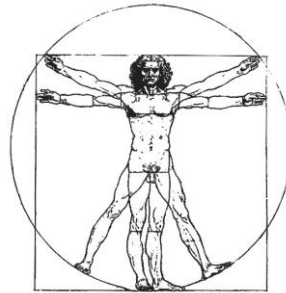


ecbi policy brief



Fast-start adaptation funding: keeping promises from Copenhagen

David Ciplet, Achala Chandani, J. Timmons
Roberts and Saleemul Huq

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About the author and contributor:

David Ciplet is a researcher and PhD candidate at Brown University, United States; J. Timmons Roberts is Director of the Center for Environmental Studies at Brown University, United States and Co-Director of the AidData.org project.

CONTACT: Saleemul Huq saleemul.huq@iied.org 3 Endsleigh Street, London WC1H 0DD, UK Tel: +44 (0)20 7388 2117 Fax: +44 (0)20 7388 2826 Website: www.iied.org

Fast-start adaptation funding: keeping promises from Copenhagen

The most concrete commitment to come out of the international climate negotiations in Copenhagen was US\$30 billion dollars in 'fast-start climate finance' to developing countries, with balanced support for both mitigation and adaptation. Fast-start adaptation finance, in particular, is crucial for poor countries facing rapid climate change. But so far, pledges for adaptation from developed countries have been inadequate and unclear. This briefing outlines ways for the Cancun negotiations to address five crucial issues for adaptation finance: (1) the amount and type of funding being offered, (2) the definition of adaptation, (3) global oversight and accounting, (4) a clear baseline and transparent spending, and (5) the channel for delivering funds.

It's in the fine print...

On the surface, promises of fast-start climate finance made by developed countries in the Copenhagen Accord seem straightforward. The agreement includes US\$30 billion for the 2010-2012 period, with 'balanced allocation between adaptation and mitigation', delivered through a fund with governance arrangements that provide equal representation to developed and developing countries. The Accord's commitment to adaptation funding is particularly important, as the nations most vulnerable to climate change are also among those with the fewest resources to prepare for, cope with and recover from the impacts.

But as adaptation pledges slowly roll in from individual countries, they reveal divergent perspectives on what these promises mean and how they should be carried out in practice. Some wealthy countries have offered no explanation at all for their funding decisions — or a startling dismissal of what was agreed upon.

Small fraction of funds for adaptation

Table 1 sums up information provided by donor countries about their plans for fast-start climate finance. As of October 2010, donors have pledged highly variable amounts and types of funding, and have set aside only a slim portion for adaptation.

Table 1: Fast-start funds so far

Country	Total fast-start climate funds pledged (US\$ millions)	Fast-start funds pledged for adaptation (US\$ millions)	Climate finance channelled through UNFCCC or Kyoto funds (US\$ millions) ^f	Funds in grants or loans?	How is 'new and additional' defined?
Australia	582.3	372.8 (64%) ^a	8.7	Grants	All fast-start finance is grant-based Official Development Assistance (ODA)
Belgium	208.1	Not specified	13.9	Not specified	'The contribution for fast-start finance in 2010 comes out of the rising ODA budget and covers only commitments taken after Copenhagen'
Canada	390.3	43.9 (11.2%)	19	Not specified	Not specified

Comment [TR1]: great comments, agreed

Denmark	224	107.5 (48%)	Not specified	Not specified	'In accordance with the general practice of development assistance'
EU	208.7	34.7 (16.6%)	Not specified	Not specified	'On top of preliminarily programmed support for climate-relevant actions in developing countries'
Finland	110	Not specified	Not specified	Not specified	Not specified
France	1,740	Not specified ^b	Not specified	Both	Not specified
Germany	1,740	~580 (33.3%)	13.9	Both	Only US\$97 million of the 2010 climate finance is new. In 2011, the amount of new money is likely to be less. All will be counted towards Germany's 0.7% ODA commitment.

Ireland	137.9	Not specified	Not specified	Not specified	Not specified
Japan	15,000	225 (1.5%)	Not specified	Not specified	'\$7.2 billion in ODA and \$7.8 billion in other official financing in collaboration with the private sector'
Luxembourg	12.2	1.4	2.7	Grants	Not specified
Netherlands	430	None	None	Both ^g	'This funding is new and additional to the existing ODA percentage of 0.8% of GNP.'
Norway	357	70 (19.6%)	None	Grants	Not specified
Portugal	50	~25 (50%) ^c	Not specified	Not	Not specified

				specified	
Slovenia	10.8	Not specified	Not specified	Not specified	Not specified
Spain	482	60 (12.5%)	60	Not specified	Not specified
Sweden	1,100	Not specified	Not specified	Not specified	Not specified
Switzerland	142.6	~42.8 (30%) d	15.2	Not specified	'additional to Swiss climate financing and ODA of previous years'
United Kingdom	2,375.1	319.8 (13.5%)	None	Not specified	'The UK's Fast Start commitment is drawn from the aid budget, which is due to rise to 0.7% of Gross National Income by 2013.'
United States	3,029	1,025 (33.8%)	120	Not specified	Not specified
Total	28,330	2907.9	253.4	NA	NA

		(10.3%) ^e			
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Sources: World Resources Institute and faststartfinance.org. Pledges shown were provided by countries as of October 26, 2010. 'Fast-start' climate funds are defined as those pledged for 2010-2012; however, this period was not used by all countries. Specifically, Norway has made pledges for 2010 but not 2011-2012; the United States, Canada and Australia have made pledges only for 2010 and 2011; and data for Japan includes pledges for the 2008-2012 period.

^aUS\$244 million to the International Climate Change Adaptation Initiative to support adaptation efforts, particularly in the Pacific; US\$128.8 million to multilateral agencies to assist developing countries' mitigation and adaptation efforts.

^b'A substantial part of fast-start financing will be for adaptation.'

^c Roughly equal split' between adaptation and mitigation.

^d'Between 20 and 30 per cent', www.deza.admin.ch/ressources/resource_de_195263.pdf

^eDoes not include funds from the six countries that did not specify pledges for adaptation. Also, due to ambiguous wording of pledges from Australia and the UK, some of these funds may be designated for mitigation.

^fIncludes the Adaptation Fund, the Least Developed Country Fund and the Special Climate Change Fund.

^gUS\$374 million in grants; US\$56 million in 'other'.

Keeping promises, meeting needs

To establish trust in global climate negotiations and enable developing countries to adapt to climate change, the international community needs to address several key questions about the amount and nature of adaptation finance. Below we assess five main issues and recommend solutions.

Issue 1: The amount and type of adaptation funding

The problem: Adaptation funding represents just 10.3 to 16.1 per cent of fast-start finance pledges to date; this is not a 'balanced' approach.

In the climate negotiations, poorer countries have repeatedly stressed that high levels of adaptation finance are a top priority. Yet the total amount pledged to meet their adaptation needs — approximately US\$2.9 billion — represents a meager 10.3 per cent of all promised fast-start climate funds. This amount for adaptation is a very rough and perhaps low estimate, in part because many developed countries have not offered detailed climate finance pledges. For example, Belgium, Finland, France, Ireland, Slovenia and Sweden have provided no figure for adaptation funds. If we assume, however, that these six countries will allocate half their fast-start climate funds to adaptation (a higher proportion than almost all other countries), the sum of pledges for adaptation would still be only US\$4.6 billion, or 16.1 per cent of all fast-start climate funds pledged.

In specifying funds for adaptation, countries face three related questions. First, how much of the US\$30 billion promised at Copenhagen should go to adaptation efforts? Does 'balanced allocation' mean equal amounts for mitigation and adaptation? Second, should all the adaptation funding take the form of grants, or are loans acceptable? And third, what share, if any, should come as public funds from individual countries, as compared to international revenue generating mechanisms or private capital?

Solutions:

- We recommend that developed countries **provide similar amounts of finance for adaptation and mitigation**, making good on their promise of balanced funding. Individual adaptation pledges for the fast-start period should sum to about US\$15 billion — a five-fold increase of current pledges. Developing countries will need much more than this to meet the cost of adaptation: estimates as high as US\$80-100 billion per year by 2030 have been criticized as overly conservative.^{1,2}
- A priority should be to bolster the UNFCCC's Least Developed Country Fund. A mere \$US2 billion—less than 10 per cent of all fast-start finance—would cover the implementation of all projects in the National Adaptation Programmes of Action (NAPAs) of nearly 50 countries.
- **Adaptation finance should be disbursed as grants, rather than loans**, as developing countries should not bear the costs of adapting to climate change. Grants are essential for developing countries to build internal capacity to adapt to climate change — rather than taking on increasing foreign debt.
- **The term 'adaptation finance' should be used only for public grants**, including public grants generated through international taxes. This will help the

international community distinguish grants from loans, and public funds from private capital.

- **Private capital** should also be tapped to support developing-country adaptation — but should be seen as separate from 'adaptation finance'.

Issue 2: Defining adaptation

The problem: Nearly two dozen different definitions of adaptation can be found in the UN Framework Convention on Climate Change (UNFCCC) and national documents, and development agencies are creating a fragmented non-system for determining what counts as adaptation.

Which efforts should 'adaptation' funds support? Is good adaptation simply good development, as some development practitioners argue? To handle climate-related stressors such as drought and flooding, many societies do need basic improvements: safe water, functioning legal systems and an educated public. But in our pilot studies categorizing thousands of projects in the AidData.org database, we found that defining adaptation this way renders the term nearly meaningless for the current discussion — it does not clarify what new efforts are being undertaken *because of climate change*.

The opposite approach is to narrowly define adaptation projects, programmes and policies as those directly responding to climate risks. Certain adaptation activities provide development benefits only in the context of climate change — for example, building floodwalls, switching to drought-resistant crops or moving groundwater supplies to escape saltwater intrusion in coastal areas. Only a few per cent of development work to date has fallen into this category, but much aid is now being relabelled to fit there, some of it appropriately and some not. To capture a broad array of useful adaptation without abusing the term and clouding the waters, another approach is needed.

Solution:

- The international community should **agree on a comprehensive list of adaptation activities**. The Adaptation Fund Board, already tasked with handling international deliberations on adaptation, could propose and edit project categories.

Issue 3: Oversight and accounting

The problem: There is no common oversight, accounting or enforcement framework for adaptation finance.

Without a global framework that provides accountability for adaptation finance, developing countries cannot know what assistance to expect. Such a framework is needed to ensure a balance between adaptation and mitigation finance, 'additionality' of funds, reliable and transparent oversight, acceptable channelling of funds and proper enforcement. It will also delineate public funds from carbon market funds, adaptation funding from other types of funding, and grants from loans.

Moreover, with no accounting framework and no common baseline to measure how much finance is being introduced, the fast-start funds pledged at Copenhagen are on shaky ground. Developed countries can endlessly tinker with their baselines, hampering trust-building.

Solutions:

- **The Adaptation Fund Board**, a body with majority representation from developing countries, should create and manage a global accounting framework for adaptation finance.
- It should **assess whether donor nations are taking a balanced approach** in fast-start and other pledges, as required by the Copenhagen Accord.
- **The UNFCCC should prepare parties to agree on a global accounting framework in Cancun**, and set a **deadline in 2010 for contributors to define a unified baseline** for Copenhagen adaptation pledges. Existing fast-start pledges should be recalculated from this baseline, and new commitments should have to use it.

Issue 4: Baseline and transparency

The problem: Developed countries use competing definitions of 'new and additional' adaptation funding, and sometimes fail to define it at all.

How will the international community verify whether a given country has met its adaptation finance commitments? The Copenhagen Accord, the Kyoto Protocol and earlier agreements stipulate that promised climate funds are 'new and additional' to existing aid, but there is no agreed-upon baseline.³ Adaptation funds must be measured against a clear baseline, with both contributions and spending by recipients tracked scrupulously — otherwise, the system stands to be perceived as a failure, lose trust on all sides and fall short of addressing needs.

Solutions:

- For the longer term, **only new sources of climate finance** — not raised in the same ways as existing foreign assistance — should be counted as 'new and additional'.³
- For fast-start finance, pledges can be seen as 'additional' if they are **above a projection of business-as-usual development and climate funding** through bilateral and multilateral channels.
- Contributors should financially support a **UNFCCC-approved independent registry** and provide detailed data on climate-related projects in a timely fashion. This registry should track funds all the way from contributors to expenditures, and should allow recipient governments and civil society to add information about the progress and effectiveness of all adaptation projects.

Issue 5: Delivering funds fairly

The problem: The Copenhagen Accord promises adaptation finance delivered through a fund whose governance gives equal representation to developed and developing nations — but some countries have dismissed this commitment.

Perhaps no other funding issue finds Southern countries so united as the call for funds to be administered by the UNFCCC and Parties to the Kyoto Protocol. Yet most Northern countries have not specified how they will channel fast-start funds. Only US\$253.4 million in overall

climate finance has been designated to go through UNFCCC channels (Table 1), and the Adaptation Fund, which is particularly well respected by Southern country leaders, has garnered a mere US\$73.9 million in pledges. Meanwhile, many funds have already been directed to the World Bank and other agencies controlled mainly in the North.

Furthermore, most developed countries have not indicated how adaptation finance will be divided among recipient countries so that the most vulnerable receive enough assistance. The UNFCCC, with its broad-based country representation, is the most appropriate institution to make this and other key decisions about adaptation funding.

Solutions:

- Developed countries should channel adaptation finance through a fund with a governance structure that provides for **majority representation by developing countries**.
- **The UNFCCC**, which has the support of developing countries, is the logical institution for overseeing disbursement of adaptation funds.
- The Adaptation Fund Board should determine, based on the criteria of a global accountability framework, whether **funds already channelled through the World Bank** and other non-UNFCCC agencies count as adaptation finance.

Beyond Copenhagen and Cancun

Meeting the Copenhagen Accord's commitment to adaptation finance is just a first step. To successfully adapt to climate change, developing countries need far more than US\$15 billion. But the practices established during this fast-start period set an important precedent, and the five issues outlined above are critical for building a fair and effective adaptation finance program. So are a host of other issues on the horizon — for example, setting benchmarks for adaptation finance during the 'scale-up' period between 2012 and 2020.

Most important of all is how faithfully the developed countries follow through on their promises. We have assessed what these countries are saying, but what they will do has yet to materialize, for the most part. As Ghana's foreign minister Muhammed Mumuni has stated, poorer nations may develop 'promise fatigue' if the pledged finance does not come soon. On the other hand, an adaptation finance regime that fulfils the hopes and expectations of developing countries could restore trust and serve as a strong basis for building consensus on a global framework to address climate change.

Additional resources:

This briefing has also been produced as a pre-COP16 background paper available at www.iied.org

The Institute for International Environment and Development: www.iied.org

The European Capacity Building Initiative: www.ecbi.org

World Resources Institute: www.wri.org

Faststartfinance.org: www.faststartfinance.org

Database of foreign assistance projects: aiddata.org

Notes:

¹World Development Report 2009. World Bank, Washington, DC.

²Parry, M. *et al.* 2009. *Assessing the Costs of Adaptation to Climate Change: A Critique of the UNFCCC Estimates*. IIED, London.

³Stadelmann, M., Roberts, J. T., Huq, S. 2010. *Baseline for Trust: Defining 'New and Additional' Climate Funding*. Briefing. IIED, London.

Contact:

Postal Address: 57 Woodstock Road, Oxford, OX2 7FA, UK

Phone +44 (0) 1865 889 128, Fax: +44 (0) 1865 310 527

e-mail: adm.n.ocp@gmail.com