Accelerating Adaptation Finance – Africa and Global Perspectives
About the Global Center on Adaptation

The Global Center on Adaptation (GCA) is an international organization, hosted by the Netherlands, which works as a solutions broker to accelerate action and support for adaptation solutions from the international to the local, in partnership with the public and private sector, to ensure we learn from each other and work together for a climate resilient future.

About Climate Policy Initiative

Climate Policy Initiative is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. Our vision is to build a sustainable, resilient, and inclusive global economy.
MESSAGE 1

Adaptation finance flows to Africa must grow 5–10-fold

Adaptation finance flows in Africa only reached USD11 billion annually in 2019-2020. The increase in 2021-2022 is likely to be modest, potentially in double-digit percentages, but it will not approach doubling before 2025 if current trends continue.

African Nationally Determined Contributions (NDCs) calculate that the continent needs USD 53 billion per year for adaptation or 2.5% of Africa’s gross domestic product (GDP). However, this number is likely to be an underestimate by as much as 100%:¹ Africa may need more than USD 100 billion per year for adaptation.

This means that, by 2035, Africa may need as much as USD 845 billion to 1.7 trillion for adaptation, given the expected underestimation.

At the current growth rate of adaptation finance, Africa will receive only about USD 180 billion by 2035, less than one-tenth of what the region needs.

Even if the world achieves the doubling of adaptation finance by 2025, or USD 40 billion, and it all comes to Africa, it doesn’t even cover the USD 53 billion needed today.

Adaptation flows to Africa must increase 5–10-fold (from USD 11 billion to USD 53–106 billion per year).

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Estimated Adaptation Finance Flows and Needs in Africa through 2035

- Total adaptation finance flows by 2035
- Total needs estimated by 2035
- Estimated unaccounted adaptation finance needs for all African countries by 2035 (assuming underestimated by 2x)
**MESSAGE 2**
The foregone economic benefits of missing adaptation investments in Africa could reach as much as USD 6 trillion by 2035. As GCA’s State and Trends in Adaptation report shows, the economic benefits of adaptation actions in Africa far outweigh the financial costs. The lack of adaptation financing for Africa means that as much as 6 trillion dollars of economic benefits will not be realized by 2035.²

**MESSAGE 3**
The majority of adaptation finance to Africa is channeled through loans, making the debt situation of countries more onerous

In Africa, more than half (54%) of the adaptation finance commitments in 2019-2020 were channeled through debt. In energy and transport, the grant component of adaptation finance is less than 15%. Even for agriculture, the grant component is about half (53%). Africa is paying back the majority of adaptation finance flows.

**MESSAGE 4**
Everybody must increase adaptation finance

Adaptation finance flows into Africa are still only 39% of total climate flows. Every stakeholder can substantially increase adaptation finance and the grant component of such finance:

- Multilateral financial institutions can further increase the adaptation flows into Africa, following the lead of the African Development Bank (AfDB), World Bank, and International Monetary Fund (IMF).
- Bilateral development finance institutions can account better for adaptation finance and increase the USD 1.8 billion that they contribute per year.
- Philanthropies only contribute less than 3% of adaptation finance and can substantially increase their support.
- The private sector has the most potential to increase financing for adaptation. Today, the corporate private sector invests less than 0.3% of total adaptation finance in the region. In South and East Asia, the private sector invests nearly 40% of total climate finance flows,³ generating jobs and supporting climate-smart economic growth.

**MESSAGE 5**
Adaptation finance is highly concentrated in Africa; countries must strengthen their strategic planning, adaptation priority programs, and institutions

In Africa, ten countries receive more than half of the continent’s adaptation finance. The bottom ten countries receive less than 1%. Africa’s ten most climate-vulnerable countries only receive 18% of adaptation finance.

Only seven countries in Africa today have all the key strategic and planning elements for adaptation action in place: clear institutional mandates, priority sectors identified, adaptation costs estimated, and specific adaptation goals stated. These countries are ready to absorb financing and implement adaptation programs at scale.

Strengthening strategic planning, adaptation priority programs, and institutions is a critical task for most African countries. The Country Climate Adaptation Compact is a tool to support the translation of directions from the NDCs to implementable projects.
As climate change impacts accelerate globally, adaptation efforts have become an urgent imperative. This is especially true in the most vulnerable regions, including Africa. A low carbon, climate resilient development pathway offers an unparalleled investment opportunity in Africa with a triple dividend of avoided losses, positive economic gains, and enhanced social and environmental benefits.

Tracking adaptation finance globally, and specifically in Africa, is critically important to identify trends, uncover gaps, and set concrete priorities for effective finance flows. In the context of the Africa Climate Summit, this policy brief highlights the need to dramatically increase the amount and efficacy of adaptation financing to Africa. This brief also spotlights the persistent challenges related to adaptation finance flows in Africa, and highlights priority actions for the global finance community to undertake to address them.

A full report with further analysis will be published ahead of COP28. This report will provide the latest analysis on the adaptation funding gap, including: additional sectoral gap analysis; updated 2021-22 adaptation finance flows tracking globally and in Africa; a more comprehensive mapping of adaptation finance pledges and commitments; greater depth of analysis regarding deployment of financial instruments in practice for adaptation; and a mapping of the intersection between adaptation finance and humanitarian assistance for climate emergencies and post-reconstruction funding.

Five Key Messages Related to Adaptation Finance Flows Globally and in Africa

1. **The global adaptation funding gap is widening**, driven by higher than estimated costs and impacts of climate change, and the relatively slow growth of adaptation finance compared to the needs. In addition, out of 160 updated Nationally Determined Contributions (NDCs), only 62 mention adaptation finance needs, suggesting that the actual adaptation finance needs might be higher than the estimated annual requirement of nearly USD 1.1 trillion.

2. **Adaptation finance in Africa is nowhere close to the need.** In 2019-2020, Africa received USD 11.4 billion on average in adaptation finance annually. In 2021-2022, this finance is likely to see a double-digit increase but will remain far below the annual financing need of USD 52.7 billion or 2.5% of Africa’s GDP.

3. **Public financial institutions must structure ambitious adaptation targets to close the funding gap.** The absence of clear and robust commitments for climate adaptation is concerning. While nine multilateral development banks (MDBs) already exceeded their joint commitment to double adaptation finance to USD 18 billion by 2025, the overall lack of ambitious pledges from public institutions remains evident.

4. **High utilization of debt, particularly foreign-denominated or hard currency debt, for adaptation finance presents a significant risk** given existing severe debt burdens in many Africa countries, especially those facing the most severe climate risks. Globally, debt constituted 70% of annual adaptation flows between 2019-2020; Africa follows a similar trend with 53% of its adaptation finance commitments being debt-based. A wide array of financial instruments must be mobilized to bridge the adaptation financing gap in Africa.

5. **Adaptation finance tracking is plagued by data gaps, methodological inconsistencies, and reporting limitations at both domestic and international levels, which makes it difficult to measure collective progress.** Some headway is made by a few public financial institutions but much needs to be done to standardize, harmonize, and disclose granular, consistent, and comparable information.
Key Messages

- All countries face significant pressure to invest in adaptation as they experience accelerating climate-related risks and impacts. Developing countries especially will be hard-pressed to meet the anticipated investments of at least USD 127 billion per year by 2030, and subsequently USD 295 billion per year by 2050 needed to bridge the adaptation funding gap.
- Per analysis to date, Africa urgently requires more than USD 50 billion annually, approximately 2.5% of its GDP, for adaptation finance to meet its NDC commitments by 2035. However, this amount is likely to underestimate the actual needs, as only 28 African countries provided cost estimates for adaptation in their NDCs. The adaptation finance required by Africa to meet its NDCs is the highest globally, closely followed by South Asia.
- The global adaptation funding gap is widening, mainly driven by higher costs of adaptation finance given accelerating climate impacts compared to earlier estimates and relatively slower growth in adaptation finance flows. Only 62 out of 160 updated NDCs mention adaptation finance needs, hinting a higher than estimated adaptation cost of the nearly USD 1.1 trillion annual requirement.

The UNEP Adaptation Gap Report 2022 estimates that adaptation costs for developing countries could be in the range of USD 160–340 billion annually by 2030, rising to USD 315–565 billion by 2050. Recent analysis by the IPCC suggests similar ranges for adaptation costs: USD 127 billion and USD 295 billion per year for developing countries by 2030 and 2050, respectively. These costs are 5–7 times higher than the USD 49 billion in current tracked adaptation finance flows globally in 2019-2020.

The estimated volume of finance required in NDCs for adaptation between 2021-2030 is nearly USD 1.1 trillion per year globally, though the quality of adaptation component analysis in NDCs is highly variable. As of October 2022, 144 out of 160 countries that submitted new or updated NDCs have mentioned adaptation components. However, only 62 countries have outlined their adaptation finance needs, suggesting that global adaptation finance needs are underestimated.

CPI’s analysis estimates Africa’s adaptation finance needs to be roughly USD 579 billion by 2030, extrapolated to USD 845 billion by 2035, the highest of any global region. Adaptation needs make up about 24% of the total climate finance needs identified in African NDCs which translates into USD 52.7 billion per year between 2020 and 2035, or 2.5% of Africa’s GDP, though these needs are likely undercounted given limitations in methodology and lack of clarity from certain countries on their adaptation finance needs.

Unpacking sectoral and sub-regional adaptation finance needs remains challenging: more than 70% of the total needs reported in African NDCs (USD 408 billion) are not allocated to any adaptation sector. Countries that provided sector-specific data mainly reported adaptation needs for agriculture (25%), water (17%), infrastructure and building (12%), disaster prevention and preparedness (10%), and health (8%). Data availability on adaptation finance
needs varies significantly across African regions. Central Africa and Western Africa reported the most complete information on adaptation needs. Southern Africa and Eastern Africa have high adaptation needs but current data does not specify where this finance is needed.¹⁰

Estimating adaptation finance needs necessitates robust data, modeling, and technical capacities. In the absence of these resources, needs assessments are likely to underestimate the true cost of adaptation measures substantially. We predict that African countries’ estimated adaptation finance needs—calculated based on NDC submissions—are likely to be less than half the required amount, given that only 28 African countries provided cost estimates for adaptation in their NDCs.¹¹ When compared with financial estimates from other national frameworks, Ethiopia’s NDC cost estimate variance was particularly pronounced: using the NDC’s proposed figure of USD 40.5 billion as the baseline and comparing it against the National Adaptation Plan estimation of USD 90 billion, we found that the NDC underestimated the needs by 122%.¹²,¹³

Africa’s adaptation finance flows are far short of its needs. In 2019-2020, USD 11.4 billion was committed to adaptation activities in Africa. CPI’s early estimates anticipate a double-digit increase in these financing flows in 2021-2022, with more detailed analysis upcoming in a full report to be published on this topic ahead of COP28.¹⁴ Even if a year-on-year increase were to continue through 2035, adaptation finance would total USD 182 billion in 2020-2035, far short of the USD 845 billion in estimated needs per cost of implementation stated in countries’ NDC.¹⁵ The share of adaptation finance flows in Africa compared to the estimated needs is demonstrated in Figure 1.

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**Figure 1. Estimated Adaptation Finance Flows and Needs in Africa through 2035**

- **USD 182 billion**
- **USD 845 billion**
- **~ USD 1700 billion**

- Total adaptation finance flows by 2035
- Total needs estimated by 2035
- Estimated unaccounted adaptation finance needs for all African countries by 2035 *(assuming underestimated by 2x)*
Adaptation finance tracking helps measure global progress on climate goals. It helps to identify trends and gaps in financing by delineating how much public and private finance sources are investing, and the sectors that are receiving these investments. Tracking enables the identification of barriers and challenges impeding the mobilization of adaptation finance, and informs strategies to address them. It can also help guide where to direct financial resources and which existing policies are effective or need reconsideration.

Global adaptation finance significantly lags behind mitigation flows. From 2019-2020, there was an average annual commitment of USD 653 billion in climate finance globally. Of this, only 7% (or USD 49 billion) was earmarked specifically for adaptation finance. Though the cumulative growth rate of global adaptation financing significantly outpaced mitigation, early estimates for the period 2021-2022 suggest that these finance flows will see modest increases, rather than the rapid increase that is urgently required. CPI’s early estimates anticipate that global adaptation finance in 2021 decreased slightly compared to 2020 levels, but bounced back in 2022 strongly, presenting at least a single-digit increase on annual average basis in 2021-2022. Updated data and analysis on 2021-2022 adaptation finance flows will inform the full report to be published on this topic ahead of COP28.

Cross-sectoral or ‘nexus’ solutions are critical for adaptation financing. During the period 2019-2020, cross-sectoral climate initiatives received 42% (or USD 21 billion) of the total funding. These solutions link climate goals with the Sustainable Development Goals (SDGs) and can provide developmental co-benefits. They help to break down silos between climate financing and...
development aid, thereby facilitating cross-sectoral collaboration and capacity building. While these projects present challenges, such as making it more difficult for reporting institutions to categorize them under single objectives and assess their impact effectively, the need for such cross-sectoral approaches remains crucial.

Development finance institutions (DFIs) are the largest source of adaptation finance globally. Multilateral DFIs provide 35% (or USD 17 billion) of total global public adaptation finance. National DFIs follow closely with 30% (or USD 15.5 billion), followed by bilateral DFIs and governments at 14% (or USD 7 billion) and 12% (or USD 6 billion), respectively.19,20

Africa received USD 11.4 billion on average in adaptation finance in 2019-2020. In 2019-2020, Africa was the second-largest recipient of global adaptation finance, with East Asia and the Pacific leading the list. Sub-Saharan Africa is the largest recipient of international adaptation finance, receiving roughly 25% of international adaptation flows in 2019-2020 (see Figure 2). However, the adaptation finance flows are nowhere close to the needs of the region in absolute terms as mentioned in Section 2.

The rate of growth in adaptation finance flows in Africa is insufficient to fulfill the need. CPI's preliminary analysis estimates a double-digit percentage increase in Africa's adaptation financing flows in 2021-2022 compared to the global single-digit increase. This positive trend in Africa can likely be attributed to both multilateral and bilateral DFIs displaying a strengthening focus on adaptation financing in low- and middle-income countries. The pace of growth is nevertheless insufficient to fulfill the adaptation financing demands of the region and align with the NDC requirements by 2035.

Climate finance to Africa is relatively more evenly split than the global trend between mitigation and adaptation finance, though the total volume of both remains insufficient. Africa received USD 29.5 billion on average in climate finance commitments in 2019-2020. Of that total finance, 39% (or USD 11.4 billion), were targeted specifically for adaptation activities, in contrast to the global average of 7%. South Asia, and Latin America and the Caribbean, received 16% and 13% of their climate finance for adaptation, respectively.21

**Figure 2.** Global Adaptation Finance Flows, Total and Per Capita, Breakdown by Region and Sources (2019-2020, Annual Average)
Adaptation finance in Africa delivered cross-sectoral benefits. In 2019-2020, 41% (or USD 4.7 billion) of tracked adaptation finance commitments went toward cross-sectoral activities. This included support for national-level policy and capacity building, disaster management activities, the COVID-19 response, urban issues, biodiversity, and social security. The agriculture, forestry, and other land use (AFOLU) sector saw the second-highest annual average commitments, accounting for 25% (or USD 2.8 billion), followed by the water and wastewater sector with 15% (or USD 1.7 billion).

The 2019-2020 period was the first where more finance commitments tracked from multilateral DFIs were directed to adaptation than to mitigation in Africa. Multilateral DFIs were the most significant source of adaptation finance flows in Africa (53%, USD 6 billion), followed by governments (23%, USD 2.6 billion) and bilateral DFIs (16%, USD 1.8 billion) as shown in Figure 3.

The private sector must be part of efforts to bridge the adaptation funding gap in Africa. The private sector contributes 14% of total climate finance to Africa, less than the contribution of the private sector in other regions like South Asia (37%) and East Asia and the Pacific (39%). The need for private participation is particularly evident for adaptation efforts in Africa, where currently the private sector contributes less than 3% of adaptation finance.

Most of the adaptation finance flowing to adaptation in Africa comes from large investors. Enhanced multi-stakeholder collaboration is essential to improve tracking and transparency in private adaptation finance. In addition, comprehensive data on private contributions also needs to be improved.

Figure 3. Adaptation Finance Flows in Africa, by Sources and Actors

![Chart showing adaptation finance flows in Africa by sources and actors.]

- Multilateral DFI: 53%
- Governments: 26%
- Bilateral DFI: 16%
- Multilateral Climate Funds: 3%
- Philanthropic foundations: 3%
- Commercial FIs and corporates: 3%

Public

Private

53% 26% 16% 3% 3%
Africa’s climate finance flows are concentrated in too few countries. Within Africa, data indicates that ten nations received over half of the continent’s climate finance. Various factors, including institutional capacity, borrowing capacity, governance, and perceived and real investment risks, influence this allocation. The top 10 most at-risk African countries per the ND-GAIN vulnerability index secured only 15% of total adaptation finance in 2019-2020. Moreover, the 20 African countries identified as being in fragile and conflict-affected situations (FCS) received a combined 35% of the continent’s adaptation finance (see Figure 4).

**Figure 4. Adaptation Finance Flows in Africa (2019-2020), by Recipient Countries**

<table>
<thead>
<tr>
<th>Top 10 recipient countries</th>
<th>Bottom 10 recipient countries</th>
<th>Top 10 climate vulnerable countries as per ND-GAIN index</th>
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<tr>
<td>54%</td>
<td>1%</td>
<td>18%</td>
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</table>
4 State of Global Commitments and Pledges

Key messages

- Globally, and in Africa, public financial institutions have a key role to play in closing adaptation funding gaps through their own capital and mobilization of the private sector and other funders, yet the lack of clearly defined or comparable commitments relating to climate adaptation is concerning.
- By developing adaptation finance commitments that are public, credible, and measurable, development agencies alongside public and private financial institutions can signal their intent to respond to growing calls for action in this space.
- Commitments and pledges should be especially focused on the most vulnerable countries that need far more adaptation funding support than they are currently receiving.

Global climate finance goals are critical for boosting adaptation funding to Africa. In 2009, at the 16th Conference of Parties (COP16), a non-binding goal was set to mobilize USD 100 billion per year in climate finance from developed countries to developing countries by 2025. In 2015, the Paris Agreement established, for the first time, a global goal on adaptation. Discussions continue on ways to measure countries’ ongoing adaptation efforts and assess future needs. In 2021, at COP26, the UNFCCC and G7 committed to doubling adaptation finance flows from 2019 levels by 2025 to roughly USD 40 billion. All of these processes are instrumental to channeling more adaptation finance to Africa.

Lack of ambitious public commitments for climate adaptation is concerning, especially as studies suggest that developed countries will only be able to provide half of the committed adaptation finance by 2025.29 Public financial institutions have a key role to play in closing adaptation funding gaps, yet only a handful have committed to significantly increasing adaptation finance, with Africa often receiving limited attention.

A balance between commitments for mitigation and adaptation remains elusive both in the public and private sector. There is growing momentum globally among financial institutions to align investments to the Paris goals of low carbon and climate resilient development. As of November 2022, more than 140 countries, including the biggest polluters—China, the United States, India, and the European Union—have set net-zero targets, covering about 90% of global emissions.30 Of the 70 largest public financial institutions (which represent 95% of the total assets held by public FIs), 20 have committed to net-zero or Paris alignment targets. However, a similar scale of commitments for adaptation and resilient investments is absent.31

Public financial institutions must set up ambitious adaptation targets to close the funding gap. Nine MDBs made a joint 2019 commitment to double total levels of adaptation finance by 2025 to USD 18 billion annually.32
In 2021, those MDBs announced that they had already surpassed the announced collective commitment on adaptation finance, totaling USD 19.2 billion for the year.33 No new joint commitments have yet been announced to signal an intent to raise ambition on adaptation targets. Only four out of the nine signatory MDBs have specific adaptation finance targets, as tracked in Table 1.

Multilateral climate funds, including the Green Climate Fund (GCF) and Adaptation Fund, have also made public adaptation commitments, but stakeholder access remains a challenge. The GCF is required by mandate to invest 50% of resources in adaptation and at least half of that funding must be invested in small island developing states, least-developed countries, and African countries.46 The Adaptation Fund specifically targets climate adaptation and resilience projects and programs, and its board approved a 5-year strategy in 2023 which includes a mobilization target of USD 300 million for 2023.47 However, African countries face several challenges to access these funds due to socio-political and economic instabilities; regulatory and governance issues; micro-economic conditions, such as lack of a pipeline of bankable projects; counterparty risks; lack of technical capacity, transparency, and accountability mechanisms; and perceived risks due to information asymmetries.48

Given their mandate, financial stability, and relationships with stakeholders, Sub-Regional Development Banks (SRDBs) have a substantial opportunity to play a leading role in advancing climate adaptation across Africa, however, none of the four African SRDBs have made public adaptation-specific funding pledges.49,50 In 2021, the Economic Community of West African States (ECOWAS) led the development of a regional climate strategy to support member states in implementing their respective NDCs and National Adaptation Plans (NAPs).51 Notably, the financial institution established

<table>
<thead>
<tr>
<th>Table 1. Tracked Adaptation Commitments of Nine Signatory MDBs34</th>
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<tr>
<td><strong>Specific Adaptation Target</strong></td>
</tr>
<tr>
<td>Africa Development Bank (AfDB)</td>
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<tr>
<td>Asian Development Bank (ADB)</td>
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<tr>
<td>European Investment Bank (EIB)</td>
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<tr>
<td>World Bank</td>
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<tr>
<td><strong>Joint Climate (Mitigation and Adaptation) Target, but no Stand-Alone Quantitative Adaptation Finance Target</strong></td>
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<tr>
<td>Inter-American Development Bank (IDB)</td>
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<tr>
<td>Islamic Development Bank (IsDB)</td>
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<tr>
<td>New Development Bank (NDB)</td>
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<tr>
<td>Asia Infrastructure Investment Bank (AIIB)</td>
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<tr>
<td>European Bank for Reconstruction and Development (EBRD)</td>
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by ECOWAS, ECOWAS Bank for Investment and Development (EBID), deferred to member states’ commitments, rather than declaring its own. Similarly, the West African Bank for Development (WABD) lacks adaptation commitments, although it was listed as a financier of specific actions under the regional climate strategy.\(^{52}\) While it is evident that some SRDBs are incorporating climate change into their strategic planning efforts, there are significant strides to be made in formulating their own commitments as potential regional climate leaders.

A handful of donors are leaders in financing adaptation in Africa, but dedicated and comprehensive commitments remain lacking. Among the leaders, Germany and France were the largest contributors of bilateral funding to adaptation in Africa in 2019-2020 and at COP27, the UK government made a commitment to triple its funding on adaptation to GBP 1.5 billion by 2025, with a specific focus on Africa.\(^{53}\) The Nordic Development Fund has also been a leader in adaptation finance and stated in its 2025 Strategy that it will invest at least 50% of its resources in adaptation.\(^{54}\) By defining and disclosing adaptation commitments, more public financial institutions can signal intent to respond to growing calls for action in this space. A more complete mapping of organizational pledges and commitments on adaptation finance is forthcoming as part of the full report to be published on this topic ahead of COP28.
5 Instruments of Adaptation Finance

Key Messages

- Debt was globally the most utilized instrument to deliver adaptation finance, with project-level market rate debt and low-cost project debt representing over 70% of annual adaptation flows.
- High utilization of debt for adaptation finance presents significant risk given existing severe debt burdens in many countries (especially those facing the most severe climate risk).
- More than half (53%) of the adaptation finance commitments to Africa in 2019-2020 were loans. A high share of financing from multilateral DFIs was committed in the form of commercial-rate loans (41%) and concessional loans (32%), whereas bilateral DFIs primarily committed concessional loans (82%).

Globally, debt financing is the most utilized instrument to deliver adaptation finance. Collectively, project-level market rate debt and low-cost project debt accounted for over 70% of annual adaptation flows between 2019-2020. Specifically, project-level market rate debt constituted 48% (or USD 23.3 billion) of the financing, followed by low-cost project debt at 23% (or USD 11.2 billion), and grants at 18% (or USD 9.3 billion), while the remainder came from other or unknown sources.55

In Africa, more than half (53%) of the adaptation finance commitments in 2019–2020 were channeled through debt, a trend that is anticipated to continue in 2021 and 2022.56 In light of existing severe debt burdens in many countries (especially those facing the most severe climate risk), high utilization of debt for adaptation finance presents significant risk.

A greater share of grant financing was used for agriculture, forestry, and water sectors than in energy and transport sectors. The majority of transport adaptation was financed via concessional loans, while the energy sector received the highest share of non-concessional loans (see Figure 5).

Climate adaptation finance mobilization requires an array of financial instruments, risk mechanisms, and broader finance-related solutions. Examples of each of the financial instrument types, along with the barriers they address for scaling up adaptation investments and factors that are critical to successful implementation, are outlined in Table 2.
Table 2. Examples of Adaptation Financial Instruments in Africa

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Description</th>
<th>Typical Use Case</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>Non-repayable or no interest rate reimbursable funding. Can include development grants, TA funding, and PPFs.</td>
<td>Used to support projects that serve a critical development objective, but where the commercial potential is low, or funding is needed to make efforts “investment ready.”</td>
<td>The World Bank/IDA’s Lesotho Transport Infrastructure and Connectivity Project.</td>
</tr>
<tr>
<td>Liquidity Instruments</td>
<td>Grant or debt facilities that are designed to provide immediate access to capital. Most frequently shock-responsive cash transfers, liquidity support, and domestic budget reallocations.</td>
<td>Used to respond to insufficient financial and technical capacity in the face of emergency situations.</td>
<td>The Ethiopian government launched the Productive Safety Net Program (PSNP).</td>
</tr>
<tr>
<td>Project Finance</td>
<td>Direct debt or equity investments into a single project or discrete set of projects across commercial or concessional finance including loan guarantees, first-loss debt, off-taker guarantees, direct infrastructure investments, and PPP financing.</td>
<td>Useful for direct development and investment in an infrastructure project or for financing based on a government contract.</td>
<td>Sustainable Development of Abu Rawash Wastewater Treatment Plant.</td>
</tr>
<tr>
<td>Financing Facilities</td>
<td>Debt or equity funding for a pool of projects, companies, or individuals at various levels of concessionality including subordinated debt and equity, private equity funds, and other debt facilities.</td>
<td>Wide use case, can support investment which requires aggregation and coordination.</td>
<td>The Food Securities Fund.</td>
</tr>
<tr>
<td>Results-Based Finance</td>
<td>Debt or grant capital for a project or portfolio of projects that is contingent on the achievement of certain outcomes. Can include impact notes, climate bonds, and conservation trusts.</td>
<td>Useful as a blended finance approach, involving favorable repayment terms or bonuses for achieving policy outcomes. Can support insufficiently bankable projects.</td>
<td>UBS Optimus Foundation Social Success Note.</td>
</tr>
<tr>
<td>Debt-for-Climate Swaps</td>
<td>A type of debt swap in which the debtor nation, instead of continuing to make external debt payments in a foreign currency, makes payments in local currency to finance climate projects domestically on agreed terms.</td>
<td>Useful in national country content with significant debt burden and high climate vulnerability, and where institutional capacity is sufficient to execute.</td>
<td>DFC Swap – Seychelles.</td>
</tr>
<tr>
<td>Insurance</td>
<td>The most common form of risk transfer. Can include catastrophe bonds, parametric insurance, and index insurance.</td>
<td>Used in cases with high climate risk and most effective when climate data is robust, regulatory conditions are workable, and there is trust in insurance payouts.</td>
<td>The African Risk Capacity.</td>
</tr>
</tbody>
</table>
6 Improving Tracking of Adaptation Finance

Key Messages

- Adaptation finance tracking is plagued by data gaps, methodological inconsistencies, and reporting issues at both domestic and international levels.
- Some headway has been made by a few public financial institutions but much needs to be done to standardize, harmonize, and disclose granular, consistent, and comparable information on adaptation finance.
- The challenges are amplified for private financial institutions where there is lack of regulatory pressure, market demand, and incentives to report data on private adaptation financing.

Improved quality adaptation finance tracking is key to measuring progress. Tracking helps in identifying gaps and barriers in financing adaptation and resilience solutions globally, and in Africa, and effectively scaling up financing flows. It plays a crucial role in measuring progress and ensuring the scale is at the required pace and meets needs. Despite the critical importance of adaptation finance tracking, significant data, reporting, and methodological challenges limit a more insightful assessment of adaptation finance flows in Africa and globally by CPI and others.

DFIs play a key role in scaling up adaptation finance in Africa but present several challenges to tracking collective efforts. CPI has tracked adaptation finance flows from international public financial institutions, especially DFIs, for more than a decade and this experience has generated important lessons on tracking and reporting adaptation finance. Learning from these efforts will help improve measuring collective progress and promoting best practices. A detailed summary of some of the methodological and institutional challenges is presented in Table 3. The full report to be published on this topic ahead of COP28 will advance a set of proposed best practices and next steps to resolve these key issues across data gaps, methodological inconsistencies, and reporting protocols.

Addressing these challenges will require multi-stakeholder collaboration to track, report, and monitor adaptation finance data that is comprehensive, consistent, and comparable.
There is currently no common definition of adaptation finance that can be easily adopted by all stakeholders. There is a wide spectrum of potential solutions that could be used across sectors to ensure that communities, systems, and infrastructure are adapted to climate change.

Climate adaptation is process-based and context specific. Whether an investment has adaptation and resilience outcomes depends on specific regional or local vulnerabilities. It can thus be difficult to define and tag the expected outcomes of a financial flow.

Adaptation finance tracking methodologies used by MDBs and large DFIs are often quite robust and resource intensive. Smaller DFIs, as well as other public and private financial institutions and governments, might not have the required technical, institutional, and financial capacity to implement these methodologies. This leads to varied levels of practical implementation, incomparability in reporting, and difficulty in aggregating data from different institutions.

There is a lack of collective understanding of what needs to be done to scale up adaptation financing and what are the intended objectives of combined adaptation efforts. The Sharm-El-Sheikh Adaptation Agenda made efforts to outline this post-COP27. However, there is still a lack of clarity regarding how the concessional and grant resources for adaptation and resilience can be scaled and how the private financing can be effectively targeted.

The lack of comprehensive climate tracking of domestic budget expenditures leads to significant data gaps in tracking domestic public climate finance. Many countries in Africa have ongoing efforts to improve budget planning in order to mainstream climate finance in their existing development plans and policies, and to better account investment flows that are already happening.

### Table 3. Challenges in Tracking Adaptation Finance Flows

<table>
<thead>
<tr>
<th>Methodological Challenges</th>
<th>Institutional Challenges</th>
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<tbody>
<tr>
<td>Definitional</td>
<td>Inconsistent Use of Methodologies</td>
</tr>
<tr>
<td>Particularly in the private sector, disclosure of resilient investments is limited (if not non-existent). A lack of standards and reporting requirements limit private sector actors’ incentives to report adaptation finance and many institutions simply do not have the tools to identify finance as adaptation. At present, private sector finance to adaptation is very difficult to compare to public finance in light of the inconsistent definitions and methodologies. Gaps in tracking private sector adaptation finance create significant uncertainty regarding current progress towards financing adaptation.</td>
<td>Adaptation finance tracking methodologies used by MDBs and large DFIs which are members of the IDFC are often quite robust and resource intensive. Smaller DFIs, as well as other public and private financial institutions and governments, might not have the required technical, institutional, and financial capacity to implement these methodologies. This leads to varied levels of practical implementation, incomparability in reporting, and difficulty in aggregating data from different institutions.</td>
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<tr>
<td>Variation in Disclosure Requirements and Incentives</td>
<td>Confidentiality Issues</td>
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<td>Climate adaptation is process-based and context specific. Whether an investment has adaptation and resilience outcomes depends on specific regional or local vulnerabilities. It can thus be difficult to define and tag the expected outcomes of a financial flow.</td>
<td>Several DFIs and private financial institutions have strict client confidentiality, commercial sensitivity, and data protection concerns. This may make them reluctant to publicly disclose granular information about adaptation projects such as intended objectives, achieved outcomes, and associated adaptation finance flows. This is especially challenging for measuring progress if the institutions have made ambitious commitments for scaling up adaptation finance.</td>
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<tr>
<td>Mix of Incremental and Total Tracking</td>
<td>Fragmented Data and Processes</td>
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<td>The MDBs and International Development Finance Club (IDFC) recommend the use of incremental or proportional cost of adaptation to report adaptation finance: capturing a share of finance dedicated to adaptation activities. However, in practice, only the MDBs are following the incremental/proportional approach while other DFIs, climate funds, and governments largely report the total cost of the projects and all institutions report the full amount for mitigation finance which yields comparability challenges between adaptation and mitigation finance. The lack of comprehensive climate tracking of domestic budget expenditures leads to significant data gaps in tracking domestic public climate finance.</td>
<td>As many adaptation projects are cross-sectoral, there are several operational teams—besides those dedicated to strategy, policy, finance, monitoring and evaluations, research and communications—that are involved in data collection and the reporting process. Despite progress in engagement and collaboration, different teams often use disparate data collection methods and tools, leading to fragmentation of data. This can make it difficult to have a unified view of the information across different platforms and processes.</td>
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<tr>
<td>Lack of Impact Metrics</td>
<td>Limited Agility and Delay in Responses</td>
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<td>As the amount of adaptation finance grows, it is important that tracking of adaptation finance goes beyond measuring financing volume to capturing impact, results, benefits, and outcomes. Climate adaptation does not have a single impact metric, equivalent to the tons of CO₂ emissions that is commonly used for mitigation. This often leads to multiple impact metrics being used by different actors to evaluate the project performance, making it harder to identify and aggregate financing flows and associated impact.</td>
<td>Integrating data from different sources and teams can be a complex task. This may cause organizations to either respond slowly or provide limited data in the given timeframe without high granularity and consistency. Complex data collection processes also hinder the organization’s ability to implement new methodologies rapidly and track adaptation finance flows efficiently.</td>
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<tr>
<td>Limited Understanding of Adaptation End Goals</td>
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<td>There is a lack of collective understanding of what needs to be done to scale up adaptation financing and what are the intended objectives of combined adaptation efforts. The Sharm-El-Sheikh Adaptation Agenda made efforts to outline this post-COP27. However, there is still a lack of clarity regarding how the concessional and grant resources for adaptation and resilience can be scaled and how the private financing can be effectively targeted.</td>
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<tr>
<td>Lack of Domestic Budget Tagging</td>
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<td>The lack of comprehensive climate tracking of domestic budget expenditures leads to significant data gaps in tracking domestic public climate finance. Many countries in Africa have ongoing efforts to improve budget planning in order to mainstream climate finance in their existing development plans and policies, and to better account investment flows that are already happening.</td>
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<tr>
<td><strong>IMPROVING TRACKING OF ADAPTATION FINANCE</strong></td>
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16 | GLOBAL CENTER ON ADAPTATION AND CLIMATE POLICY INITIATIVE
This brief recommends three key actions to improve tracking, and ultimately mobilization, of adaptation finance:

**Agree upon a ‘north star’ goal for adaptation:** Stakeholders must collaboratively devise an accessible framework encompassing adaptation and resilience actions, technologies, policies, and financing. This framework will help in identifying a north star goal for adaptation finance that is the equivalent of the net-zero goal for mitigation finance. Such a goal will clarify any ambiguity in intended objectives for adaptation finance and engage a broader audience from the public and private sectors, spurring investment, innovation, and targeted interventions where they are most essential.  

**Build consensus on definition, metrics, and frameworks:** Stakeholders should focus on developing an agreed-upon menu of metrics and a related analytical approach to ensure consistent measurement of adaptation and resilient investments across public and private financial actors. International financial institutions, and especially DFIs, should continue to advance efforts to harmonize reporting to chart progress on adaptation and resilience.

**Provide transparent leadership:** DFIs and other advanced actors in adaptation finance can and should offer ambitious and transparent leadership on adaptation finance. This involves setting public, measurable, and ambitious climate adaptation finance goals and openly sharing information about the criteria used to identify and quantify adaptation finance and the data, models, and scenarios that are relevant in the context of adaptation action.


UNFCCC Standing Committee on Finance. (2021). First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. https://unfccc.int/sites/default/files/resource/54307_1_%20UNFCCC%202020%2020%20REPORT%20%20V.


The totals provided here do not match with USD 11.4 billion tracked in adaptation finance flows to Africa in 2019-2020 because other sectors with small shares such as buildings, industry etc. are not included in this figure