



## Doubling of Adaptation Finance - UNFCCC

### Submission by Climate Policy Initiative

In response to the call to provide inputs for the **Climate Policy Initiative (CPI)**<sup>1</sup> is pleased to submit its considerations to contribute to this important process to provide information and data for the preparation of the report on the doubling of adaptation finance.

In 2021, the Parties to the Paris Agreement (CMA) urged 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.

The Standing Committee on Finance (SCF) is preparing a report on the doubling of adaptation finance. In particular, the SCF is looking for quantitative and qualitative information on:

- Latest trends and data on progress towards the doubling of adaptation finance from 2019 levels to date and, where and if available, projections towards 2025;
- The effectiveness of adaptation finance, including measuring impacts/outcomes, timely access to finance, and country ownership;
- Challenges and opportunities in relation to the doubling of adaptation finance;
- Methodologies for tracking and reporting on adaptation finance flows and outcomes.

### CPI experience

CPI has over 10 years of experience tracking global, sectoral, and regional climate finance flows. Through the Global Landscape of Climate Finance ([GLCF](#)), CPI has created the most comprehensive view of climate finance flows, building a robust methodology, data capture process, and tracking analysis expertise that feeds into UNFCCC Biennial Assessment and Overview of Climate Finance Flows. The GLCF analyzes all **climate mitigation and adaptation investment mobilized internationally and domestically**, to assess the global progress. CPI also undertook a number of regional, national, and sub-national climate finance landscape exercises in developing countries as well as sectoral climate finance studies.

#### I. **Latest trends and data on progress towards the doubling of adaptation finance from 2019 levels to date and, where and if available, projections towards 2025;**

##### **Brief Description:**

We tracked USD 49 billion globally on average per year towards climate adaptation in 2019/2020. From 2011 to 2020, adaptation finance volumes grew faster than flows of mitigation finance, with

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an overall 16.7% CAGR (CPI, 2022a). Adaptation finance remains a small portion of total climate financing (7.5% in 2019-2020) and adaptation is severely underfunded compared to estimated needs of USD 155 to USD 330 billion by 2030 and USD 315 to 565 billion by 2050 (UNEP, 2022). A similar trend is observed for urban adaptation finance which represented just 9% of total urban climate finance tracked in 2017/2018 (CPI 2021; CPI, 2021a). The figures reflected in this input capture the best available evidence on flows of adaptation finance in the context of a challenging methodological and data environment.

CPI's Landscape analysis suggests that nearly all adaptation finance recorded was funded by public actors. Among the various actors, Multilateral Development Finance Institutions (DFIs) had the largest share of adaptation finance at USD 16.1 billion, closely followed by National DFIs with USD 15.4 billion. In total, commitments from all DFIs amounted to 80% of the adaptation financing, summing up to USD 36.8 billion. This signifies a growing prioritization of adaptation efforts within development finance climate portfolios. (CPI, 2022a).

### Selected CPI publications

- UNFCCC, 2022, Fifth Biennial Assessment and Overview of Climate Finance Flows Technical Report. Available at: <https://newsroom.unfccc.int/documents/619173>
- Climate Policy Initiative. 2022a. Global Landscape of Climate Finance: A Decade of Data 2011-2020. Available at <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-a-decade-of-data/>
- CCFLA, 2021, State of Cities Climate Finance, 2021. Available at: [https://www.climatepolicyinitiative.org/wp-content/uploads/2021/06/SCCF\\_PART1-FINAL-1.pdf](https://www.climatepolicyinitiative.org/wp-content/uploads/2021/06/SCCF_PART1-FINAL-1.pdf)

## II. The effectiveness of adaptation finance, including measuring impacts/outcomes, timely access to finance, and country ownership

### Brief Description:

The current levels of adaptation finance fall significantly short of the estimated costs for 2020-2030, which are projected to be around USD 180 billion annually. This investment has the potential to generate remarkable net benefits of USD 7.1 trillion over the decade. The UNEP Adaptation Gap Report suggests that the overall annual adaptation costs in developing economies could reach between USD 155 to USD 330 billion by 2030 and USD 310 to USD 555 billion by 2050. The report emphasizes that the actual costs are likely to be towards the upper end of these ranges, especially if the goals set by the Paris Agreement are not met.

Sub-Saharan Africa stands as the primary recipient of international adaptation finance, securing the largest share, accounting for 25% of international adaptation flows in 2019/2020. This allocation aligns with vulnerability indices, as highlighted by ND-GAIN (2021), where Sub-Saharan Africa is identified as one of the most vulnerable regions to climate change impacts.

While the positive correlation between vulnerability and international adaptation investment is promising, it's essential to acknowledge that the current investment levels fall significantly short of the region's actual needs. Estimated data suggests that the adaptation financing gap in Sub-Saharan Africa is approximately USD 12.4-13.1 billion (CIF, 2016), nearly double the tracked investments. Addressing this financing gap and bolstering adaptation efforts in the region is crucial to effectively combat the adverse effects of climate change on vulnerable communities in Sub-Saharan Africa. Increased investment and targeted support are needed to build climate



resilience and promote sustainable development in this region. (CPI, 2022a). African countries' NDCs indicate estimated aggregate adaptation needs of USD 579 billion between 2020 and 2030 (CPI, 2022c)

Climate finance can only make an impact once it is disbursed. The ratio of aggregated disbursements to commitments in any one year/period is a way of assessing whether approved projects are being implemented as planned, or whether they are encountering difficulties on the ground (SEforALL, 2020). CPI's analysis OECD's Creditor Reporting System (CRS) database (OECD, 2022a) suggests that the climate finance disbursement ratio in Africa for adaptation and projects with dual objectives (79%) is much higher than rest of the world (50%). And only slightly lower than that for mitigation projects (80%). (CPI, 2022b)

Incorporating a gender lens into tracked climate finance is an emerging activity among reporting (public) institutions, however, data is scarce. Adaptation and projects with dual benefits appear to offer the most potential for incorporating gender-tagging, currently reporting 11% and 27% gender-tagging respectively. On the other hand, only 0.7% of tracked mitigation projects were gender tagged (CPI, 2022a). In Africa specifically, 32% of total climate finance was tagged for gender equality. 27% of Africa's adaptation finance was gender responsive as opposed to only 7% of tracked mitigation finance. (CPI, 2022b) Moving forward, more granular, project-level reporting by all actors can help to assess the Landscape of gender-sensitive climate finance in future tracking exercises, in turn allowing us to measure progress towards attaining SDG 5. (CPI, 2022a)

The Global Innovation Lab for Climate Finance (the Lab) is a public-private partnership that accelerates the development of well-designed financial instruments that can unlock billions of dollars for climate action. Since its inception in 2014, the Lab has launched 62 financial instruments across several sectors and uses such as energy, sustainable agriculture, cities, water and adaptation and resilience. Out of the USD 3.5 billion mobilised, roughly USD 250 million had dedicated adaptation benefits whereas more than USD 1.1 billion had both mitigation and adaptation benefits. Measuring impact of climate investments using quantitative indicators is critical for measuring on-ground impact in terms of reducing climate risks for investors and communities.

However, there are numerous challenges to measuring impact and progress in adaptation, given the context-specific nature of adaptation needs, the multidimensional quality of adaptive capacity, and challenges of measuring outcomes against immeasurable counterfactual outcome. The challenge is even more pronounced in least developed countries and emerging economies due to the lack of reliable and accessible information about climate risks and impacts, combined with limited capacity to process available climate data in infrastructure modeling and translate findings into the necessary resilience measures makes it difficult to adapt proactively

### **Selected CPI publications**

- Climate Policy Initiative. 2022a. Global Landscape of Climate Finance: A Decade of Data 2011-2020. Available at <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-a-decade-of-data/>
- Climate Policy Initiative. 2022b. Landscape of Climate Finance In Africa. Available at <https://www.climatepolicyinitiative.org/wp-content/uploads/2022/09/Landscape-of-Climate-Finance-in-Africa.pdf>
- Climate Policy Initiative. 2022c. Climate Finance needs of African Countries. Available at <https://www.climatepolicyinitiative.org/wp-content/uploads/2022/06/Climate-Finance-Needs-of-African-Countries-1.pdf>



- Climate Policy Initiative. 2023. The Lab's Impact. Available here <https://www.climatefinancelab.org/impact/>
- Climate Policy Initiative and Global Center on Adaptation. 2021. Financial Innovation for Climate Adaptation in Africa. Available here <https://gca.org/wp-content/uploads/2021/10/GCA-CPI-Financial-Innovation-for-Climate-Adaptation-in-Africa.pdf>

### III. Methodologies for tracking and reporting on adaptation finance flows and outcomes.

- **Definitional Challenges:** The absence of a universally accepted definition of adaptation finance poses a significant challenge for both the public and private sectors. Climate adaptation is a complex concept with diverse interpretations, and the range of potential solutions across sectors further complicates its definition. This lack of standardized definitions and methodologies hinders effective comparison and tracking of resilient investments, particularly in the private sector where disclosure is limited or non-existent.
- **Context-specificity and Dynamic Nature:** Climate adaptation is a process that is intricately tied to specific contexts, making it highly context-specific. Additionally, it is a dynamic and iterative process, evolving as new data and information on climate risks and adaptation solutions emerge. This dynamic nature adds complexity to tracking financing, as the targets and strategies may change over time.
- **Lack of Impact Metrics:** Unlike mitigation efforts that commonly rely on a single metric, such as tons of CO<sub>2</sub>e, climate adaptation lacks a singular impact or resilience metric. As a result, various actors use multiple impact metrics to assess project performance, outputs, and outcomes. This multiplicity of metrics makes it challenging to identify and aggregate relevant financing flows, impeding comprehensive evaluation of adaptation initiatives.

#### **Tracking urban adaptation financing also faces several challenges which are as follows:**

- **Adaptation Scoping:** Urban infrastructure projects often focus on other priorities besides resilience, making it necessary to adjust for the adaptation aspect of such projects. Additionally, sometimes regular maintenance of existing infrastructure can provide adaptation benefits, making it crucial to differentiate between the two.
- **Urban Boundaries:** Resilience projects often extend beyond city boundaries, affecting neighbouring areas. Tracking solely urban adaptation projects requires accounting for these spillover effects.

#### **Selected CPI publications**

- Climate Policy Initiative. 2020. A Snapshot of Global Adaptation Investment and Tracking Methods <https://www.climatepolicyinitiative.org/publication/a-snapshot-of-global-adaptation-investment-and-tracking-methods/>
- Climate Policy Initiative. 2021. An Analysis of Urban Climate Adaptation Finance. A report by Cities Climate Finance Leadership Alliance available here <https://www.climatepolicyinitiative.org/publication/an-analysis-of-urban-climate-adaptation-finance/>