

Funding Adaptation to Climate Change: What, who and how to fund?

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Adaptation has been recognized as a crucial component in the portfolio of response measures to the problem of human induced climate change. This recognition is strengthened because efforts to reduce the potential adverse impacts of such climate change through mitigation, through the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC), have been slow to come to fruition. Thus, even if the Kyoto Protocol comes into force soon, and all the signatories are able to reduce their greenhouse gas emissions to meet their Kyoto targets, some adverse impacts of climate change, at least for the short to medium term, will inevitably occur. Indeed, some early signs of this have already been detected.

All countries of the world have to find ways of adapting to the adverse impacts of human induced climate change. However, only the richer developed countries have both the technical as well as financial means to carry out adaptation by themselves. The poorer developing countries are to varying degrees lacking the technical and the financial resources to cope with the problem. It has long been recognized that assistance will be provided to the most vulnerable countries to help meet the costs of adaptation. The group of most vulnerable developing countries is usually taken to include small island developing states, and the least developed countries (LDCs) as well as others where the economy is heavily reliant upon climate sensitive activities, especially agriculture, or where the use of water resources is already close to the limits of availability.

Sources of funding Adaptation to climate change

In response to these circumstances the UNFCCC, at its seventh Conference of Parties (COP7) held in Marrakech, Morocco, in November 2001, agreed on three new funds, known as the "Marrakech Funds":

1. The Marrakech Funds

- (i) The **LDC Fund** to support the 49 least developed countries to adapt to climate change. Initially this fund is being used to support each of the LDCs to design a National Adaptation Programme of Action (NAPA) over the period from 2003 to 2005.
- (ii) A **Special Climate Change Fund** to support adaptation along with other actions including technology transfer, transport, industry, forestry and waste management and activities to assist developing country parties in diversifying their economies. This fund is to become operational from 2005 with voluntary contributions.
- (iii) A Kyoto Protocol Adaptation Fund to support "concrete adaptation projects and programmes in developing country Parties that have become Parties to the Protocol". This fund is to be financed from a levy on clean development mechanism (CDM) projects and is dependent upon the Protocol coming into force and generating funds. It has been agreed that the first two funds will be operated by the Global Environment Facility (GEF).

2. Global Environment Facility, (GEF).

The GEF has a climate change operational programme, which has funded mitigation to

KEY MESSAGES:

- Adaptation to climate change should be treated as part of sustainable development in all developing countries.
- There is a need to introduce more pragmatic rules with respect to funding adaptation.
- Rather than have 'stand-alone' adaptation projects, climate change adaptation should be factored into all development assistance activities that are climate sensitive.
- Support should be given to actions, which enhance the adaptive capacity of developing countries (and within them of the most vulnerable communities) to future climate change and also to current climate variability.



climate change activities worth nearly a billion dollars since it was started in 1992. However, it has only funded a small number of activities for adaptation to climate change. At the first Conference of the Parties (COP 1, Berlin 1996) it was agreed that the GEF would fund activities in three stages with stage I, to support assessments, Stage II to support planning and Stage III to support actions.

So far most of the support has been for Stage I only, under which most of the developing countries got help to prepare their vulnerability and adaptation assessments as part of their respective National Communications. At the fourth Conference of the Parties (COP 4) in Buenos Aires it was decided that adaptation activities could move to Stage II. However, only a few projects under stage II have been funded (e.g. in the Caribbean and Pacific islands) and no projects have yet been funded under Stage III.

3. *Development funding agencies*

In addition to the Marrakech funds mentioned above a number of development funding agencies have also been looking at the issue of adaptation to climate change and how to mainstream it into their normal development funding activities. Concern is being expressed that the “additionality” of funds that was a reason for the establishment of the GEF might be lost if development assistance agencies incorporate climate change into their regular development assistance budgets and programming.

What adaptation to fund?

One of the major problems faced by the GEF and the UNFCCC in supporting actions for adaptation to climate change has been the need to show “global environmental benefits” (in the case of the GEF) and separate the actions for adapting to future “climate change” from those that enhance adaptation to current “climate variability” (in the case of the Marrakech Funds). While these rules are more easily applied in supporting mitigation actions (where any reduction of greenhouse gas emissions anywhere in the world can be seen as having “global benefits”) they are not so easily applied in the case of adaptation to climate change where the benefits of most actions will be primarily local and it is also difficult to make the case of their “global environmental benefits”. Also with respect to future climate change and current climate variability, most actions to enhance adaptive capacity are also likely to result in building capacity to cope with both future climate change and current climate variability. Hence there is a need to introduce more pragmatic rules with respect to funding and supporting adaptation to climate change if the intent of helping the most vulnerable countries and communities is to be achieved. This will require all the relevant actors to be involved and develop their own, practical actions. Some of the levels at which these may be considered are as follows:

1. *Development funding agencies* need to include the potential impacts of climate change in all their assistance work. This should be applied both to country development strategies and specific projects, if development benefits are to be fully realised and their own investments are not to be exposed to unacceptable risk.
2. *Developing country governments* need to work with the funding agencies and their own sub-national and local communities in assessing the potential impacts of climate change in all sectors and to take appropriate action to adapt to climate change.
3. *Development NGOs* need to jointly assess the impacts of climate change with their target communities and to incorporate adaptation to climate change into their activities wherever necessary.
4. *Climate change policy-makers* need to find ways of relaxing the rules of the UNFCCC process and the GEF if the funds available are to be effectively used for the benefits of developing countries.
5. The Research Community needs to advance the theory and practice of ‘adaptation science’ and to identify clearly the elements of enhancing adaptive capacity as well as improving the assessments of potential climate change impacts.

How to fund adaptation?

It is quite clear that most of the adaptation that has to be delivered by the vulnerable countries and communities in the developing world will have to be achieved by those countries and communities themselves. This will require them to become better aware of the problem and identify ways in which they may enhance their capacity to deal with it in future – based on their existing mechanisms and strategies to current climate related hazards. However, the international community has an opportunity to support efforts of these countries and communities through a well thought-out funding support plan for them. This will require the sharing of experience and knowledge from a number of sectors including the scientific community, the development funding agencies, developing country governments (national as well as local), the vulnerable communities themselves (to ensure that existing knowledge and capacities are built upon and not discarded), and the disaster management community (including the Red Cross and others). This will require a concerted and pragmatic effort by all the actors involved to ensure that understanding of vulnerability to climate change adaptation actions (including enhancing adaptive capacity) be enhanced and experience shared between all the relevant actors and that funding (from whatever source) is provided in the manner that best enables vulnerable countries and communities to take practical and effective actions themselves. One way to do this would be to make the funds available through the Marrakech Funds and for the GEF to be used as ‘incremental’ funding for activities that have other benefits, both local and in other areas (such as preventing land degradation and conserving biodiversity).

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