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Adaptation finance: How can Durban deliver on past promises?

There is an ever-widening chasm between the support developing countries need to adapt to climate change, and the funding promised and delivered by wealthy nations. While UN climate meetings endlessly debate terms such as 'new and additional' or 'balanced allocation', even some basic commitments to adaptation funding are going unfulfilled. And as we approach the final year of the 'fast-start' phase for climate finance, there is no plan for the crucial 'scale-up' period of 2013–2019, when contributions must swell tenfold. At the Durban negotiations, countries should take three steps to ensure the developed world can meet its agreed responsibilities: establish funding sources based on international trade; define annual targets for the scale-up; and adopt a transparent, centralised accounting system.

Policy pointers

- **Wealthy countries have** made five key promises for adaptation funding: adequate funding, fair burden sharing, balance with mitigation, needs-based targeting and good governance. But they have yet to show they can meet these commitments.
- **Poor countries won't get** predictable and sustained climate finance if this depends only on national treasuries raising taxes. Durban should set up a prioritised series of constant, international funding mechanisms, such as levies.
- **Negotiators must address** the blind spot of climate finance: the 2013–2019 scale-up period, when total annual contributions are to rise to US$100 billion. Specific targets for each year are needed, along with an accountability framework.
- **Creating a central** accounting framework and registry to track the funding under UN control is essential for transparent, effective use of funds.

The 2009 Copenhagen Accord made a concrete, dollar pledge to vulnerable countries feeling the impacts of climate change first and worst. Richer nations agreed to give developing countries US$30 billion in 'fast-start' finance to tackle climate change between 2010 and 2012, scaling up to US$100 billion a year by 2020. The funding was to be 'balanced' between mitigation activities that reduce emissions, and adaptation to cope with impacts already underway — a principle reiterated in the Cancun Agreements the next year. Fast-start adaptation finance, in particular, is crucial for the poorest countries to deal with unpredictable disruptions they have done almost nothing to cause.

Since Cancun, donor countries have made little progress toward their overall fast-start adaptation target. At only between 19-25 per cent of total fast-start finance, adaptation funding is still far from balanced with mitigation, and it lacks transparency.

Current adaptation finance also fails to fulfil broader expectations dating back to the original 1992 UN Framework Convention on Climate Change (UNFCCC) that these funds should be adequate to address vulnerable countries' urgent needs. Here we review progress and shortfalls on these and related promises, and propose three ways the 2011 UN climate negotiations in Durban could establish more adequate support for adaptation.

Promise 1: Adequate finance

Parties have agreed to take 'precautionary' and 'adequate' measures to anticipate climate change, prevent or minimise its causes and reduce its adverse effects. This means taking action even amid scientific uncertainty. Although the funding pledges in Copenhagen are a step towards a precautionary approach, they fall well below even highly conservative estimates of what is needed to prevent harm in vulnerable communities.[1]

The types and sources of funds are also an issue. It is not clear what proportion of adaptation funding will be pure grants, loans with concessionary terms, or purely market-rate loans. Vulnerable countries are not able to repay loans for adaptation, nor should they have to. Copenhagen's language also invokes 'a wide variety of sources, public and private.' In spite of repeated complaints about this mixing of two very different types of finance, the Cancun Agreements offer no more clarity on what proportion of funding should be raised publicly. Adequate funding is all but impossible under these vague terms.

In addition, the Cancun texts promise 'predictable' funds, which is essential for developing countries to budget and plan for adaptation responsibly. But predictability has not increased since Copenhagen,

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as wealthy governments have not mustered the will, political support or taxes to raise climate finance.

'Scaled up' is another phrase that has not been adequately addressed. After years of watching wealthy nations put token voluntary contributions into UN climate funds (see Table 1), developing nations pushed for meaningful, scaled-up funding at Copenhagen. 'Scale-up' is also coming to stand for the period from 2012, when fast-start finance ends, to 2020, when annual pledges are ten times larger. There is no language in either the Copenhagen or Cancun texts discussing a plan for these crucial years.

Adaptation funding is still not balanced with mitigation, and it lacks transparency

Table 1. Fast-start climate funds as of November, 2011

Country	Total fast-start funds pledged (US$ million)	Percentage of funds pledged for adaptation	Finance channelled through UNFCCC or Kyoto Funds (US$ million)
European Commission	215	16%	0
Belgium	215	6%	13.9
Denmark	231	11%	111.02
Finland	157	8%	0
France	1,804	20%	0
Germany	1,804	33%	13.9
Iceland	1	Not specified	0.15
Ireland	143	Not specified	0
Luxembourg	13	22%	1.39
Malta	1	3%	0
Netherlands	444	Not specified	0
Norway	1,000	7%	6.6
Portugal	52	50%	0
Slovenia	11	Not specified	0
Spain	537	45%	62.45
Sweden	1,145	43%	15.27
Switzerland	162	40%	0
United Kingdom	2,454	50%	0
Remaining 12 EU member states	1,295	Not specified	0
Australia	640	52%	24.81
Canada	414	11%	19.8
Japan	11,000	7%	0
New Zealand	72.5	18%	1.05
United States	1,704	26%	50
Total	25,514.5*	19% (US$4,800.3m)	320.34 (1%)

Figures were gathered from: World Resources Institute. 2011. Summary of Developed Country 'Fast-Start' Climate Finance Pledges*; and UNFCCC. 2011.* Fast-start finance portal. **This number is lower than estimates other researchers have provided, as we did not include US$4 billion of private finance from Japan.*

Finally, Copenhagen and Cancun also promise 'new and additional' funding. These much-debated words suggest climate finance will be over and above conventional development aid known as Official Development Assistance (ODA) — but their meaning in practice has been ambiguous. Many countries offer no explanation of their baseline. If developed countries are allowed to recycle their ODA towards climate finance, or rename past pledges as commitments to fast-start finance,[2] they undermine the credibility of global promises and damage trust in the political process.

Promise 2: Fair burden sharing

Most donor countries have similarly failed to justify the way they divide the burden of confronting climate change. The convention says that parties should protect the climate system 'on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities.' But when it comes to climate finance, wealthy countries have not embraced this principle for either adaptation or mitigation.

A recent study found that only two of ten contributors that reported their fast-start finance activities to the UNFCCC indicated how they calculated their fair share of funding.[3] Developing countries need this transparency to predict future funds and to hold donors to account.

Promise 3: Balanced funding

The Copenhagen Accord and Cancun Agreements promised balanced allocation between adaptation and mitigation. Fast-start donors have pledged between US$4.8 billion and US$6.3 billion to adaptation, 19–25 per cent of total climate finance[4] (see Table 1) — only a minor improvement on the 11–15 per cent pledged a year ago.[5]

Even some basic commitments to adaptation have not been fulfilled. For example, of the US$2 billion required to fund National Adaptation Programmes of Action (NAPAs) for the least developed countries (LDCs), donors had contributed a mere US$415 million.[6]

Promise 4: Needs-based targeting

Adaptation funds should go first to those most vulnerable to climate impacts, as promised in several recent agreements, including Cancun. Vulnerable groups are not only geographically exposed to physical threats such as sea level rise, drought or disease, but are especially susceptible to harm because of poverty and powerlessness. The Cancun Agreements identify LDCs, Small Island Developing States and African countries as the 'most vulnerable' developing countries, but give no further guidance on assessing vulnerability and distributing adaptation funds appropriately.

More explicit criteria are needed to answer the many questions facing funding agencies and contributor countries. Should donors contribute to individual

Table 2. The promises and the reality of adaptation finance*

Promise	Reality
1. Adequate funding	**Not adequate, predictable, or clearly new and additional:** ■ Adaptation finance not clearly new or additional to ODA. ■ Funds cannot meet even basic needs related to climate change. ■ Lack of transparency and uncertainty about future finance.
2. Fair burden sharing	**No agreement on fair burden sharing:** ■ No consistent or transparent allocation formula. ■ Developed countries unwilling to discuss adaptation finance in terms of 'responsibility' or 'capability'.
3. Balance between adaptation and mitigation	**Imbalance:** ■ 19–25 per cent of fast-start climate finance is for adaptation.
4. Needs-based targeting	**No agreed allocation protocol:** ■ Formulas used inequitably distribute funds and do not prioritise most vulnerable. ■ Ambiguity and lack of guidance on assessing vulnerability. Least Developed Countries, Small Island Developing States and African countries have been identified in the Cancun agreements as the "most vulnerable" developing countries. However, beyond this basic categorisation, allocating funds based on the assessment of vulnerability is a process fraught with ambiguity. Explicit criteria to determine how vulnerability should be assessed in order to allocate adaptation funds have yet to be fully developed.
5. Transparent, recipient-driven governance	**Not transparent or recipient-driven:** ■ Inconsistent reporting prevents summing and comparison. ■ Less than a quarter of NAPA projects have been funded. ■ UNFCCC-led funds have received only one per cent of climate finance. ■ Little evidence that adaptation finance is sensitive to the particular needs of women or other marginalised groups.

**Here we list UNFCCC decisions laying out five promises around adaptation funding, and compare the results achieved so far. UNFCCC decisions related to each promise include the following: Promise 1: 3.3, 4.4, 4.8, CP.13 1. (e), CP.13 1. (i), CP.16 2. (d), CP.16 II (18), CP.16 IV (a) 97; Promise 2: 3.1, CP.16 I.1, CP.16 II (14); Promise 3: CP.16 2 (b), CP. 16 IV (a) 95; Promise 4: 3.2, 4.4, 4.8, 4.9, CP.13 1. (i), CP.16 II (11), CP. 16 IV (a) 95; Promise 5: CP.16 II (12), CP.16 II (20) a, CP. 16 IV (a) 100, 103.*

projects, or national programmes? Should vulnerability be assessed locally, regionally or nationally? What time frame should funds be targeted to?

Promise 5: Transparent, recipient-driven governance

Despite pledges of transparency in Bali, climate finance has been poorly reported and impossible to track and verify. Climate finance is highly fragmented, with dozens of donors, including governments, multilateral agencies, private foundations and civil society organisations. With so many funding channels and very little information, it is difficult for both donors and recipients to assess where money is going. Developing countries are left not knowing how much support to expect, when and for what.

The Cancun Agreements also promised to channel adaptation and mitigation funds through 'a governance structure providing for equal representation of developed and developing countries' — a response to developing countries' united demand for climate finance to be administered by the UNFCCC, where they can articulate needs and guide the response. UNFCCC parties have established the Adaptation Fund to facilitate participatory, recipient-driven approaches, and are working towards a similar structure in the Green Climate Fund. Developing countries have pushed to gain majority representation on the boards that oversee these funds.

These moves are part of a larger agenda to avoid donor micromanagement and establish more democratic mechanisms in which recipient countries make decisions about the use of funds. Greater control by recipients also streamlines access to funds, whereas traditional donor funding has been slow to reach those in need.

But UNFCCC-controlled funds have received only one per cent of fast-start climate finance. Questions of how much money could or should flow through the Green Climate Fund have yet to be answered. Adaptation funding structures based on just principles will be largely hollow victories if they continue to control only tiny amounts of funds.

Meeting the promises in Durban

There are three essential steps Durban delegates should take toward robust, effective adaptation funding that fulfils past promises.

First, the normal source of development assistance — national treasuries raising tax revenues — seems unlikely to provide adequate and predictable funding. To fund the scale-up period and beyond, Durban negotiators should work out a series of financing mechanisms that are international, constant and substantial in size. A truly adequate amount to green the global economy and buffer societies from climate impacts would be far above US$100 billion a year — and the scientific uncertainties around the exact figure do not obviate responsible action.

A small levy on international airline travel, bunker transport fuel or international financial transactions, for example, would go far to close the adaptation finance gap. If revenues were channelled into UN funds already celebrated for their just and participatory practices, such as the Adaptation Fund and the Green Climate Fund, these funds would change from mere symbolic victories into vital sources of support for developing countries. Such a levy should prioritise providing a predictable, grant-based revenue stream to finance adaptation activities, which has thus far been largely missing.

Second, climate finance negotiations have a blind spot: the scale-up period from 2013 to 2019. In this period — after the fast-start years but before the US$100 billion-per-year pledge for 2020 — developed nations need defined targets for each year and mechanisms to keep the expansion of funding on track. Only then will they develop systems capable of generating the amounts committed by 2020. Without annual targets regularly met, cynicism will replace any goodwill created with the Copenhagen and Cancun pledges.

Third, notwithstanding the creation of UNFCCC-led funds, most money in the next few years will likely flow bilaterally or through multilateral channels not governed by the convention. This makes transparency and central accounting even more crucial. Durban negotiators should create a central accounting framework and registry, perhaps under the UNFCCC's Standing Committee; provide a global definition of 'new and additional' adaptation finance; and agree to standardise a format for more precise project-level reporting of financial flows.

The future of two decades of climate diplomacy is on the line in Durban. It is pivotal that any agreement going forward specify and deliver on fair and effective funding, as was promised in Copenhagen and Cancun. The funding must be adequate and predictable, and be delivered justly and transparently. Poor and vulnerable nations should be the first to receive funds, and should have a say in fund governance. The final year of fast-start climate finance is upon us, and developed countries must make decisions individually and jointly in Durban to fulfil their promises.

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Notes

■ [1] United Nations Development Programme. 2007. *Human Development Report 2007/2008: Fighting Climate Change: Human Solidarity in a Divided World.* UNDP, New York. ■ [2] Adam, D. 2010. *Where's the Money? The status of climate finance post-Copenhagen.* Climate Finance Policy Brief No. 1. Overseas Development Institute, London. ■ [3] Ciplet, D. *et al.* 2011. *Scoring Fast-start climate finance: leaders and laggards in transparency.* IIED Briefing. IIED, London. ■ [4] The lower end of this range represents the actual adaptation pledges reported by donor countries. To obtain the higher end, we added two estimates of adaptation funds not yet reported. First, some donors have reported total fast-start finance up to 2012 but adaptation funding only up to 2010; we used the proportion each country designated for adaptation compared with their total committed in 2010 to estimate amounts for 2011–2012. Second, some donor countries have reported total fast-start finance but not the portion designated for adaptation; we used the estimated high-range average proportion of adaptation funding from reporting countries, and applied this average to countries that did not report their adaptation portion. For complete data used in calculating this range, see the more comprehensive table in the online version of this briefing. ■ [5] Ciplet, D. *et al.* 2010. *Fast-start adaptation funding: keeping promises from Copenhagen.* IIED Briefing. IIED, London. ■ [6] Least Developed Countries Fund, see www.thegef.org/gef/LDCF.

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Online Table 1. Fast-start climate funds as of November, 2011

Country	Total fast-start funds pledged (US$ million)	Lower range: fast-start funds pledged for adaptation (US$ million)	Higher range: estimated adaptation funds to be pledged 2010–2012 (US$ million)	Finance channelled through UNFCCC or Kyoto Funds (US$ million)	How is new and additional defined?
European Commission	215	34.69 (16%)	103.2 (48%)	0	"On top of preliminarily programmed support for climate actions in developing countries"
Belgium	215	13.88 (6%)	51.6 (24%)	13.9	"The contribution for fast-start finance in 2010 comes out of the rising ODA budget and covers only commitments taken after Copenhagen"
Denmark	231	25.44 (11%)	110.88 (48%)	111.02	"Everything above 0.8% of BNI is additional."
Finland	157	12.32 (8%)	55.26 (35%)	0	"A net increase of climate funding compared to 2009, which will be used as its baseline"
France	1,804	360.8 (20%)	360.8 (20%)	0	"Counting their fast-start finance pledge towards their ODA"
Germany	1804	601 (33%)	601 (33%)	13.9	"Additional to the level of climate related support in 2009…also considering the funds coming from the revenues they generated from the auctioning of emissions certificates as "new and additional""
Iceland	1	Not specified	0.32 (32%)	0.15	Not specified
Ireland	143	Not specified	45.76 (32%)	0	Not specified
Luxembourg	13	2.86 (22%)	2.86 (22%)	1.39	"Additional to the existing ODA of 1.0% of GNI"
Malta	1	0.0347 (3%)	0.17 (17%)	0	Not specified
Netherlands	444	Not specified	142.08 (32%)	0	"New and additional to the existing ODA percentage of 0.8% of GNP"
Norway	1,000	70 (7%)	183 (18%)	6.6	"Counting their climate finance beyond the 0.7% threshold"
Portugal	52	26 (50%)	26 (50%)	0	Not specified
Slovenia	11	Not specified	3.52 (32%)	0	Not specified
Spain	537	241.65 (45%)	241.65 (45%)	62.45	New and additional to pledges made before December 2009
Sweden	1,145	492.35 (43%)	492.35 (43%)	15.27	Not specified
Switzerland	162	64.8 (40%)	64.8 (40%)	0	"Additional to Swiss climate financing and ODA of previous years"
United Kingdom	2,454	1,227 (50%)	1,227 (50%)	0	"Coming from the UK's existing commitment to reach an ODA contribution of 0.7% GNI by 2013"
Remaining 12 EU member states	1,295	Not specified	414.4 (32%)	0	Not specified
Australia	640	332.8 (52%)	332.8 (52%)	24.81	"The 2010–11 Budget measures totaling AUD 355 are defined as "new and additional""
Canada	414	45.54 (11%)	45.54 (11%)	19.8	Not specified
Japan	11,000	788 (7%)*	1,375.31 (13%)	0	$10bn from pledges made in 2008, and remaining $5bn additional
New Zealand	72.5	13.45 (19%)	13.45 (19%)	1.05	"New and additional commitments"
United States	1,704	448 (26%)	448 (26%)	50	"New and additional commitments"
Total	25,514.5*	4,800.3 (19%)	6,341.75 (25%)	320.34 (1%)	

This online-only table is an extended version of Table 1 on page 2. See note 4 in the briefing paper for methodology on lower/higher ranges.

**Japan committed US$356 million to the Global Environmental Facility and Climate Investment Funds. This funding was not specified as adaptation or mitigation. We used the percentage of adaptation dollars in each fund to estimate Japan's adaptation contribution to these funds.*

Online Table 2. The promises and the reality of adaptation finance

Promise	Reality
1. **Precautionary, adequate, scaled-up, predictable, and new and additional adaptation funding:** 'Decides that … scaled-up, new and additional, predictable and adequate funding shall be provided to developing country Parties, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change' (CP.16 IV (a) 97)	**Not adequate, predictable, or clearly new and additional:** Pledges from developed countries in the Copenhagen Accord are a step towards a precautionary approach to scaling up climate finance. However: ■ Adaptation finance to date is not clearly new or additional to existing Official Development Assistance. ■ Current funds cannot meet even basic needs related to climate change in developing countries. ■ Due to lack of transparency and uncertainty about future adaptation finance, funding levels are highly unpredictable.
2. **Fair burden-sharing:** 'The Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities.' (3.1)	**No agreement on fair burden-sharing:** ■ There is no consistent or transparent allocation formula for adaptation finance commitments by developed countries. ■ Developed countries have been unwilling to discuss adaptation finance in terms of 'responsibility' or 'capability'.
3. **Balance:** 'Affirms that … Adaptation must be addressed with the same priority as mitigation and requires appropriate institutional arrangements to enhance adaptation action and support' (CP.16 2 (b))	**Imbalance:** ■ As of November 2011, only 19–25 per cent of fast-start climate finance is for adaptation.
4. **Needs-based targeting:** Parties shall be guided by 'The specific needs and special circumstances of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change' (3.2)	**No agreed allocation protocol:** ■ Formulas such as the GEF's Resource Allocation Framework have inequitably distributed funds and have not prioritised those most vulnerable. ■ The Cancun agreements identify Least Developed Countries, Small Island Developing States and African countries as the 'most vulnerable developing countries', but beyond this basic categorisation, allocating funding based on vulnerability is a process fraught with ambiguity.
5. **Transparent, recipient-driven governance:** 'Affirms that enhanced action on adaptation should be undertaken in accordance with the Convention, should follow a country-driven, gender-sensitive, participatory and fully transparent approach taking into consideration vulnerable groups, communities and ecosystems, and should be based on and guided by the best available science and, as appropriate, traditional and indigenous knowledge' (CP.16 II (12))	**Not transparent or recipient-driven:** ■ Inconsistent reporting of adaptation finance prevents summing and comparison. ■ The National Adaptation Programmes of Action (NAPA) for Least Developed Countries represents an attempt at a country-driven approach to adaptation planning and funding; however, less than a quarter of NAPA projects have been funded. ■ The Cancun Agreements promise to channel finance through 'a governance structure providing for equal representation of developed and developing countries', but UNFCCC funds created to facilitate a country-driven and participatory approach have received only 1% of climate finance. ■ There is little evidence that adaptation finance has been sensitive to the particular needs of women or other marginalised groups

This online-only table is an extended version of Table 2 on page 3.