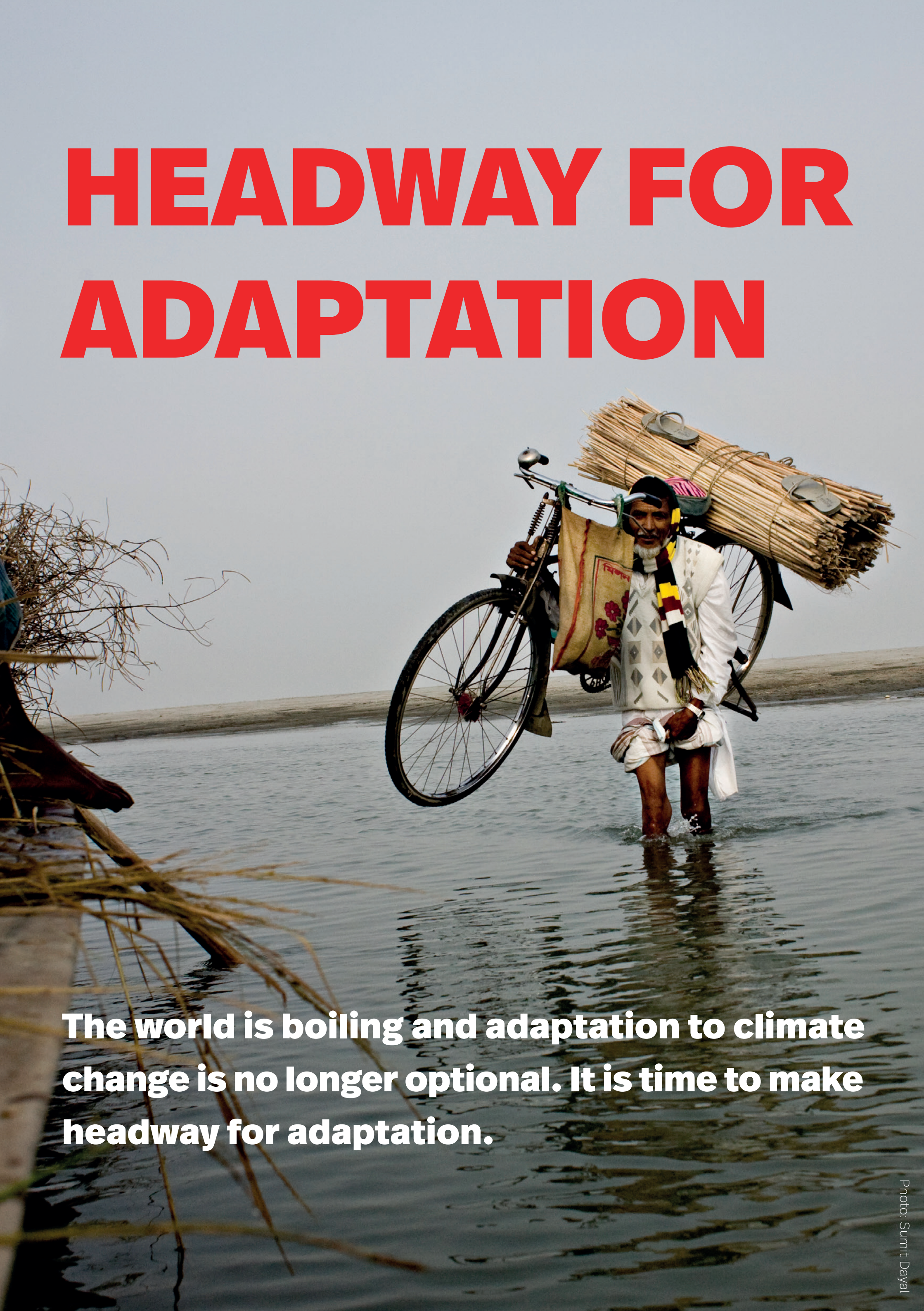
HEADWAY FOR ADAPTATION



The world is boiling and adaptation to climate change is no longer optional. It is time to make headway for adaptation.

Photo: Sumit Dayal

THE GROWING ADAPTATION CHALLENGE

In mid-2023, the world temporarily touched the 1.5°C warming threshold twice, with floods, heatwaves and wildfires making the headlines daily. In the words of the UN Secretary General, we are moving from an era of global warming to an era of "global boiling", and adaptation is no longer optional. It is a critical response to rapidly escalating and devastating climate disasters, which all states, municipalities, companies, investors, NGOs, and local communities now face.

The adaptation challenge is compounded by a gap between the adaptation finance needed and what is available. According to UNEP's 2023 Adaptation Gap Report, the adaptation finance needs of developing countries are 10-18 times as big as international public finance flows. This is much higher than the previous estimate. – an alarming gap which is assessed to widen significantly in the future, unless financial systems are transformed. A failure to mobilize and channel the necessary funds to those most in need will lead to unprecedented human suffering and mounting climate-related losses and damages.

It is time to make headway on adaptation.

THE GROWING ADAPTATION FINANCE GAP

The adaptation finance gap can be defined as the difference between the estimated costs of meeting a given adaptation goal (the adaptation finance needs) and the amount of finance available[1]. The UNEP Adaptation Gap Report 2023[2] estimated the adaptation finance needs in developing countries[3] to be in the likely range of US$ 215-387 billion per years in this decade. This means the new estimate for the adaptation gap has increased to US$194-366 billion per year in this decade. These estimates are expected to rise as we approach 2050. These needs can be compared to the international public adaptation finance flows to developing countries, as tracked by finance providers, and reported to the Organisation for Economic Co-operation and Development

(OECD). In the newest OECD estimates from 2021, international public funds for adaptation had decreased to US$21 billion. Currently, adaptation finance needs of developing countries are 10-18 times as big as international public finance flows – a gap that widens after 2030[4].

This year, UNEP will update the assessment of adaptation costs and needs in the forthcoming Adaptation Gap Report 2023, and the update is expected to reveal an even larger adaptation finance gap.

While recent analysis from Climate Policy Initiative (CPI) suggests that global finance flows for climate action almost doubled over the past decade[5], finance for adaptation and crosscutting activities continues to lag behind, with 90% of total climate finance targeting mitigation activities[6].

Combined international public mitigation and adaptation finance flows in 2020 fell short of the annual US$100 billion global goal pledged by developed countries by around US$ 17 billion in 2020. Furthermore, a growing body of evidence indicates that finance providers are not strategically targeting adaptation assistance towards the most vulnerable countries and population groups[7].

1 https://www.unep.org/resources/adaptation-gap-report-2023
2 https://www.unep.org/resources/adaptation-gap-report-2023
3 See www.unfccc.int/process/parties-non-party-stakeholders/parties-convention-and-observer-states.
4 It should be noted that this estimate does not include international private funds, nor does it include domestic public and private funds for adaptation.
5 https://www.climatepolicyinitiative.org/wp-content/uploads/2022/10/Global-Landscape-of-Climate-Finance-A-Decade-of-Data.pdf.
6 Songwe V, Stern N, Bhattacharya A (2022) Finance for climate action: Scaling up investment for climate and development. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.
7 https://www.unep.org/resources/adaptation-gap-report-2023

THE RESPONSE

Governments acknowledge the adaptation challenge and are increasingly taking action domestically and internationally. UN negotiations have delivered several important decisions (see the box on What Has Been Decided). Developed countries are taking steps to improve accountability and transparency of adaptation finance, as well as improve overall ambition. To illustrate, the 2022 Delivery Plan reports that 12 countries have set adaptation finance commitments for 2025[8], several of which involve a doubling or more.

All of this is welcome, but insufficient. The current finance goals, as well as the delivery, are far from ambitious enough. Looking at the existing flows of adaptation finance there are several concerns. The 2022 Report of the Independent High-Level Expert Group on Climate Finance[9] highlights the low share of grants as a key concern, particularly in the current context of severe debt stress that many developing countries are facing, and which is compounded by the unprecedented current multi-crises. Persisting difficulties in access to climate finance especially by poor and vulnerable countries are also highlighted, and these are complicated further by the complexity of application processes and delays in disbursements. Funding does not necessarily reach the most vulnerable, and local communities have difficulties to access the necessary support. This is specifically the situation in fragile and conflict afflicted countries.

At the recent Africa Climate Summit, in Nairobi, there were strong calls for a scaled-up focus on adaptation, including a call for both grants and private investments. A global coalition, promoting the principles for locally led adaptation, has for several years mobilised donors and practitioners to ensure better access to adaptation for local communities. This is a call, echoed by the group of Least Developed Countries, who, in their partnership compact for 2050, made a clear call for localization of climate action.

8 https://www.canada.ca/content/dam/eccc/documents/pdf/climate-change/climate-finance/delivery-plan/ProgressReport-07.pdf.
9 Songwe V, Stern N, Bhattacharya A (2022) Finance for climate action: Scaling up investment for climate and development. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.

WHAT HAS BEEN DECIDED?

- Under the United Nations Framework Convention on Climate Change, countries are developing National Adaptation Plans and adaptation components of their Nationally Determined Contributions to identify needs, and to guide investments and projects.

- The Paris Agreement includes a five-year ambition-raising cycle and stocktake of climate efforts, including adaptation. The first Global Stocktake is concluded this year by a political phase at the climate summit, COP28.

- The Paris agreement established a global goal on adaptation of enhancing adaptive capacity, strengthening resilience, and reducing vulnerability to climate change. In 2021, the two-year Glasgow-Sharm el-Sheikh work programme on the Global Goal on Adaptation was established to pave the way forward on operationalizing the goal by COP28.

- The climate summit in 2022, COP27, resulted in a call for reforming multilateral development bank practices and priorities – including a higher focus on adaptation – and to deploy a full suite of instruments, from grants to guarantees and non-debt instruments, taking into account debt burdens.

- Developed countries have committed to mobilize US$100 bn annually, with a balanced focused on mitigation and adaptation.

- Developed countries have commitment to double adaptation finance, from 2019 levels by 2025. The agreed target is thus minimum US$40 bn.

- It has been agreed to develop a new collective and quantified goal for climate finance, including adaptation. The new goal, which will apply from 2025 is being negotiated, and is scheduled to be adopted at the climate summit, COP29, in 2024.

> “Donors must double their delivery of climate finance by 2025 from 2019 levels, including more than doubling finance for adaptation and climate resilience if the package of complementary finances for the delivery of the Paris Agreement, reinforced by the Glasgow Pact, is to be realised. They must also improve the effectiveness of their support by aligning more strongly with country priorities, enhancing access and bolstering support for the key multilateral climate funds, including the Green Climate Fund and the Adaptation Fund.”
>
> Report of the Independent High-Level Expert Group on Climate Finance[10]

CONCLUSION

As stressed in this paper, the need for adaptation is big, and still growing. Governments and non-state actors must come together, and explore possibilities for how to close the adaptation finance gap. This should include scaled up adaptation finance, in the form of grants, but it could also include reform of the international finance institutions, reallocation of climate harming subsidies, leveraging of private investments and innovative finance mechanisms, such as debt for resilience swaps and channeling of international levies to support adaptation. The time is running out, and every opportunity to move this agenda forward must be taken. The climate summit, COP28, will be a major next step.

10 Songwe V, Stern N, Bhattacharya A (2022) Finance for climate action: Scaling up investment for climate and development. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.

EXAMPLES OF ADAPTATION ON THE GROUND

While exploring how to scale up adaptation finance, it is also important to consider existing experiences. Which options work, and which could be scaled up? Here are a few examples.

National adaptation action

In Bangladesh adaptation is an urgent necessity and authorities have decided to allocate funds from domestic budgets. In 2023 3.3 bn USD were allocated from national budgets. While these allocations save lives, the funds could have been used for other important needs, including education and healthcare.

Grant based finance from developed countries

Grant-based aid is often used for adaptation. In Zimbabwe, UNDP has provided support to a program involving several international and national partners, promoting increased resilience and adaptation. Local farmers receive support to adapt to changing climate conditions. The project has introduced a variety of drought-tolerant crops such as quinoa, chia, and amaranth, which have replaced the more water-intensive corn and wheat crops.

Innovative climate partnerships

In collaboration with non-profits EcoTrust and SOCADIDO in Uganda, the Danish NGO DanChurchAid supports cross-cutting climate projects with finance from Danida and Danish companies buying CO_2 credits based on tree planting. The trees play a crucial role in helping the local community adapt to climate change and have positive effects on agricultural production.

Private sector investments in adaptation

An example where private investments contribute to adaptation, is a multistakeholder collaboration in Kenya between an international company (Danfoss), an international NGO (DanChurchAid), a Kenyan business association (FPEAK) and a Kenyan company (Inspira Farms). Together they will enable farmers to get access and invest in cooling at smallholder level, adapting farmer practices to the weather changes caused by global climate change through a blended finance model, including investments from the private sector and financial support from the Danish Ministry of Foreign Affairs.

FINANCE GAP CLIMATE ADAPTATION

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