

### Finance for Adaptation to Climate Change: Issues and Priorities

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#### Magnitude of funding: needs and availability

million USD (UNFCCC 2008; Behrens 2008; Timmons et al. 2008)

| Global adaptation cost estimates (per year)                                  | 9,000-109,000           |
|--|-------------------------|
| Costed NAPA projects   | 1,506                   |
| Adaptation funding to date (cumulative)                                      | 1,014                   |
| UNFCCC funds, 2001-2008  | 404                     |
| Bilateral and multilateral ODA, 2000-2006 (EU 2002-2007)                     | 610 (259)               |
| Adaptation funding in the short term (per year in 2009-2012)                 | 828?                    |
| UNFCCC funds   | 438?                    |
| Bilateral and multilateral ODA   | 390                     |
| Adaptation funding gap   | ???- 8,000-109,000 ???? |
| <b>Potential future adaptation funding mechanisms – proposals</b> (per year) |                         |
| Defined budgetary contributions from developed countries                     | 100,500-201,000         |
| Market-based mechanisms  | 1,140-20,000            |



# Adaptation, technology and development

- Estimates of financial need grounded on a technology-based view of adaptation are limited
  - Vulnerability focus

Impacts focus

| Addressing the<br>drivers of<br>vulnerability   | Building<br>response<br>capacity         | Managing<br>climate risks                             | Confronting<br>climate change              |
|---|--|---|--|
| Reduce poverty<br>and non-climatic<br>stressors | Robust systems<br>for problem<br>solving | Incorporate<br>climate info<br>in decision-<br>making | Address<br>impacts<br>of climate<br>change |

 Does a development-based view of adaptation imply that current estimates are too high or too low?



#### Type of adaptation prioritised in NAPAs

Agriculture/livestock/fisherie s
Water resources
Coastal zone/marine ecosystems
Other

(cost of projects by sector, UNFCCC 2008)

- Priority sectors also priority sectors for development efforts and ODA
- Most projects are for "building adaptive capacity", rather than "climateproofing socio-economic activities" or "directly addressing observed climate impacts"
- There is a case for mainstreaming adaptation in development plans but is there also a case for 'mainstreamed ODA' in an international funding regime?

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## **Two interlinked questions**

- To address the need for adaptation and the funding gap:
  - Should adaptation be designed as stand-alone activities or should it be mainstreamed into development projects and programmes?
  - Should the provision of support for adaptation follow the polluter-pays principle or is it an additional focus of ODA?



### **Comparing funding arrangements**

|      | Stand-alone adaptation (UNFCCC funds)              | Mainstreamed adaptation (ODA funds)                        |  |
|------|--|--|--|
| Pros | Easy to calculate new and additional funding needs | More efficient in implementation                           |  |
|      |  | More effective, more sustainable                           |  |
|      | Greater country ownership                          | impact   |  |
| Cons | High administrative costs                          | <b>S 1 3</b>   |  |
|      | when scaled up                                     | diverting ODA, not new and                                 |  |
|      | Synergies with                                     | additional   |  |
|      | development may be                                 | Seen as imposing conditionalities                          |  |
|      | missed   | and less country ownership                                 |  |
|      |  | May decouple adaptation and mitigation in the negotiations |  |

- Carbon market financing
- Private sector role (insurance)



## Complementary (and overlapping?) funding sources

| Mainstreaming plus Mainstreaming m   |  | Mainstreaming minimum   | ninimum Stand-alone   |  |
|--|--|---|---|--|
| Addressing the<br>drivers of<br>vulnerability  | Building response capacity   | Managing climate<br>risks   | Confronting<br>climate change   |  |
| Activities seek to<br>reduce poverty<br>and other non-<br>climatic stressors<br>that make people<br>vulnerable | Activities seek to<br>build robust<br>systems for<br>problem-solving | Activities seek to<br>incorporate<br>climate<br>information into<br>decision-making | Activities seek to<br>address impacts<br>associated<br>exclusively with<br>climate change |  |

New and additional adaptation funding

Traditional development funding



## Key messages

- Adaptation assistance must be provided by new and additional funds, irrespective of initiatives to mainstream adaptation into ODA.
- Clarity must be created on how ODA and new and additional funds can best complement one another.
- The choice for either stand-alone or mainstreamed adaptation should be an outcome of a country-driven national planning process.



#### Thank you for your attention!

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