality of project design (diagnostics, inputs, activities); and project results (outputs, outcomes, impacts). IFAD (2023) outlines requirements for new projects to report on output- and outcome-level indicators in adaptation projects.

80. Multilateral and bilateral contributors have variable approaches to reporting on climate finance impacts, including through using indicators. A non-exhaustive overview of results and impact measurement frameworks from these types of providers resulted in a list of 136 core indicators reported on a portfolio level. Applied indicators and metrics show a considerable overlap with indicators reported from multilateral climate funds and point to a convergence of impact methodologies across sources of climate finance.

81. Table 2.4 lists the metrics applied to report on output- and outcome-level indicators from the selection of multilateral and bilateral sources studied. The number of beneficiaries and number of assets/policies and plans/projects or solutions are most widely used. Other common metrics are hectares of land or maritime area covered, the monetary value of assets and kilometres of infrastructure.

Table 2.4

Impact framework metrics in use by multilateral and bilateral providers

Indicator metric	Number of indicators	Adaptation	Cross-cutting	Other (non-climate)	Sector
Number of beneficiaries	34	22	5	7	Multiple
Number of policies and plans/projects	28	15	10	3	Multiple
Hectares	13	13	–	–	Multiple
Kilometres	6	1	5	–	Transport
Monetary unit	7	1	6	–	Multiple
Tonnes	4	4	–	–	Waste
Cubic metres	2	1	1	–	Water
Cubic metres per megawatt	2	2	–	–	Water
Per cent	1	–	1	–	Multiple
Qualitative	1	1	–	–	Waste
Other	6	3	3	–	Indicators under development

Source: ADB, AfDB, IDB, WBG, UK ICF, IKI and KfW.

82. A widely used descriptive output indicator is the number of assets/policies and plans/projects or other aspects covered through an intervention. A detailed assessment of the 28 indicators in question shows that 14 metrics relate to the number of infrastructure or transport assets constructed or strengthened, 11 metrics focus on the number of projects implemented or supported and 4 metrics show the number of solutions supported. Three indicators present the number of policies and plans, two define the number of businesses supported and one shows the number of financial solutions provided.

83. While results and impact frameworks are continuously updated and improved over time, a diversity of metrics exist, as presented in the analysis above. Given the complexity of sector-specific adaptation activities, it can be noted that the majority of the

granular results subindicators are not reported on a portfolio level by climate finance providers. Where available, however, subindicators can be retrieved from the project websites of climate finance providers for each project individually. Ninety-one such subindicators have been identified for the multilateral climate funds alone based on the analysis conducted for Table 2.4. Multilateral and bilateral climate finance providers report that a major challenge is designing quantitative results indicators for which coherent data availability is ensured and that can be meaningfully aggregated over a sufficiently large range of projects with diverse sectoral and subsectoral characteristics (AF, 2021; GCF 2021).

84. One objective of the multilateral climate funds is to increase the transformational and systemic impacts of climate finance. Initial advances have been made to measure the long-term institutional, human

and socioeconomic effects of projects. The GCF, for example, has introduced a paradigm shift potential measurement in its Integrated Results Measurement Framework to capture transformational impacts along the three dimensions of scale, depth and sustainability via a qualitative scorecard and narrative reporting in the annual project reports. However, the mapping conducted confirms the analysis of the review of the GEF's results-based management in so far as the current status of the results measurement frameworks of the funds does not provide for a systematic quantification of transformational or long-term results across sectors or themes (GEF, 2021). Most core indicators addressing institutional transformation or human capacity-building remain at the level of reporting the number of assets, systems, policies or institutions introduced or addressed, while time considerations or the longevity of past interventions are absent from the results frameworks reviewed.

85. A persistent challenge in climate finance measurement frameworks is that direct project output indicators are more easily defined than outcome-level indicators, especially for adaptation or those covering socioeconomic aspects. Many reviewed core and subindicators in use provide a descriptive metric, for

example on the number of beneficiaries or staff targeted (total or percentages), area of terrestrial or maritime land covered, or number of assets, institutions or policies introduced. While these measures offer information on the immediate output from interventions, the desired outcomes, such as increased resilience, adaptive capacities, incomes or jobs, are less visible.

86. The methods of assessing maladaptation outcomes, where exposure or vulnerability is increased as opposed to reduced in effective adaptation outcomes, is an emerging area of research, with several tools and frameworks under development.³⁹ The Sixth Assessment Report of the IPCC identified a new framing to allow for an improved assessment of the potential positive or negative outcomes of adaptation options that would be based on a continuum and would factor in qualitative criteria such as the impact on ecosystems and the climate and social systems, considering the importance of equity in adaptation effectiveness and assessing the impacts on low-income populations, gender and marginalized ethnic groups (New et al., 2022). The implications for financing strategies are potentially significant as literature reviews show areas such as coastal infrastructure, insurance schemes and spatial planning as areas that are prone to maladaptation if not planned correctly (Reckien et al., 2023).

39 For example, the IFAD resilience scorecard methodology, Regilinece (see <https://regilinece.eu/self-assessment-tool-for-maladaptation/>) and Reckien et al. (2023).

3

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

3.1 Introduction

87. This chapter provides an overview of the latest data on and trends in finance flows for adaptation in the context of doubling the collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025, in the context of Article 9, paragraph 4, of the Paris Agreement. Data are gathered and compiled from multiple sources, including aggregate estimates for total adaptation finance flows to developing countries. This chapter provides information on provided and mobilized adaptation finance flows from developed countries to developing countries for 2019, 2020 and, where available, 2021 from specific institutions. Data on the flows of public provision of adaptation finance are of higher quality and consistency as international public climate finance is periodically reported through bilateral channels (government agencies and DFIs) or multilateral channels (multilateral climate funds and MDBs). Mobilized private finance flows are often confidential in nature, consisting of flows from either multinational commercial banks or international investors in the form of foreign direct investment. Such private finance flows often do not have the level of granularity required to understand whether the financing is related to climate change adaptation activities or whether it originates in a developed country.

88. Chapters 3.2 and 3.3 below focus on estimates of bilateral and multilateral adaptation finance flows respectively, while chapter 3.4 below focuses on the overall trends of adaptation finance flows across channels in the context of doubling the collective provision of adaptation finance from 2019 levels by 2025.

89. As described in chapter 2 above, it is important to note that in determining the amounts of finance to be reported as adaptation finance, reporting entities rely on their own operational definitions of the underlying concepts, such as adaptation finance, climate change and sector delineations, and use different accounting methodologies. Furthermore, there are differences in the coverage of channels, financial instruments and points of measurement. Finally, reporting entities also use their own classifications of developed countries and developing countries. Any such reporting differences are explicitly laid out throughout this chapter.

3.2 Adaptation finance through bilateral, regional and other channels

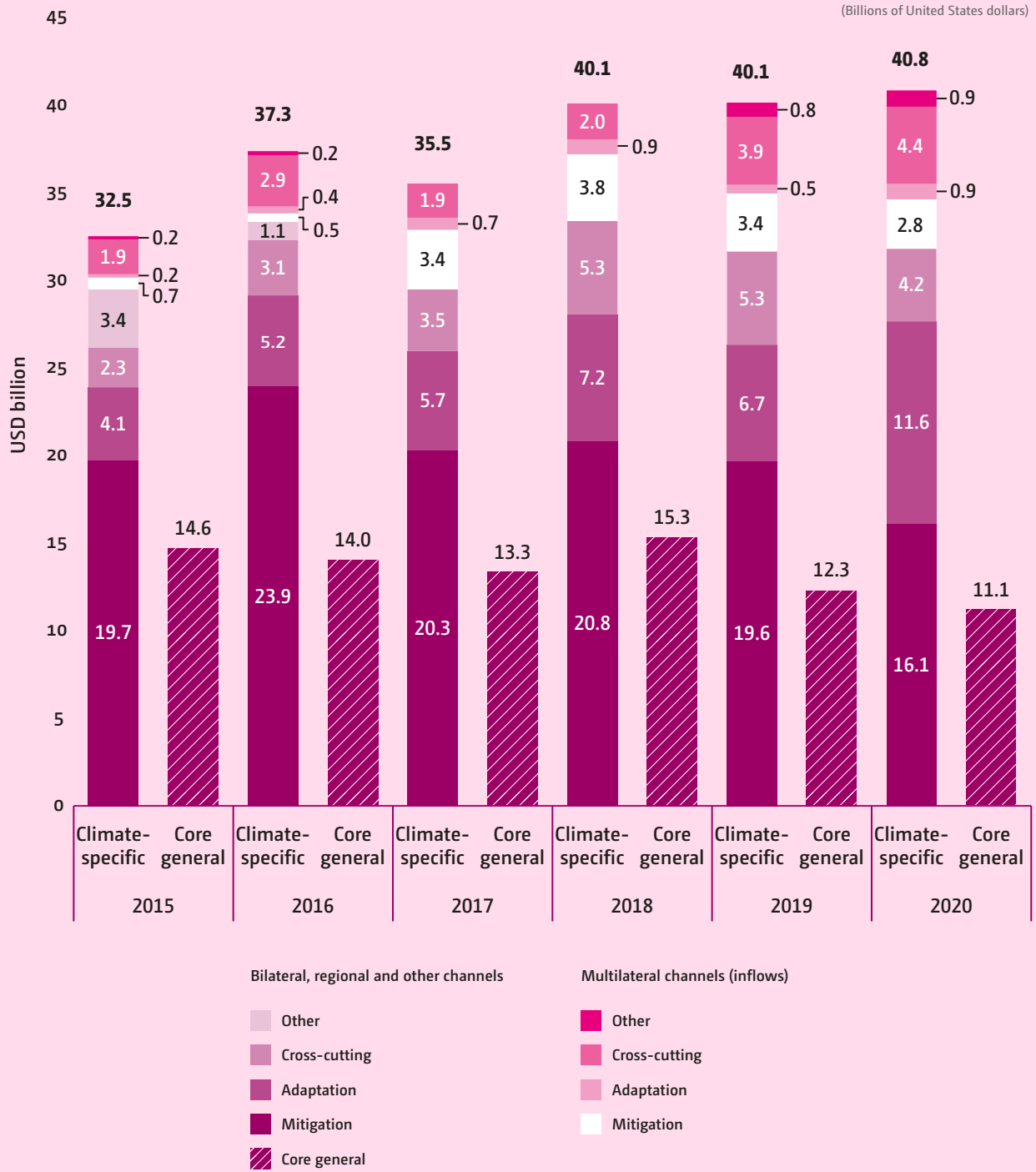
90. Adaptation-specific finance reported through bilateral, regional and other channels in the BRs of Annex I Parties has significantly increased in absolute terms in recent years (figure 5). A 38 per cent increase in the 2017–2018 biennium compared with 2015–2016 was followed by a 41 per cent increase in 2019–2020, reaching USD 9.8 billion on average per year. This significant growth in adaptation matches the steadier growth observed in overall climate-specific finance of 8 per cent between 2015–2016 and 2017–2018 biennial periods and 7 per cent between 2017–2018 and 2019–2020 biennial periods, amounting to USD 40.8 billion of climate-specific finance in 2020 (figure 3.1). Further information on the instruments, sectors and shares for mitigation is provided in chapter 4 below. Cross-cutting finance through bilateral, regional and other channels, where activities support both mitigation and adaptation, has also grown since 2015, although at a lower rate. It reached USD 4.7 billion annual average over the 2019–2020 period, 7 per cent higher compared with 2017–2018.

91. In the BRs, on an annual basis the highest growth in adaptation-specific finance was in 2020, with a 74 per cent increase compared with 2019, amounting to USD 11.6 billion. The aggregate growth was broad-based, with 17 Annex II Parties increasing their adaptation-specific finance in 2020 – 7 by up to 25 per cent, 4 between 25 and 50 per cent and 2 between 50 and 100 per cent. Four Parties reported a doubling or more, with one Party reporting a sixfold increase.

92. In their second biennial communications in accordance with Article 9, paragraph 5, of the Paris Agreement, many developed country Parties recognized the importance of providing financial support for adaptation, with seven Parties emphasizing their commitment to at least doubling their contributions to adaptation finance. A further 16 highlighted efforts to achieve a balance between mitigation and adaptation in the provision of support, of which 3 confirmed that such a balance has nearly been achieved and 2 reported allocating more than 50 per cent of grant-equivalent bilateral support to adaptation.

Figure 3-1

Financial support provided by Annex I Parties to developing countries, 2015–2020, as reported in their biennial reports



Sources: BR3, BR4 and BR5.

Note: The BR5s of 23 Annex II Parties, and 9 other Annex I Parties reporting information voluntarily (representing 0.2 per cent of the total), as at 31 August 2023. Climate-specific finance is support reported as mitigation, adaptation or cross-cutting support provided through bilateral, regional, other and multilateral channels. Core general finance is support provided to multilateral and bilateral institutions that Parties do not identify as climate-specific. The numbers represent officially reported data and therefore do not correspond with the preliminary information collected for the purposes of the fifth BA and the progress report on the USD 100 billion per year goal.

93. A total of 92 non-Annex I Parties have submitted BURs, but data on adaptation finance through bilateral channels are limited. Of USD 3.6 billion received through bilateral channels reported by 32 Parties, approximately 70 per cent is not reported as whether it is for adaptation, mitigation or cross-cutting activities. USD 114 million in adaptation finance received was reported by 12 Parties in 2019 and USD 21 million by 6 Parties in 2020.

94. The Oxfam *Climate Finance Shadow Report* does not provide the amounts of adaptation finance from bilateral providers. The total amounts estimated by Oxfam are described in chapter 3.4 below.

95. The UNEP *Adaptation Gap Report* provides estimates for adaptation-specific finance commitments for the five years following the year that the Paris Agreement entered into force: 2017–2021. For bilateral providers there was a steep 51 per cent annual increase in commitments between 2018 and 2019 (from USD 4.6 billion to 6.9 billion), followed by an increase of 58 per cent between 2019 and 2020, resulting in USD 11 billion in 2020. This was followed by a decrease of 25 per cent in 2021, resulting in USD 8.2 billion.

96. According to the OECD report series on climate finance and the USD 100 billion goal, public adaptation finance from bilateral sources increased from USD 5 billion in 2016 to USD 11.3 billion in 2020. This constitutes an average annual increase of 22 per cent. During this period, the share of adaptation finance in climate finance from bilateral channels doubled, from 18 per cent in 2016 to 36 per cent in 2020.

3.3 Adaptation finance through multilateral channels

97. Adaptation-specific finance through multilateral channels reported in BRs was USD 459 million in 2019 and USD 883 million in 2020, representing an annual average of USD 671 million over the biennium. Although this represented a decrease of approximately 14 per cent since the 2017–2018 biennium, the 2020 data almost represent a doubling on 2019 levels. A number of Parties provided increased adaptation-specific contributions to entities such as the AF and LDCF, but a large part of the increase was owing to a greater outlay of adaptation finance by the EIB in 2020.

98. Up to 2022, cumulative commitments from multilateral climate funds amounted to roughly USD 29 billion. Of this, 19 per cent originated from adaptation-related funds, and the remaining 81 per cent from multiple objective funds. The largest share of cumulative commitments through to 2022 were made by the GCF (with about 70 per cent of the total), followed by the LDCF (with about 7 per cent of the total) and the AF (with about 5 per cent of the total).

99. Looking at the annual commitments, the multiple objective funds show a substantial decrease of 92 per cent in commitments between 2021 and 2022, from USD 726.6 million to USD 59.3 million. Adaptation funds show a continuous increase in annual commitments between 2020 and 2022, reaching USD 221.7 million in 2022. The 2022 value, however, is lower than the 2019 value.

Table 3.1

Adaptation finance commitments of multilateral climate funds

(Millions of United States dollars)

	Pledged through to 2022 financial year (FY)	Adaptation commitments during 2019 FY	Adaptation commitments during 2020 FY	Adaptation commitments during 2021 FY	Adaptation commitments during 2022 FY
Adaptation funds	5 417.46	311.2	141.5	206.4	221.7
Adaptation for Smallholder Agriculture Programme	475.58	4.0	–	3.5	–
AF	1 423.92	188.9	57.1	93.1	126.0
LDCF	2 075.02	116.3	81.6	80.7	75.9
PPCR	1 155.79	–	0.8	26.7	18.9
SCCF	380.64	2.0	2.1	2.5	0.9
Multiple objective funds	23 556.99	301.2	465.5	726.6	59.3
GEF (7 th and 8 th replenishment)	1 581.09	74.4	77.8	–	–
Global Climate Change Alliance	1 652.83	28.9	74.4	–	–
GCF	20 323.07	198.0	313.3	726.6	59.3
Total	29 067.94	612.4	607.0	933.0	281.0

Source: CFU (2023).

100. Overall MDB adaptation finance commitment outflows amounted to almost USD 18 billion from their own resources in 2021, compared with USD 14 billion in 2019, a 24 per cent increase. The vast majority of the

finance (91 per cent, USD 16.4 billion) flows to projects in low- and middle-income economies with the remainder to high-income countries

Table 3.2

Adaptation finance commitments from own resources reported by MDBs, millions

	(Millions of United States dollars)		
	2019	2020	2021
AfDB	1 695	1 076	1 325
ADB	1 413	689	1 279
AIIB	–	142	651
EBRD	567	484	302
EIB	936	2 741	1 519
IDBG	1 824	1 111	1 914
IsDB	218	170	252
WBG	7 336	9 069	10 724
Total	13 989	15 481	17 966

Source: Joint MDB reports on climate finance (AfDB et al, 2020, 2021, 2022).

101. Some MDBs specify adaptation finance targets as part of their overall climate change financing strategy. These targets are often proportional to overall financing or cumulative in order to align with medium-term strategies and plans, and typically represent a scaling up of adaptation finance as part of an overall increase in the climate finance envelope:
- AfDB: the bank achieved its aim to reach a 50 per cent allocation of climate finance to adaptation by 2020 in 2018, followed by a 55 per cent allocation in 2019, a 63 per cent allocation in 2020, a 67 per cent allocation in 2021 and a 63 per cent allocation in 2022;⁴⁰
 - ADB: the bank set a cumulative adaptation finance target of USD 9 billion for 2019–2024 and USD 34 billion for 2019–2030 out of a total USD 100 billion cumulative target for 2019–2030;⁴¹ it reached USD 3.381 billion by 2021;
 - EIB: in the EIB Climate Adaptation Plan (2021), the bank set out to reach a 15 per cent share of adaptation finance by 2025 (a threefold increase compared with finance over the past five years);
 - WBG: in 2021, the WBG's new climate change action plan showcased a target of at least 50 per cent of IDA and International Bank for Reconstruction and Development climate finance to be for adaptation by 2025; since financial year 2019, it has reported a share of adaptation finance of 49, 52, 50 and 49 per cent in financial years 2019, 2020, 2021 and 2022 respectively.
102. In their BURs, 15 non-annex I Parties reported on adaptation finance received through multilateral channels, amounting to USD 1 billion in 2019. Ten Parties reported USD 70 million of adaptation finance received in 2020, illustrating the difficulties in identifying trends from uneven reporting.
103. The Oxfam *Climate Finance Shadow Report* does not provide the amounts of adaptation finance from multilateral providers. The total amounts estimated by Oxfam are described in chapter 3.4 below.
104. The UNEP *Adaptation Gap Report* estimates adaptation-specific finance commitments from multilateral providers and shows a continuous increase from 2017 to 2020 (a 20, 20 and 16 per cent increase

40 See <https://www.afdb.org/en/news-and-events/africa-development-bank-group-world-leader-commitments-climate-finance-60637>.

41 See <https://www.adb.org/news/adb-raises-2019-2030-climate-finance-ambition-100-billion>.

for 2017–2018, 2018–2019 and 2019–2020 respectively), reaching USD 14.2 billion in 2020 (of which USD 12.9 billion was through MDBs and USD 1.2 billion was through other multilateral channels, including multilateral climate funds). This is followed by a decrease of 8 per cent in 2021, reaching USD 13.1 billion. In 2019, the financial commitments from multilateral sources amounted to USD 12.2 billion.

105. The OECD report series on climate finance and the USD 100 billion goal estimates that 34 per cent of total public climate finance by multilateral sources between 2016 and 2020 was committed for adaptation. This amounts to USD 47.4 billion. In 2020, the total public adaptation finance from multilateral sources amounted to USD 14 billion, an increase of 21 per cent from the 2019 value.

3.4 Adaptation finance through multilateral channels

106. Across the sources of data, there are various estimates for aggregates on adaptation finance that may inform the doubling of adaptation finance. Adaptation-specific finance through both bilateral, regional and other channels and multilateral channels in the BRs of Annex I Parties amounted to USD 7.1 billion in 2019, albeit noting the lack of coverage on multilateral outflows (see chapter 2 above). The significant growth in 2020 of 75 per cent from 2019 levels to USD 12.5 billion implies that only an increase of USD 1.7 billion in annual adaptation finance would achieve a doubling equivalent to USD 14.2 billion, or, an annual compound growth rate of at least 3 per cent to reach a doubling by 2025.

107. As noted, limited information from BURs is available on adaptation-specific finance received. Fifteen non-Annex I Parties reported USD 1.1 billion in adaptation received in 2019 and 13 reported USD 92 million received in 2020. One third of the USD 10.2 billion climate finance received in 2019 was unspecified as to whether it was directed at adaptation, mitigation or cross-cutting activities. Cross-cutting finance received amounted to USD 576 million in 2019.

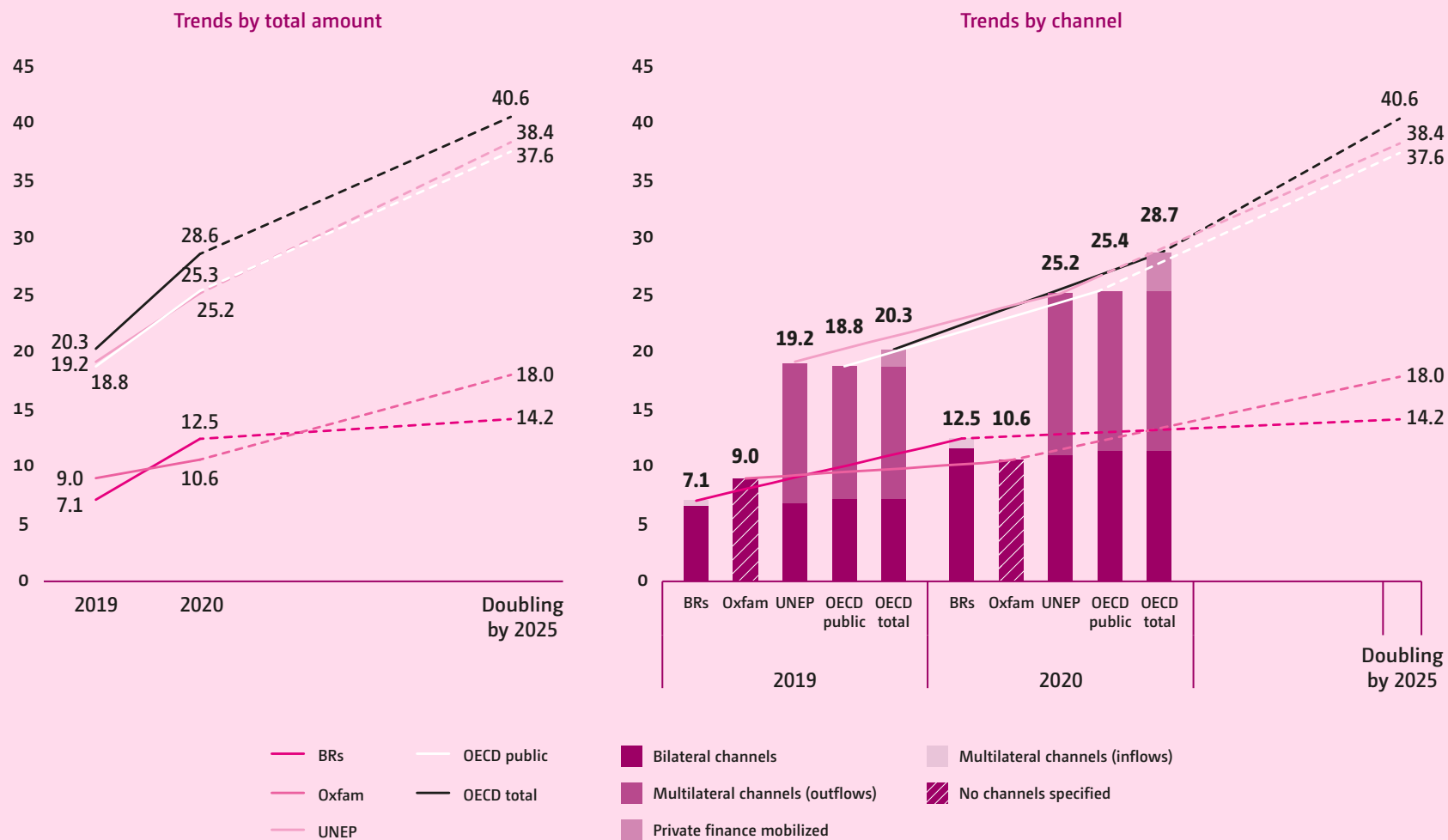
108. The OECD report series on the 100 billion goal, which has better coverage of adaptation finance flows to developing countries through both bilateral and multilateral sources and attributed to developed countries, shows a 35 per cent growth in 2020 compared with the 2019 level of USD 18.8 billion, implying an 8 per cent annual growth rate is needed up to 2025 for adaptation finance provision. Capturing all adaptation finance flows from a wide variety of sources, including private finance mobilized, shows that finance attributed to developed countries grew by 41 per cent between 2019 and 2020, reaching USD 28.6 billion in 2020. This implies that a 7 per cent annual growth rate is needed to double adaptation finance up to 2025.

109. The Oxfam *Climate Finance Shadow Report* for 2023 provides estimated ranges for climate-specific net assistance for 2019 and 2020 and the 2019–2020 average. For adaptation finance through bilateral and multilateral channels, the values in 2019 range between USD 8.2 and 9.7 billion (an average of USD 9 billion). In 2020, the range increases to USD 11.2–13.8 billion (an average of USD 10.6 billion). This constitutes an average increase between 2019 and 2020 of about 18 per cent leading to a further USD 7.4 billion required to achieve a doubling of USD 18 billion. Based on that, the compound annual growth needed for reaching the target in 2025 from the 2020 level is 11 per cent.

110. According to the UNEP *Adaptation Gap Report*, which provides estimates up to 2021, the 2019 value for adaptation finance is USD 19.2 billion. In 2020, the finance increased to USD 25.2 billion constituting an increase of 31 per cent which implied that a further increase of USD 13.2 billion in annual adaptation finance would be required to achieve a doubling. In 2021, however, there was a decrease of 15 per cent compared with 2020, leading to an estimate of USD 21.3 billion in adaptation finance. Based on this, the gap to a doubling is USD 21.3 billion or a compound annual growth rate of 16 per cent between 2021 and 2025.

Figure 3-2

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



Sources: BR55, OECD 2022, Oxfam 2023, UNEP 2023.

Notes: BR data are excluded due to substantial data gaps. The amounts visualised 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 216.2 billion and USD 29 billion and in 2020 between USD 30,521 billion and 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 by 2025. Oxfam data represents the mid-point of a low to high range in each year.

Table 3.3

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	

Source: Fifth biennial reports of Annex I Parties, Biennial update reports of non-Annex I Parties, OECD 2022, Oxfam 2023, UNEP 2023).

4

**Assessment of the provision
of adaptation finance from
developed countries to
developing countries**

4.1 Distribution of adaptation finance

111. Analysing the distribution of adaptation finance from developed countries to developing countries provides insights on whether the composition of financial instruments is appropriate, specific sectors and impact areas are targeted and the balance of the geographical distribution by region and the particularly vulnerable. This section provides a detailed breakdown of data in each segment.

4.1.1 Financial instruments

112. Data on the share of financial instruments in adaptation finance vary across different sources of information. The BA report series provides a breakdown of instruments by channel of finance (bilateral, through multilateral climate funds and MDB climate finance) and does not provide an aggregate-level breakdown in order to avoid doubling counting issues from different data sources, including BRs and the OECD DAC recipient perspective climate-related development finance data set.⁴² For aggregate-level data, the OECD report series on the USD 100 billion goal provides an overview across bilateral, multilateral and private finance mobilized channels.

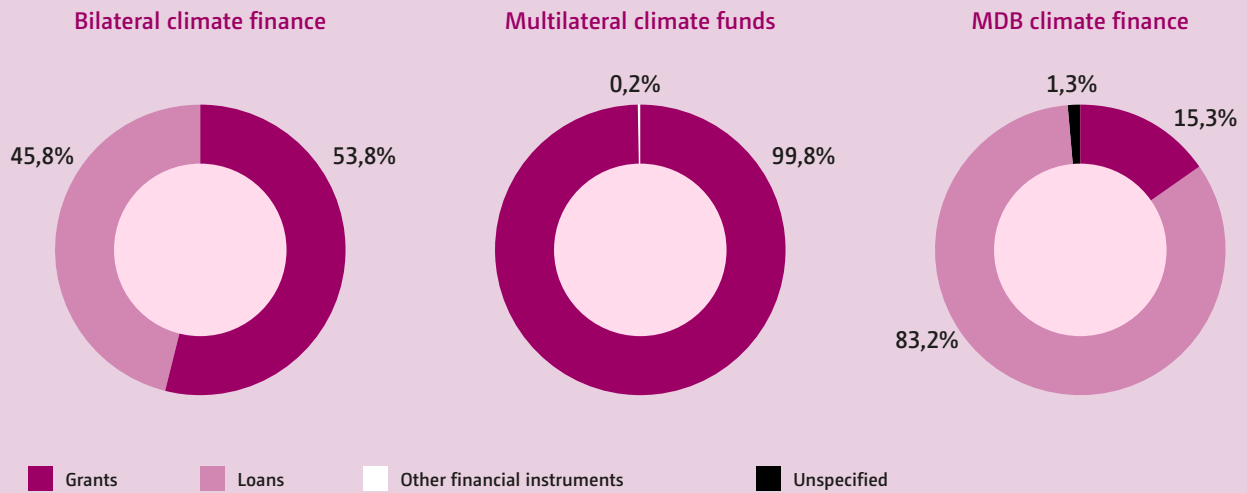
113. According to the BR5s, 54 per cent of adaptation finance through bilateral, regional and other channels in 2019–2020 was in the form of grants, 44 per cent was in the form of concessional loans and 2 per cent was in the form of non-concessional loans. Sixty per cent of cross-cutting activities were financed through bilateral channels, predominantly by grants, while 34 per cent were financed by concessional loans. These shares are in stark contrast to mitigation finance, for which 51 per cent were financed by concessional loans, 19 per cent were financed by non-concessional loans and 22 per cent were financed by grants.

114. Almost all adaptation finance derived from multilateral climate funds in 2019–2020 was in the form of grants (99.8 per cent). Cross-cutting activities have a similarly high share of grant finance from these entities (83 per cent), while mitigation finance was mostly through loans (63 per cent). MDB adaptation finance in contrast to bilateral and multilateral climate funds was predominantly debt-based, with 83 per cent as loans and 15 per cent as grants.

42 This report updates the data on instrument shares in bilateral climate finance based on the official reported BR5 data, which were not available at the time of preparing the fifth BA.

Figure 4-1

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



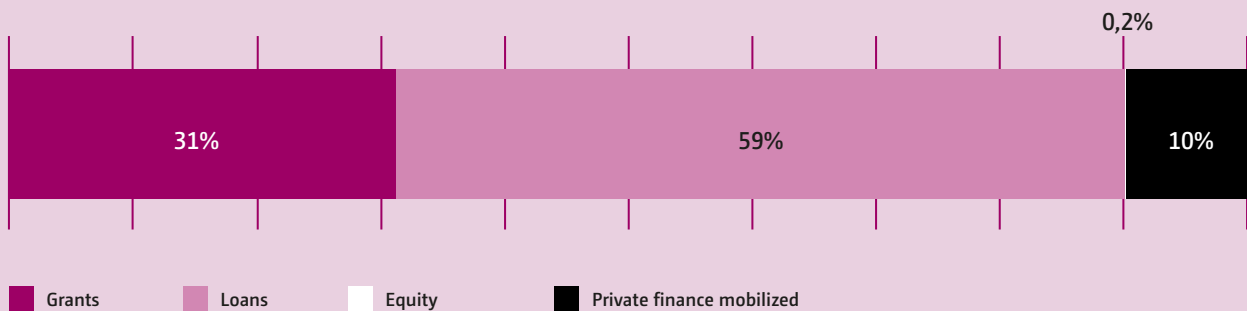
Sources: The BR5s for bilateral climate finance CFU 2023 for multilateral climate funds and the OECD DAC climate-related development finance database for MDBs.

115. Owing to the large role of MDBs in financing adaptation, the aggregate estimates for adaptation finance in 2019–2020 was predominantly delivered through loans (59 per cent, annual average USD 14.3 billion), with 31 per cent (annual average 7.6 billion) delivered through grants. Ten per cent of adaptation finance over 2019–2020 was delivered through

project finance mobilized by forms of public finance interventions such as guarantees. The relative share of grants in the aggregate are larger than the share of grants in mitigation finance, for which loans (63 per cent) and private finance mobilized (22 per cent) play a more significant role.

Figure 4-2

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



Sources: OECD (2022).

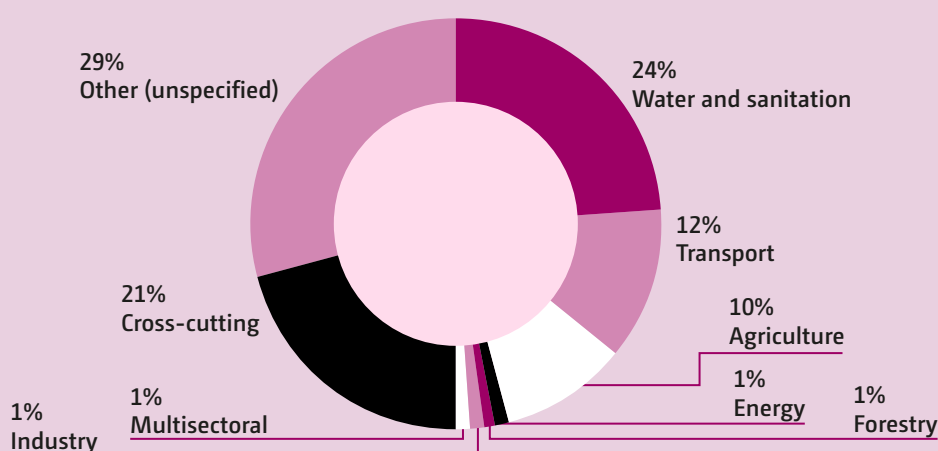
4.1.2 Sectors

116. The water and sanitation sector is the sector receiving the highest amount of adaptation finance (24 per cent of the total), followed by cross-cutting

activities (21 per cent), according to data in the BRs. The transport and agriculture sectors are the next largest beneficiaries, with 12 and 11 per cent respectively.

Figure 4-3

Sector distribution of adaptation finance in 2019–2020 reported in biennial reports



Sources: BR5s.

117. GCF adaptation finance is concentrated in four key areas: most vulnerable people and communities (34 per cent), health and well-being and food and water security (24 per cent), infrastructure and the built environment (23 per cent), and ecosystems and ecosystem services (18 per cent).

118. According to the OECD report series on climate finance and the USD 100 billion goal, the two sectors receiving the largest amount of adaptation finance in 2016–2020 were water and sanitation, and agriculture, forestry and fishing, accounting for 21 and 19 per cent of the total adaptation finance respectively. Multisector initiatives received 13 per cent and the transport sector received 11 per cent. All other sectors collectively received 5 per cent or less of the total adaptation finance, on average. Notably, during the period 2016–2020, the most significant increase in adaptation finance was observed in the transport sector, which saw its funding increase more than fivefold, from USD 0.7 billion in 2016 to USD 4.7 billion in 2020. Over the same time

frame, support for activities related to health, population policies and education also experienced substantial growth, increasing from USD 0.1 billion to USD 1.2 billion. Other sectors that saw rapid growth in climate finance included business and other services and social infrastructure and services.

119. According to the joint report on the MDB climate finance, of the total MDB adaptation finance in low- and middle-income countries in 2021, 26 per cent was provided to the energy, transport and other built environment and infrastructure sector, while 17 per cent was provided to cross-cutting sectors. The sector with the third largest share (14 per cent) was institutional capacity support or technical assistance, while two sectors, crop and food production, and financial services, both received 10 per cent.

120. The UNEP *Adaptation Gap Report* found that international public adaptation finance between 2017 and 2021 was targeted primarily at two sectors:

agriculture, forestry and fishing, with around 20 per cent of total adaptation finance, and water supply and sanitation, with around 19 per cent of total adaptation finance. The sector with the next largest share, with about 14 per cent of total finance, was the multisector, which includes activities in the areas of rural and urban development, disaster risk reduction, food security policy and administrative management, and household food security programmes. According to the report, adaptation finance in basic development sectors such as education or health is small. Similarly, only a small fraction of adaptation finance has targeted biodiversity.

4.1.3 Geographical distribution

121. Figure 4.4 analyses the geographic distributions of different channels of adaptation finance from developed countries to developing countries in 2019–2020 based on information in the fifth BA.⁴³ Information is provided in both region and subregion categories in accordance with the United Nations Statistical Division M49 standard. In addition, and recalling Article 9, paragraph 4, of the Paris Agreement, the distribution of adaptation finance to 46 LDCs and 38 SIDS is also presented.

122. By region, Asia and Africa received the largest amounts of adaptation finance in 2019–2020, reflecting their large geographical and population sizes. Asia, in particular Southern Asia and South-Eastern Asia, received the most adaptation finance through bilateral channels (36 per cent) and MDBs (42 per cent). Apart from multilateral climate funds, from which 99.8 per cent of finance is provided in grants across all regions, more than two thirds of adaptation finance in Asia through bilateral channels was in the form of concessional loans and one third was through grants. MDB adaptation finance in Asia was 93 per cent through debt instruments.

123. Africa is the second most dominant recipient region of adaptation finance through bilateral channels (29 per cent) and MDBs (38 per cent) and the largest recipient region from multilateral climate funds (35 per cent). These shares are notably larger than Africa's share of overall climate finance in 2019–2020 through the same channels, at 26, 29 and 25 per cent respectively.

At the subregional level, sub-Saharan Africa was the destination of the largest share of adaptation finance across all channels, at 24 per cent of bilateral adaptation finance, 30 per cent of multilateral climate funds and 32 per cent of MDB adaptation finance. The share of grants in bilateral adaptation finance was 75 per cent in 2019–2020, and for concessional loans was 25 per cent, while for MDB adaptation finance the shares were reversed, with 73 per cent in debt and 27 per cent in grants.

124. Latin America, including the Caribbean, secured between 10 and 15 per cent across the three channels of adaptation finance from developed countries to developing countries. A different subregion took the largest share in each channel, with South America receiving 6 per cent of bilateral adaptation finance in 2019–2020, the Caribbean receiving 6 per cent of adaptation finance from multilateral climate funds and Central America receiving 7 per cent of MDB adaptation finance. Bilateral adaptation finance to the region was split, with 43 per cent grant finance and 54 per cent through concessional loans, with the remainder in equity finance. MDB adaptation finance to the region had the second largest share of debt instruments, at 81 per cent, after Asia, 15 per cent in other instruments such as equity and 4 per cent in grants.

125. Developing countries in Oceania received 2 per cent of bilateral adaptation finance and 1 per cent of MDB adaptation finance but 8 per cent of adaptation finance from multilateral climate funds in 2019–2020. This compares to the Two per cent share of the overall climate finance from multilateral climate funds received by Oceania in the same period. A significant amount of finance was in the form of grants, consisting of 91 per cent of bilateral adaptation finance, 71 per cent of MDB adaptation finance and all finance from multilateral climate funds. The six developing countries in Europe also received relatively small shares of adaptation finance in absolute volumes, corresponding to the smaller size of the region. Eighty per cent of bilateral adaptation finance in 2019–2020 was in grants, with 20 per cent in concessional loans, while all of the MDB adaptation finance was through debt instruments.

126. The LDCs and SIDS received greater proportions of adaptation finance compared with their shares of overall

⁴³ The BA uses concessional finance data from the OECD climate-related development database (2022) and climate funds update (2022) to analyse the geographical distribution of climate finance flows from developed countries to developing countries. The total amounts are therefore different to the amounts reported in other sources of information, such as BRs and BURs.

climate finance flows in 2019–2020. The LDCs’ share of total adaptation finance from multilateral climate funds and MDBs was 38 and 32 per cent respectively, compared with their overall climate finance shares of 26 and 20 per cent respectively. Their share of bilateral adaptation finance was marginally greater, at 26 per cent, compared with their share of bilateral climate finance, which was 25 per cent. Adaptation finance to the LDCs was relatively balanced between grants and loans, at 52 to 48 per cent through bilateral channels and 38 to 62 per cent in MDB finance.

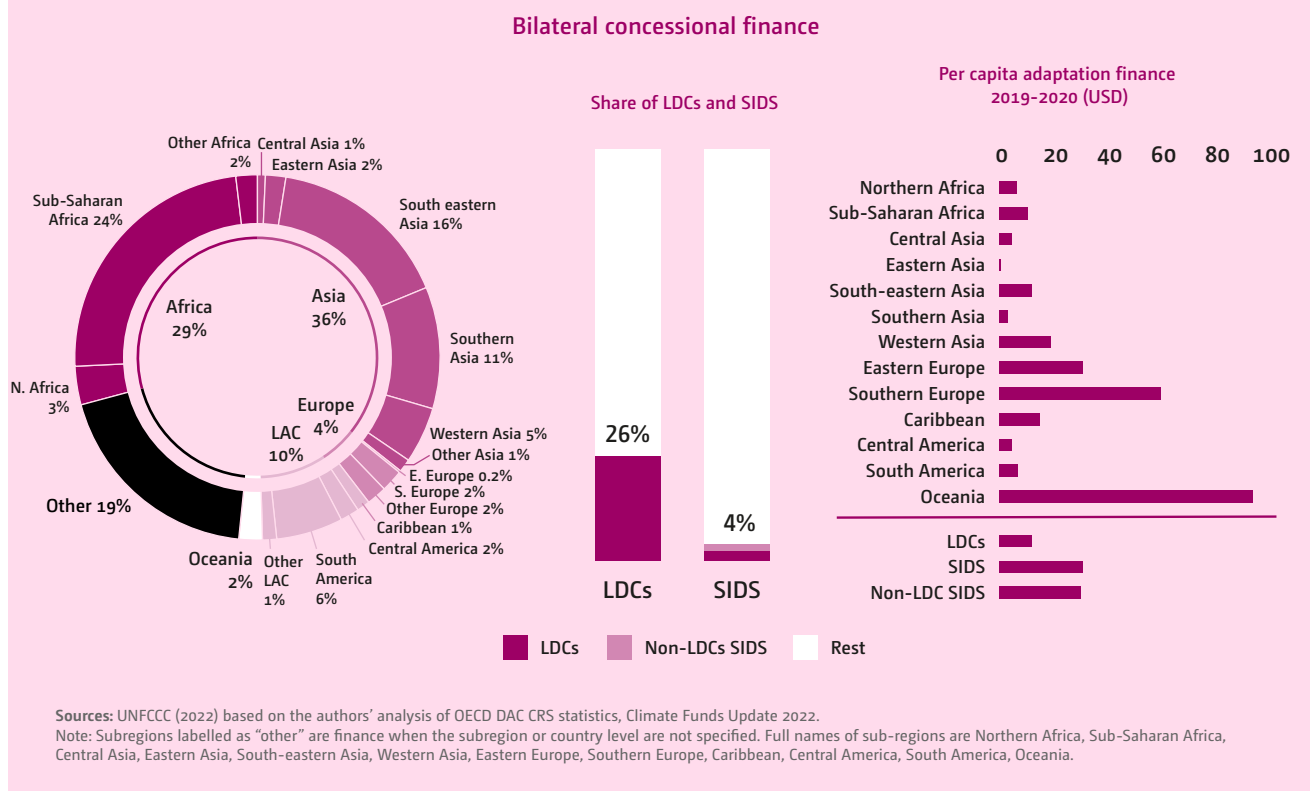
127. SIDS’ share of 2019–2020 total adaptation finance from multilateral climate funds was 21 per cent, compared with 7 per cent of overall climate finance. Of the total bilateral and MDB adaptation finance, SIDS received 4 and 3 per cent respectively, marginally

greater than their shares of overall climate finance from the same sources. Seventy-seven per cent of bilateral adaptation finance and 47 per cent of MDB finance to SIDS was in the form of grants, with the remainder in loans.

128. On a per capita basis,⁴⁴ less populous regions, such as Oceania and Eastern and Southern Europe, feature prominently across the different channels, in contrast to shares based on nominal amounts. The Caribbean received a relatively significant amount of per capita adaptation finance from multilateral climate funds, while Central Asia and Central America also feature in receiving MDB adaptation finance. On a per capita basis, the LDCs and SIDS received relatively high shares of adaptation finance compared with other regions, particularly from multilateral climate funds.

Figure 4-4

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

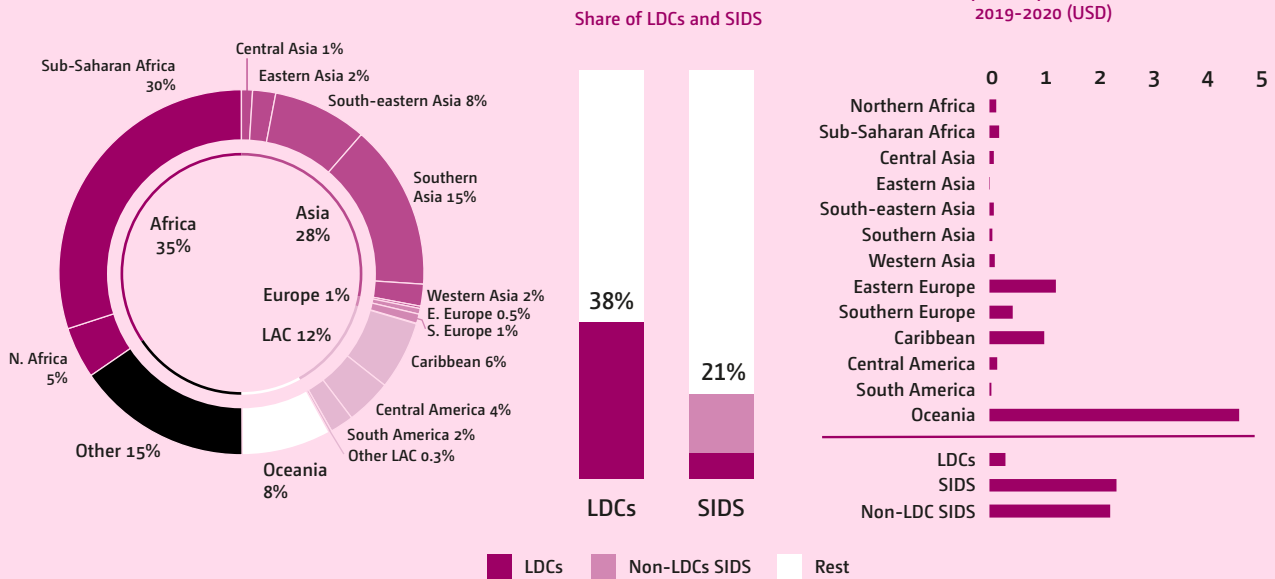


44 As outlined in the fifth BA, analysis of climate finance on a per capita basis is limited to finance clearly distributed to specific countries, regions or subregions. This therefore excludes global, multiregional, and multicountry projects, which accounted for 44 per cent of climate finance from multilateral climate funds, 14 per cent of MDB climate finance and 20 per cent of bilateral climate finance.

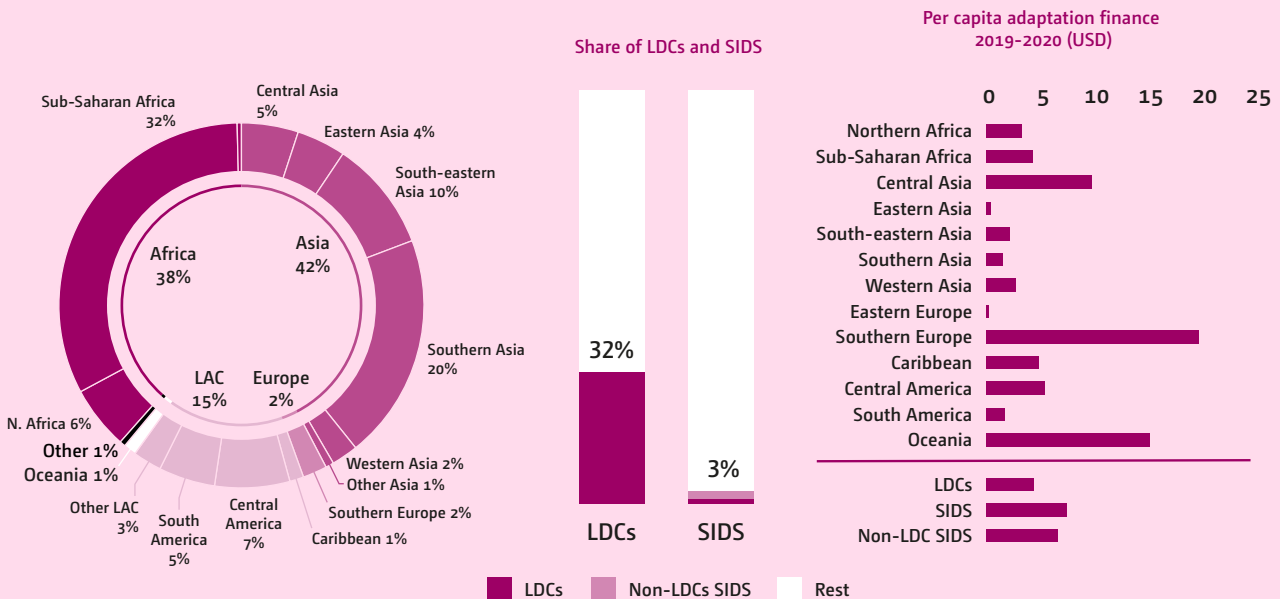
Figure 4-4

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

Multilateral climate funds



Multilateral development banks



Sources: UNFCCC (2022) based on the authors' analysis of OECD DAC CRS statistics, Climate Funds Update 2022.
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.

4.2 Balance between mitigation and adaptation finance and taking into account country-driven needs and priorities

129. The doubling of adaptation finance is pursued in the context of achieving a balance between mitigation and adaptation in the provision of scaled-up financial resources. As noted in the fifth BA, there is no defined approach or guidance in measuring the balance between mitigation and adaptation finance within overall climate finance flows under the Paris Agreement.

130. For the purposes of this report, the question of balance is linked with responding to the country-driven strategies, including the needs and priorities of developing countries, particularly the most vulnerable. This approach allows for the balance of climate finance between mitigation and adaptation to be considered within the context of the balance of needs and priorities rather than a sole supply-side focus on a quantitative balance in the provision of climate finance. This chapter provides an overview of the trends in the development of

country-driven adaptation plans and strategies, a review of the quantitative balance in adaptation and mitigation finance in the context of needs, and an assessment of the finance flowing to priority needs and sectors identified by developing countries.

4.2.1 Trend in country-driven adaptation plans and strategies in national reports

131. Developing country Parties can communicate adaptation strategies, needs and priorities through a number of different channels, including NCs, BURs, NDCs, NAPs and adaptation communications. As at 31 October 2022, all developing countries had included adaptation components in their submitted NDCs. As at 31 May 2023, 45 had submitted NAPs, including 19 LDCs, and another 64 had communicated an intention to submit (UNFCCC 2022d). Forty-one developing countries had submitted adaptation communications, either as NAPs (2 Parties) or as part of their NDCs (19 Parties) NC (1 Party) or as a separate document (19 Parties).

Figure 4-5

Cumulative number of Parties with national adaptation plans and adaptation communications submitted



Sources: UNFCCC website as at 31 May 2023, UNFCCC 2022.
Notes: Includes an agriculture sector only NAP from one Party. Number of Parties intending to submit derived from the NDC synthesis report (2022).

132. Compared with their previous NDCs, Parties that communicated new or updated NDCs provided more detailed information on their national frameworks, quantified time-bound targets in contrast to qualitative and open-ended adaptation objectives, mitigation and the sustainable development co-benefits of adaptation. According to UNEP (2022), 84 per cent of all Parties have at least one national adaptation planning instrument, an increase of five percentage points from 2021. More than a third of all Parties incorporate quantified and time-bound targets.

133. Most of the submitted NAPs included implementation strategies. Of the 39 countries with submitted NAPs, 33 mentioned the resource mobilization strategy as an essential component of the implementation strategy.

134. Since the initial NDCs in 2016, approximately 44 developing countries have included adaptation costs. The first NDR by the SCF identified adaptation costs from 62 developing countries in their NDCs and/or NAPs up to May 2021. A further analysis on behalf of the Adaptation Committee up to May 2022 recorded a total of 76 countries reporting adaptation costs (UNFCCC, 2022c). However, despite this positive trend, around half of developing countries (78 countries) have still not reported the costs of adaptation in their national submissions, although several countries have indicated their plans to conduct adaptation costs assessments in the future.

4.2.2 Assessing balance between mitigation and adaptation

135. Chapter 3 above shows a scale-up of adaptation finance in both absolute and relative terms since 2019 based on different sources of information. However, there remain lower volumes in aggregate for adaptation compared with mitigation. The fifth BA outlined key methodological and data availability issues in relation to measuring balance. These include:

- How mitigation and adaptation are often reported and accounted for using different approaches, as discussed in chapter 2.1.1 above, particularly by the largest source of climate finance, MDBs;
- Relatively smaller funding amounts for individual adaptation activities compared with mitigation activities;

- The larger role of grant finance in adaptation compared with loans, which are more prevalent in mitigation projects funded by the largest climate finance providers, such as MDBs.

136. The GCF is the only climate finance institution with a mandate to ensure a balance of mitigation and adaptation in its portfolio. In 2014, the GCF Board decided to measure balance of the portfolio of adaptation and mitigation finance on a 50:50 basis cumulatively over time using grant-equivalent values. This approach requires both a detailed knowledge of project activities to quantify the relevant amounts of finance from cross-cutting activities, as well as knowledge of often confidential financing terms to calculate grant-equivalency. Therefore, such an approach is not easily replicable across other sources of information.

137. Figure 4.6 illustrates the balance across adaptation, mitigation and cross-cutting finance on a cumulative basis from the available sources of information. The share of adaptation finance in 2019–2020 ranges from 24 per cent based on BRs to 30 per cent according to the OECD report series on climate finance and the USD 100 billion goal, which includes data on multilateral outflows. The UNEP *Adaptation Gap Report 2023* estimates 36 per cent for data from 2019–2021. While BURs report a share of 13 per cent of adaptation in climate finance received in 2019, the significance of data gaps and coverage is represented through 38 per cent of climate finance received being unspecified as to which climate theme it targets.

138. In all sources of information, these shares represent increases in the share of adaptation over time, even as the scale of the overall climate finance flows has increased. For example, in the BRs the share of adaptation finance through bilateral, regional and other channels almost doubled, from 15 per cent in 2015–2016 to 29 per cent in 2019–2020. At the same time, total climate-specific finance increased by 8 per cent. The OECD also reports an increase of 8 per cent in climate finance provided and mobilized from 2017–2018 to 2019–2020, while the share of adaptation finance increased from 20 to 30 per cent. MDB adaptation finance to low- and middle-income economies was consistently at 34–36 per cent from 2019 to 2021, while total climate finance to these countries increased by 23 per cent over that period. While this shows that growth in adaptation finance is outpacing growth in mitigation finance, the latter remains in the majority across the different sources of information.

139. The data on bilateral channels compared with multilateral channels show how an assessment of balance is affected by the ability to disaggregate the adaptation or mitigation shares of cross-cutting activities. In particular, a significant share of MDB finance is dedicated to mitigation activities in line with their predominant business lines of project-based lending to infrastructure projects. However, assessing the climate components of each activity (the specific costed amounts of finance dedicated to mitigation or adaptation) rather than quantifying activities by objectives that are achieved and tagging those that support both mitigation and adaptation as cross-cutting allows for MDBs to report a higher allocation to adaptation than governments and agencies do for bilateral flows, at 36–37 per cent, compared with 29–31 per cent.

140. Despite the methodological challenges in disaggregating adaptation finance data from cross-cutting activities, the number of Parties reporting more adaptation finance than mitigation finance through bilateral, regional and other channels in their BRs increased from 13 in 2019 to 19 in 2020 (see annex B).

141. The share of adaptation finance by different instrument-level aggregates is also of relevance, given the larger role of grants in adaptation finance (see chapter 4.1.1 above). The OECD (2022) reported that 42 per cent of total grants from bilateral and multilateral sources in 2016–2020 were directed to adaptation activities, compared with 33 per cent for mitigation and 25 per cent for cross-cutting finance. In their estimate of grant-equivalent climate-specific net assistance, Oxfam arrives at an even split of adaptation and mitigation finance at 45 per cent for 2019–2020, an increase from 32 per cent from 2017–2018.

142. Adaptation is often mainstreamed in broader development projects, such as infrastructure for roads, rail, water and sanitation, compared with mitigation, which is often the main objective of a project, for example renewable energy projects. The relatively smaller amounts

of finance needed for individual adaptation activities is evident in reviewing the qualitative Rio marker data from OECD DAC members for 2019–2021, which show how activities marked with adaptation as a principal objective were 23 per cent of all principal-marked climate-related development finance, compared with adaptation, which took a much larger 46 per cent share of activities marked with climate as a significant objective. Taken together, adaptation captured a 38 per cent share across climate-related development finance with both principal and significant objectives.

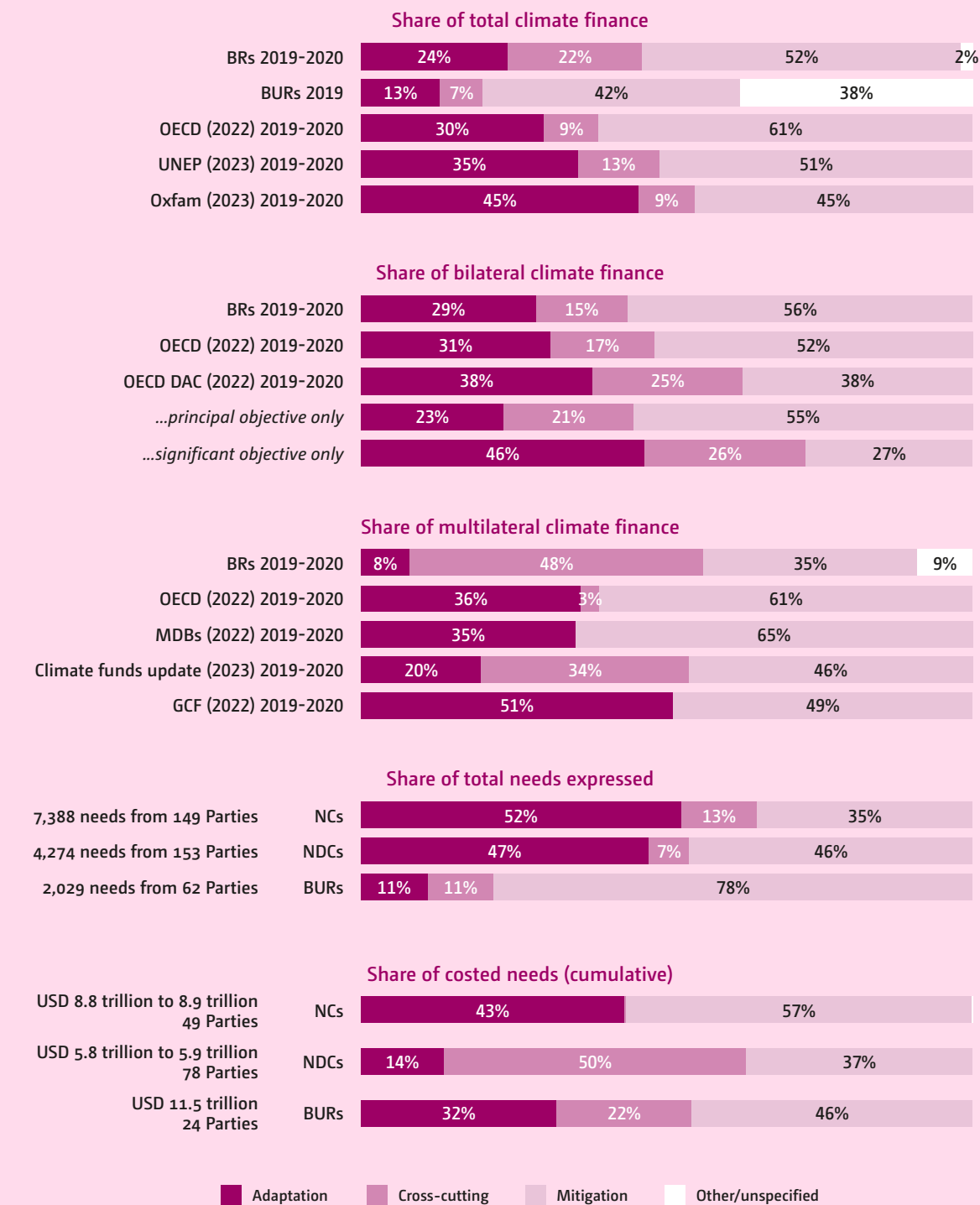
143. Analysing the total costs of MDB projects where climate components are included shows the relatively smaller role of adaptation in finance outlays compared with mitigation. The shares by the value of climate components in MDB climate finance show a 35 per cent share for adaptation compared with 65 per cent for mitigation (figure 4.6). However, in terms of the total costs of these projects (climate components plus other costs), the share of project finance that included an adaptation component is 48 per cent, and 50 per cent for project finance that includes mitigation, with 2 per cent for projects that overlap.⁴⁵ The total of adaptation components in MDB climate finance amounted to 28 per cent of the total costs of those projects, while mitigation components amounted to 50 per cent of the total cost of their projects.

144. Comparing the balance of finance flows to the balance in the identification of the needs of developing countries has significant methodological limitations owing to a lack of data coverage, particularly for costing adaptation needs, as noted in the first NDR and in the progress report on the USD 100 billion per year goal (UNFCCC, 2021a, 2022e). In terms of the proportion of number of needs expressed, adaptation needs represent 52 per cent for 149 NCs, 47 per cent for 153 NDCs and 11 per cent for 62 BURs. NDCs identified 13–14 per cent of costed needs for adaptation, NCs identified 43 per cent, and BURs identified 32 per cent as reported by 78, 46 and 24 Parties respectively.

45 Analysis of MDB climate component and total cost data is derived from authors analysis of OECD (2023a). MDB adaptation components total USD 47.7 billion over 2019–2021, representing 34 per cent of total MDB climate finance of USD 140.7 billion in that period. Total costs of projects with adaptation components amount to USD 173.2 billion over 2019–2021, representing 48 per cent of the total costs of projects with any climate component (USD 363 billion). The total adaptation components (USD 47.7 billion) are 28 per cent of the total cost of projects with adaptation components (USD 173.2 billion).

Figure 4-6

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



Sources: BRs, BURs, AfDB et al(2022), OECD (2022, 2023a), Oxfam (2023) and UNFCCC (2021a).

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).

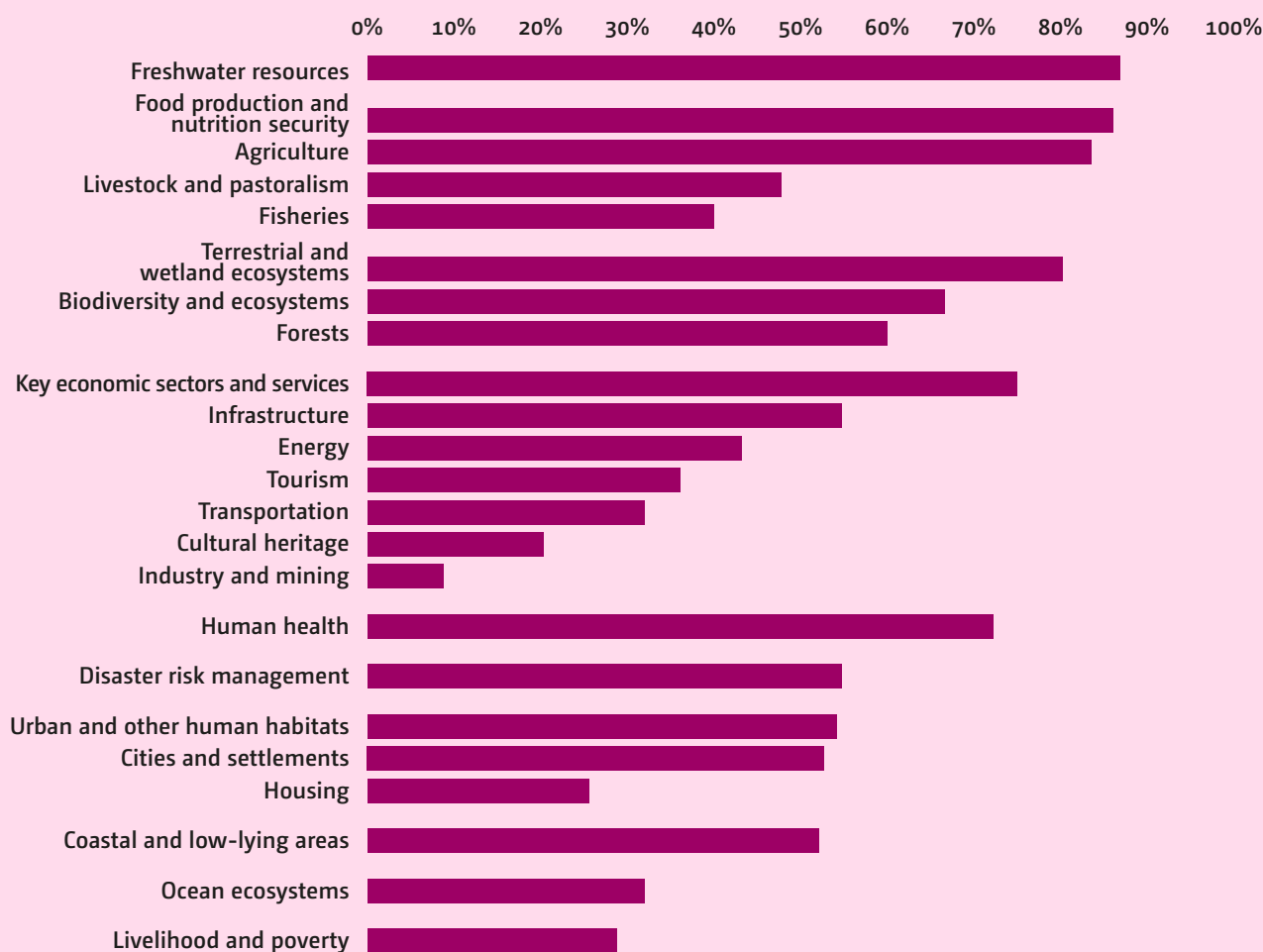
4.2.3 Addressing priority areas and sectors

145. In terms of priority sectors or areas identified by developing countries, UNEP (2022) noted that a total of 76 Parties have communicated their adaptation finance needs for 2021–2030 in their NDCs or NAPs. However, UNEP observed that these are “highly heterogeneous in terms of their objectives, sectoral coverage, implementation period and other aspects” and have limited methodological transparency. It also highlighted the evidence that providers of adaptation finance are not strategically targeting the most vulnerable countries and population groups, including in relation to tackling gender and other social inequalities.

146. 133 Parties include adaptation components in their NDCs (as at 23 September 2022), and 44 Parties have submitted NAPs identifying key priority areas (as at 31 May 2023). The first NDR also captured sectoral distributions of needs across different types of report as at 31 May 2021. Five major priority areas across the types of report stand out, including the concern for freshwater resources and supply, food security, ecosystems and biodiversity, climate-resilient infrastructure and health systems resilience. Other common priority areas include disaster risk reduction (including early warning systems), coastal protection and enhancing the resilience of urban settlements.

Figure 4-7

Share of adaptation components of NDCs referring to specific priority areas and sectors



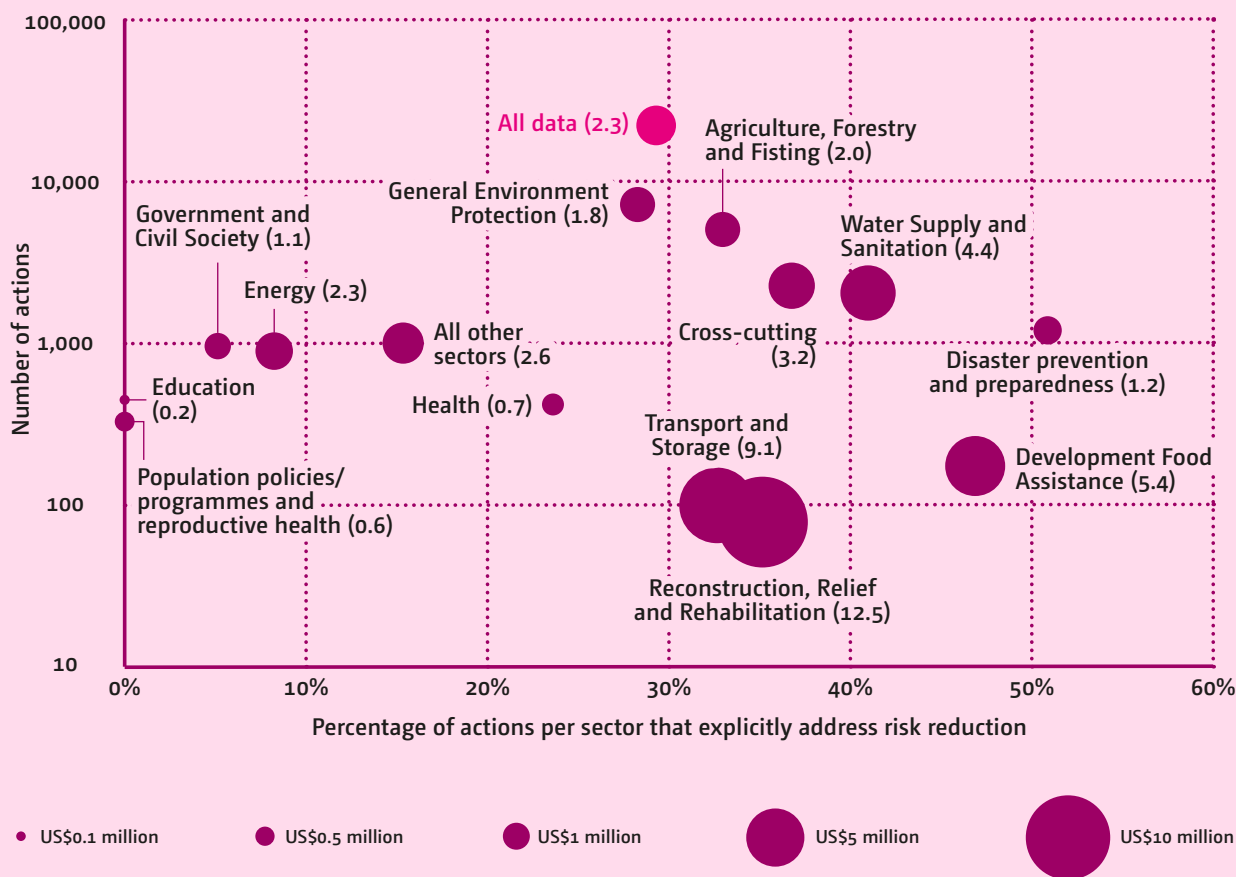
Source: UNFCCC (2022b).

147. UNEP (2022) analysed OECD CRS data for 2010–2020 by sector over time and the extent to which these actions target reductions in exposure and vulnerability to climate hazards. It found that, in the disaster preparation, food aid and water sectors, “40–50 per cent of actions are deemed to directly target risk reduction. On the other hand, energy and support to governments and civil society address climate risk in less than 10 per cent of actions, while education and population programmes do not explicitly address climate risk at all due to the connection to climate risk reduction being much less apparent”.

148. The UNEP analysis of the relationship between the number of activities by sector and the extent to which they directly address climate risk (i.e. reduce exposure and vulnerability to climate hazards) is captured in figure 4.8. This shows that the sectors that are explicitly addressing climate risk reduction comprise actions in several sectors, such as disaster prevention and preparedness, development food assistance, and reconstruction, relief and rehabilitation, that have a close relationship to sectors critical for resilient development pathways, including water supply and sanitation, transport and storage, and agriculture, food and fishing.

Figure 4-8

Sectoral actions in the OECD CRS and estimated extent to which they address climate risk



Source: UNEP (2022).

Notes: The number of actions presented on the x-axis is given in logarithmic scale. Average funding volumes for each sector are reflected in the size of the bubble and denoted in the parentheses included in each label identifying the sectors. Average funding volumes are in constant 2020 USD.

4.3 Effectiveness of adaptation finance: access, ownership and impacts

149. This chapter builds on the approach used in the BA on assessing the effectiveness of climate finance. Assessing effectiveness can be a nebulous concept as it relies on the perspectives of those making the assessment. The effectiveness of finance can be understood from a supply-side perspective of the cost-efficient use of scarce public resources, inclusiveness and the long-term sustainability of the outcomes of interventions. However, this chapter uses the demand-side perspectives of effectiveness as its starting point, focusing on the level of accessibility to adaptation finance, the level of country ownership in its application and deployment of financial resources, and the pace and timeliness at which finance reaches implementation on the ground. Ultimately, effective finance, as a means of implementation, is measured by how it achieves the impact it has set out to make, in the case of adaptation either in increasing adaptive capacity or resilience, for example. This chapter therefore also highlights the key impact results achieved in adaptation finance, including in relation to gender-responsiveness and social inclusion.

4.3.1 Access to adaptation finance

150. The fifth BA identifies two components intrinsic to addressing access to climate finance:

- Process-based issues, such as the eligibility requirements and approval processes, application of standards, articulating needs, transaction costs and speed of finance delivery;
- Adequacy and predictability issues, such as the availability of the scale and type of finance relative to needs.

151. For adaptation finance in particular, owing to the challenges in identifying the specific climate vulnerabilities to be addressed and in costing the measures to address them, accessing finance can be more of a challenge than for mitigation. In addition, such projects are often smaller in nature, entailing transaction costs that take up a greater proportion of the finance received for a particular project (GCF IEU, 2021, UN-OHRLLS, 2022).

152. **Capacity gaps:** One of the key constraints in accessing adaptation finance has been the difficulty in

establishing climate rationale under project proposals (GCF IEU, 2021; UN-OHRLLS, 2022). Adaptation projects require data to prove climate vulnerability and many developing countries typically lack the historical data downscaled to areas for analysing climate trends and vulnerabilities (GCF IEU, 2021). For example, the capacity to develop groundwater baseline data, 24- to 48-hour precipitation data or forward-looking climate projections for many developing countries is cited as a key challenge (GCA, 2022). Capacity and data limitations are especially constraining in SIDS and the LDCs (LDC Group, 2023). As noted in chapter 2.1.1, in 2022 the GCF refined its requirements for demonstrating impact potential on adaptation with a view to easing the complexity of accessing adaptation finance through outlining four high-level principles of identification, response, alignment, and monitoring and evaluation that are consistent with approaches of other organizations, such as the IPCC, UNDP, the AF and MDBs (GCF, 2022). In particular, it noted that demonstrating identification and response principles should make use of project-specific local information and observational data where they are available and of sufficient quality. Where such information and data are not available or are not of sufficient quality, alternative peer-reviewed and scientifically credible data sets, such as global gridded data or climate reanalyses, may be used to model the historical climate.

153. A significant challenge, as reported in the first NDR, is the relatively limited capacity of developing countries to quantify costs and build project pipelines for adaptation action. The most prominent challenges include institutional coordination at both the national and local level as well as across line ministries to identify, cost and articulate project-specific needs comprehensively; high staff turnover, leading to loss of knowledge and expertise in needs identification; and challenges in costing adaptation needs owing to methodological limitations and their long-term nature compared with short-term projects (UNFCCC, 2021a).

154. There are various efforts and initiatives that aim to address barriers to access climate finance focused on building in-country capacity to access climate finance. The Task Force on Access to Climate Finance was established in 2021 by the COP 26 Presidency as a response to a slow, complex, resource-intensive and highly projectized access environment for climate finance and demonstrates a potential approach to overcome severe capacity issues (Binci, 2022). It identified five principles to enhance access and five initial pioneer

countries (Bangladesh, Fiji, Jamaica, Rwanda and Uganda) to test the approach over three to five years. The five principles identified were based on an extensive evidence review and consultations with developing countries and bilateral and multilateral providers, and include:

- **Country ownership:** programmes and projects should be owned and driven by recipient governments and the communities they intend to benefit, with national priorities framing providers' support;
- **Harmonization of processes and alignment of finance:** processes associated with every stage of accessing climate finance should be streamlined and coordinated in order to offer a more strategic, coherent and efficient approach for recipients. Climate finance should be aligned behind integrated national plans and architecture;
- **Responsiveness to country needs and climate vulnerability:** climate finance should clearly respond to the self-defined needs and priorities of recipients, including those countries and communities with the greatest immediate needs and the lowest capacities to access funds, consistent with the goals of the Paris Agreement, including pursuing efforts to limit the temperature rise to 1.5 °C;
- **Flexibility and innovation:** adopting more innovative and agile approaches alongside proportionate risk management processes to deliver climate finance that better responds to variations in local capacity and need;
- **Transparency and accountability:** climate finance should be more predictable, transparent and yield measurable progress towards recipient countries (Government of the United Kingdom of Great Britain and Northern Ireland, 2021).

155. The Climate Finance Access Network (CFAN) is a global network designed to hire locally, train, and deploy climate finance advisors in ministries and Direct Access Entities. CFAN grows lasting in-country/in-region capacity by building the capacity of ministries, direct access entities and key private sector stakeholders to identify suitable sources and instruments for delivering climate finance, establish relationships with climate finance providers, and structure financing for mitigation

and adaptation investments. In 2021, CFAN launched its inaugural cohort in eight Pacific countries, and will have successfully embedded 12 climate finance advisors in the region by the end of 2023. In the first year, these advisors unlocked USD 61.7 million in climate finance to support resilience, with an additional USD 551.9 million investment in the pipeline for adaptation and mitigation. CFAN is currently expanding its footprint to five Caribbean islands and one Direct Access Entity beginning early next year. Given CFAN's current focus on SIDS, adaptation financing has been a major priority for many CFAN supported countries. Currently 39 per cent of CFAN's project pipeline consist of adaptation projects, with an additional 29 per cent being cross-cutting between adaptation and mitigation. CFAN has developed and delivered capacity building trainings focused on making the case for adaptation finance, including how to present a compelling case for adaptation funding proposals, tailoring an adaptation project pitch to diverse stakeholders, and how to properly present project benefits as part of the climate rationale and theory of change.

156. **Access through accredited entities:** Promoting direct access through national accredited entities to the multilateral climate funds has been a key indicator of progress in promoting access regardless of the amounts accessed. Owing to their track record, most multilateral climate funds channel finance through international accredited entities such as MDBs and United Nations agencies in the early years after establishment before accrediting national and regional entities in developing countries (UNFCCC, 2022a). Institutions are required to meet fiduciary, environmental and social safeguards and demonstrate sufficient institutional and financial management capacities to be accredited, leading to several challenging barriers to access by national entities. This has led to early adaptation finance being channelled through United Nations agencies or other multilateral institutions, but recent years have seen an increase in access from national and regionally located entities, driven in large part by the AF from 2010 and by the GCF since 2015. However, most of these direct access entities are accredited under micro or small sizes, limiting the direct flow of resources to small amounts.

157. A review of the access modalities for adaptation projects from multilateral climate funds from 2019 to 2022 (figure 4.9) shows that 9 per cent of USD 2.3 billion in funds approved was accessed through national entities, with 14 per cent through regional entities and 77 per

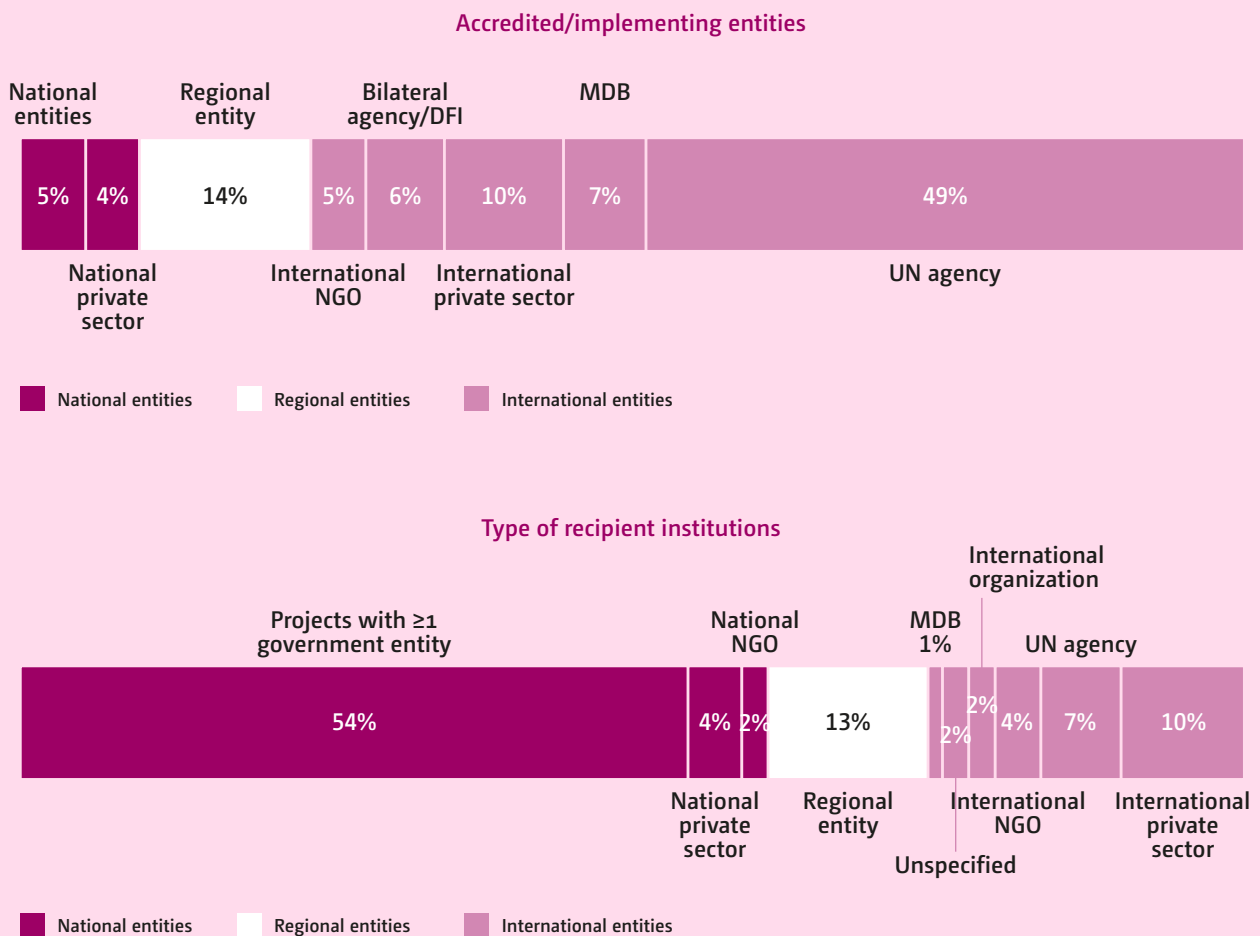
cent through international entities. On an annual basis, flows through accredited national entities have increased from 5 per cent in 2019 to 12 per cent in 2021 and 2022. In addition, most of the international accredited entities, accounting for almost half of the total finance approved, are United Nations agencies as opposed to MDBs or DFIs, which potentially highlights the lower proportion of adaptation activities as part of their lending models.

158. **Recipients:** While national entities may represent a small share of accredited entities accessing adaptation finance from multilateral climate funds, they feature in the majority of projects as recipients. Most projects

include multiple recipients and partners in different countries, the public and private sector and civil society. However, at least one government entity is listed in more than half of the adaptation funding projects approved over the 2019–2022 four-year period. Regional entities received a similar proportion as accredited entities, while international entities received 26 per cent of the approved funding over the same period. Recent large adaptation projects approved by the GCF in 2021 for adaptation included allocations to international private sector funds seeking to deploy finance for climate adaptation in developing countries, leading to this category receiving up to 10 per cent of the total.

Figure 4-9

Percentage of adaptation finance projects approved from multilateral climate funds from 2019 to 2022 by type of accredited implementing entity and recipient institution



Source: CFU 2023. Accessed 20 June 2023.
Note: Cumulative approvals of USD 2.3 billion for 2019–2022. Funds include the AF, GEF, GCF, LDCF, PPCR and SCCF. Where recipients are unknown, the classification of the accredited entity was used. Recipients of MDBs are only listed as public or private or both, in which case public or both tagged activities were counted in the at least one government entity category.

159. The OECD (2023, forthcoming) reports that 56 per cent of bilateral and multilateral adaptation-related development finance provided between 2016 and 2020 was delivered through recipient country governments. Multilateral institutions, in particular United Nations agencies and regional development banks, were the second largest recipients, at 17 per cent, followed by NGOs and civil society, at 8 per cent.

160. Access to other forms of concessional finance:

Beyond access to multilateral climate funds, a key issue for adaptation finance is access to concessional sources from bilateral and other multilateral institutions. In line with Article 9, paragraph 4, of the Paris Agreement, the role of grant-based or concessional finance is recognized as crucial in supporting adaptation action in developing countries. Access to sources of concessional finance can prove difficult for developing countries that do not meet eligibility criteria for concessional finance windows such as the IDA of the WBG or the OECD DAC list of ODA recipients. In line with a mandate focusing on poverty alleviation, eligibility for IDA support depends

on a measure of poverty, defined as gross national income per capita below an established threshold and updated annually (USD 1,255 in the fiscal year 2023). ODA eligibility is based on the low- and middle-income gross national income per capita groups of the WBG, excluding G8, and EU or upcoming EU member States.

161. Table 4.1 overlays country climate vulnerability scores against the eligibility lists for these two concessional finance recipient lists. Almost all countries with a vulnerability score of 0.4 or higher (median = 0.4315) are non-Annex I Parties, demonstrating those at most risk and with a lack of capacity to adapt to climate impacts. In relation to access to concessional finance, it is notable that above this range seven non-Annex I Parties, including five SIDS, are not ODA eligible. A further 40 non-Annex I Parties above the median vulnerability rating, including 1 LDC and 6 SIDS, are not IDA borrower countries. Data on climate vulnerability are not available for 13 countries, including 2 LDCs and 8 SIDS, 4 of which are neither ODA recipients nor IDA borrower countries.

Table 4.1

Country climate vulnerability (ND-GAIN) and access to non-climate fund concessional finance sources

ND-Gain vulnerability index ranges (listed from high to low vulnerability)	Number of non-Annex I Parties and ODA eligible countries (LDCs, SIDS)	...number of which are IDA recipients (LDCs, SIDS)	...number of which are non-IDA eligible (LDCs, SIDS)	Number of non-Annex I Parties not ODA eligible (LDCs, SIDS)	Number of Annex I Parties ODA eligible (LDCs, SIDS)	Number of Annex I Parties not ODA eligible (LDCs, SIDS)	Total (LDCs, SIDS)
>0.6	7 (7, 1)	7 (7, 1)	–	–	–	–	7 (7, 1)
0.5–0.6	48 (35, 10)	45 (34, 10)	3 (1, 0)	–	–	–	48 (35, 10)
0.4–0.5	50 (2, 12)	13 (2, 5)	37 (0, 6)	7 (0, 5)	–	1 (0, 0)	58 (2, 17)
0.3–0.4	22 (0, 3)	4 (0, 2)	18 (0, 1)	9 (0, 2)	3 (0, 0)	30 (0, 0)	64 (0, 5)
0.2–0.3	–	–	–	–	–	6 (0, 0)	6 (0, 0)
Data not available	8 (2, 7)	4 (2, 4)	4 (0, 3)	3 (0, 1)	–	2 (0, 0)	13 (2, 8)
Total	135 (46, 33)	73 (45, 22)	62 (1, 10)	19 (0, 8)	3 (0, 0)	39 (0, 0)	196 (46, 40)

Sources: Notre Dame Global Adaptation Initiative (2023), OECD DAC (2023) and WBG (2023).
Note: LDC and SIDS numbers in brackets may overlap owing to countries that are both LDCs and SIDS.

162. The issues around access to concessional finance based on income level is widely acknowledged as suboptimal in supporting countries to increase their resilience to climate vulnerabilities and adapt to climate impacts.⁴⁶ With the onset of the coronavirus disease pandemic in 2020 and severe economic implications for SIDS, the United Nations General Assembly called on the Secretary-General to provide recommendations on the potential development and coordination of work within the United Nations system on an multidimensional vulnerability index (MVI). Since then, the development of an MVI has gathered pace.

163. In its discussions over its eighth replenishment, the GEF explored the potential to employ an economic and environmental vulnerability index under the system for the transparent allocation of resources allocation formula for individual countries to replace its gross domestic product index.⁴⁷ Participants in the replenishment discussion took note of the analysis and options and requested the GEF secretariat to continue the work for consideration in future replenishments.⁴⁸

164. In September 2023, a high-level panel appointed to develop an MVI for all developing countries proposed a two-tier structure for an MVI, comprising:⁴⁹

- A universal-level quantitative assessment of structural vulnerability and resilience using a common methodology for all developing countries. Structural vulnerability is described as the risk of a country's sustainable development being hindered by recurrent, adverse or exogenous shocks and stressors, such as an exposure to price fluctuations, increased frequency and intensity of extreme climatic events or the impact of health shocks. Structural resilience (or lack of) is described as the inherent characteristics or inherited capacity of countries to withstand, absorb, recover from or minimize the adverse effects of shocks or stressors, such as resilience to heat shocks, adequacy of water supply or effective social service provision. Each of these components apply across economic, environmental and social dimensions;

- National vulnerability and resilience country profiles that provide a more detailed, tailored and individualized characterization of a country's vulnerability and resilience factors, which are prepared by individual countries to direct support and cooperation towards specific identified vulnerabilities.

165. **Access to capital markets:** Linkages between sovereign debt costs and climate vulnerabilities can also have a significant impact on access to finance on international capital markets. An IMF (2021) analysis showed that an increase of 10 percentage points in climate change vulnerability is associated with an increase of more than 150 basis points in long-term government bond spreads (relative to the US benchmark) of emerging markets and developing economies over 1995–2017, while an improvement of 10 percentage points in climate change resilience is associated with a decrease of 37.5 basis points in bond spreads. On average, the changes are five times more than when analysing both developed countries and developing countries, illustrating the outsized effect that physical climate risks have on the capacity of developing countries to adapt and access finance.⁵⁰ The analysis highlighted that developing countries with limited fiscal capacity could benefit from alternative instruments, including catastrophe insurance and debt-for-nature swaps designed to mobilize resources for investments in resilient infrastructure and environmental conservation measures while reducing the debt burden.

4.3.2 Ownership

166. As noted in chapter 4.2.1 above, 84 per cent of developing countries have in place one adaptation policy, law or instrument for enabling adaptation action and setting out country-driven strategies. Tied to these, many developing countries have developed resource mobilization strategies and plans. According to a report on behalf of the Adaptation Committee (UNFCCC 2022c), there are also examples of countries developing more

46 Several United Nations General Assembly resolutions have reiterated the need for the development of an MVI (see <https://www.un.org/ohrlls/mvi/history-of-mvi>).

47 See https://www.thegef.org/sites/default/files/documents/2022-02/GEF_R.08_25_Revised_STAR_Simulations.pdf.

48 See https://www.thegef.org/sites/default/files/documents/2022-06/EN_GEF_C.62_03_Summary%20of%20Negotiations%20of%20the%208th%20Replenishment%20of%20the%20GEF%20Trust%20Fund_.pdf.

49 See https://sdgs.un.org/sites/default/files/2023-09/Final_%20MVI_Report_advance_unedited_version.pdf.

50 See <https://www.imf.org/en/Blogs/Articles/2021/02/17/blog-why-climate-change-vulnerability-is-bad-for-sovereign-credit-ratings>.

strategic approaches to create the enabling conditions for resource mobilization.

167. Domestic institutions: Several countries have set up domestic climate funds or facilities to provide the architecture and governance to prospect for and deliver finance at scale for adaptation across governments (e.g. the Climate Investment Facility in Rwanda or the National Adaptation Fund for Climate Change in India). These initiatives have been nationally driven but supported by capacity-building and technical assistance. Once established, they can build capacity across the government and support line ministries to access finance. They also enable more harmonized and strategic approaches to resource mobilization. In the case of the National Adaptation Fund for Climate Change in India, the implementing entity is also accredited to the AF.

168. Integrating with national budgets: A growing number of developing countries have also established climate budget tagging, including for adaptation, in recent years. Approximately 37 developing countries have been identified as developing or implementing such budget tagging in the areas of climate change adaptation and disaster risk reduction (Choi et al., 2023). Through budget tagging initiatives, countries can raise awareness on public finance for adaptation; inform policy and financing strategies, such as targeting international climate finance and supporting reporting on green bonds; identify gaps and available resources; increase transparency and accountability; and support mainstreaming climate adaptation in different sectors (Choi et al., 2023). In Bangladesh, the 2014 climate fiscal framework developed by the Government was established to enable greater national ownership of climate finance (UNFCCC, 2022c).

169. Many countries report significant shares of allocations of national budgets to adaptation and resilience activities to fill gaps in meeting needs, as private sources, both domestic and international, are more aligned with mitigation-related investment opportunities. In Colombia, Honduras and the Philippines the share of adaptation ranged from 76 per cent to 100 per cent of climate-relevant allocations.

170. Budget tagging initiatives on their own does address adaptation finance needs effectively, particularly when domestic budgets are constrained by competing development needs and debt crises. By necessity, they are not externally driven or managed interventions that prove difficult to sustain over the long-term owing to a lack of local capacity. Rather, by requiring ministries of finance

and public expenditure to take the lead, they support internal capacity-building and coordination with line ministries and sectors, which leads to longer-term country ownership and better whole-of-government approaches to effectively using international climate finance resources. In 2021, 59 per cent of climate finance spent in Colombia was from national budgetary sources, with the remainder from international public climate finance.

171. Locally-led adaptation: Given that adaptation interventions are inherently responding to local, place-based risks and vulnerabilities, local ownership of adaptation action and genuine local participation in adaptation design and implementation are critical (Soanes et al., 2021a; UNEP, 2022). Externally led or driven interventions can fail to understand the factors driving vulnerability that are related to local contexts and political economy and undermine local adaptation responses that are more environmentally, financially and politically sustainable (Eriksen et al., 2021; UNEP, 2022). Working Group II of the Sixth Assessment Report of the IPCC concluded that current adaptation efforts have been inadequate in engaging local actors in empowering and meaningful ways, resulting, therefore, in maladaptation (New et al., 2022).

172. In 2020, the Principles for Locally Led Adaptation were launched by the Global Commission on Adaptation with the support of the International Institute for Environment and Development, the WRI and other partners (see box 4.1). By November 2022, more than 100 organizations, including donor agencies, NGOs and grass-roots organizations, had endorsed the principles. Initiatives launched since COP 26 and COP 27, have responded to the principles, such as the Community Resilience Partnership Program in the Asia and the Pacific region, financed by the United Kingdom and the Nordic Development Fund and managed and supported by the ADB and other development partners, and the Step Change initiative, a five-year programme funded by Canada and the Kingdom of the Netherlands and supported by the Climate and Development Knowledge Network to accelerate equitable and inclusive locally led adaptation in the Global South.

173. While adaptation is generally motivated by the need to reduce climate change risks and impacts, it is increasingly recognized that effective adaptation encompasses concepts such as social transformation and climate justice, and that attention to such issues may drive the reduction of more tangible risks in many contexts (Singh et al., 2021; UNEP 2022).

Box 4.1

Principles for locally led adaptation**1. Devolving decision making to the lowest appropriate level:**

Giving local institutions and communities more direct access to finance and decision-making power over how adaptation actions are defined, prioritized, designed, implemented; how progress is monitored and how success is evaluated.

2. Addressing structural inequalities faced by women, youth, children, people with disabilities, people who are displaced, Indigenous Peoples and marginalized ethnic groups:

Integrating gender-based, economic and political inequalities that are root causes of vulnerability into the core of adaptation action and encouraging vulnerable and marginalized individuals to meaningfully participate in and lead adaptation decisions.

3. Providing patient and predictable funding that can be accessed more easily:

Supporting long-term development of local governance processes, capacity and institutions through simpler access modalities, as well as longer term and more predictable funding horizons to ensure that communities can effectively implement adaptation actions.

4. Investing in local capabilities to leave an institutional legacy:

Improving the capabilities of local institutions to ensure they can understand climate risks and

uncertainties, generate solutions and facilitate and manage adaptation initiatives over the long term without being dependent on project-based donor funding.

5. Building a robust understanding of climate risk and uncertainty:

Informing adaptation decisions through a combination of local, traditional, Indigenous, generational and scientific knowledge that can enable resilience under a range of future climate scenarios.

6. Flexible programming and learning:

Enabling adaptive management to address the inherent uncertainty in adaptation, especially through robust monitoring and learning systems and flexible finance and programming.

7. Ensuring transparency and accountability:

Making processes of financing, designing and delivering programs more transparent and accountable downward to local stakeholders.

8. Collaborative action and investment:

Collaboration across sectors, initiatives and levels to ensure that different initiatives and different sources of funding (humanitarian assistance, development, disaster risk reduction, green recovery funds, etc.) support each other, and their activities avoid duplication to enhance efficiencies and good practice.

Source: WRI, 2022.

4.3.3 Timely delivery of climate finance to projects

174. Project cycle stages combine upstream activities, such as overarching planning frameworks and programming strategies that build capacity for pipeline development, with specific project preparation activities before undertaking project proposal and approval processes. This is followed by timely disbursement and execution of the project and monitoring and reporting of its implementation.

175. Readiness support programmes through the multilateral climate funds are intended to provide early stage funding to build project pipelines, country plans and general capacity development. A 2022 report by the Independent Evaluation Unit of the GCF found that processing times for readiness grant requests remain lengthy and disproportionate to the grant size. While

the average time for processing and approval has reduced from 400 days for requests submitted in 2015 to 176 days for those submitted in 2021, the processes are lengthy for average grants of USD 400,000, and a USD 1 million annual cap existed. In addition, vulnerable countries (SIDS, the LDCs and/or African States) had a median seven-month processing time, compared with five months for other countries (GCF IEU 2023). The report noted that the GCF secretariat had lifted the one-year annual cap to three years of grants in order to promote continuity and longer-term planning, although awareness of this is low.

176. The use of project preparation facility (PPF) grants remains limited owing to a lack of capacity and perceptions that the process is too long and burdensome. A median of 13 months is reported for PPF grants by the GCF from submission to first disbursement (GCF IEU

2023). For the project appraisal and approval stages, the duration of the clearance process, from when the first document is received (project idea, concept note or funding proposal) to the last time it was submitted for review, has halved.

177. The GCF updated its Simplified Approval Process to significantly reduce the time and effort required to move from project conception to implementation for small-scale projects, and increased the size of eligible proposals to USD 25 million. The importance of quick access to small-scale funding for adaptation projects and the difficulties in assessing the rationale may reflect why 23 per cent of the Simplified Approval Process pipeline are adaptation projects and 51 per cent are cross-cutting project⁵¹s. However, the independent evaluation shows that the time taken for processing through Simplified Approval Process modalities is longer than through normal project modalities.

178. For the AF, the average time from first concept submission to project approval was six to seven months between financial year 2017 and financial year 2020, at which point it increased to approximately 13 months in financial year 2021 and 20 months in financial year 2022 owing to implementing entities waiting up to one year between the concept and full proposal stage, pending reaccreditation for approval or pending funding for approval (AF Board, 2022a). Post-approval, project partners need to finalize and execute funding agreements before disbursements can be made. The effectiveness of climate finance can be evaluated only when the finance is disbursed. Assessing the ratio of disbursements to commitments across a span of years provides insight into whether approved projects are generally proceeding in accordance with the initial plan or facing challenges during implementation. Therefore, having data on both commitments and disbursements is important in order to enable an understanding of whether finance is reaching the ground as well as the time frame between commitments and disbursements.

179. Previous analyses focusing on adaptation finance (Savvidou et al., 2021; UNEP, 2023) found that globally the ratio of disbursements to commitments for adaptation is lower than that of mitigation, and substantially lower than that of the total development

finance. In particular, according to the UNEP *Adaptation Gap Report 2023*, between 2017 and 2021 the ratio of disbursements to commitments for adaptation was 66 per cent, compared with about 98 per cent for total development finance in the same period. This implies that climate, and adaptation in particular, finance projects seem to be facing unique challenges in disbursement and therefore implementation.

180. The GCF has reported that the disbursement time has decreased from an average of 19 months in 2019 to 11 months in 2022 (GCF 2023). However, the GCF Independent Evaluation Unit's 2021 evaluation of the adaptation portfolio further noted that adaptation projects take longer than mitigation projects to move through the pipeline and then to begin implementation once approved, particularly for direct access entities.

4.3.4 Impacts of adaptation finance, selected results and experience

181. Tracking finance as an input to the adaptation process is distinct from measuring its results. The results of adaptation finance can be measured at different levels, from the project level through to the portfolio, national and global level (Leiter, 2023).

182. As noted in chapter 2.2 above, the most common outcome indicator for adaptation finance is the number of beneficiaries with improved adaptive capacity. However, the literature indicates that such metrics are difficult to compare and aggregate owing to the context-specific nature of adaptation (Pauw et al., 2020; Leiter, 2023). Instead of aiming for a universal set of global portfolio indicators, combining different types of indicator that measure specific objectives is more important for ensuring the quality of each adaptation intervention, especially for specifying how activities are expected to help people to adapt (see box 2). A review of 34 internationally funded adaptation projects identified four factors that commonly hinder effectiveness (Eriksen et al., 2021):

- Poor understanding of the contextual drivers of vulnerability;
- Top-down design and implementation with inadequate representation of vulnerable and

marginalized groups (e.g. women and Indigenous Peoples);

- Rebranding development activities as adaptation activities without considering the climate risks;
- Failing to identify criteria for adaptation success and/or allowing success to be defined implicitly by dominant groups.

183. The multilateral climate funds have continued making progress on impact reporting. This includes increased transparency, gender-responsive management and more regular reporting through their results frameworks, which support implementing agencies to measure and report on the effects of their investments. Figure 4-10 illustrates a selection of expected and reported results from multilateral climate change funds in order to provide useful insight into climate finance effectiveness and progress over time.

184. The core indicators identified in figure 4.10, help to capture the impacts of adaptation investment made by multilateral climate funds at the portfolio level. The expected results of adaptation finance are reported with cumulative figures of expected results based on the indicators shown for approved project proposals, and the results are reported based on projects implemented during certain replenishment periods. Since there are varieties in the project implementation stages, the expected results would be seen as relatively higher than the figures captured in the reported results.

185. The key indicator in the adaptation theme remains the number of beneficiaries (direct and/or indirect). Multilateral climate funds with a dedicated adaptation core indicator (the AF, GCF, LDCF and SCCF) report a cumulative number of 437 million expected beneficiaries and the GCF, LDCF and SCCF, which report on actual beneficiaries, note a cumulative total of 82.6 million beneficiaries. With the mainstreaming of gender perspectives, the GEF and LDCF report more than half the ratio of female beneficiaries for their adaptation intervention.

186. Hectares of land protected or under sustainable management is widely reported across funds for adaptation and cross-cutting efforts. These have a cumulative expected total of 26.7 million ha and an actual area covered through existing projects of 15.6 million ha, and include projects by the GCF, LDCF, SCCF and PPCR. AF interventions are further expected to protect 162.3 km coastline, while results from the PPCR portfolio have led to 2,658 km climate-improved roads and 636 km flood protection structures constructed or rehabilitated.

187. The AF and PPCR also track the number of early warning systems or climate service stations, which are particularly important in the context of adaptation, with a total of 2,111 expected to be installed and 2,406 already supported. Cumulatively, 4,551 policies, plans and strategies are expected to introduce mainstream climate resilience through interventions by the AF, LDCF, SCCF and PPCR, in which a total of 3,630 policies, plans or strategies are developed based on their implemented projects.

Table 4-2

Selection of actual and expected adaptation results of multilateral climate funds

Fund and date of establishment, accessed data	Expected results	Reported results to date
<p>AF 2009 Annual performance report</p>	<p>35.92 million beneficiaries with reduced vulnerability to climate change and increased adaptive capacity (of which 10.65 million direct and 25.27 indirect beneficiaries) based on 132 approved projects</p> <p>516 Early warning systems introduced</p> <p>162,275 meters of coastline protected</p> <p>575,699 hectares of natural habitats created, protected or rehabilitated restored</p> <p>99 policies introduced or adjusted to address climate change risks</p>	<p>Not reported</p>
<p>GCF 2015 Annual progress report</p>	<p>332 million of direct and indirect beneficiaries reached</p> <p>1334 million USD eq of physical assets made more resilient to the efforts of climate change and /or more able to reduce GHG emissions</p> <p>11 million hectares of natural resource areas brought under improved low emission and/or climate resilient management practices</p>	<p>57 million of direct and indirect beneficiaries reached</p> <p>115 million USD eq of physical assets made more resilient to the efforts of climate change and /or more able to reduce GHG emissions</p> <p>6 million hectares of natural resource areas brought under improved low emission and/or climate resilient management practices</p>
<p>GEF 1991 GEF Corporate scorecard</p>	<p>21.04 million direct beneficiaries (of which 10.62 million female)</p> <p>3.23 million hectares of land managed for climate resilience</p> <p>869 policies/plans that will mainstream climate resilience</p> <p>0.69 million beneficiaries trained of which 0.32 million female)</p>	<p>Not reported</p>
<p>LDCF 2002 Progress report 2023 Annual monitoring review</p>	<p>60.17 million direct beneficiaries</p> <p>9.62 million hectares of land better managed to withstand the effects of climate change</p> <p>3,164 policies, plans, and processes developed or strengthened to identify, prioritize, and integrate adaptation strategies and measures</p> <p>2.11 million beneficiaries trained to identify, prioritize, implement, monitor and/or evaluate adaptation strategies and measures</p>	<p>18.8 million direct beneficiaries (of which 51 percent female) based on 333 projects</p> <p>2.8 million hectares of land managed for climate resilience</p> <p>2,288 policies/plans that mainstream climate resilience</p> <p>0.7 million beneficiaries (of which 50 percent female) trained to identify, prioritize, implement, monitor and/or evaluate adaptation strategies and measures</p>

Table 4-2

Selection of actual and expected adaptation results of multilateral climate funds

Fund and date of establishment, accessed data	Expected results	Reported results to date
<p>SCCF 2002</p> <p>Progress report 2023</p> <p>Annual monitoring review</p>	<p>8.91 million direct beneficiaries</p> <p>5.16 million hectares of land under climate-resilient management</p> <p>486 policies, plans, and processes developed or strengthened to identify, prioritize, and integrate adaptation strategies and measures</p> <p>0.22 million beneficiaries trained to identify, prioritize, implement, monitor and/or evaluate adaptation strategies and measures</p>	<p>6.78 million direct beneficiaries based on 91 projects</p> <p>6.83 million hectares of land under climate-resilient management</p> <p>587 policies/plans that mainstream climate resilience</p> <p>0.13 million beneficiaries trained to identify, prioritize, implement, monitor and/or evaluate adaptation strategies and measures</p>
<p>PPCR 2008</p> <p>Annual report 2021</p>	<p>802 plans or strategies integrated climate change into development planning</p> <p>828 of knowledge products developed in support of climate resilience</p> <p>1,039,46 areas protected from flood/sea level rise/storm surge</p> <p>1,700 km of embankments, drainage, sea walls, waterways, and flood defense protections constructed or rehabilitated</p> <p>2,695 km of climate-improved roads constructed or rehabilitated</p> <p>5.4 million households / 15,048 communities / 43,817 businesses / 8,093 public services using PPCR-supported tools, instruments, strategies, and activities to respond to climate change and climate variability</p> <p>314,967 hectares covered by sustainable land and water management practices</p> <p>1,595 of hydromet and climate service stations supported</p> <p>193,811 of persons receiving climate-related training</p> <p>11,038 of beneficiaries of PPCR-supported adaptation financing facilities</p>	<p>755 plans or strategies integrated climate change into development planning</p> <p>778 of knowledge products developed in support of climate resilience</p> <p>45,633 areas protected from flood/sea level rise/storm surge</p> <p>636 km of embankments, drainage, sea walls, waterways, and flood defense protections constructed or rehabilitated</p> <p>2,658 km of climate-improved roads constructed or rehabilitated</p> <p>3.2 million households / 5,619 communities / 25,494 businesses / 3,251 public services using PPCR-supported tools, instruments, strategies, and activities to respond to climate change and climate variability</p> <p>344,965 hectares covered by sustainable land and water management practices</p> <p>2,406 of hydromet and climate service stations supported</p> <p>208,509 of persons receiving climate-related training</p> <p>11,571 of beneficiaries of PPCR-supported adaptation financing facilities</p>

188. **Gender responsiveness:** Climate change impacts can intensify gender and other social inequalities. At the same time, gender-responsive activities are linked with higher effectiveness in reaching their adaptation objectives (Roy et al., 2022). The UNEP Adaptation Gap Report conducted a qualitative analysis of all international public adaptation finance projects marked as principal for the OECD gender equality marker. The analysis found that about 2 per cent of the finance is gender-responsive, with 31 per cent being gender-blind. UNEP also conducted a review of adaptation finance needs from NDCs and NAPs and found that around 15 per cent included the costs of gender activities, with a budget share of between 0.05 and 12 per cent of the total adaptation cost. The review also indicated that budgeted adaptation efforts were primarily centred around gender considerations, while other dimensions of social inclusion, such as indigeneity, age, ethnicity, migrant status or disability, were not allocated budgets.

189. An analysis by the International Institute for Environment and Development (Soanes et al 2021b) of

finance that had adaptation for the LDCs as a primary objective found that less than 3 per cent of the finance was aimed primarily at addressing gender inequalities, 2 per cent was directed towards Indigenous Peoples and less than 19 per cent had a focus on non-State enterprises and NGOs.

190. In a report by Oxfam (2020), 72 projects across various sectors marked with the OECD gender equality marker totalling about USD 6 billion were examined. The analysis revealed that two out of these 72 projects met all the essential criteria recommended by the OECD to qualify as gender equality projects. Furthermore, approximately a quarter of the projects were incorrectly labelled with the wrong policy marker. Twenty per cent of the projects assessed acknowledged or addressed unintended negative consequences. Women's involvement and leadership were seldom addressed, and gender-disaggregated data, as well as gender equality goals and metrics, were present in about half of the projects examined.

Box 4-2

International Fund for Agricultural Development case study on the suite of indicators used in an agriculture project

Economic Inclusion Programme for Families and Rural Communities in the Territory of Plurinational State of Bolivia (ACCESOS) provides a good example of where different indicators have clearly shown an impact on resilience. The main objective of ACCESOS, which received financing from the Adaptation for Smallholder Agriculture Programme fund, was to improve the livelihoods of rural farming families by improving their capacities to sustainably manage natural resources (land, water and natural vegetation) and to promote greater financial inclusion and literacy. The analysis, carried out by the impact assessment team, found that the perceived ability of households to recover from the different shocks they experienced (both climatic and others) was significantly higher among the treatment group than the comparison group. The assessment also found that income diversity, which is also considered a proxy indicator for resilience, was greater in beneficiary

households than in the comparison group. These two indicators are specifically intended to measure the impact on resilience. However, resilience is also associated with the degree to which climate-resilient agricultural practices have been adopted by the beneficiaries. For ACCESOS, the impact assessment found that the rate of adoption of climate-resilient agricultural practices that can improve natural resource management (e.g. agroforestry, the cultivation of climate-resilient crop varieties, irrigation and erosion control) was significantly higher in the beneficiary households than the comparison group. The adoption of these practices, which led to greater on-farm crop diversity, also contributed to a 13 per cent increase in gross annual income per capita and a 25 per cent increase in the ownership of productive assets for households in the treatment group compared with the comparison group. All these indicators serve to show that ACCESOS was not only able to build the resilience of the beneficiaries, but that this resilience is intricately entwined with improved farm production practices and economic mobility (IFAD, 2023).

191. **Broader impacts of adaptation actions and linkages to SDGs:** IPCC (2023) noted the strong synergistic link between sustainable development, vulnerability and climate risks through an analysis of near-term trade-offs and synergies between adaptation, mitigation and the wider Sustainable Development Goals. Far more synergies exist across energy, land-use and urban infrastructure than potential trade-offs. IPCC (2023) also identified social safety nets that support climate change adaptation and that have strong co-benefits with development goals such as education, poverty alleviation, gender inclusion and food security. Synergies with mitigation actions

can also have significant impacts. For example, land restoration contributes to mitigation and adaptation through enhancing ecosystem services and with economically positive returns and co-benefits for poverty reduction and improved livelihoods. Trade-offs can be evaluated and minimized by giving emphasis to capacity-building, finance, technology transfer, investments, governance, development, and context-specific gender-based and other social equity considerations with the meaningful participation of Indigenous Peoples, local communities and vulnerable populations.

5

**Towards the doubling
of adaptation finance
from 2019 to 2025**

5.1 Key challenges

192. **Public finance:** The importance of the role of public finance for adaptation, in particular grant-based resources, is underscored in Article 9, paragraph 4, of the Paris Agreement. Although proportionally more grant-based finance from developed countries is dedicated to adaptation, there remains a significant gap in public finance at scale to address the adaptation needs and priorities of developing countries, as articulated in adaptation communications, NAPs, NDCs and other planning strategies. It is anticipated that adaptation costs of up to USD 340 billion per year may be required in developing countries by 2030 from all sources of finance, with international public climate finance set to play a significant role (UNEP, 2022).

193. 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 have 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.

194. There is a lack of models for long-term and predictable adaptation funding. IFAD (2023) notes that many adaptation financing initiatives have a short-term

focus, which can hinder the implementation of long-term adaptation strategies. The AF notes that the ad hoc and unpredictable nature of resourcing limits its ability to carry out its mission and to maximize its role in the international climate finance architecture (AF Board, 2022b). As the funding model based on the share of proceeds from the clean development mechanism was downscaled in recent years owing to the lack of market activity, the AF has relied on ad hoc contributions, often single-year contributions, to fund its activities. Although this reached a peak after COP 26 with USD 356 million in pledged contributions, and some contributors also provided multi-year pledges to enhance predictability, it remains a suboptimal funding model to enable programmatic roll-out of adaptation interventions and to respond to the demand.

195. **Private sector involvement in adaptation finance has been limited:** The challenge in mobilizing private finance for adaptation is in large part owing to the inherent public good characteristics of many adaptation interventions. This underlines the importance of the role of public finance and the need to identify how and where private finance may be directed to produce adaptation outcomes. The GCA *State and Trends in Adaptation report (2022)* shows the lack of government incentives for private sector involvement and limited awareness of public initiatives as key barriers to private sector finance for adaptation.

196. The OECD (2022) survey on private finance mobilization revealed a growing but nascent interest in adaptation among private sector actors, highlighting the need for innovative financing mechanisms to address this challenge. The key challenges identified include:

- A lack of clear revenue streams for many adaptation interventions;
- Longer-term time horizons of adaptation projects based on future, and relatively uncertain, climate impact scenarios against shorter-term business decision-making time frames;
- A lack of size and scalability of adaptation interventions to grow markets;
- A lack of knowledge and/or awareness of potential adaptation projects;
- The potential of adaptation activities to increase project costs in the short term.

197. These challenges were elaborated in recent publications across three broad categories (Tall et al., 2021; OECD, 2023b). The WBG (Tall et al., 2021), in an extensive study, identified three broad categories of 10 barriers to attracting private finance at scale, namely the lack of country-level climate risk and vulnerability data and information services that can be used to guide investment decision-making; limited clarity on the government's capital investment gaps to achieve adaptation goals; and low perceived or actual returns on investment. It identified that development partners are best placed to address the first category of barriers related to climate risk data and information and the mismatch of investor and adaptation planning horizons. The other two categories were seen as the purview of policymakers, ministries and regulatory bodies to address, in particular in relation to clear planning, policies and regulations and the need to remove perverse incentives and provide positive financial incentives.

198. The issue of expected financial returns from different adaptation activities was further analysed by the OECD (2023b). In particular, commercially viable adaptation activities were limited to agriculture and infrastructure, for which profit-driven incentives to maximize returns are linked to the efficient management of land and resilience. However, these activities still need to overcome the aforementioned barriers on pricing climate risk to enable business cases to be made, the difficulty in harnessing financial returns from adaptation action and the lack of policies to internalize adaptation benefits. Activities to support the enabling environment, disaster risk reduction, coastal zones and, to some extent, water-related infrastructure were viewed as in the domain of publicly funded adaptation activities. Adaptation activities for which mixed or blended approaches may be applicable include the development of new adaptation-specific technologies and services, including financial services, as well as infrastructure support services.

199. Lack of awareness and capacity in developing countries in relation to identifying needs and tracking impacts is particularly acute for adaptation finance.

As reported in the first NDR, there is relatively limited capacity in developing countries to quantify costs and build project pipelines for adaptation action. Notable challenges include institutional coordination at both 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 expertise in needs

identification; and the costing of adaptation needs owing to methodological limitations and their long-term nature compared to short-term projects.

200. As noted in chapter 2, significant challenges relate to capacity to track climate and adaptation-specific finance flows in developing countries, 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 pose challenges in 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 as well as 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.

201. Limited understanding of the overall climate finance architecture inhibits the identification of potential funding sources. As stated in the Adaptation Committee's report *Capacity gaps in accessing adaptation funding* (UNFCCC 2021b), many Parties highlighted the capacity gaps in understanding the overall climate finance architecture, including 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.

202. Capacity to develop a pipeline of adaptation projects and programmes is lacking. There is a critical lack of climate data, which limits adaptation projects and leads to uncertainty about the optimal approach to building resilience. For example, lack of capacity to develop groundwater baseline data, 24- to 48-hour precipitation data and forward-looking climate projections for many developing countries is cited as a key challenge (GCA, 2022). There is an opportunity to provide sustained, targeted support to increasing access to high-resolution climate data at a low cost so that future adaptation planning is best informed to avoid maladaptation and to assist financiers to undertake climate risk assessments (GCA, 2022; IPCC, 2022).

203. Up to 40 per cent of GCF adaptation concept notes are withdrawn owing to difficulty identifying the climate rationale (GCF IEU, 2021). Despite efforts to improve project approval procedures and reduce delays, many initial project designs are no longer viable

for implementation once they have been approved. The lack of capacity to develop funding proposals in developing countries, including by accredited entities, is often cited as a key challenge in enabling finance to flow to adaptation projects. Readiness programme funding and project development funds are designed to enable countries to develop plans and project pipelines. However, drawbacks to these funding conditions mean that the potential to develop capacity is unrealized: funding is short term (e.g. one or two years), hence that there is little guarantee that any capacity built will stay in the government or in the country, or that long-term integrated planning and development of project pipelines will be promoted. Funding institutions often prohibit budgetary support for staffing costs, so that institutions cannot make use of funding to build their capacity, which builds a reliance on consultants, often foreign consultants, who do not build long-term capacity and are often unfamiliar with local contexts.

204. For much international public climate finance, there is a need to establish a link between climate impacts and the corresponding actions or measures that aim to mitigate those impacts (GCA, 2022). The constraints in framing adaptation action as separate to development is mirrored in the demand side, since many NAPs and NDCs remain uncosted and project approvals fail owing to difficulties in proving climate rationale. If it is more widely accepted that adaptation and development are linked, there is an opportunity to go beyond theory to focus on the deployment of capacity and solutions and on matching finance solutions to needs.

205. As illustrated in the challenges to scaling up the supply of adaptation finance or in accessing finance from the demand side, several common threads emerge on how adaptation financing has been approached so far. The adaptation finance landscape has been dominated by project-based approaches, often small in scale and difficult to replicate owing to the context-specific nature of adaptation interventions. This implies high transaction costs that inhibit scaling up. This focus may be partly driven by the need to demonstrate climate rationale and how the activity is different to development, which is more easily done for dedicated adaptation interventions than for activities for which adaptation or resilience have been mainstreamed into existing processes and the financing of activities (WRI, 2018).

206. A further challenge is underlined by the data requirements needed to conduct analysis on climate risks. In 2021, less than 20 per cent of asset managers supporting the Task Force on Climate-related Financial Disclosures conducted a physical scenario modelling to assess climate risks. Physical climate risks are either perceived to be less high or there are significant data gaps in assessments that require detailed information on the location of company assets, their nature (type, vulnerability, adaptations), the use of localized or regional climate models and challenges with acute event attribution to climate change (TCFD, 2022).

207. Slow and complex processes for accessing finance remain a key challenge for developing countries. Aside from the need for the capacity to propose adaptation funding projects, approval systems need to be conducive to efficient funding. 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. These challenges are both general in nature (applying to all projects equally) and adaptation-specific owing to the greater complexity in proving the climate rationale of adaptation interventions, particularly their intersection with general development priorities in clean water and sanitation, housing and health care. Despite efforts to improve project approval procedures and reduce delays, such as shortening GCF approval timelines, the lack of timeliness of project approval cycles means that many initial project designs are no longer viable for implementation once they are due to be approved.

208. Income-based criteria for accessing sources of concessional finance 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 IDA, to alleviate poverty may limit funding to countries that have higher income levels but are particularly vulnerable to climate impacts and risks.

209. 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. About 60 per cent of low-income countries⁵² are assessed at high risk of or in debt distress, twice the level in 2015 (UN, 2023). In 2022, 25 developing countries had to dedicate more than a fifth of their total revenues to servicing public external debt, the highest number of countries since 2000 (UN, 2023). IMF (Chamon et al., 2022) found that only 7 of 29 analysed low-income countries with adaptation needs have 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 (see chapter 4.3.2 above).

5.2 Potential opportunities

210. 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. Although there is no road map for or forward-looking information on the collective doubling of adaptation finance by developed country Parties, information in biennial communications under Article 9, paragraph 5, points to increases in bilateral sources of adaptation finance until 2025.

211. The potential of a scale-up of traditional sources of adaptation finance through bilateral and multilateral channels to best match the needs and priorities of countries remains significant (UN, 2023; Tye et al, 2022). On the demand side, the increasing clarity on adaptation action and planning by developing countries, through NAPs and other economic integration planning tools and strategies, demonstrates the capacity built for enabling project implementation (as noted in chapter 4.2.1 above). Considering this trend, it is likely that there will be more well-designed adaptation projects in the future. Furthermore, contributions to and replenishments in 2023 and 2024 of dedicated funds such as the AF 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. More innovative opportunities for scaling up adaptation finance include new revenue-raising methods. 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 AF to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.⁵³

212. While there is a difficulty to forecast any expected amounts that this linkage in financing may provide considering the experience of sharing 2 per cent of clean development mechanism proceeds, it presents an opportunity to scale up the supply of adaptation finance, particularly through the high demand for support from the AF.

213. Many MDBs have adopted relative or proportional adaptation finance targets to their lending volumes, indicating that scaling up climate finance from these institutions will result in increases in adaptation finance flows.

214. Enhancing access to concessional finance sources for particularly vulnerable developing countries is another opportunity. The United Nations has made efforts to develop an MVI aiming to better account for the complex vulnerabilities that countries face. Such an index could potentially complement income-based approaches as institutions decide how to prioritize funds, including concessional resources (see chapter 4.3.1 above).

215. Another opportunity for scaling up public adaptation finance is to use of special drawing rights (SDRs) as an alternative source of climate finance, as highlighted, along with other efforts to expand multilateral climate finance, at COP 26 and 27.⁵⁴ 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

⁵² Defined as countries that use the IMF/World Bank Debt Sustainability Framework (LIC DSF).

⁵³ Decision 3/CMA.3, Annex.

⁵⁴ Decision 1/CMA.3 and decision 1/CMA.4.

sustainable development. Additionally, debt swaps and green sovereign bonds have been used as alternative mechanisms to free up public financial resources and raise funds for adaptation.

216. Increasing trends in 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, several 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 plans, 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.

217. 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 and embed adaptation and resilience in macrofiscal planning. Demonstrating resilient macrofinancial planning can, in turn, potentially increase access to broader financial markets. The report on *Climate Change Adaptation and the role of the Coalition of Finance Ministers for Climate Action* (CFCMA, 2022) makes an economic case for adaptation, highlighting that by reducing the systemic, underlying climate risks in the economy many types of adaptation action generate high rates of return. An analysis of the various types of adaptation investments has shown that benefits across categories (e.g. forests, urban environments, drainage, flooding, drought) can arise even if the climate risk events do not occur. Moreover, the benefits that accrue, even when the anticipated climate risk events do not occur, are often larger than the avoided losses (made possible by the adaptation investment) that accrue when the climate

risk events do occur. This implies that making adaptation investments that reduce the perceived risk of climate change is as important as relying on the probabilities of climate risks.

218. As noted in chapter 4.2.1 above, the growth in country planning and capacity-building through NAPs and other tools provides an opportunity for scaling up project pipelines. The increased awareness and capacity planning processes provide also enable opportunities to embed and integrate adaptation and resilience in macro-fiscal planning that can 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, 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. 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, 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 on climate science information at no cost in order to inform investments. Both the IPCC and the Global Center for 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 best informed to avoid maladaptation and to assist financiers in undertaking climate risk assessments (GCA, 2022; IPCC, 2022).

219. The ongoing evolution of readiness programmes to better support long-term planning and capacity-building through allowing multi-year funding, which is enabling countries to better navigate multilateral funding processes, should be enhanced. Further opportunities lie in easing funding conditions to allow for the long-term placement of staff internally in government agencies in order to retain capacity. Lessons learned from initiatives such as CFAN 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.

220. 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 could be fast-tracked, with limited need for an individualized climate rationale. 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.

221. **Simplifying and harmonizing adaptation action in the form of dedicated targets 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, UNDP, UNEP, the United Nations Educational, Scientific and Cultural Organization, the Risk-informed Early Action Partnership and the World Food Programme, and enables specific implementation components across the developing finance ecosystem to reach the goal.

222. At the fund level, opportunities exist to simplify design and approval processes, enhance coherence between funds and merge processes and documentation requirements across funds. Taking a more programmatic approach and the use of transboundary and regional windows and locally led adaptation windows would also present an opportunity. Climate funds can also roll out and test multi-vulnerability criteria in their operations to enable their broader take-up by actors in the multilateral and bilateral concessional finance space.

223. **Increasing private sector finance for adaptation and resilience is a key latent opportunity.** With more details on national adaptation planning and access to data resources, different tools and instruments can be used to pursue opportunities to increase private sector financing into adaptation actions. Firstly, resilience and

adaptation can be embedded into standards and codes at the national and international level as a way to enable private finance to flow. For example, Singapore has adopted international building codes that mandate the use of construction materials and construction practices that resist extreme weather events.

224. 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 considerations into each stage of a public-private partnership contracting negotiation, including project identification, business case development, transactions and contract management. Steps include measures to better identify and allocate risk among partners in a way that can enhance investment in climate-resilient infrastructure and adaptive capacity (Frisari et al., 2020). 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 (GCA, 2021). 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 (IMF, 2023).

225. 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, DFIs 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.

226. Another opportunity depends on the degree to which bonds and loans 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. However, the degree to which private investment may be scaled up through these debt instruments is tempered by concerns of public sector issuers about fiscal space.

227. Debt-for-adaptation swaps offer an innovative solution in this regard. In a debt-for-adaptation swap, countries that borrowed money from other countries or MDBs could have that debt forgiven if the money that was to be spent on repayment was instead diverted to climate adaptation and resilience projects. Proponents argue that, although untested, debt-for-adaptation swaps could help to tackle both climate vulnerability and debt distress (Hebbale and Urpelainen, 2023). Barbados, Belize and Cabo Verde have implemented or announced, to mixed reviews in terms of cost efficiency and scalability, debt-for-nature swaps in recent years directed at energy transition or marine conservation (Padin-Dujon, 2023).⁵⁵

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

- **Crowdfunding:** in 2012, the United Nations Foundation established a crowdfunding platform to support the AF. While only approximately USD 67,000 has been mobilized to date, the format and modality presents an opportunity to scale up climate finance from citizens and initiatives in developed countries to support projects in developing countries;
- **Levies:** other revenue-raising methods have been proposed for climate finance, including adaptation finance, such as shipping and air travel levies or financial transaction taxes (Leiter, 2023). Such proposals have been put forward by the United Nations Special Rapporteur on Human Rights and the Environment, NGOs and Parties since 2008 (Boyd and Keene, 2021; Chambwera et al., 2012).⁵⁶ Earmarking the relevant revenues for developed

countries from such levies may be dedicated to supporting the scale-up of finance for adaptation activities.

229. Adopting better frameworks for measuring adaptation impact and preventing maladaptation can ensure that adaptation finance is spent wisely.

Effectively measuring adaptation outcomes can set off an appropriate feedback loop for finance to flow where it can have the most impact. However, the IPCC and recent literature (Reckien et al 2023) have 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.

230. Enhancing coherence and coordination. Promoting Sustainable Development Goal linkages to channel adaptation finance provides for a specific emphasis on outcomes financed. As stated in the technical paper by the UNFCCC secretariat on opportunities and options for integrating climate change adaptation with the Sustainable Development Goals and the Sendai Framework for Disaster Risk Reduction 2015–2030 Integrated approaches to the three post-2015 agendas: the Paris Agreement, the Sustainable Development Goals and the Sendai Framework for Disaster Risk Reduction 2015–2030. Increased integration will help to effectively achieve the goals of all three agendas by enhancing coherence between the frameworks and more efficiently utilizing limited resources. Integrated approaches will help to build comprehensive resilience across all segments of society, while allowing each policy process to maintain autonomy and self-direction.

231. Climate change impacts can intensify gender and other social inequalities, while gender-responsive

⁵⁵ For a review of the potential for debt-for-adaptation swaps, see OECD (2023b)

⁵⁶ See, for example, the proposal by the LDCs (Chambwera et al., 2012; WWF, 2010; CAN, 2016; Boyd and Keene, 2021)

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 people can increase the effectiveness of adaptation finance projects.

Annexes

Annex A: Overview of the approaches used in sources of information and data on adaptation finance

1. This annex provides a catalogue of the approaches used in sources of information on adaptation finance, including reports submitted by Parties under the Convention, multilateral climate funds and other data sources.

2. **Biennial reports of Annex II Parties: under the Convention,** 24 Annex II Parties are required to provide information on financial support provided to non-Annex I Parties. The BRs capture this, including in CTF tables 7, 7(a) and 7(b). The other 19 Annex I Parties are required to submit NCs and BRs but are not required to provide information in CTF tables 7, 7(a) and 7(b) on the financial resources provided to non-Annex I Parties. However, many non-Annex I Parties do voluntarily provide such information. An international assessment and review process is conducted with regard to the BRs of Annex I Parties. As a first step, technical expert review teams are established to assess the completeness, transparency and timeliness of BRs in accordance with the reporting guidelines, and a technical review report is prepared for each BR, taking into account the comments of the Annex I Party.

3. COP 17 and 18 agreed the reporting guidelines and CTF tables for reporting financial support provided respectively, while COP 21 further revised the CTF tables to improve specific reporting parameters. As per the reporting guidelines, the reporting period covered in the BRs is three years and two years before the reporting year (i.e. the fifth BRs submitted in 2022 covered information on financial support provided in 2019 and 2020).

4. CTF table 7(a) includes information on financial support provided through multilateral channels, either as climate-specific financial amounts or as core general support to multilateral institutions that Parties may not be able to specify as climate-specific. CTF table 7(b) includes information on public financial support provided through bilateral, regional and other channels. CTF table 7 provides a summary of the information from the two underlying tables. Parties' reporting of quantitative data in the CTFs is accompanied by qualitative information on the underlying assumptions and methodologies used in the reporting process, either in a documentation box within the CTF or in the text of the BR itself. The CTF tables facilitate the reporting of financial information by amounts, status (committed or disbursed), funding source

(ODA, other official flows or other), financial instrument (grants, concessional loans, non-concessional loans, equity and other), type of support (mitigation, adaptation or cross-cutting) and sector (energy, transport, industry, agriculture, forestry, water and sanitation, cross-cutting and other).

5. As at August 2023, 23 Annex II Parties (except Luxembourg) had submitted CTF tables on financial support provided in their BR5s covering the period 2019 and 2020. Of the 19 other Annex I Parties that may voluntarily submit information, 9 had provided data on financial support in their CTFs. In their reporting, Parties follow different approaches while fulfilling the reporting requirements. Issues that particularly affect the aggregation of quantitative data include:

- Many Annex II Parties base their reporting of climate-specific finance through bilateral, regional and other channels on their use of the OECD DAC Rio markers, where reporters identify activities targeting climate mitigation and/or adaptation objectives as being either a principal or significant objective. Many Annex II Parties apply a fixed coefficient approach to deduce climate-specific amounts from Rio-marked activities, with 85 to 100 per cent applied to financing amounts of activities marked as principal and from 0 to 50 per cent applied to activities marked as significant. Other Annex II Parties apply a case-by-case methodology to identify climate-specific amounts per activity;
- Some Parties report amounts as financial commitments (approved amounts for a given activity over its lifetime), while other Parties report on disbursements (financial transfers for a given activity in the calendar or fiscal year);
- Parties report on core general support through multilateral channels in different ways. Some report total general contributions to an institution. Others report only their imputed climate-specific share, based on the proportion of the multilateral institutions' outflows to climate mitigation and/or adaptation projects multiplied by their general contribution. Some opt not to report under this parameter at all. One Party also reports total bilateral development finance as a core general contribution provided through bilateral channels.

6. As noted above, data on climate finance provided through multilateral channels in BRs primarily represent data on inflows to multilateral organizations and entities, while the BA and other reports highlight outflows from these organizations in assessing flows to developing countries. There can be significant differences between the two, reflecting the extent to which multilateral organizations mobilize additional resources from capital markets, based on the strength of their balance sheets. This is separate and additional to any private finance mobilized by a multilateral institution's activities. The reporting guidelines also recognized that the goal of mobilizing financial resources in decision 1/CP.16, paragraph 98, includes private financial resources, and that Annex II Parties should report, to the extent possible, on private financial flows leveraged by bilateral climate finance towards mitigation and adaptation activities in non-Annex I Parties, and should report on policies and measures that promote the scaling up of private investment in mitigation and adaptation activities in developing country Parties.

7. Biennial communications under the arrangements related to Article 9, paragraph 5, of the Paris Agreement:

The Paris Agreement requires developed country Parties, and encourages other Parties providing resources, to biennially communicate indicative quantitative and qualitative information related to the provision and mobilization of climate finance, as applicable, including, as available, projected levels of public financial resources. In 2018, the CMA outlined the types of information to be provided by Parties, including:

- Enhanced information to increase clarity on the projected levels of public financial resources to be provided to developing countries, as available;
- Indicative quantitative and qualitative information on programmes, including projected levels, channels and instruments, as available;
- Information on action and plans to mobilize additional climate finance as part of the global effort to mobilize climate finance from a wide variety of sources, including on the relationship between the public interventions to be used and the private finance mobilized.

8. In their communications, Parties used different methodologies for projecting their future levels of climate finance, including developing multi-year allocation and disbursement scenarios under which

politically committed financial targets could be achieved; allocating a percentage, which would increase in the future, of their annual budget for ODA to climate finance; basing them on their financial commitments to multi-year programmes and initiatives; using the OECD DAC Rio markers to account for climate finance provided in the past; and using OECD DAC methodologies for measuring and tracking private finance mobilized.

9. Future levels of climate finance were projected on the basis of several assumptions, such as that committed multi-year public climate finance will be annually approved for disbursement by parliament and that disbursement may be affected by socioeconomic challenges faced by developed countries and/or changing needs and priorities of recipient countries, for example as a result of the coronavirus disease 2019 pandemic.

10. Biennial update reports of non-Annex I Parties:

The BURs submitted by non-Annex I Parties may include information on climate finance received. The "UNFCCC biennial update reporting guidelines for Parties not included in Annex I of the Convention" state that non-Annex I Parties should provide updated information on financial resources, technology transfer, capacity-building and technical support received from the GEF, Annex II Parties and other Parties that provide support, the GCF and multilateral institutions for activities relating to climate change, including for the preparation of BURs. However, there is no associated common reporting format, and the guidelines do not require information on the underlying assumptions, definitions and methodologies used to generate the information. Limited institutional capacity and resources to track climate finance received, as well as a lack of data, can pose challenges for non-Annex I Parties in reporting this information.

11. Processes to review the quality of information on climate finance in BURs are included in the ICA cycles. While the primary objective of the ICA process is to enhance the transparency of mitigation actions, it is also expected to potentially contribute to improving the quality of BURs over time. ICA includes two steps: a technical analysis of BURs by a team of technical experts and a facilitative sharing of views through workshops. As at December 2020, 52 non-Annex I Parties had undergone at least one round of ICA.

12. According to the fourth BA, out of a total of 63 non-Annex I Parties submitting 106 BURs as of December 2020, 55 Parties have reported on finance received across

86 BURs. Information included in BURs on financial support received varies in the degree of detail included. Many Parties indicate that they were only able to report finance received by national governments and that the financial information was partial and represented best efforts to present accurate information while avoiding double counting. The reporting periods used varied across BURs, ranging from annual or biennial time frames to multi-year periods. In some cases, BURs included financial information associated with activity or project duration and/or years of commitment or disbursement.

13. The most common elements reported include information on project or programme titles, amounts of finance received and time periods, although time periods range from support received to date to new projects initiated since the previous BUR. Many of the Parties reporting information in tabular format provided information on type of support (mitigation, adaptation or cross-cutting), sectors or financial instruments. Only several Parties provided information on the status of activities supported, as well as information on the impact and results of the finance received.

14. **Multilateral climate funds:** The operating entities of the Financial Mechanism include the GCF and the GEF, which were established under the Convention and report annually to the COP. The AF was established under the Kyoto Protocol, with the AF Board designated as its operating entity, which reports annually to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol. All operating entities also serve the Paris Agreement and report to the CMA.

15. There are presently no standard methodologies or formats for quantitative reporting by the operating entities. However, in its reports to the COP, the GCF provides aggregate information on the status of the funding pipeline, approved projects and disbursement data in tabular formats. Quantitative information on funding amounts at the activity level are also provided for the readiness and preparatory support programme, the project preparation facility, and projects and programmes under the adaptation and mitigation thematic windows. The readiness support programme activities include information on country/region, results achieved, delivery partners, amounts and years approved, disbursed finance and activity duration. The reporting on project preparation facility activities and approved projects and programmes includes information on project names, country/region, accredited entity, type

of activity (mitigation, adaptation, cross-cutting), public or private focus, access modalities, financial instrument and amounts approved. The project and programme activities also include total project values. The GCF does not currently have a methodology to track and report on the mobilization effect of the total GCF funding on the total project value.

16. The GEF reports to the COP cover activities under the GEF Trust Fund, the LDCF and the SCCF. The reports include co-financing ratios and, for mitigation financing, aggregated information by region and by sector for each period, and for adaptation financing, aggregated information by region. Activity-level data are provided for newly approved activities in the preceding financial year by country, agency, title, type and co-financing amounts. Information is also provided on support for enabling activities (NCs, BURs, technology needs assessments and national adaptation programmes of action) and capacity-building.

17. The AF reports to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol include information on activity-level funding decisions taken in the reporting period and aggregated by sector allocation. In addition, activity-level data on projects and programmes in the entire portfolio and pipeline are listed by country, title, implementing entity, approved and transferred amounts, approval date and project status. Information on project implementation and results per indicators are also included in the AF Board Annual Performance Reports.

18. **Joint-MDB report on climate finance/IDFC green finance mapping report:** Since 2011, six MDBs – AfDB, ADB, EBRD, EIB, IDBG and WBG – have reported on climate finance flows to developing countries. The IsDB and AIIB joined the reporting in 2018 and 2020 respectively. The report includes data on total climate finance flows from each MDB from its own resources as well as external resources managed by the MDB, its share in total lending as well as breakdowns by instruments, regions, sectors and themes (e.g. adaptation and mitigation). Since 2015, the report has included estimates on climate co-finance and private finance mobilized. The scope of the MDB report has evolved over the years, with a geographic focus on outflows to developing and emerging economies up and until data reporting on 2018 flows, followed by a focus on all countries globally for reporting on 2019 flows onward. Data on climate finance flows in the reports are not attributed to developed countries. The reports since 2019

have included the breakdowns on climate finance flows, themes, instruments and sectors by income group of low-income, middle-income and high-income. The joint MDB climate finance reports provide country-level data on total climate finance flows from 2015. The activity-level data underlying the joint report are not published. However, three MDBs – ADB, IDBG, EBRD and two institutions under the WBG, the IDA and International Bank for Reconstruction and Development – publish activity-level data on their websites.

19. The IDFC – a club of 26 national, regional and bilateral DFIs based in developed and developing countries – has published the *Green Finance Mapping* report since 2011, which includes categories for green energy and mitigation, and adaptation finance. The report includes institutional-level climate finance commitments by theme and aggregate-level flows by sector, subsectoral technologies, financial instrument and regional distribution, as well as estimates on private finance mobilized from those DFIs that report such information. In terms of geographic analysis, the report includes aggregate data on flows from institutions based in OECD member States to project activities in non-OECD member States and vice versa.

20. **OECD DAC Creditor Reporting System:** The OECD DAC climate-related development finance database includes bilateral flows from governments, development agencies and DFIs; multilateral outflows from MDBs and multilateral climate funds, including the Financial Mechanism (i.e. the GCF and the GEF); and finance provided through philanthropic foundations that report through the statistical system.

21. The DAC statistical system allows for climate-related development finance to be considered from two perspectives. A ‘recipient or partner country perspective’ captures development finance to developing countries that are eligible for ODA, from both bilateral and multilateral providers. The ‘provider perspective’ is a measure of bilateral providers’ efforts, comprising their bilateral contributions and their contributions to international organizations. Under the provider perspective, data include bilateral activities targeting climate change objectives identified using the Rio markers and the climate share of their core contributions (inflows) to international organizations, referred to as ‘imputed multilateral contributions’.

22. The Rio markers methodology is used by DAC members, bilateral donors and a number of institutions

to identify activities targeting climate mitigation and/or adaptation objectives. For each climate-relevant activity, the climate objective is marked as being either a principal or significant objective. The updated definition for climate change adaptation was approved by DAC members in December 2021, and it reads as follows: “It intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them, in line with the Paris Agreement. This encompasses a range of activities from information and knowledge generation to capacity development, planning and the implementation of climate change adaptation actions.”

23. When reporting to the UNFCCC on climate finance in their BRs, most OECD DAC members draw on their climate-related development finance reporting to the OECD DAC but adjust the amounts reported to better reflect the financial contribution of the respective activities to the objectives of the Convention.

24. **OECD report series on climate finance and the USD 100 billion goal:** Since 2015, the OECD report series on climate finance provided and mobilized has assessed progress against achieving the USD 100 billion goal (OECD, 2022). The analysis captures and aggregates activity-level data for four components:

- Bilateral public climate finance;
- Multilateral public climate finance (attributable to developed countries);
- Private finance mobilized by bilateral and multilateral public climate finance (attributed);
- Climate-related export credits.

25. Data are sourced from a variety of sources: bilateral climate finance reported in the BRs, statistical data from the OECD DAC reporting system on multilateral climate finance outflows and private climate finance mobilized, and climate-related export credits in the OECD Export Credit Group database.

26. The report adopts a classification of developed countries as Annex II Parties plus EU member States not included in Annex II to the Convention (Liechtenstein and Monaco). Developing countries are classified as

non-Annex I Parties and/or those on the DAC list of ODA eligible recipients. Countries listed as developing countries beyond non-Annex I Parties include Belarus, Kosovo, Montserrat, Saint Helena, Tokelau, Türkiye, Ukraine, and Wallis and Futuna.

27. For the bilateral public climate finance component, the OECD report uses climate-specific data as reported by Parties in table 7(b) (climate finance through bilateral, regional and other channels) of their BRs. As such, and because climate finance reporting to the UNFCCC varies across countries, these data include a mix of commitments and disbursements. Data on export credits reported in BRs are excluded to avoid double counting, as well as coal-related financing. Climate-specific outflows from multilateral institutions are reported through the OECD DAC CRS system, including MDBs and multilateral climate funds. For specific multilateral bodies that do not report, the climate-related inflows to those bodies reported by Parties in their BRs are included. Public finance instruments covered in the analysis include grants, loans and equity investments. One Party also includes developmental guarantees in its BRs, which are also included and taken into account in the OECD report series.

28. To attribute climate finance outflows from multilateral institutions to developed countries, the OECD employs a methodology that takes account of the institution-specific share of developed countries paid-in recent and historical contributions for multilateral climate funds and the concessional windows of MDBs. For climate finance from non-concessional windows, the methodology sums the share of total paid-in capital contributions to institutions' accounts, and the share of callable capital, which may be called upon in exceptional circumstances, from developed countries with a credit rating of A or above during the analytical period. However, to reflect the higher value of paid-in capital in contributing to climate finance flows to developing countries, its portion of the calculation is weighted at 90 per cent, with a 10 per cent weighting applied to the callable capital portion. The application of the methodology results in institution-specific attributions ranging from 4.8 per cent to close to 100 per cent depending on the institution (OECD, 2022).

29. The report applies the OECD DAC international standard for measuring private finance mobilized by official development finance interventions. The standard consists of a set of instrument-specific methodologies for syndicated loans, developmental guarantees, shares in collective investment vehicles, direct investment in companies, credit lines, simple co-financing and project finance schemes. Each methodology aims to address issues related to accounting boundaries, causality and attribution to public finance actors to avoid double counting. Editions of the report series since 2019 have made use of the greater accuracy for the wider adoption of the methodologies, resulting in a data break between the reporting years 2013–2014 and from 2016–2019.

30. **Oxfam climate finance shadow report:** Oxfam's *Climate Finance Shadow Report* provides an estimate of climate-specific net assistance in assessing progress towards the USD 100 billion commitment. Since 2016, the report series has provided annual average estimates for the 2013–2014, 2015–2016 and 2017–2018 reporting periods respectively. Oxfam's *Climate Finance Shadow Report 2023* analyses the 2019–2020 reporting periods. The report classifies developed countries as Annex II Parties only and uses activity-level data reported to the OECD DAC External Development Finance Statistics database (climate-related development finance at the activity level, recipient perspective)⁵⁷ by bilateral and multilateral finance providers. Data on export credits, mobilized private finance and coal-related finance are excluded in the report's analysis.

31. Oxfam's analysis starts by estimating the climate-relevant amounts of finance from the OECD's data set. For bilateral and multilateral providers that use the Rio marker approach, coefficients are used to estimate the climate-relevant amounts. In the Rio marker approach, reporters identify activities targeting climate mitigation and/or adaptation objectives as being either a principal or significant objective. For activities tagged with a significant objective Oxfam's methodology uses 30 to 50 per cent to estimate low- and high-end estimates of climate-relevant amounts of finance, while 100 per cent of the activities tagged with a principal objective are considered climate-relevant. These country-level coefficients for reporting on projects marked as significant available through a survey published by the OECD (OECD, 2020, 2022). The discount applied to

57 Available at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>.

low-end estimates has evolved from earlier iterations of the report from 10 per cent (Oxfam, 2016), 20 per cent (Oxfam, 2018), 30 per cent (Oxfam, 2020, 2023) impacting on the consistency of a trend analysis across the series. For multilateral institutions, including MDBs, that do not use the Rio marker approach, the total amount reported is considered as climate-relevant.

32. Following the estimation of the climate-relevant amounts of finance, the net support value is estimated by accounting for climate finance at its grant-equivalent value as follows:

- For public grants, 100 per cent of the volumes are counted;
- For bilateral concessional loans, the climate-relevant finance amounts are discounted using a specific approach. In particular, discount rates linked to the issuing country's long-term funding costs at the time the loan is disbursed are applied, along with an added margin based on the credit risk of the recipient country. Following this, the yearly grant element percentages generated to compute the grant equivalent of climate-related development financing as presented in the OECD data set are used by multiplying the percentages by the total nominal value of climate-related ODA loans;
- The above two approaches are based on disbursement data. However, for concessional loans provided by MBDs the approach applied for bilateral concessional loans is not possible since disbursement data is not available. Therefore, the OECD standard methodology is used, in which the annual weighted average grant element percentage of bilateral ODA (55.0 per cent in 2019 and 53.0 per cent in 2020) is used to calculate the grant-equivalent amount of concessional loans from multilateral sources.

33. Non-concessional finance instruments (bilateral and multilateral) and mobilized private finance are considered to have zero assistance value in Oxfam's methodology. Equity and shares in collective investment vehicles and any other concessional instruments lacking detailed specifications in the OECD data set are considered at their nominal amount owing to the

absence of a reliable method for estimating their grant equivalents.

34. **The UNEP *Adaptation Gap Report*** uses openly available data⁵⁸ on climate-related development finance at the activity level. From the raw data, the analysis includes Annex I countries for the recipients and Annex II countries for the finance providers, in addition to multilateral providers. Data on export credits, the administrative costs of donors, mobilized private finance, finance from philanthropic organizations, coal-related finance flows and in-donor refugee costs are excluded.

35. Coefficients used by developed Parties to account for activities that are only partially adaptation-related with the Rio markers (OECD, 2022b) in their reporting to the UNFCCC are applied. A general 40 per cent coefficient is applied to the activities marked as significant by the seven Parties that do not use the Rio markers as the basis for their UNFCCC reporting. Coefficients to estimate the multilateral climate finance commitments attributable to developed countries are also applied. No coefficients were applied for the Global Green Growth Institute and Food and Agriculture Organization of the United Nations.

58 Available at <http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm>.

Annex B. Climate finance in 2019 and 2020 reported in Biennial Reports

Table B.1

Amounts of climate-specific finance and core general funding provided to developing countries in 2019 as reported in their biennial reports

(Millions of United States dollars)

	Bilateral, regional and other channels				Multilateral				Total climate-specific finance	Core general ^a	Grand total
	Mitigation	Adaptation	Cross-cutting	Other	Mitigation	Adaptation	Cross-cutting	Other			
Annex II Parties											
Australia	23.4	72.29	8.38	–	–	–	181.28	–	285.35	517.45	802.79
Austria	183.4	15.17	34.83	–	1.78	–	137.51	–	372.7		372.7
Belgium	5.89	33.00	17.22	–	1.25	26.14	28.14	–	111.64	348.94	460.58
Canada	58.97	44.11	99.71	–	62.77	2.89	356.92	–	625.37	8.84	634.21
Denmark	113.24	35.91	33.8	–	19.15	43.42	30.97	–	276.49	207.76	484.24
EU (28)	548.43	1 471.93	814.34	–	2 789.65	166.02	615.33	–	6 405.69	2.73	6 408.41
Finland	11.72	2.16	24.76	–	52.57	–	72.5	–	163.7	264.72	428.43
France	2 923.71	1 521.3	1 771.84	–	12.71	23.48	7.91	411.84	6 672.79	552.67	7 225.46
Germany	3 965.96	1 147.19	1 796.75	–	124.61	137.49	178.09	218.46	7 568.54	957.35	8 525.89
Greece		0.01		–			0.77	–	0.77	0.77	1.54
Iceland	7.17	5.32	1.46	–	0.15	0.13	3.73	–	17.96	3.86	21.82
Ireland	0.05	34.5	38.54	–	0.24	1.46	33.16	–	107.95	89.53	197.48
Italy	61.32	27.71	108.86	–	9.83	8.15	251.31	–	467.18	535.69	1 002.87
Japan	8,784.	831.65	31.67	–	4.06		943.05	–	10 594.42	2 318.95	12 913.37
Luxembourg	–	–	–	–	–	–	–	–	–	–	–
Netherlands	33.71	210.05	222.23	–	3.73		213.55		683.28		683.28
New Zealand	7.63	21.37	21.65	–	0.62	2.47	22.64		76.38	20.19	96.57
Norway	477.97	52.74	51.44	–	–	–	–	151.92	734.07	–	734.07
Portugal	0.34	1.57	0.21	–				11.7	13.81	41.44	55.25
Spain	437.67	35.79	71.7		7.17	2.64	247.9	–	802.88	–	802.88
Sweden	125.83	215.82	161.37			27.49	270.53	–	801.04	354.11	1 155.15
Switzerland	164.1	122.15	5.91				132.64	–	424.79	472.43	3 256.64
United Kingdom	668.34	588.8			228.45	15.81	10.16	–	1 511.56	1 640.05	3 151.61
United States	1 037.58	150.24	–	–	39.33	–	121.82	–	1 348.96	1 526.03	2 874.99
Total	19 640.41	6 640.78	5 316.67		3 358.08	457.58	3 859.89	793.91	40 067.32	9 863.5	52 290.23

Table B.2

Amounts of climate-specific finance and core general funding provided to developing countries in 2019 as reported in their biennial reports

(Millions of United States dollars)

	Bilateral, regional and other channels				Multilateral				Total specific climate finance	Core general ^a	Grand total
	Mitigation	Adaptation	Cross-cutting	Other	Mitigation	Adaptation	Cross-cutting	Other			
Other Annex I Parties											
Belarus	–	–	–	–	–	–	–	–	–	–	–
Bulgaria	–	–	–	–	–	–	–	–	–	–	–
Croatia	–	–	–	–	–	–	–	–	–	–	–
Cyprus	–	–	–	–	–	–	–	–	–	–	–
Czechia	2.18	3.96	1.09	–	–	–	1.14	–	8.36	11.11	19.48
Estonia	0.09	0.02	0.37	–	0.10	–	0.01	–	0.6	0.31	0.9
Hungary	–	–	–	–	–	–	–	–	–	–	–
Kazakhstan	–	–	–	–	–	–	–	–	–	–	–
Latvia	–	–	0.10	–	–	–	–	–	0.10	–	0.10
Liechtenstein	–	–	–	–	–	–	–	–	–	–	–
Lithuania	1.55	–	–	–	–	–	0.14	–	1.69	3.19	4.88
Malta	–	–	–	–	–	–	0.11	–	0.11	–	0.11
Monaco	0.61	10.24	2.59	–	–	–	–	–	13.44	1.39	14.83
Poland	2.08	2.74	2.37	–	–	1.00	6.35	–	14.54	52.02	66.56
Romania	–	–	–	–	–	–	0.04	–	0.04	0.48	0.52
Russian Federation	–	–	–	–	–	–	–	–	–	–	–
Slovakia	1.1	1.32	–	–	1.39	0.09	1.87	–	5.76	1.60	7.36
Slovenia	–	–	–	–	–	–	–	–	–	–	–
Türkiye	–	–	–	–	–	–	–	–	–	–	–
Ukraine	–	–	–	–	–	–	–	–	–	–	–
Total	7.61	18.29	6.51		1.49	1.09	9.65		44.65	70.09	114.74

Note: Some data relate to national fiscal years rather than calendar years. For countries that only provide information in their respective domestic currency, OECD exchange rates (<https://data.oecd.org/conversion/exchange-rates.htm>) for the respective reporting period were used for conversion to United States dollars.

^a Support to multilateral and bilateral institutions that Parties cannot specify as climate-specific. The amount that a few Parties reported as bilateral core general for 2019 is USD 2,359.43 million.

Table B.3

Amounts of climate-specific finance and core general funding provided to developing countries in 2020 as reported in their biennial reports

(Millions of United States dollars)

	Bilateral, regional and other channels				Multilateral				Total climate-specific finance	Core general ^a	Grand total
	Mitigation	Adaptation	Cross-cutting	Other	Mitigation	Adaptation	Cross-cutting	Other			
Annex II Parties											
Australia	14.77	96.02	7.51	–	–	–	80.9	–	199.2	312.17	511.36
Austria	114.71	15.26	39.56	–	1.88	–	123.05	–	294.46	–	294.46
Belgium	17.55	39.23	20.93	–	1.32	20.14	24.51	–	123.68	487.04	610.73
Canada	220.42	85.85	100.87	–	43.26	0.62	312.38	–	763.41	12.04	775.45
Denmark	26.09	54.29	37.14	–	55.69	50.09	45.45	–	268.75	306.07	574.82
EU (28)	833.57	888.58	1 220.29	–	2 271.16	413.43	524.75	–	6 151.78	0.83	6 152.61
Finland	30.76	4.56	10.67	–	1.03	8.32	95.91	–	151.24	212.19	363.43
France	3 462.77	2 257.91	133.00	–	–	9.	37.69	354.29	6 254.66	–	6 254.66
Germany	4 536.55	1 399.97	1 531.16	–	326.19	299.61	301.79	279.03	8 674.31	1 032.92	9 707.23
Greece	–	0.01	–	–	–	–	1.26	–	1.27	1.26	2.54
Iceland	2.43	4.79	1.73	–	–	0.24	3.36	–	12.55	5.5	18.05
Ireland	1.56	41.32	12.17	–	0.94	3.67	41.19	–	100.85	126.88	227.73
Italy	53.64	98.21	200.02	–	10.58	46.82	257.33	–	666.61	443.29	1 109.9
Japan	3 865.71	5 022.35	399.52	–	7.11	–	927.58	–	10 222.26	1 040.94	11 263.2
Luxembourg	–	–	–	–	–	–	–	–	–	–	–
Netherlands (Kingdom of the)	87.19	223.04	148.24	–	3.73	–	220.58	–	682.79	–	682.79
New Zealand	5.9	26.87	17.48	–	0.64	1.07	13.77	–	65.73	24.66	90.39
Norway	373.2	66.51	49.72	–	–	–	–	216.64	706.07	–	706.07
Portugal	0.47	1.11	0.10	–	–	–	–	2.51	4.18	5.51	9.69
Spain	366.98	25.27	17.22	–	6.93	1.95	186.41	–	604.77	–	604.77
Sweden	107.05	184.38	195.25	–	–	28.23	291.32	–	806.22	406.21	1 212.43
Switzerland	189.74	129.18	10.03	–	–	–	187.53	–	516.49	531.68	3 746.74
United Kingdom	488.88	541.71	–	–	42.95	–	629.89	–	1 703.43	1 728.42	3 431.85
United States	1 263.21	340.1	–	–	40.33	–	125.62	–	1 769.26	1 704.91	3 474.17
Total	16 063.16	11 546.54	4 152.6		2 813.75	883.2	4 432.27	852.47	40 743.99	8 382.52	51 825.08

Table B.4

Amounts of climate-specific finance and core general funding provided to developing countries in 2020 as reported in their biennial reports

(Millions of United States dollars)

	Bilateral, regional and other channels				Multilateral				Total specific climate finance	Core general ^a	Grand total
	Mitigation	Adaptation	Cross-cutting	Other	Mitigation	Adaptation	Cross-cutting	Other			
Other Annex I Parties											
Belarus	–	–	–	–	–	–	–	–	–	–	–
Bulgaria	–	–	–	–	–	–	–	–	–	–	–
Croatia	–	–	–	–	–	–	–	–	–	–	–
Cyprus	–	–	–	–	–	–	–	–	–	–	–
Czechia	2.01	4.34	1.75	–	–	–	5.30	–	13.39	12.27	25.66
Estonia	–	0.02	0.42	–	.1	–	0.16	–	0.69	0.18	0.87
Hungary	–	–	–	–	–	–	–	–	–	–	–
Kazakhstan	–	–	–	–	–	–	–	–	–	–	–
Latvia	0.06	–	0.04	–	–	–	–	–	0.11	–	0.11
Liechtenstein	–	–	–	–	–	–	–	–	–	–	–
Lithuania	1.31	–	–	–	–	–	0.23	–	1.54	1.41	2.95
Malta	–	–	–	–	–	–	0.11	–	0.11	–	0.11
Monaco	0.63	10.44	2.64	–	–	–	–	–	13.7	1.63	15.34
Poland	4.45	12.71	0.05	–	–	–	8.21	–	25.42	17.82	43.24
Romania	–	–	–	–	–	–	–	–	–	1.12	1.12
Russian Federation	–	–	–	–	–	–	–	–	–	–	–
Slovakia	0.59	0.78	0.03	–	.37	.09	–	–	1.86	.65	2.50
Slovenia	–	–	–	–	–	–	–	–	–	–	–
Türkiye	–	–	–	–	–	–	–	–	–	–	–
Ukraine	–	–	–	–	–	–	–	–	–	–	–
Total	9.05	28.29	4.92		0.47	0.09	14.01		56.83	35.07	91.90

Note: Some data relate to national fiscal years rather than calendar years. For countries that only provide information in their respective domestic currency, OECD exchange rates (<https://data.oecd.org/conversion/exchange-rates.htm>) for the respective reporting period were used for conversion to United States dollars.

^a Support to multilateral and bilateral institutions that Parties cannot specify as climate-specific. The amount that a few Parties reported as bilateral core general for 2020 is USD 2,698.59 million.

Annex C: Submissions received in response to the call for inputs for the report on the doubling of adaptation finance

The table below presents the Parties, groups of Parties and stakeholders that responded to a call for inputs on information and data for the preparation of the report on the doubling of adaptation finance by the SCF.⁵⁹

Submission	Date
ACT Alliance, Ban Ki-moon Centre for Global Citizens, Bread for the World, Global Citizen, Oxfam and the United Nations Foundation	28 July 2023
African Group of Negotiators Experts Support	31 July 2023
CARE	26 July 2023
Children's Environmental Rights Initiative	1 August 2023
CPI	31 July 2023
EU	31 July 2023
Global Citizen	31 July 2023
IFAD	7 July 2023
Least developed countries	2 August 2023
London School of Economics and Political Science	28 July 2023
ODI	27 July 2023
Pan-African Climate Justice Alliance	31 July 2023
SEEK Development	31 July 2023
SilverLining	31 July 2023
United Kingdom	31 July 2023
World Wide Fund for Nature	31 July 2023
Youth Adaptation Network	20 July 2023

⁵⁹ See https://unfccc.int/sites/default/files/resource/Call%20for%20inputs_x2AF_clean.pdf.

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