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Toward Implementation



The 2017
AdaptationWatch Report

About AdaptationWatch

AdaptationWatch is a growing partnership of organizations from across the world, aiming to catalyze wide participation in plans and actions to adapt to climate change. AdaptationWatch partners combine cutting edge tools on tracking development finance with world class research, advocacy and capacity building.

This is the third in a series of AdaptationWatch Reports, prepared in advance of the annual UN Climate Conference, without support from any funding agency. AdaptationWatch seeks to share information and work collaboratively with all organisations engaged in transparency and account-ability, and climate change adaptation, and we welcome collaboration and partnership in dealing with the issues raised in this report.

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The 2017
AdaptationWatch Report

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Executive Summary	5
Chapter 1	
Introduction: The Dawning Era of Adaptation Implementation	7
SEI, Brown University	
Chapter 2	
Adaptation Finance from the Ground: Insights from Southeast Asia	12
ISET	
Introduction	13
Climate change and adaptation in Southeast Asia	14
Climate finance streams	15
Challenges	16
Recommendations	19
Conclusions	21
Chapter 3	
Financing Adaptation in the Least Developed Countries	22
ICCCAD, IIED, PACJA	
Least Developed Country Access to the Green Climate Fund	23
Adaptation Funding as Opposed to Mitigation Funding	24
Direct Access to Funds—A Far Cry for Least Developed Countries (LDCs)	25
Adaptation Funding as Opposed to Mitigation Funding	26
Can Least Developed Countries Count on the Green Climate Fund?	27
Chapter 4	
Adaptation Funding and Governance in Latin America and the Caribbean	28
Nur University	
Adaptation Governance Trends in Latin America and the Caribbean	31
Climate Investment Funds (CIF) Pilot Program for Climate Resilience (PPCR) Investments and Mainstreaming Adaptation	33
Green Climate Fund (GCF) Readiness in Latin America and the Caribbean	33
Climate Finance Coordination	35
Monitoring and Evaluation Frameworks, Participation, and Transparency	36
Conclusions	37

Chapter 5
Toward Climate Finance Reporting Systems in Latin America 38
 GFLAC

Tracking Climate Finance in Latin America and the Caribbean
 Using International Reporting 39
 Reporting Climate Finance from Latin American Countries' Perspectives 44
 Recommendations for Climate Finance Reporting Systems in
 Latin America and the Caribbean 48

Chapter 6
Transparency from the Other Side:
A Review of the First Biennial Update Reports 50
 Free University of Brussels

Introduction 51
 Non-Annex I Parties' Compliance Toward UNFCCC
 Transparency Guidelines 51
 Reporting Approaches Used by Non-Annex I Parties for Climate
 Finance Received 52
 Conclusion: Main Challenges and Opportunities Ahead 56

Chapter 7
Capacity Building for Climate Change Adaptation:
Lessons from Other International Regimes 57
 North South University

Regime Experiences: Commonalities and Differences 59
 Lessons for Building Capacity to Adapt to Climate Change 61

Conclusion 62
 SEI, Brown University

List of tables and figures

Fig. 1.1 Four generations of adaptation research and policy	Table 4.2 Adaptation governance in selected Latin American and Caribbean countries	Table 5.3 International climate finance flows in eight Latin American countries (in million USD)
Fig. 2.1 Governance of global public-sector climate finance	Table 4.3 Green Climate Fund (GCF) readiness in selected Latin American and Caribbean countries	Table 5.4 National public expenditure related to climate change in Latin America (seven countries)
Fig. 3.1 Green Climate Fund (GCF) approved projects and allocated funding	Table 5.1 Climate finance reporting for Latin America and the Caribbean	Table 6.1 Non-Annex I Parties' compliance with climate finance transparency requirements
Fig. 3.2 Approved projects and allocated funds by access modality	Table 5.2 Characteristics of public finance for Latin America and the Caribbean	Table 6.2 Reporting approaches used by some non-Annex I Parties for financial support received
Table 4.1 Data gathering in selected Latin American and Caribbean countries		

Executive Summary

After decades of deliberation, the Paris Agreement has thrust climate policy into a new era of adaptation implementation. Developing countries in particular are in need of global support for adaptation; climate finance, capacity building, and improved governance are critical to this support's effectiveness. This report highlights the experiences of nations in the Global South in adaptation. We emphasize the need to bolster the effectiveness of climate adaptation action in order to ensure that the world's most vulnerable people are well-equipped to respond to the impacts of climate change.

The report begins with an analysis of the changes in approaches to adaptation since the inception of the United Nations Framework Convention on Climate Change (UNFCCC). The analysis examines the latest generation of adaptation plans, in which the global community turns from conceptualizing and deliberating adaptation to action.

Chapter 2 introduces climate finance, a primary challenge in adaptation. There is a significant gap between funding for adaptation and funding for mitigation. Furthermore, the lack of transparency in global finance flows makes it difficult to track funding for adaptation. This chapter focuses on ten years of adaptation and resilience work in Southeast Asia in order to better understand the challenges and opportunities for climate finance.

Chapter 3 outlines key challenges for least developed countries (LDCs) in accessing climate finance, particularly from the Green Climate Fund. The complicated application process, along with the lack of clarity in the definition of adaptation as opposed to development, and an insufficient number of implementing agencies are barriers to acquiring adaptation finance.

The fourth chapter acknowledges the unique position of Latin American and Caribbean countries (LACs). LACs are among the countries most vulnerable to climate change. They have successfully made use of finance readiness programs through the Green Climate Fund. This chapter argues that, building on existing efforts, Parties to the UNFCCC should continue to assess vulnerable groups, communities, and ecosystems by seeking synergies between traditional and local knowledge in order to formulate reliable socioeconomic and environmental policies.

Chapter 5 examines monitoring, reporting, and verification practices in Latin America and the Caribbean. While developed countries have historically borne much of the onus for tracking adaptation finance, there is growing interest among recipient nations in improving their own systems. Beginning with an overview of climate finance flows to the region, this work discusses steps that Latin American and Caribbean countries are taking to improve climate finance tracking, and the importance of developing international guidelines.

Chapter 6 deals with accountability in climate adaptation. It is currently impossible to calculate the support received by developing countries because their Biennial Update Reports (BURs) lack comprehensive information. There is an urgent need for common methodologies, clear reporting guidelines, and building capacity for reporting to enhance transparency, promote accountability, and ensure that the support developing countries need fully aligns with the support they receive.

The seventh chapter emphasizes the importance of building capacity for the long term in developing countries. Drawing on other international development regimes, we identify common themes and best practices that can be applied to capacity building for climate change. These include participatory planning between and across developed and developing countries, ownership of capacity building efforts by recipient countries, and a focus on education, training, and building awareness.

Finally, we recommend ten actions for moving forward on adaptation under the Paris Agreement:

1. **Commit to the era of adaptation implementation.**
2. **Increase finance for adaptation.**
3. **Define 'adaptation' in a way that is clear and widely accepted.**
4. **Outline a robust reporting system with common accounting methodologies.**
5. **Move toward substantive assessments of progress on adaptation.**
6. **Ensure that finance goes to the most vulnerable and under-supported.**
7. **Consider in-country issues with communication and coordination.**
8. **Simplify and support efforts to increase climate finance readiness.**
9. **Co-design adaptation action with local communities.**
10. **Reorient capacity building efforts to focus on the long term.**

Chapter 1

Introduction: The Dawning Era of Adaptation Implementation

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- 1 Monbiot 2015
- 2 UNFCCC 2015 Decision 1/
CP.15, Article 2, Paragraph
1(a)
- 3 UNFCCC 2015 Decision
1/CP.15, Article 7, Para-
graph 1
- 4 Climate Action Tracker

Introduction

Shortly after the adoption of the Paris Agreement in December 2015, George Monbiot, in an opinion piece for *The Guardian*, wrote: “By comparison to what it could have been, it’s a miracle. By comparison to what it should have been, it’s a disaster.”¹ The United Nations Framework Convention on Climate Change (UNFCCC) has an embattled history, from the contentious and ultimately unsuccessful Kyoto Protocol, to the collapse of the Copenhagen negotiations in 2009. Coalitions of Parties have continued to evolve and fracture along new dividing lines, and widespread agreement has often seemed out of reach.

Reaching global consensus and adopting the Paris Agreement is undeniably a landmark achievement for the climate policy community. The Agreement aspires to “[hold] the increase in global average temperature to well below 2°C above pre-industrial levels”², while also “[establishing] the Global Goal on Adaptation of enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change.”³

Yet, for all the praise that the Paris Agreement deserves, an equal measure of skepticism is needed; the ability to achieve these goals is an entirely different matter to agreeing on them. Based on pledges to reduce emissions currently submitted by Parties to the Paris Agreement, global mean temperatures are set to surpass the 2°C target and lead to roughly 2.8°C of warming (Climate Action Tracker n.d.)⁴. This is a significant difference and, if left unchecked, could have devastating effects for small island developing states (SIDS), least developed countries (LDCs), and other vulnerable Parties.

The Paris Agreement also established the “global goal on adaptation” in an attempt to place adaptation and reducing emissions on an equal footing. However, there is great uncertainty about how the global goal will be operationalized. Measuring progress toward such a goal would likely pose significant challenges; for example, developing countries where vulnerability to climate impacts is high and resources and capacity are often sharply limited, would need to take action on adaptation urgently. To this end, the Agreement outlines three main ways to support developing nations implement adaptation: *provide finance*; *develop and transfer technology*; and *build capacity*, discussed in Articles 9, 10, and 11 respectively. Additionally, Article 13 provides an overarching transparency framework, and Article 14 a global stocktake of implementation efforts and progress toward the Agreement’s goals.

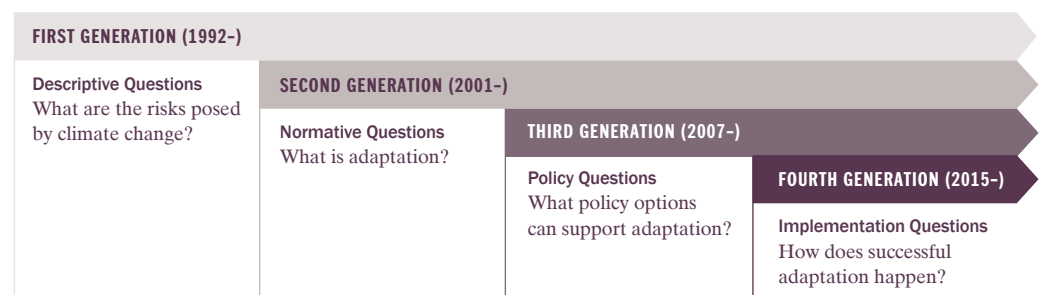
The means of implementation, which are of great importance to adaptation efforts, are quickly becoming a focus of international climate negotiations. Adaptation efforts under the UNFCCC process are beginning to pivot from “what needs to be done” to “how we are going to accomplish it”. Put differently, adaptation policy and research have begun to enter a new era, defined by increasing attention to implementation.

- 5 Klein et al. 2017
- 6 Smith and Lazo 2001
- 7 Burton et al. 2002
- 8 Schipper 2006
- 9 Burton 1996
- 10 McCarty et al. 2001

The Evolution of Adaptation— Four Generations of Research and Policy

In order to consider what a new era of adaptation focused on implementation entails, it is instructive to consider the history of climate change adaptation research and policy. A recent working paper, published following the Adaptation Futures 2016 conference, outlines four distinct generations of climate adaptation research and concomitant policy concerns.⁵ According to this working paper, each new generation of adaptation research and policy builds upon the previous generation, encompassing new sets of issues and questions (Figure 1.1).

Figure 1.1
Four generations of adaptation research and policy



Early, or ‘first generation’ adaptation research, beginning in roughly 1992, focused primarily on descriptive questions. Little was known about exactly what effects climate change might have on communities and, because of this, work focused on getting a better understanding of how climate change would affect the lives of people around the world.⁶ This research was closely linked to the impact assessment community, and began to raise questions about when climate impacts might become unavoidable, and how those impacts might be addressed.⁷ From a policy perspective, adaptation was not yet recognized as a key concern in UNFCCC texts. The concept itself was somewhat unclear⁸ and there were concerns that focusing on adaptation might detract from mitigation efforts.⁹

The second generation of adaptation research and policy began in 2001 with the publication of the Intergovernmental Panel on Climate Change (IPCC) Third Assessment Report (AR3), which informed the Marrakech Accords at the 7th Conference of Parties (COP7). AR3 contained a specific chapter on adaptation that addressed key questions such as “What is adaptation?”, “Who is adapting?”, and “Adapting to what?”¹⁰ The chapter considered climate adaptation as a distinct area of inquiry, and began to develop an adaptation vocabulary that defined key terms such as vulnerability, sensitivity, exposure, and adaptive capacity. In this sense, the second generation of adaptation research and policy represented a turn inward; the climate community began to take the significance of adaptation to a warming world seriously.

Following these developments, a third generation of adaptation research and policy began around 2007 as the international community prepared to sign a post-Kyoto global climate agreement. The IPCC Fourth Assessment Report

(AR4), together with the Bali Action Plan, represented a turn toward adaptation policy, thinking about how policies could support climate change adaptation, how adaptation priorities could be set, and the kinds of political structures and institutions that would be necessary for successful adaptation. In this generation, questions about mainstreaming climate change into other areas of policy abounded; important connections were made between disparate sectors of government relevant to climate adaptation. Importantly, the failure of Parties to reach a global agreement in Copenhagen in 2009 underscored the need for robust scholarship and debate on these policy-oriented topics; it became crucial to develop adaptation policies that were both effective and politically feasible.

Finally, with the Paris Agreement in 2015, adaptation research and policy has turned decidedly toward implementation, building on the key areas of work in previous generations. Implementing adaptation policy is likely to pose new challenges, ranging from how to measure the effectiveness of adaptation to how to work productively with communities and stakeholders around the world. The descriptive, normative, and policy questions that defined previous generations are still relevant today but, in the emerging fourth generation, are being seen from a new perspective. Descriptively, work must be done to understand how adaptation works on the ground, as well as to understand which adaptation activities may be successfully replicated and taken to scale. Normatively, debates are ongoing about the relationship between adaptation and development; it is necessary to consider what role adaptation should play in challenging underlying social, economic, and political structures in order to drive potentially transformative change. From a policy perspective, a great deal of institutional development must be done in order to support mainstream or stand-alone climate adaptation work, both at national and international levels.

As the international climate policy community moves from debating the details of the Paris Agreement toward implementing it, a new approach to climate change adaptation research and policy is bound to emerge. Building on decades of work, the dawning era of adaptation implementation is likely to mean asking new questions and addressing old challenges in new ways.

Watching Adaptation in the Era of Implementation

Successfully implementing adaptation and achieving the Global Goal on Adaptation established under the Paris Agreement will require strong governance and unprecedented levels of coordination, both within and among developed and developing countries. For developing countries, where most adaptation efforts will take place, this will mean accessing support for implementation from international partners, governing and prioritizing adaptation efforts within their borders, and building capacity for the long term.

The goal of this report is to shed light on the experiences of developing countries in addressing these issues. The chapters share knowledge and expertise across borders in order to build an understanding of common challenges and ways they might be overcome.

Chapter 2 addresses ways of accessing support for implementation. It describes the landscape of climate finance in Southeast Asia and draws attention to key issues in the region. Chapter 3 focuses on support available to highly vulnerable countries, with insights from LDCs. Chapter 4 explores the governance of adaptation finance in Latin America, including a specific look at readiness programs offered by the Green Climate Fund.

Chapter 5 turns to capacity building, discussing the experience of Latin America in order to further conversations about developing monitoring and evaluation systems for climate adaptation finance. Chapter 6 approaches building capacity for reporting from a different perspective. Developing countries' Biennial Update Reports raise questions about adaptation finance received by developing countries and the structures available in UNFCCC to guide the climate finance reporting process. Lastly, Chapter 7 takes a look at building long-term capacity for adapting to climate change, drawing on the experiences of other international governance regimes.

In all, the perspectives from around the world show how adaptation is being implemented in the Global South right now, how adaptation is being governed, and how adaptation could be governed. Countries are learning to make use of their resources, and to share knowledge and strategies for effectively obtaining and utilizing funds for effective projects. The insights show how access to finance, capacity building, and accountability are crucial for successful adaptation, especially in the era of adaptation implementation. However, there are many challenges in ensuring that the most vulnerable nations have the tools to adapt to climate change. The findings of this report may serve as a guide for all stakeholders interested in implementing adaptation going forward.

Chapter 2

Adaptation Finance from the Ground: Insights from Southeast Asia

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- 11 Terpstra and Ofstedahl
2013
12 Thwaites et al. 2015

Introduction

At the time of its inception in 1992, it was widely considered that the UNFCCC would fulfill its mission within ten to fifteen years of the completion of its first scientific report, led by the Intergovernmental Panel on Climate Change (IPCC). It was anticipated that, within that time, suggestions for limiting and reducing greenhouse gas emissions would have been implemented. Now, 25 years after Rio, the atmosphere contains an additional 50 parts per million of carbon dioxide. Five further IPCC reports indicate that there has been some progress, but not as much as expected in 1992, nor enough to address rising greenhouse gas emissions.

In retrospect, one can see the challenges that dealing with climate change would face. Addressing climate change has been met with many forms of resistance, from entrenched, powerful interests to a century of dirty energy infrastructure, and from cultural and social norms to mindsets on natural resources and the Earth's capacity. Today we know that the challenges of mitigating carbon dioxide emissions are more complex than we originally expected, and we have accepted that it will take more effort than we planned. For this reason, the UNFCCC incorporated adapting to the impacts of climate change in its agenda.

The task of adaptation and financing adaptation is another new challenge. Adaptation is quite different from mitigation because of the scale at which it needs to be addressed, and because the ways and means by which international institutions can best help are different. Climate adaptation efforts will need to engage bottom-up processes. Though there is certainly the need for global and regional engagement on adaptation through policies and incentives, most publicly financed climate adaptation will need to happen at provincial and municipal levels. Further, most adaptation is likely to be done autonomously by communities and households as people adjust to changes in their environment. Thus, international support and financing for these localized efforts is crucial.

This chapter is based on nearly ten years of climate adaptation and resilience practice in Southeast Asia with the Rockefeller Foundation-supported Asian Cities Climate Change Resilience Network (ACCCRN) and the United States Agency for International Development (USAID)-supported Mekong-Building Climate Resilient Asian Cities (M-BRACE) program. These two programs, along with smaller efforts supported by other donors, led to action on climate adaptation and resilience in 20 cities across seven countries between 2008 and 2017. This chapter does not promise to be a deep investigation into all aspects of climate adaptation finance, nor can it, since the definition of a climate adaptation action is still being debated.¹¹ At the same time, global climate finance institutions are undergoing rapid change.¹² What this chapter does present is a snapshot of the challenges and opportunities for adaptation finance as seen from the ground. This chapter is based on on-the-ground experiences and interactions, and interviews with practitioners in the field. Nonetheless, the opinions expressed and any errors are the author's alone.

- 13 World Bank 2017
- 14 Coates et al. 2003
- 15 Baran 2006
- 16 Grantham & Rudd 2017
- 17 World Bank 2013
- 18 World Bank 2013
- 19 Ammann et al. 2014

Climate Change and Adaptation in Southeast Asia

Southeast Asia, here defined as 11 nations – Thailand, Laos, Cambodia, Vietnam, Myanmar, Malaysia, Philippines, Indonesia, Brunei, Singapore, and Timor Leste – is home to 639 million people. All these nations, except Timor Leste, are members of the Association of South East Asian Nations (ASEAN). ASEAN had a combined gross domestic product (GDP) of USD 2.55 trillion in 2016 (ASEAN 2017), making the ostensibly common market ASEAN Economic Community (ACE) the seventh largest unified economic entity globally. Many of the ASEAN nations have had tremendous economic success over the last 30 years and, along with this success, there has been development, changes in land use, and urbanization. The region has some of the world's most populated cities. The Jakarta metropolitan region (30.5 million) in Indonesia and the Manila metropolitan region (24.1 million) in the Philippines are the world's second and fourth most populous in the world and constitute 37% and 17% of their nation's total GDP respectively. With investments in infrastructure and education, and the opening of international markets, the region has seen a tremendous reduction in poverty over the past few decades. Extreme poverty (defined as USD 1.90 per day) in East Asia and the Pacific dropped from 29.1% of the population in 2002 to 7.2% of the population by 2012.¹³ Yet that 7.2% constitutes 166 million people still living in extreme poverty, with millions more living just above subsistence levels.

Despite its expanding middle class and associated rapid urbanization, Southeast Asia has one of the world's largest populations dependent on ecosystem services for their livelihoods. For example, in much of Southeast Asia, livelihoods depend on freshwater fisheries, such as those found in the Mekong River. The Mekong is one of the most diverse freshwater fisheries in the world with over 1,200 different species.¹⁴ The fish are highly dependent on seasonal flows.¹⁵ Of the 55 million people living in the Lower Mekong Basin in 2003, approximately 40 million were connected either directly or indirectly with Mekong fisheries.¹⁶ Climate change, along with the construction of dams and other development, is putting the livelihoods of those 40 million at risk.

The Southeast Asia region's hot, wet climate provides a vast array of ecosystem products such as lumber, rubber, palm oil, and coconut, as well as supporting traditional agriculture like rice farming, and fruit growing. The coasts and islands of the region sustain a strong aquaculture industry. These ecosystem-based industries involve both industrial-scale actors and millions of subsistence farmers. In addition to agriculture and aquaculture, the region's environmental beauty and climate draw tourists (63 million in 2015) providing employment in a high-value sector.

One of the expected impacts of climate change in Southeast Asia is the degradation and loss of coral reefs.¹⁷ This would diminish tourism, reduce fish stocks, and leave coastal communities and cities more vulnerable to storms. Further, because the countries of Southeast Asia have relatively high coastal population densities¹⁸ they are particularly vulnerable to rises in sea level, increases in heat extremes, more intense tropical cyclones, and ocean warming and acidification. Heat extremes, particularly high heat indices (heat and humidity), could also affect both rural populations¹⁹ and industrial production in Southeast

- 20 Opitz-Stapleton 2016
- 21 Lenton et al. 2008
- 22 NEDA 2013
- 23 Venkateswaran and MacClune 2016
- 24 Note: at present, there is no consensus among climate scientists about the ability of climate models to properly project typhoon frequency and intensity under climate change, IPCC 2013
- 25 Buchner et al. 2015

Asia.²⁰ For example, the crops of coconut farmers in the Philippines were destroyed by Typhoon Haiyan (see Box 1). Further, the dependence of hundreds of millions of Southeast Asians on monsoon-driven weather patterns is cause for concern; the Asian monsoons have been identified as one of the globe’s major climate tipping points.²¹ Thus, there is a vital need to adapt to climate change and to build resilience in the region.

Box 1
Impact of climate change on Filipino coconut farmers

On 8 November 2013 Typhoon Yolanda (internationally known as Typhoon Haiyan) struck the island of Leyte in the Philippines near the city of Tacloban. About 600,000 hectares of agricultural land were affected, and crop losses were estimated at 1.1 million (metric) tonnes, of which 80% was in Leyte’s administrative region, Region VIII. The main crops in the most badly affected areas of Regions VI, VII, and VIII were: coconut (73% of the crop area), palay (16% of the crop area); and corn (4% of the crop area). The most significant damage was to coconut (valued at PHP 17,825 million). Damage was recorded over a wide area: 441,517 hectares, of which 161,400 hectares was totally destroyed.²²

The Philippines is the world’s largest producer of coconut, the bulk of which is grown on medium-sized farms. The islands of Eastern Visayas are culturally important for coconut production and remain one of the major producers in the country. The impact of Typhoon Yolanda on many of the Eastern Visayas islands was devastating, completely destroying many plantations. The current cultivar of coconut requires 10 years to grow from seed to fruit bearing. Thus, the impact of the storm left some coconut farmers without a livelihood.

Interviews with district disaster officials in 2015²³ showed that six months after the storm, as immediate demands for disaster response began to subside, the Region VIII Regional Disaster Coordinating Council (RDCC) met to assess longer-term impacts. Discussions considered information about climate change, which indicated that storms such as the one just experienced could become more frequent, perhaps with return periods of less than 10 years.²⁴ Upon learning that intense storms might have a 10-year frequency, the coconut farmers became very concerned and asked if there were cultivars that could either withstand such storms or which could mature more quickly and thus be more easily replaced after storms. Unfortunately, their concerns have not yet been answered. Meanwhile, they face an uncertain future.

Climate Finance Streams

According to the latest analysis of global climate finance flows by the Climate Policy Initiative²⁵ the world’s climate finance streams consist of USD 391 billion, of which 6% (USD 25 billion) was for adaptation. Most climate finance (92% or USD 361 billion) was for mitigation, of which USD 292 billion (81% of mitigation

finance, 75% of total climate finance) was for renewable energy. The report makes clear that finance for adaptation is an area where further work is needed. Part of the challenge in tracking adaptation finance is the scale at which most adaptation action is taken, as will be discussed in more detail later in this chapter. Furthermore, the amount of adaptation finance destined for Southeast Asia is unclear.

Challenges

In the context of local climate adaptation and resilience practices, the key challenges have been:

- i) **Defining climate adaptation and framing solutions.**
- ii) **Governance in making decisions about financing.**
- iii) **Fractured streams of finance.**
- iv) **Few ways of accessing finance and ways of accessing finance that are remote from the issue on the ground.**
- v) **A focus on top-down, bankable projects.**

Defining Climate Adaptation

Defining the added cost of climate change adaptation beyond the costs of ‘normal development’ is a challenge. The challenge is effectively described by Terpstra and Ofstedahl²⁶ in a hypothetical case of installing drainage pipes. In their example, an assessment of the impacts of climate change led to installation of a larger pipe than would have been installed had the assessment not been made. They ask the questions: Are the extra costs of the larger pipe the added cost of climate adaptation? Would the study that showed the need for the larger pipe be an adaptation practice? If there were no pipes, would the entire drainage system be considered adaptation? This hypothetical case shows that installing a pipe that did not exist before could be considered as normal development or could be considered as adaptation. Moreover, as the authors pointed out, this example is relatively straightforward. Defining the added cost of adapting to climate change becomes more difficult when trying to assess how much of the funding flowing to non-infrastructure programs, such as social vulnerability assessments, can be considered as adaptation finance.

Scales of Climate Adaptation Finance Governance

A key challenge for the climate policy community in general, and the climate finance community in particular, is the difference between the scale of governance and the scale of action. The author’s experience with an international non-governmental organization (NGO) operating out of the global North shows the importance of entering development contexts with an open mindset. Despite the well-documented value of local knowledge in ensuring sustainability of interventions, international representatives can still, far too easily and often unintentionally, influence people away from locally valued and contextually relevant action.

Top-down and bottom-up perspectives can be very different. High-level national and international purviews are large scale and usually cover long periods. At more local levels, for example at the municipal level, people and activities generally focus on issues that are close in space and time. A key challenge for climate adaptation to date has been the disconnect between the timescale of climate change, usually decades, and timescales of local interest, usually 'now' with some consideration for the next two to four years. There is a need to bridge the gap between needs for adaptation in the long term with current demands without being too prescriptive.

Climate adaptation finance has emerged from the same structures (UNFCCC processes and the Rio Convention) that shaped climate mitigation finance. The nature of climate science – modelling relatively long-term, global-scale impacts and monitoring carbon emissions – lends itself to top-down processes. Climate models are better at predicting global averages than they are at predicting regional values. Similarly, mitigation, although ultimately addressed by reducing emissions point source by point source, is measured by the amount of carbon in the atmosphere on a global scale, although regional and national emissions can be coaxed out of such global measurements to some extent.²⁷ A clear challenge then is for climate adaptation finance to be relevant at the local scale, that is to address the impacts of climate change in pro-adaptive ways that will meet local needs as people adjust to the effects of climate change. In this context, adaptation is largely a local issue. The challenge for the climate community is to bridge the divide between global and local governance of finance for adaptation.

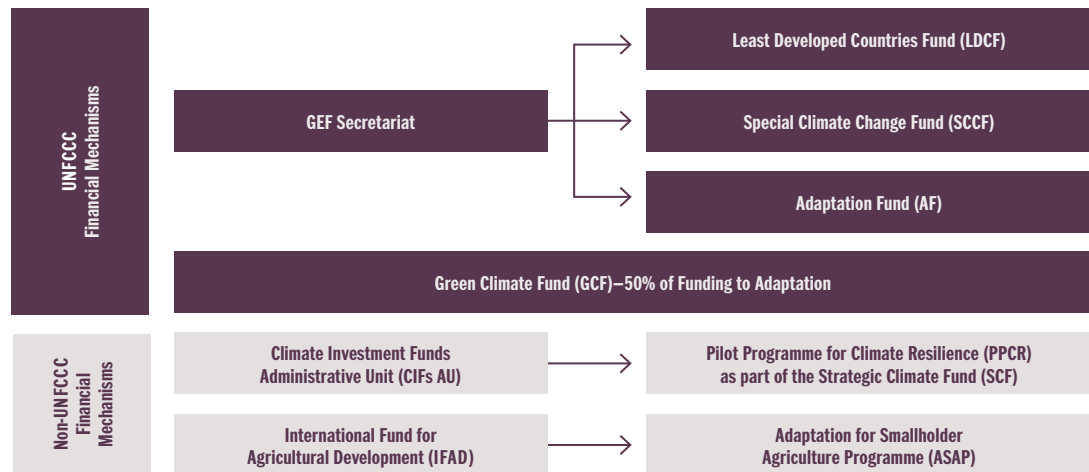
Fractured Finance Streams

A challenge at national and local levels is that finance streams for dealing with climate change are fractured. There are many different pools that cover various aspects (see Figure 2.1). The Global Environmental Facility (GEF), the Adaptation Fund (AF), and the Green Climate Fund (GCF) each have different funding sources and different areas of purview for providing finance. Likewise, the Climate Investment Fund (CIF), which operates independently of the UNFCCC, has different sub-funds for specific areas of climate finance, such as technology transfer and resilience. The wide range of focus areas is not the only source of confusion. Each financing stream has its own funding mechanism: GEF and GCF funding comes through UNFCCC funding mechanisms; AF receives funds from Clean Development Mechanism (CDM) carbon market transactions; and the CIF receives funds from donor nations independently of UNFCCC mechanisms.

28 Bours 2017. Note that the Global Environmental Facility (GEF) acts as interim secretariat for the Adaptation Fund (AF). The AF is financed through the Clean Development Mechanism (CDM) which is an emissions trading mechanism

29 Huq 2016

Figure 2.1
Governance of global public-sector climate finance²⁸



The independent financing mechanisms have led to cases where national and sub-national players have built capacity to develop bankable climate proposals only to find the targeted funds empty. One such example is the Least Developed Countries Fund (LDCF), which provides climate adaptation funding to the world’s 48 least developed nations. The LDCF, which is managed by the Global Environment Facility (GEF), depends on voluntary contributions from developed countries. While least developed countries were working to build capacity and develop high quality proposals, the funding dried up.²⁹ This indicates the significant uncertainty associated with these funding sources.

Too Few Points for Access, Access Points at Wrong Governance Scale

National and sub-national actors also need more ways and a wider variety of ways to access adaptation funds. Several funds have an approval process that designates the particular organizations which have direct access to its funds. The designated national implementing entities (NIEs), regional implementing entities (RIEs), and multilateral implementing entities (MIEs) then engage with national and local partners to assess and support funding proposals. From a bottom-up perspective, there appear to be too few implementing entities. The geographic purview of the implementing entities is too broad; most of those operating in Southeast Asia are MIEs. Both the small number of implementing entities and the scale at which they operate present challenges in furthering sub-nationally relevant interventions. Institutional pressures to distribute climate funds limit the variety of new projects funded in favor of types of projects that have been funded in the past. Further, because climate finance in general and adaptation finance in particular require specialized information and specific capacities, the situation is primed for gatekeeping or for small groups to restrict access. Gatekeeping need not be an intentional, malicious effort but can emerge from incentive and institutional structures. A greater number of implementing entities would provide more access to funds for more projects, which would allow more varied and, potentially innovative, adaptation.

Bankable Projects

Global funds have drawn attention to the lack of bankable adaptation projects as a major challenge. Deciding what is ‘bankable’ usually requires assessing the value of a project against set criteria, such as a business plan that shows sustainability or a cost-benefit analysis that shows the value added by public infrastructure to growing an economy (and by extension, improving livelihoods). In climate adaptation finance, bankability also means showing how the financing sought will address climate adaptation needs.

From the perspective of global funds, the proposals they receive appear to be standard development projects ‘repackaged’ as climate adaptation projects. From the bottom-up perspective, this perceived repackaging is not just a pitch for available financing but the result of two things: i) the lack of clarity about what climate adaptation is; and ii) the lack of capacity to contextualize global information (on climate change) into development interests (local context). The often weak or missing link between the proposed activity and the impacts of climate change is partly due to the difficulty of assessing ‘climate adaptation’ (see next section on challenges in defining climate adaptation finance) but is also partly due to a lack of capacity ‘on the ground’ for identifying local-level threats posed by climate change. Because decision-makers do not know what the implications of climate change are in their location, they cannot always clearly link the impacts of climate change to what the proposed projects aim to achieve.

An example of an effort to address this is the Adapt Asia-Pacific program, which took the lead in exploring how to engage global finance systems, initially at the national level and later at more local levels. The goal of the program is to build the capacity of institutions in-country to manage funds, and effectively identify and implement climate projects.

One of the biggest challenges from the bottom-up perspective is the longer timeframes and wider spatial scales of the top-down perspective. In work done by ISET-International across 20 cities a consistent refrain of stakeholders is that there is weak demand for spending precious resources on addressing future issues because there are so many current, pressing ‘now’ issues. Finding ‘win-win’ projects is key to addressing this challenge but the knowledge to do this requires yet further capacity. Developing this capacity is challenging in local contexts and buying in capacity by using external consultants incurs high costs.

Recommendations

Many of the challenges that climate adaptation finance faces are similar to those experienced in development. There seems to be continual tension in balancing the longer view and larger spatial scales of international and national governance with the shorter term, more locally contextualized scales of provincial, municipal, and community work. Because of the wide variety of experiences and points of view around the issue of the appropriate scale of action, the challenges could be described as ‘wicked problems’.³⁰ A key characteristic of ‘wicked problems’ is that they cannot be resolved; rather, they require people to come together to find solutions. To that end, three suggestions for ways to help tackle some of the challenges experienced at the local level are offered below.

- 30 Ramalingam et al. 2014
- 31 Adger et al. 2005
- 32 Doherty et al. 2017
- 33 Venkateswaran and Mac-Clune 2016
- 34 Halimanjaya and Maulidia 2014
- 35 Bettinger 2017

Address Top-Down Issues

As mentioned earlier, there is value in addressing climate adaptation at different scales³¹ and such action needs to be supported. However, adaptation to climate change happens autonomously at local scales. Local adaptation may potentially preclude adaptation planned at larger scales and may be locally maladaptive in the long term.³² This suggests that moving more decision-making and planning to local levels may be more responsive and relevant to local needs.

Create Funds for Nationally-Directed Adaptation Finance

National adaptation funds could go a long way to helping bridge the gap between local needs and international funding mechanisms. Unlike international institutions, national institutions are in touch with demand-side pressures and can quickly mobilize as demand becomes apparent. Two examples of nationally-led efforts to finance climate-change issues in Southeast Asia are the Philippines Climate Change Commission (CCC), and the Indonesia Planning Ministry (Bappenas) and Indonesian Climate Change Trust Fund (ICCTF). Both efforts have encountered challenges. CCC faced difficulties in moving funds and addressing local adaptation demand³³ while ICCTF struggled to address broader institutional efforts and meet international finance standards.³⁴ Like international finance institutions, these institutions have made much progress and engagement has improved.³⁵

In addition to national funding, increasing the number of implementing entities, particularly national and, ideally, sub-national, that have direct access to global funds would also improve access to finance. Expanding access to finance would promote a broader suite of adaptation actions. This would allow more innovation and adjustment as climate change unfolds.

Enhance Capacity and Simplify the Process of Accessing Finance

Increasing the number of implementing entities especially at the local level, would both enhance the capacity of local and national institutions to assess local contexts and prepare to manage adaptation finance and, also, would address the need for global funds to understand recipients' contexts to help them better distribute adaptation finance. Efforts to enhance capacity have been underway in Southeast Asia. The United Nations Development Programme (UNDP) provides training. Work by USAID Adapt Asia-Pacific in recent years has engaged local institutions, such as municipalities, in building 'climate finance ready' proposals. It is, however, not clear what work is actually being done to understand local contexts. Institutions pursuing adaptation would do well to incorporate more social scientists into their ranks, particularly ethnographers, to help illuminate the cultural map of climate finance and perhaps to find out how best to empower national and local actors.

Conclusions

This chapter has examined some of the challenges that governance at different scales faces in financing climate adaptation. To be clear, great strides have been made in a relatively short time on financing action to adapt to climate change; this should be celebrated. Nonetheless, there is a need to bridge the gap between global financial streams and locally planned autonomous adaptation. Perhaps the biggest paradigm shift needed is to address the mindsets of expertise, power, and purview that hamper local adaptation. Bridging the gap should be done in a way that promotes actions that serve locally identified adaptation needs.

Funding to address climate change emerged from global concern. Many of the financing measures to deal with climate change reflect the global institutions which framed the issue. Measures to finance adaptation to climate change are no different in that global funds are set up so as to interact with global, regional, and in a limited number of cases, national engagement partners. In contrast to measures to mitigate the effects of climate change, which require a top-down understanding of the interplay of actions and results, measures to adapt to the effects of climate change are extremely context-specific and will have local impacts and affect social conditions. Further, most adaptive action will take place autonomously at household and community levels as people react and adjust to changes in their environments. Thus, climate adaptation gives us a unique opportunity to build engagement and bridge top-down and bottom-up efforts to engage across scales (and associated cultures) of knowledge.

Chapter 3

Financing Adaptation in the Least Developed Countries

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To enable developing countries to effectively implement their Nationally Determined Contributions (NDCs) as established in the Paris Agreement and to meet their commitments toward achieving the Sustainable Development Goals (SDGs), there is urgent need for an important means of implementation: finance. Climate adaptation finance has everything to do with who or which country is providing the finance, who or which country is receiving such support and for what purpose, and, be it public or private finance, through which delivery channel. Transparency of actions, accountability, and governance of such financial support (by developed and developing countries) is crucial to achieving the objectives of the Paris Agreement and the SDGs.

There are enormous costs associated with adaptation, especially in the countries that are most vulnerable and under-resourced, making comprehensive and effective systems of climate finance extremely important. For example, the United Nations Environment Programme (UNEP) Adaptation Gap Report suggests that adaptation costs for Africa alone might be in the range of USD 50 billion a year by 2025/2030.³⁶ This is a huge sum for a continent that already confronts widespread poverty, social and economic inequalities including gender inequality, lack of institutional capacity, and insufficient support from developed countries to help adapt to climate impacts.

Additionally, there is a pressing need to develop accounting methodologies for climate finance that are accurate and uniformly applied across contexts. To avoid inaccuracies in accounting, such as double counting support for climate adaptation and differences in effective adaptation to the impacts of climate change in developing countries, several issues must be addressed. These issues include the roles of non-United Nations Framework Convention on Climate Change (UNFCCC) Party stakeholders in constructively engaging with states, the private sector, and UNFCCC Party stakeholders to track (monitor, evaluate, and report) climate adaptation finance at all levels.

Climate finance faces challenges: double counting by donors, risks of channeling funds to irrelevant projects, corruption, and lack of capacity. There is, therefore, an urgent need to monitor and track climate finance flows and to develop a supportive framework for monitoring and tracking to ensure that resources are channeled to climate-change interventions that align with national priorities and reach vulnerable communities.

It is clear that there are many facets to the challenges of climate adaptation finance, particularly in terms of provision, use, accounting, and transparency. However, an important issue is to assess to what extent the countries most in need are able to access funding sources. This chapter examines the Green Climate Fund (GCF) and the ability of least developed countries (LDCs) to make use of it. As countries search for money to implement costly adaptation projects, it is vital that international climate finance mechanisms deliver resources where they are needed most.

Least Developed Country Access to the Green Climate Fund

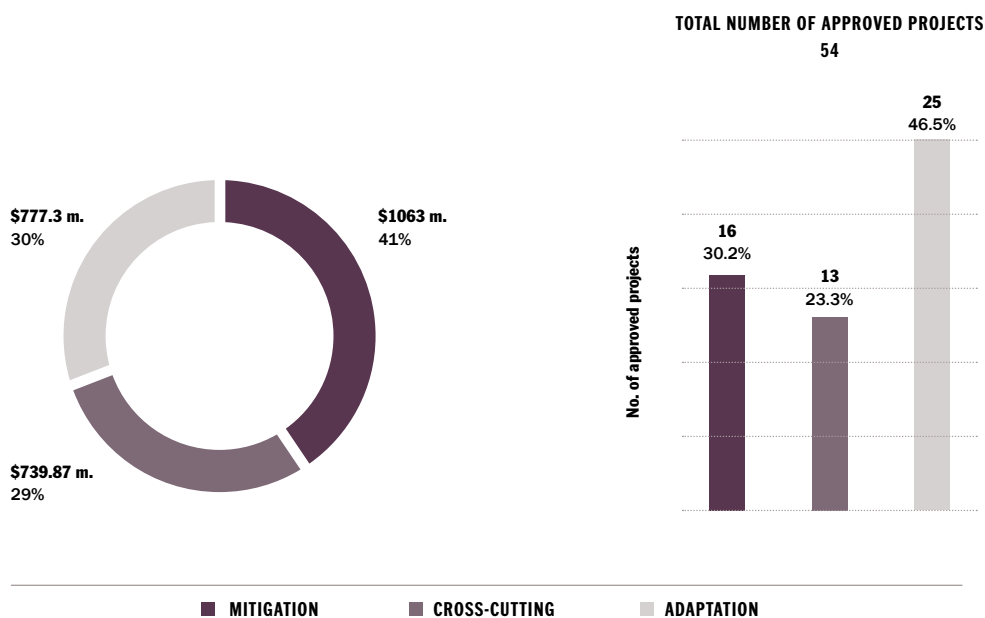
The Green Climate Fund (GCF) is set to become the central fund for implementing the Paris Agreement; it will distribute the bulk of the USD

100 billion that industrialized countries aim to mobilize every year for climate mitigation and adaptation from 2020 onwards. The Fund, launched at the climate negotiations in Cancun in 2010, has so far received pledges of USD 10.3 billion. Founded with the objective of supporting a paradigm shift to low-carbon, climate-resilient development, the Fund began financing projects and programs in 2015. As of the end of September 2017, 43 projects had been approved, worth more than USD 2 billion. There is no doubt that the progress made by the GCF so far is important in successfully implementing the Paris Agreement. However, despite this positive progress, the Fund has yet to overcome several hurdles in realizing the promised paradigm shift. This chapter attempts to reflect on and evaluate the progress of the GCF thus far from the perspective of LDCs.

Adaptation Funding as Opposed to Mitigation Funding

At its inception, the GCF promised to dedicate half of its funds to adaptation (the other half going to mitigation), an aspiration that would be achieved “over time”. Of the 54 approved projects, 25 are adaptation projects amounting to USD 777.3 million (30% of the total allocated funds). USD 1.063 billion has been allocated to 16 mitigation projects and USD 739.9 million (31%) to cross-cutting projects, incorporating both adaptation and mitigation.³⁷ As Figure 3.1 shows, adaptation-only projects receive significantly less funding than mitigation projects, though there have been more adaptation projects approved in total.

Figure 3.1
Green Climate Fund approved projects and allocated funding (as of October 2017).



Left: Funding allocated (USD)
 Right: Approved projects (total 54)

38 Ibid.
39 Ibid.
40 GCF 2017b

The GCF aims for “geographic balance”, paying special attention to “particularly vulnerable” countries, including least developed countries (LDCs), small island developing states (SIDS), and African states. Among the 25 adaptation projects approved so far, 12 projects, amounting to USD 357.6 million or 46% of the funds allocated for adaptation, went to LDCs.³⁸ Among the 13 cross-cutting projects, four projects amounting to USD 172.6 million were directed to LDCs (one of the projects also involved a non-LDC country).³⁹ Only two mitigation projects out of the 16 approved targeted multiple LDCs. The two projects also included several non-LDCs, as such only partial project funds will be going to the targeted LDCs.

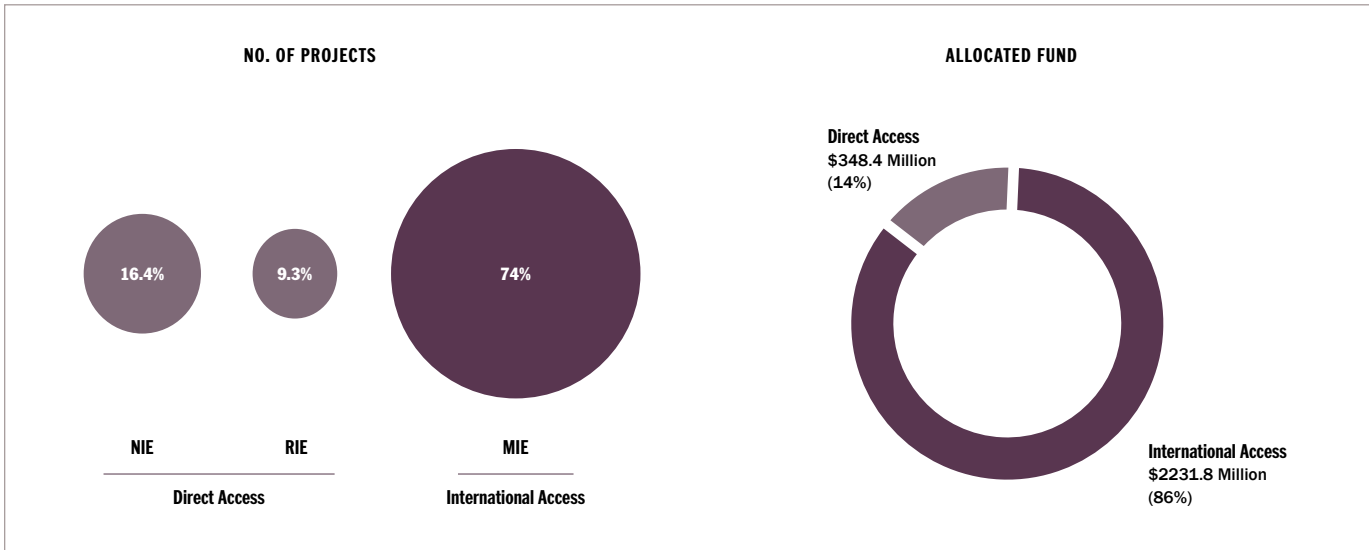
Direct Access to Funds—A Far Cry for Least Developed Countries (LDCs)

The GCF accredits international, regional, and national implementing entities eligible to access funds. As of September 2017, GCF had accredited 59 entities, of which 21 are national implementing entities (NIEs), 27 are multilateral implementing entities (MIEs), and 11 are sub-national or regional implementing entities (RIEs). Out of the accredited 21 national implementing entities, five are in LDCs.⁴⁰ Consequently, it is crucial to thoroughly analyze the reasons why developing countries experience delays in directly accessing funds and to discuss countermeasures. Without direct access through an implementing agency, it is difficult for LDCs to acquire GCF funding; this difficulty is an obstacle to carrying out their adaptation plans. Implementing agencies have the benefit of allocating a steady group of resources and personnel to focus on GCF project development, as opposed to governments or organizations that must round up time and resources each time they seek to develop a project through GCF.

Instead of engaging national and local agencies which work closely with communities vulnerable to the effects of climate change, most projects are channeled through international agencies, mainly United Nations (UN) institutions and regional development banks. So far, seven national implementing entities (leading nine of the 54 projects approved) have had projects approved and only two of those are in the LDCs (Senegal and Ethiopia). Of the approved funds only 14% went to direct access entities (NIEs and RIEs) as opposed to 86% that went to international entities (MIEs) (Figure 3.2).

GCF accreditation and proposal development processes are fairly complicated and require substantial resources. International institutions are more experienced and far more competent than national institutions in mastering the complicated GCF accreditation process and, as such, have more access to resources for developing projects. Boosting country ownership is one of the key objectives of the GCF but the statistics suggest that GCF is falling short of achieving that goal. The analysis of approved projects also raises concerns that GCF is not bold enough in supporting local entities in LDCs that need to build capacity to undertake climate change and development initiatives.

Figure 3.2
Approved projects and allocated funds by access modality.



NIE National Implementing Entities
MIE Multilateral Implementing Entities
RIE Regional Implementing Entities

- 41 Phakathi 2017
- 42 Klemm and Ortúzar 2017
- 43 TI Korea 2017
- 44 Darby 2017

Adaptation as Opposed to Development

During the 15th and 16th board meetings of the GCF, the board failed to reach consensus on approving adaptation proposals submitted by two LDCs — Bangladesh and Ethiopia. The proposed project in Bangladesh focused on enhancing the adaptive capacity of women in coastal districts of Bangladesh. The Ethiopian proposal aimed to help marginalized farmers and communities deal with the growing risk of drought. The Bangladesh proposal was ultimately withdrawn by the implementing entity to avoid rejection. The GCF Board failed to accept the Ethiopian proposal. Surprisingly, around the same time, the board approved the contentious refurbishment of a Soviet-era hydropower dam in Tajikistan. Such decisions raised concerns about the board’s approach to adaptation and also pointed to a ‘rich-poor’ divide within the fund.⁴¹

The hydropower project attracted considerable criticism from civil society organizations. For example, the project did not have the potential to meet Tajikistan’s pressing energy needs and avert alarming overdependence on hydropower (98% of the country’s energy is generated by hydropower).⁴² The project could also discourage the development of other renewable energy. Reports indicate that the proposal did not mention whether or not local residents were consulted and lacked clarity on how the project would improve access to electricity by women.⁴³ Questions were also raised by civil society about the ‘transformational change’ that the project would bring about given that almost all the country’s power already comes from hydropower.⁴⁴

While there the board raised some technical concerns about the proposed projects in Bangladesh and Ethiopia, the main disagreement about the viability

of the projects appeared to arise from differences in opinion and perception among developing and developed country members about which activities and interventions could be considered as adaptation and which as development. In both cases, the developed country board members saw the projects more as development rather than as 'climate change adaptation'. The concern raised by observers and board members from developing countries was that projects were being side-lined because of unclear assessment standards. Some also suggested that the distinction between adaptation and development interventions in allocating funding is a potential cause of injustice between richer and poorer countries, as poor countries do not receive necessary adaptation funds as rich countries debate about definitions.

Since the withdrawal and rejection of the two project proposals, civil society organizations (CSOs) have raised their concerns with the GCF board regarding its approach to adaptation, and have asked for clarity and guidance on the issue. In a letter⁴⁵ sent to the board, it was argued that "the distinction" between adaptation and development was "largely artificial". The letter maintained that the board is biased in favor of proposals that take "technological approaches to adaptation" like climate proofing or building new physical infrastructure as they are "easily quantifiable and more straight forward". According to these CSOs, adaptation finance should target activities that will both increase adaptive capacity and address development deficits in order to bring about the 'paradigm shift' advocated by GCF.

The strong relationship between climate vulnerability and other development deficits, such as lack of education or lack of climate-resilient livelihood options, is often ignored. The question is whether it makes sense to consider adaptation and development as distinct issues, especially as the GCF is committed to ensuring that all of its financing is rooted in sustainable development. In light of climate change, good development should be sustainable and climate-sensitive; adaptation can only be effective if the root causes of vulnerability associated with underdevelopment are addressed. Thus, on the one hand it is crucial to consider sustainable development, including social, economic, and gender-equitable impacts while designing and implementing climate projects and, on the other hand, to consider the possible consequences of climate change while planning and implementing development projects.

Can Least Developed Countries Count on the Green Climate Fund?

The International Institute for Environment and Development (IIED) estimates that the cost to the 48 LDCs of implementing their post-2020 climate action plans could be around USD 93 billion a year.⁴⁶ As yet, only four LDCs have managed to accredit national entities with GCF. The money allocated by GCF for adaptation in LDCs is less than half a billion dollars. At this rate, it will take decades for the GCF to provide adaptation funding to all the LDCs. Given that the poorest communities in the LDCs are already facing the adverse, it would seem that putting their faith in getting funding from the GCF may not be worth the effort and that funding may not materialize in time for them to prevent the devastating

effects of climate change.⁴⁷ Instead, LDCs may have to be proactive in using their own resources to adapt to climate change. While this is what LDCs are fortunately already doing, the costs of climate adaptation will be enormous; international support through the GCF is still urgently needed.

Finance is critical for implementing adaptation. Although the GCF offers developing countries an important opportunity to access finance, it must be held accountable for fulfilling its promises regarding the allocation of funds and ensuring that a substantial portion go to the most vulnerable countries. With this promising funding mechanism in place, it is now urgent that it is made easily accessible by those who need it most.

Chapter 4

Adaptation Funding and Governance in Latin America and the Caribbean

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48 Between 2015 and 2017, the authors conducted a review of M&E frameworks for adaptation, interviewing key informants and focal points in six LAC countries; in addition, they took part in reviews of the Strategic Program for Climate Resilience of Bolivia and Honduras, and the GCF Readiness process in Colombia. This experience and data collection has complemented the review of GCF Readiness documentation in selected LAC countries

Latin American and Caribbean countries (LACs) were very active in the preparation and adoption of the Paris Agreement. Almost all countries in the region – except Nicaragua – have submitted Nationally Determined Contributions (NDCs) as part of their ratification instruments. LACs are among the countries that are most vulnerable to climate change. Despite some uncertainty, the impacts of climate change on critical sectors and important areas of economies are already well known and are expected to intensify in the coming years. The livelihoods of families and local economies, infrastructure, and ecosystems that support the well-being of populations will be at risk.

On transparency and accountability, the Paris Agreement (Article 7) states that Parties should:

“...follow a country-driven, gender-responsive, 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 knowledge, knowledge of indigenous peoples and local knowledge systems, with a view to integrating adaptation into relevant socioeconomic and environmental policies and actions.”

In addition, Parties should strengthen their cooperation on enhancing action on adaptation, taking into account the Cancun Adaptation Framework, and including, among other things, assessing vulnerability and the impacts of climate change. This should be done with a view to formulating nationally determined prioritized actions and plans, taking into account vulnerable people, places, and ecosystems. Monitoring and evaluation (M&E) mechanisms should be established to better learn from adaptation plans, policies, programs, and actions. Through their NDCs, countries are entitled to receive technical and financial support from the international community and will be evaluated in terms of their achievements and progress.

One financial mechanism, the Green Climate Fund (GCF), has made available a preparation scheme (GCF Readiness) to help countries in their efforts to access GCF funds and build their capacities to achieve their NDCs. Together with the Paris Agreement mandate, GCF Readiness has the potential to put in place novel institutional arrangements that enhance participation and coordination among stakeholders, including society’s most vulnerable groups. These new arrangements could thus support the development of governance structures that bring more transparency and accountability at different levels.

Drawing on adaptation program reviews and interviews (see Table 4.1) with focal points and other key informants carried out between January 2015 and September 2017,⁴⁸ this chapter describes progress in adaptation governance, institutional development, transparency, and accountability in selected LACs.

Table 4.1
Data gathering in selected Latin American and Caribbean countries.

COUNTRIES	SPCR REVIEWS	GCF READINESS	M&E FRAMEWORKS
Bolivia	×	×	
Chile			×
Colombia		×	×
Costa Rica			×
El Salvador		×	
Guatemala			×
Honduras	×		
Panama			×
Peru		×	×
Dominican Republic		×	

SPCR Strategic Programs For Climate Resilience

GCF Green Climate Fund

M&E Monitoring And Evaluation

Adaptation Governance Trends in Latin America and the Caribbean

LACs are middle- to high-middle-income countries. They have been putting in place increasingly sophisticated public policy instruments for adapting to climate change. All countries in the region have climate change strategies in place that set adaptation goals in strategic sectors. Most LACs also have policies and governance systems for climate change adaptation; the Climate Change Law in Guatemala and the Mother Earth Framework Law in Bolivia are good examples. In addition, almost all countries have started developing national adaptation plans.

Thus far, countries have only initiated sectoral adaptation plans. Chile, for example, has defined adaptation processes within the framework of a National Climate Change Strategy. Colombia has integrated its National Adaptation Plan (NAP) into the framework of its National Development Plan. Chile has also set sectoral targets in ‘agriculture’ and ‘biodiversity’, and is in the process of defining targets for seven other sectoral plans. Colombia has established 15 sectoral and territorial plans to strengthen commitment to incorporating climate change considerations into planning by the territories. Interestingly Colombia has defined ‘regional nodes’ to enhance social participation in following up on the plans.

Mainstreaming adaptation at the policy and sector levels, establishing intersectoral coordination mechanisms and dialogue with international climate finance institutions, and implementing adequate M&E systems are critical policy instruments countries are putting in place to advance climate adaptation agendas. Table 4.2 summarizes the main trends in selected countries in LACs.

Table 4.2
Adaptation governance in selected Latin American and Caribbean countries

	NATIONAL POLICIES / ADAPTATION PLANS	MAINSTREAMING CLIMATE CHANGE ADAPTATION IN KEY SECTORS	CLIMATE FINANCE COORDINATION	M&E FRAMEWORKS
Bolivia	Mother Earth Law	Pilot Program for Climate Resilience (PPCR) investments in the water sector	Coordination mechanism initiated under the Nationally Designated Authority	At the level of the water sector
Chile	National Climate Change Strategy	Climate change sector plans e.g. agriculture sector, biodiversity		Adaptation M&E in the agriculture sector
Colombia	NAP	Multiple sectors	Climate Finance Coordination Committee	Climate finance Monitoring, Reporting, and Verification
Costa Rica	National Climate Change Strategy NAP under development Blue Flag Program / Involvement of the private sector			
El Salvador			Ministry of Foreign Affairs	Climate Public Expenditure and Institutional Review
Guatemala	Climate change Law, policy and National Climate Change Action Plan			
Honduras	Climate Change Strategy	Pilot Program for Climate Resilience (PPCR) investments in the water and agriculture sectors		
Panama				At the level of strategic watersheds
Peru			Labeling of disaster risk and adaptation investments	
Dominican Republic	National climate change strategy			

Climate Investment Funds (CIF) Pilot Program for Climate Resilience (PPCR) Investments and Mainstreaming Adaptation

The Pilot Program for Climate Resilience (PPCR) is a targeted program under the Strategic Climate Fund (SCF),⁴⁹ which was established to assist developing countries in integrating climate resilience into their development planning.

PPCR criteria ensure:

- Programs are developed on the basis of the best available information on the key climate impacts in a country.
- Cross-sectoral coordination between levels of government.
- Adequate stakeholder engagement and participation, including the participation of other relevant actors (e.g. private sector, civil society, academia, donors, etc.), allows for scoping of prioritized activities in a way that takes into account relevant development priorities and sectoral policies.
- Ongoing policy reform processes.
- Relevant activities and strategies have been identified to address the needs of highly vulnerable groups.

Many of these criteria are addressed during the development of national Strategic Programs for Climate Resilience (SPCR) when authorities are encouraged to think about mainstreaming climate resilience across their activities.

In Bolivia, PPCR investments have served to integrate climate resilience into planning in the water sector at different levels. Pilot projects aim to enhance the resilience of the water supply system in La Paz – El Alto, and to develop planning tools and guidelines for making water infrastructure projects, including water supply and irrigation systems, climate resilient.

Additionally, the PPCR subcommittee has emphasized the importance of exploring synergies between the preparation of SPCRs, other Strategic Climate Fund (SCF) programs, and the UNFCCC national adaptation plan (NAP) process. Honduras has allocated USD 100,000 of USD 1.5 million PPCR funding to the International Finance Corporation (IFC) for a study on the role of the private sector in climate-change adaptation in the country.

At present, PPCR does not have sufficient funding to finance the projects and programs that may be proposed in new SPCRs. In light of this, the new pilot countries are expected to design SPCRs to attract funding from other sources, including the Green Climate Fund (GCF), in addition to any resources that may become available from PPCR.

Green Climate Fund (GCF) Readiness in Latin America and the Caribbean

The GCF Readiness process should serve, among other things, to inform stakeholders, including in the academic sector, civil society groups, and the private

sector, about the funding options available from GCF. The process should establish coordination mechanisms and administrative procedures for prioritizing and endorsing GCF project and program proposals.

GCF Readiness provides up to USD 1 million per country per year in five activity areas. Of this amount, nationally designated authorities (NDAs) or focal points can request up to USD 300,000 a year to help establish or strengthen an NDA or focal point to meet the GCF requirements. In addition, GCF Readiness, upon request, can provide up to USD 3 million per country for developing adaptation plans. The Readiness Program consists of five areas:

1. Strengthening the focal point and nationally designated authorities.
2. Supporting the development of strategic frameworks.
3. Selecting intermediary and/or implementing entities.
4. Developing program and project proposals.
5. Exchanging information and experiences.

LACs have approached GCF Readiness in different ways; they have strengthened the capacities of their NDAs and put in place rules to enhance stakeholder participation and coordination (see Table 4.3).

Table 4.3
Green Climate Fund readiness in selected Latin American and Caribbean countries⁵⁰

COUNTRIES	GCF READINESS ACTIVITIES					IMPLEMENTING ENTITY
	1	2	3	4	5	
Bolivia	×	×				NDA
Colombia			×	×	×	UNDP
El Salvador	×		×	×	×	NDA
Guatemala	×	×		×		UNDP
Honduras	×	×		×		UNDP
Peru			×	×		GIZ
Dominican Republic	×	×	×			UNDP

All LACs selected for the review rapidly designated national authorities and focal points to work with GCF.

Initial GCF activity (Activity 1) is typically oriented to strengthening capacities in country NDAs. Activity 1:

- Evaluates the institutional capacities of country-designated departments or ministries to fulfill their roles and functions as NDAs.
- Strengthens capacities, processes, systems, and procedures for preparing programs and projects to be presented to the GCF.
- Establishes a coordination and consultation mechanism among ministries on Fund-related matters.

- **Facilitates communication among stakeholders on matters related to the Fund.**
- **Involves stakeholders, including government departments, representatives of the private sector, civil society groups, and international actors, in dialogue.**

The second activity (Activity 2: Strategic Frameworks) identifies country development priorities with respect to the GCF, national policies and plans, other strategic sectoral plans, and the Fund's initial results management framework.

Activity 2 includes evaluating national entities that could be accredited by GCF and potential roles for multilateral accredited entities. It also involves identifying synergies with the work of other development partners in the country and leveraging their capacity to implement programming priorities. Development partners could help develop concept notes for national/sectoral multi-stakeholder consultations to identify development priorities with respect to GCF.

Climate Finance Coordination

Colombia initiated a GCF Readiness process in 2014. The process is facilitated by the National Planning Department (DNP). The GCF Readiness program supports the Finance Management Committee's overarching interdepartmental coordination system (SISCLIMA), that was established in 2014. The committee involves government and financial entities and aims to bring in private sector entities in the near future.

The GCF Readiness program also supports the Finance Management Committee in coordinating public policies for including climate change criteria in national financial and economic plans. The program supports efforts to develop and implement the committee's work plan. These efforts include:

- **Strengthening government capacities to access and manage climate finance.**
- **Enhancing knowledge and skills to develop climate projects especially in the private sector.**
- **Supporting existing initiatives of local financial institutions to build the skills required for climate-related investment.**

The GCF Readiness program not only facilitates access to GCF funding but also helps improve access to other international and domestic sources of funding, and channel private sector investment.

In addition, the program serves to communicate the advances Colombia is making in financing ways to deal with climate change and in a measurement, reporting, and verification (MRV) system for climate financial flows. The MRV system has been operational since the beginning of 2017 and responds to the needs of different actors, including in government, and the financial and private sectors.

A study in El Salvador supported by the GCF Readiness program used the Climate Public Expenditure and Institutional Review (CPEIR) tool to examine

- 51 e.g. Silva-Villanueva 2011, Ford et al. 2013, FCCC/SB-STA/2010/5, AC/2014/4
- 52 Asociación Independiente de América Latina y el Caribe
- 53 Gonzales-Iwanciw and Mendez-Raya 2015

national public expenditure on climate change and ways to make decision-making in the field more efficient. The study identified ways to design more effective public policies.

Monitoring and Evaluation Frameworks, Participation, and Transparency

Multilateral funds, such as the Global Environment Fund (GEF), the Climate Investment Fund (CIF), and the Green Climate Fund (GCF), and United Nations (UN) implementing agencies, multilateral banks, the Organisation for Economic Co-operation and Development (OECD), and the United Nations Framework Convention on Climate Change (UNFCCC) have been developing frameworks for monitoring and evaluating adaptation. The systems do not always follow similar principles, approaches, and conceptual frameworks, so are very different and difficult to compare. Several reviews and efforts at systematization⁵¹ aim to make the frameworks more consistent.

At the national policy level, adaptation M&E tracks the process of capacity building (enabling activities) and the outcomes of adaptation plans at different levels, sectors and territorial scales. M&E also tracks indicators recommended by the International Strategy for Disaster Reduction (ISDR) and country disaster recovery plans. At the level of sectoral plans and programs, M&E relies on the programmatic approaches to results-based management required by the various sources of financing that seek to internalize climate change considerations. In territories, M&E emphasizes systemic approaches, such as Ecosystem-based Adaptation (EbA), and approaches to socio-ecological resilience.

A review of M&E in six LACs, conducted by Nur University researchers for the Independent Association of Latin American and the Caribbean (AILAC)⁵² in 2015, concluded that all the countries are considering developing M&E systems for adaptation. These systems would be linked to the processes for defining terms in public policy. In Guatemala, for example, the Climate Change Law mandates mainstreaming adaptation to climate change and promotes guidelines for implementing measures to reduce vulnerability. The law provides institutions with a strong mandate to justify establishing M&E systems to track goals and results.

The six countries have similar climate change strategies or instruments, for example integrating climate change considerations into national development plans, implementing national adaptation strategies, and integrating adaptation in sector plans. The strategies are encouraging the public sector to think about and define processes for adaptation M&E. Cooperation agencies, donors, and civil society organizations also support efforts in M&E adaptation.

Monitoring and evaluating adaptation to climate change follows up on public policy, sectoral targets, country regulations, and adaptation projects supported by international financing.⁵³ Focal points in the six countries agree that adaptation targets are one of the factors that most clearly motivate an M&E system. In the case of countries that are beginning to adopt OECD regulations

(Colombia and Chile), but also in Peru, results-based management frameworks, which are expected to include indicators of adaptation to climate change, are well known and can be adopted for adaptation M&E. For example, Peru has made significant progress in monitoring and labeling public finances for climate disaster risk management and adaptation.

There is still little progress in involving the private sector and civil society in monitoring adaptation measures. In many cases, the private sector is better able than the public sector to generate and systematize information generated in the sectors in which it is involved. For example, there is the potential to involve insurance and re-insurance companies in expanding the climate-risk information base so that it can be used more widely. However, efforts to involve the private sector and civil society are poorly organized and are disconnected from definitions of adaptation and other policy standards set through public-sector processes.

Costa Rica integrates adaptation in environmental management, generating valuable lessons on involving the private sector and civil society. The Blue Flag Program and Carbon Neutral Municipalities in Costa Rica are both mechanisms for involving the private sector and local communities in mitigation and adaptation efforts, and also in M&E.

Conclusions

LACs are making solid progress toward putting in place institutional frameworks and rules to foster adaptation. Early experiences in CIF-PPCR in building adaptation capacities in six countries and in the more widespread GCF Readiness program have the potential to influence the development of good governance standards that permit broader segments of society to participate, greater transparency in decision-making, more effective public policies, and better accountability at different levels. There is an emphasis on stakeholder coordination, sector-wide planning, and M&E systems.

The GCF is working to facilitate UNFCCC decisions on accrediting national entities. LACs, depending on their circumstances, are working to establish mechanisms to allow participation by the private sector, civil society, and vulnerable segments of society in the development of public agendas.

Chapter 5

Toward Climate Finance Reporting Systems in Latin America

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Latin America is highly vulnerable to the impacts of climate change, while itself contributing to global greenhouse gas emissions. Climate finance is therefore critical to help the region pursue low-carbon and resilient development. However, despite the importance of climate finance, it has proved difficult to effectively track how this finance stream flows to and within the region.

According to the Biennial Assessment of Climate Finance, Latin America and the Caribbean shared 23% of the world's total climate finance flows between 2013 and 2014.⁵⁴ However, given the lack of internationally agreed guidelines, this percentage can vary depending on what is being considered as climate finance, the geographical scope of the analysis, the time frames used, and other variables that depend highly on who is reporting the flows. So far, donor countries carry out most of the world's climate finance reporting.

The Climate Finance Group for Latin America and the Caribbean (GFLAC) proposes common guidelines to create monitoring, reporting and verification (MRV) systems for climate finance in developing countries. Such systems would be an important tool in gaining a better understanding of the origin and destination of climate finance flows. If in place, these systems could provide harmonized information from a recipient countries' perspective, while increasing transparency and accountability for donor countries; they could also provide a starting point for assessing the effectiveness of climate finance.

This chapter first identifies the challenges in using global- or regional-level reporting to understand how much climate finance exists in the Latin American and Caribbean region. We then review the experience of GFLAC by looking at its analysis of climate finance within eight countries in the region in 2014 and 2015, to identify challenges relating to reports produced by developing countries. Finally, we make the case for establishing MRV systems within Latin American and Caribbean countries, as an important practical tool to close the current transparency gap on climate finance in the region.

Tracking Climate Finance in Latin America and the Caribbean Using International Reporting

Most of the global-level reports on climate finance depict or discuss the geographic distribution of finance flows; within this distribution Latin America and the Caribbean features as a recipient region. The global-level reports map international public flows of public finance from developed to developing countries, based on information reported by 'donor' countries and institutions. Given the lack of official guidelines and international agreement on what constitutes climate finance, different institutions report different flows. In addition, the fragmented nature of global climate finance – with public sources of climate finance flowing bilaterally between nations or via multilateral climate funds and multilateral development banks (MDBs) – also generates difficulties for tracking. Thus, understanding how much total climate finance has reached the region remains challenging.

To illustrate these challenges, we identified what is being reported as climate finance to the region in major global reports: the Climate Funds Update (CFU);

55 All CPEIR studies were conducted in countries in regions other than Latin America and the Caribbean
56 UNFCCC SCF 2016
57 Climate Funds Update; Barnard et al. 2016
58 Samaniego and Schneider 2015, 2016, 2017
59 ADB et al. 2014, 2015, 2016
60 Samaniego and Schneider 2017, p. 26; Information from the Amazon Fund was obtained directly from the *Banco Nacional do Desenvolvimento (BNDES)*, due to 'significant differences' between the amounts reported by this institution and those reported by CFU
61 UNFCCC SCF 2016, information for 2013 and 2014
62 Climate Funds Update

the Joint Reports on Multilateral Development Banks' Climate Finance; the Economic Commission for Latin America and the Caribbean (ECLAC) regional reports on climate finance; and the United Nations Framework Convention on Climate Change Standing Committee of Finance (UNFCCC SCF) Biennial Assessment and Overview of Climate Finance (Biennial Assessment) reports. Each of these reports analyzed data for 2013 and 2014 (2014 and 2015 in the case of the MDBs) and provides information from different types of flows (see Table 5.1). This information is either based on a specific set of finance providers or main funds administrators (i.e. CFU on multilateral climate funds, the MDBs on flows through global banks) or is the result of aggregating information from different sources, including CFU and MDBs (i.e. ECLAC's reports, Biennial Assessment reports).

Table 5.1 shows that some international organizations are making an effort to capture, at least partially, information that comes directly from domestic institutions in countries in Latin America and the Caribbean. For example, the ECLAC reports include domestic flows that are administered by national development banks in the region as well as other national sources; and the latest Biennial Assessment captures national budget contributions to climate change by including reports from country budget analysis – through Climate Public Expenditures and Institutional Reviews (CPEIRS)⁵⁵ and GFLAC studies.

All these reports base their information on committed amounts, rather than disbursements. This is a common practice that responds to the lack of continued and reliable disbursement information for climate finance, in particular from multilateral climate funds (with the exception of the Adaptation Fund). The ECLAC reports do include disbursement ratios, but only for information on national development banks. In addition, ECLAC uses disbursement data reported by CFU and the robustness of this varies for each fund monitored.

In Table 5.1, we do not aim to compare the data as such, because the sources included in each report differ. Nevertheless, some discrepancies are clearly evident: although overall figures were expected to differ (given that the scope of analysis of the reports varies in each case), discrepancies were found even when reports were referring to the same type of flows. Table 5.2 displays further discrepancies by showing how different reports give different estimates for how much the region has received from multilateral climate funds and from multilateral development banks.

Table 5.1
Climate finance reporting for Latin America and the Caribbean

CLIMATE FINANCE REPORTING MECHANISM	UNFCCC BIENNIAL ASSESSMENT REPORT ⁵⁶	CLIMATE FUNDS UPDATE ⁵⁷	ECLAC REGIONAL REPORT ON CLIMATE FINANCE ⁵⁸	JOINT REPORTS ON MDBS CLIMATE FINANCE ⁵⁹
Total funding reported for the region	Around US\$ 0.51 billion (2013 and 214)	US \$0.970 billion (2013 and 2014)	US\$ 21,144,39 (2014) US\$ 19,776,08 (2013)	US\$ 4.682 billion (2014) US\$ 3.737 billion (2015)
Reported flows for Latin America and the Caribbean	Collection of global flows: <ul style="list-style-type: none"> • Bilateral Official Development Assistance • CFU (only multilateral funds) • MDBs climate finance • Domestic budgets (from GFLAC reports in 8 countries in Latin America and the Caribbean) 	Projects approved by a set of multilateral climate funds active in the region: <ul style="list-style-type: none"> • UNFCCC Funds • GEF Trust Fund • Adaptation Fund • Green Climate Fund • Special Climate Change Fund Other Funds: <ul style="list-style-type: none"> • Climate Investment Funds (i.e. Clean Technology Fund; Forest Investment Program; Pilot Programme for Climate and Resilience; SREP) • Amazon Fund • ASAP • GCCA • FCPF • Partnership for Market Readiness • UNREDD • Bilateral funds (i.e. Germany's International Climate Initiative, UK's International Climate Fund) 	Collection of flows from sources active at regional level: <ul style="list-style-type: none"> • CFU bilateral and multilateral funds except the Amazon Fund • MDBs • National Development Banks (including BNDES' Amazon Fund) ⁶⁰ • Other national sources 	Operations complying with MDBs definition of climate finance through MDBs in the region (i.e. IDB and WBG) <ul style="list-style-type: none"> • MDB own account • MDB-managed external resources (e.g. Climate Investment Funds)

According to the Biennial Assessment report, “about 23% of funding from dedicated multilateral climate funds, 15% of climate-related finance reported to the OECD DAC and 16% of the climate finance reported by MDBs to Latin America and the Caribbean”; this is around USD 0.51 billion.⁶¹ At the same time, CFU reports a total of USD 0.97 billion for the same period 2013 and 2014. This difference can be explained by various factors, including that CFU reports on the total 23 funds that it monitors,⁶² whereas the Biennial Assessment takes into account the information on multilateral funds only.

In addition, some funds categorized by CFU as multilateral (because they include pledges and deposits from multiple-country donors) are also part

Table 5.2
Characteristics of public finance for Latin America and the Caribbean (billion USD)

		UNFCCC BIENNIAL ASSESSMENT REPORT ⁶³		CLIMATE FUNDS UPDATE ⁶⁴		ECLAC REGIONAL REPORT ON CLIMATE FINANCE ⁶⁵		JOINT REPORTS ON MDBS CLIMATE FINANCE ⁶⁶	
YEAR		FINANCE FLOWS TO LAC	OTHER INFORMATION	FINANCE FLOWS TO LAC	OTHER INFORMATION	FINANCE FLOWS TO LAC	OTHER INFORMATION	FINANCE FLOWS TO LAC	OTHER INFORMATION
BILATERAL CLIMATE FINANCE	2013	2.235–3.795	Adaptation 27% Mitigation 53% Cross-Cutting 20%						
	2014								
	2015								
MULTILATERAL CLIMATE FUNDS	2013	0.506		0.970	Adaptation 22% Mitigation 75% Cross-Cutting 3%	0.151			
	2014					0.263			
	2015					0.302	Adaptation 34% Mitigation 63% Cross-Cutting 3% Grants 63% Concessional Loans 23% Other 14%		
MULTILATERAL DEVELOPMENT BANKS	2013	2.528				8.846			
	2014					7.323	4.682	Adaptation 10% Mitigation 90%	
	2015					7.835	3.737	Adaptation 28% Mitigation 72%	

NOTE: Figures are intended to give a general overview of finance flows to LAC and may not be directly comparable across reporters for reasons discussed elsewhere in this chapter. All figures are directly reproduced or calculated using percentages from each source.

63 UNFCCC SCF 2016
64 Climate Funds Update
65 Samaniego and Schneider
2017
66 ADB et al. 2014, 2015,
2016

of bilateral official development assistance reporting, as they are categorized within the Creditor Reporting System (CRS) of the Organisation for Economic Development and Co-operation (OECD) as bilateral contributions, e.g. funds from the Forest Carbon Partnership Facility (FCPF) and the Global Climate Change Alliance (GCCA), where each donor reports its own contribution. ECLAC, on the other hand, reports that for the same period 2013 and 2014, USD 0.41 billion was supported by multilateral climate funds.

Similarly, the Biennial Assessment reports that funding in 2013 and 2014 to Latin America and the Caribbean from MDBs reached USD 2.53 billion, but the MDBs' joint reports declare a funding stream of USD 4.68 billion for 2014 alone – an amount almost double that which the Biennial Assessment reports for the two years together. At the same time, ECLAC reports that in 2013 and 2014, USD 16.17 billion was provided through multilateral development banks. All this shows that different sources provide different figures, even for the same funding categories, which makes the data highly complex.

In addition to the causes signaled above, differences in funding figures may also arise because of the use of different time-lines (i.e. calendar year, fiscal year), and the use of different definitions for what can count as climate finance. All of this can also result in double-counting (overestimation) or underestimation of finance flows. As a result, the value of harmonized climate finance information has been increasingly recognized in recent years, and has already begun to spur efforts from the international community. Harmonization efforts include the agreement on common principles for climate mitigation finance tracking made in 2015 by the International Development Finance Club and the multilateral development banks where the members agree on which categories and activities to include, and how to report on these as financial efforts to mitigate for the effects of climate change.

In addition, the Paris Agreement encourages the development of robust monitoring, reporting and verification systems for climate finance. In this case, pressure is mainly directed toward developed countries when reporting on their support efforts to their developing country counterparts (see Box 5.1).

In order to generate more harmonized information, and more accurate estimates, resources may need to be allocated to support a robust climate finance tracking process. Ideally, this should have a 'composite' perspective, including reporting not only from donors (top-down), but also from recipient countries and institutions (bottom-up) to enforce mutual transparency and accountability. Accurate climate finance information is critical to support decision-making at both the international and national level, so that relevant actors can recognize where there are gaps in finance provision, and effectively target their efforts to make up for these shortfalls.

Box 5.1

Monitoring, reporting, and verification for climate finance recipients under the Paris Agreement

The development of robust monitoring, reporting, and verification systems for climate finance was conceived as the responsibility of donor countries. The Paris Agreement, through its articles 9 on finance and 13 on transparency, requires donor parties and encourages “other [donor] parties” to report their financial provisions to developing countries.⁶⁷

Recipient country reporting is also mentioned in Article 13, paragraph 10: “Developing country Parties should provide information on financial, technology transfer, and capacity-building support needed and received under Articles 9, 10, and 11”. But this paragraph contrasts with much of the other language associated with donor reporting: it states that parties “should” report information, as opposed to the stronger “shall.” This choice of words reduces the incentive for recipient countries to report on their climate financing operations.

Nevertheless, a growing number of countries are starting to identify the advantages of using these systems for their climate actions. In Latin America, Chile, Colombia, and Peru have included the creation of MRV systems for climate finance as part of their own contributions or nationally determined contributions.⁶⁸ In particular, Colombia is developing a digital platform to access climate finance information, including information about public, private, national, and international climate flows. Other countries in the region working towards the design of MRV systems on climate finance are Costa Rica and El Salvador.

Reporting Climate Finance from Latin American Countries’ Perspectives

To overcome some of the challenges of tracking climate finance when relying only on donor-based information, GFLAC developed a methodology⁶⁹ to collect information on public climate finance flows, from a donor perspective (top-down) as well as from the national perspective (bottom-up). This methodology includes synergies to identify top-down reporting based on OECD members’ reports to the OECD DAC’s CRS, and the Joint Reports on MDB’s Climate Finance. For the bottom-up information, a framework was developed to identify climate-relevant sectors and actions in the context of each individual country. Box 5.2 shows the methodology framework.

The methodology was then applied in Argentina, Chile, Ecuador, and Peru in 2014, followed by Bolivia, Nicaragua, Honduras, and Guatemala in 2015. One of the main differences of looking into climate finance from a country rather than an international perspective is that the emphasis is on the identification of received funds, rather than on allocations only.

Table 5.3 shows some characteristics of the funding, including total funding received, instruments used, and the adaptation and mitigation divide. Most of the

70 Mainly through national efforts to reduce emissions from deforestation and forest degradation (REDD+) efforts

71 GFLAC 2014

funds in the region have been accessed through loans – with smaller economies receiving a greater proportion of grants compared to loans (with the exception of Guatemala) – and for a balanced distribution of adaptation, mitigation and cross-cutting⁷⁰ activities.

Box 5.2

The Climate Finance Group for Latin America and the Caribbean's methodology – a five-step framework:

The methodology applies a five-step framework:

- 1) Analysis of international commitments under the UNFCCC, levels of progress in reporting schemes such as national communications, and the inclusion of financial information within those documents.
- 2) Mapping of international climate finance, including bilateral and multilateral sources. This mapping includes the identification of funding received (as opposed to only allocated) and actors involved in managing the funds, as well as their accountability processes at country level.
- 3) Analysis of climate-relevant policy at country level.
- 4) Analysis of national budget expenditures to identify budget allocations addressing climate change. This process includes an assessment of transparency, accountability, and social participation mechanisms in place.
- 5) Development of recommendations for the monitoring, reporting, and verification of national and international climate financing.

Source: Handbook for the analysis of international financing and public budgets in the field of climate change in Latin America and the Caribbean.⁷¹

Challenges in mapping international climate finance to Latin America and the Caribbean at country level included: a lack of harmonized criteria to define what constitutes a climate change project or action from different donors; a lack of harmonized reporting modalities for flows of finance between donors and recipients; incomplete and out-of-date information; and a lack of systems to monitor climate finance on a regular basis at recipient-country level. The analysis also found that countries do not have systematic information on the status of project implementation, greenhouse gas emissions or vulnerability to climate change baseline or evaluation data. This limits the capacity of countries to make a useful assessment of the effectiveness of the funds used.

When looking into national budget expenditures, GFLAC identified that while all countries have increased the amount of climate-related expenditure, the proportion of climate-related spending in the national budget sometimes decreased. In general, while these trends vary by country, the amount of money dedicated to climate change is still very small and limited (see Table 5.4).

One of the challenges identified for the countries analyzed is that, in some cases, it is not possible to match the international financial flows received through public expenditure to climate-related projects on the ground. This is because while

72 GFLAC's country reports in Argentina, Bolivia, Chile, Ecuador, Guatemala, Honduras, Nicaragua, and Peru (Aguilar and Scardamaglia 2014; Hernández 2014; Huamani Mujica 2015; Mairena Arauz et al. 2015; Paz 2015; Peláez Jara and Herrera 2014; Pineda et al. 2015; Torselli and Morataya 2015)

Table 5.3
International climate finance flows in eight Latin American countries (in million USD) ⁷²

COUNTRY	PERIOD	AMOUNT RECEIVED	LOANS	GRANTS	ADAPTATION	MITIGATION	OTHER
Argentina	2010-14	283	164	118	127	66	90
Bolivia	2010-14	318			261	6	52
Chile	2010-14	304	203	101	15	287	
Ecuador	2010-14	2,187	1,959	228	362	830	1,030
Guatemala	2010-15	338	237	101	38	30	268
Honduras	2010-15	227	79	148	62	91	74
Nicaragua	2010-15	322	131	192			
Peru	2010-13	1,554	1,159	396	498	761	296
Total		5,569	3,929	1,284	1,363	2,071	1,810
			75.36%	24.63%	25.9%	39.5%	34.5%

73 GFLAC's country reports in Argentina, Bolivia, Chile, Guatemala, Honduras, Nicaragua, and Peru (Aguilar and Scardamaglia 2014; Hernández 2014; Huamani Mujica 2015; Mairena Arauz et al. 2015; Paz 2015; Pineda et al. 2015; Torselli and Morataya 2015); This does not include the case of Ecuador because it was not possible to analyze public expenditure due to a lack public access to the relevant data

Table 5.4
National public expenditure related to climate change in Latin America (seven countries)⁷³

COUNTRY	YEAR	CLIMATE EXPENDITURE (MILLION USD)	% OF THE TOTAL NATIONAL BUDGET
Argentina	2013	132	0.12%
	2014	119	0.11%
	2015	81	0.06%
	2016	139	0.09%
Bolivia	2014	252	0.89%
	2015	258	0.80%
Chile	2013	16	0.03%
	2014	21	0.04%
Guatemala	2014	191	2.45%
	2015	233	2.94%
Honduras	2014	174	1.89%
	2015	184	2.15%
Nicaragua	2014	23	1.04%
	2015	26	1.13%
Peru	2013	82	0.22%
	2014	112	0.28%

resources are earmarked as climate-related at the international level, once they reached a specific country, they may not be labeled or tagged for climate projects. Another explanation is the current focus for mainstreaming climate change into policy, which is also difficult to track within national budget systems. These factors can result in an underestimation of actual climate change-related expenditure. Another challenge appears when the aggregation of budget information does not allow for the identification of specific activities, and therefore their relationship with climate change.

Improving the monitoring of climate flows at the national level will require the greater involvement of diverse government actors, including local governments, implementers of climate change programs and projects, and other non-governmental actors. Multi-stakeholder and multi-level governance is necessary to move toward the construction and effective implementation of a national financing architecture that meets the needs of decision-makers in Latin American and the Caribbean.

Recommendations for Climate Finance Reporting Systems in Latin America and the Caribbean

GFLAC's experience identified the lack of international guidance for climate change monitoring as one of the key challenges in achieving a comprehensive understanding of the climate finance landscape. However, countries in Latin America are starting to realize that having climate finance data and a comprehensive understanding of climate finance flows received can allow them to understand their own financial needs. It can also help them comply with their reporting responsibilities for national contributions and commitments under the Paris Agreement, as well as aid better identification of financial gaps and opportunities.

Based on analysis carried out in the region in 2014 and 2015 and recent studies carried out in other developing countries in Asia and Africa,⁷⁴ GFLAC recommends that Latin American and Caribbean countries establish institutional frameworks for monitoring and assessing climate finance, including public, private, national, and international resources. These frameworks should include specific guidance on measuring and classifying finance flows (including guidance on what is considered adaptation and mitigation), but in a way that is applicable for and compatible with current national public finance systems. Such changes will require investment in building capacity and developing incentives for implementing agencies and actors involved in reporting on the flows of climate finance.

GFLAC has also identified recommendations for international climate finance governing institutions, including the Subsidiary Body of Scientific and Technological Advice and the Standing Committee on Finance under the United Nations Framework Convention on Climate Change. Recommendations include: to provide guidance on accounting modalities for climate finance (such as which sectors and activities should and should not count as climate finance); to provide guidance on the type of instruments that can be considered; and to highlight the

importance of disclosing finance flows disbursed – not just committed – for the accountability of global climate finance as a whole. Finally, we recommend that this guidance should be provided not just to donor countries, but also to recipient countries, so that the latter can verify information shared by the former.

Chapter 6

Transparency from the Other Side: A Review of the First Biennial Update Reports ⁷⁵

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- 75 An earlier version of this text appeared in Weikmans, R. (2017). Support needed and received by non-Annex I Parties: What can we learn from their Biennial Update Reports? *KLIMOS Policy Brief #8*. Brussels: KLIMOS-ACROPOLIS
- 76 See AdaptationWatch 2015, 2016
- 77 UNFCCC 2011, Decision 2/CP.17, paragraphs 12–22

Introduction

How much climate finance has each developing country received? As basic as this question may seem, we currently do not have any satisfactory answers to it. This is a problem for several reasons. In addition to eroding trust in international negotiations on climate change, the current lack of data means that it is impossible to meaningfully identify any gaps in international support for climate actions and where those gaps are, in terms of geographic (country and region), thematic (mitigation, adaptation, etc.) or sectoral (agriculture, health, energy, etc.) allocations. It also means that assessing the extent to which climate finance helps developing countries address mitigation and adaptation challenges in an equitable and efficient manner is extremely complicated.

As the Paris Agreement requirements on climate finance, reporting, and transparency, are elaborated and come into effect, it will be critical to reverse this trend of inadequate reporting. The success of the Agreement rests on assurance through assessments and peer accountability on the efforts being made on adaptation. Effective adaptation programs and financing of these programs are particularly important in non-Annex I countries, and thus there is a heightened need for reports on climate finance received to be both comprehensive and accurate. Without such figures, it is impossible to know how much progress has been made under the Paris Agreement.

In this chapter we ask: why is it currently impossible to know how much climate finance each developing country has received and what can be done to change this situation? Many elements that impede the emergence of a clear picture of the international climate finance landscape have already been described in previous AdaptationWatch reports.⁷⁶ In this chapter we go one step further, and try to understand whether or not the blurry image of *climate finance received* can be clarified by recognizing a lack of compliance of developing countries toward transparency requirements agreed under the United Nations Framework Convention on Climate Change (UNFCCC). We show that lack of compliance is not the only reason for concern; inadequate transparency requirements set out under the UNFCCC are also to blame. We conclude by asking several questions: “What are the most important challenges that need to be addressed?” and “Will the Paris ‘enhanced transparency framework’ help address these challenges?”

Non-Annex I Parties’ Compliance Toward UNFCCC Transparency Guidelines

In accordance with the decisions adopted in 2011 in Durban, non-Annex I Parties are expected to submit Biennial Update Reports (BURs) containing, among other things, information on support needed and received.⁷⁷ The Conference of Parties decided that non-Annex I Parties, consistent with their capabilities and the level of support provided for reporting, should submit their first BUR by December 2014. Subsequent BURs must be submitted every two years, either as a summary in Parties’ National Communications or as a stand-alone update report. However,

- 78 Ellis and Moarif 2015, Gupta and van Asselt 2017
- 79 UNFCCC 2013
- 80 The guidelines that have to be followed by BURs in terms of the information to be provided on support needed and received are contained in UNFCCC (2011, Annex III of Decision 2/CP.17, paragraphs 14–16): “§14. Non-Annex I Parties should provide updated information on constraints and gaps, and related financial, technical and capacity-building needs. §15. Non-Annex I Parties should also provide updated information on financial resources, technology transfer, capacity-building and technical support received from the Global Environment Facility, Parties included in Annex II to the Convention and other developed country Parties, the Green Climate Fund and multilateral institutions for activities relating to climate change, including for the preparation of the current biennial update report. §16. With regard to the development and transfer of technology, non-Annex I Parties should provide information on technology needs, which must be nationally determined, and on technology support received”
- 81 http://unfccc.int/national_reports/non-annex_i_parties/ica/technical_analysis_of_burs/items/10054.php
- 82 By contrast, a ‘Common Tabular Format – CTF’ has to be used by Annex II Parties in their reporting of information to the UNFCCC Secretariat on climate finance provided
- 83 UNFCCC SCF 2016
- 84 Author’s review of summary reports of the technical analysis of each BUR; NOTE: ✓: Yes; ×: No; ✓/×: Partly. The total score of each Party is calculated by adding up the score obtained in each column (✓ = 1; × = 0; ✓/× = 0.5). The non-Annex I Parties included in this table are those for which a report of the technical analysis of their BUR was available on the UNFCCC website as of 8 July 2017. The following non-Annex I Parties are those that submitted a BUR that had not yet been considered for a technical analysis as of 8 July 2017: Ecuador, Georgia, and Jamaica (for their first BUR); Bosnia and Herzegovina, Brazil, Chile, Namibia, Singapore, and Tunisia (for their second BUR)

Least Developed Countries (LDCs) and Small Island Developing States (SIDS) may submit their BURs at their discretion.

Only ten (out of 154) non-Annex I Parties had submitted their first BUR by December 2014. As of 30 July 2017—more than two years after the 2014 deadline—only 37 non-Annex I Parties had submitted their first BUR. Why so few? These figures support reports that non-Annex I Parties are confronted with a variety of challenges in their reporting to the UNFCCC Secretariat.⁷⁸ These challenges may be related to capacity constraints, including a lack of established domestic reporting systems. They may also be linked to an insufficiency in international support provided to help non-Annex I Parties in their reporting. The absence or delay in reporting may also be explained by a lack of political willingness to report on climate finance needed and received.

To explore this issue, we look at the BURs that have been submitted. We investigate the extent to which those non-Annex I Parties that have submitted at least their first BUR comply with BUR guidelines. What follows is a review of the technical analysis report of each non-Annex I BUR. Technical analyses are conducted by international teams of technical experts in accordance with the modalities and procedures contained in the annex to Decision 20/CP.19.⁷⁹ This technical analysis aims solely to identify the extent to which the information on support needed and received that is supposed to be reported⁸⁰ by non-Annex I Parties is included in these Parties’ BURs. The results of these technical analyses are then presented in summary reports, made available online.⁸¹

The results of our review are presented in Table 6.1. The 32 non-Annex I Parties included in this table are those for which a technical analysis of their first BUR was available as of 8 July 2017. Our results show a concerning picture, where only two non-Annex I Parties fully comply with UNFCCC transparency requirements on support needed and received. Ten Parties actually score less than half of the maximum score possible. Therefore, the blurry image that we currently have of the landscape of climate finance needed and received is not only due to the failures of some non-Annex I Parties to report to the UNFCCC in a timely manner; it is also the result of a lack of compliance of some non-Annex I Parties in following UNFCCC transparency guidelines.

Reporting Approaches Used by Non-Annex I Parties for Climate Finance Received

The lack of compliance of some non-Annex I Parties with UNFCCC transparency requirements identified here is not the only element that impedes the emergence of a clear picture of climate finance received. The weakness of UNFCCC guidelines for reporting on climate finance received is also to blame. There is currently no common format for reporting information on financial support received,⁸² nor is there a common methodology to assess this financial support. The result of this lack of specific guidance is that Parties decide what to report on an individual basis, as is clear from their first BURs. For example, the time periods over which finance is reported as received varies widely.⁸³

Table 6.1
Non-Annex I Parties' compliance toward climate finance transparency requirements⁸⁴

RANK	NON-ANNEX I PARTY	BUR1 SUBMITTED BY DECEMBER 2014	EXTENT TO WHICH THE ELEMENTS OF INFORMATION ARE INCLUDED					TOTAL SCORE
			Constraints and gaps	Related financial, technical and capacity- building needs	Financial resources, technology transfer, capacity- building and technical support received	Technology needs, which must be nationally determined	Technology support received	
1	Namibia	✓	✓	✓	✓	✓	✓	6
1	South Africa	✓	✓	✓	✓	✓	✓	6
3	Viet Nam	✓	✓	✓	✓	✓	✓/ x	5.5
4	Andorra	✓	x	✓	✓	✓	✓	✓
4	Armenia	x	✓	✓	✓	✓	✓	5
4	Chile	✓	✓	✓	✓	x	✓	5
4	Ghana	x	✓	✓	✓	✓	✓	5
4	India	x	✓	✓	✓	✓	✓	5
4	Moldova	x	✓	✓	✓	✓	✓	5
4	Thailand	x	✓	✓	✓	✓	✓	5
11	Azerbaijan	x	✓	✓	✓/ x	✓	✓	4.5
11	Brazil	✓	✓	✓	✓/ x	✓/ x	✓/ x	4.5
11	Colombia	x	✓	✓	✓	✓	✓/ x	4.5
14	Argentina	x	✓	✓	✓	✓	x	4
14	Indonesia	x	✓	✓	✓	✓/ x	✓/ x	4
14	Tunisia	✓	x	✓/ x	✓/ x	✓	✓	4
17	Bosnia and Herzegovina	x	✓	✓	✓/ x	x	✓	3.5
17	Lebanon	x	✓	✓/ x	✓	✓/ x	✓/ x	3.5
17	Mexico	x	✓	✓/ x	✓	✓	x	3.5
17	Montenegro	x	✓	✓/ x	✓	✓	x	3.5
17	Serbia	x	✓	✓	✓/ x	✓	x	3.5
17	Uruguay	x	✓/ x	✓/ x	✓	✓/ x	✓	3.5

Table 6.1 (continued)

RANK	NON-ANNEX I PARTY	BUR1 SUBMITTED BY DECEMBER 2014	EXTENT TO WHICH THE ELEMENTS OF INFORMATION ARE INCLUDED					TOTAL SCORE
			Constraints and gaps	Related financial, technical and capacity- building needs	Financial resources, technology transfer, capacity- building and technical support received	Technology needs, which must be nationally determined	Technology support received	
23	Paraguay	×	✓	✓	✓	×	×	3
23	Peru	✓	×	✓/×	✓	×	✓/×	3
25	Costa Rica	×	✓	✓/×	✓	×	×	2.5
25	Malaysia	×	✓	✓/×	✓	×	×	2.5
27	Israel	×	×	×	✓	×	✓	2
28	Macedonia (F. Y. R. of)	×	✓	✓/×	✓/×	×	×	2
29	Mauritania	×	×	✓	✓/×	×	×	1.5
30	Korea (R. of)	✓	×	×	×	×	×	1
30	Morocco	×	×	✓/×	✓/×	×	×	1
30	Singapore	✓	×	×	×	×	×	1

85 UNFCCC SCF 2016, p. 31

86 UNFCCC SCF 2016, p. 91

87 See AdaptationWatch 2016

88 Weikmans and Roberts
Forthcoming; Data
extracted from UNFCCC
SCF 2016, pp. 32–33
and 103–105; NOTE: i
E.g., energy, transport,
agriculture; ii Received
or approved. Parties are
shown in alphabetical order.
The 20 non-Annex I Parties
included in this table are
those that had submitted
their BURs as of 30 June
2016 and that provided
summary information on
financial support received
during a certain period of
time. In total, 32 non-Annex
I Parties had submitted
their BURs by 30 June
2016. Twelve of these 32

Additionally, as depicted in Table 6.2, we can see that finance was reported in four separate ways in the countries assessed; while most reported per project/activity or per donor, one country reported per thematic area, and another gave only headline figures. Another disparity included whether finance was designated according to thematic sectors (such as mitigation or adaptation), economic sectors (such as energy or agriculture), both, or neither. As is clear from these inconsistencies, countries have taken license to report as they desire. This creates barriers in comparing reports across countries and in developing a comprehensive view of finance received by these countries.

In addition, the UNFCCC guidelines do not require reporting of the underlying assumptions, definitions and methodologies used in generating information on climate finance received.⁸⁵ As observed by the UNFCCC SCF,⁸⁶ countries often use different definitions of climate finance, and of adaptation and mitigation activities. This means that it is extremely difficult to meaningfully compare the amount of climate finance received by each non-Annex I Party. In addition to the problem of partial and/or opaque reporting, the multiple accounting approaches used by Annex I⁸⁷ and non-Annex I Parties make it

Table 6.2
Reporting approaches used by some non-Annex I Parties for financial support received⁸⁸

Non-Annex I Party	REPORTED IN TABULAR FORMAT				ALLOCATION CHANNELS									SECTORS		FINANCIAL INSTRUMENTS						OTHER			
	PER PROJECT	PER DONOR	PER THEMATIC AREA	ONLY HEADLINE FIGURES	TOP DONORS	BILATERAL	MULTILATERAL	MULTILATERAL FINANCIAL INSTITUTIONS	MULTILATERAL CLIMATE CHANGE FUNDS	SPECIALIZED UNITED NATIONS BODIES	GEF	PRIVATE FOUNDATIONS	PRIVATE SECTOR	MITIGATION/ADAPTATION	ECONOMIC	GRANT	CONCESSIONAL LOAN	LOAN	NATIONAL BUDGET	RESULT-BASED PAYMENT	LEASING	ODA/NON-ODA	STATUS OF FINANCE	DOMESTIC FINANCE FLOWS	CO-FINANCING
Argentina		✓			✓					✓															✓
Armenia	✓					✓	✓	✓	✓																
Brazil		✓				✓	✓			✓															
Chile	✓					✓	✓	✓	✓				✓	✓									✓		
Colombia		✓				✓		✓	✓				✓												
Ghana	✓					✓	✓			✓	✓	✓	✓	✓	✓		✓	✓	✓				✓	✓	
Indonesia		✓				✓	✓		✓						✓		✓					✓	✓		
Lebanon		✓			✓	✓	✓	✓																	
Malaysia	✓					✓		✓	✓	✓															
Mauritania	✓					✓	✓		✓				✓		✓		✓			✓					
Mexico				✓									✓	✓	✓		✓								
Montenegro		✓			✓				✓	✓					✓		✓								
Morocco	✓					✓	✓	✓	✓				✓		✓	✓							✓		
Paraguay		✓				✓	✓		✓	✓					✓										
Peru	✓					✓	✓	✓					✓		✓	✓						✓		✓	
Moldova (R. of)	✓					✓	✓	✓	✓				✓	✓	✓		✓								
South Africa	✓					✓	✓	✓					✓		✓		✓					✓	✓	✓	
Thailand	✓					✓			✓	✓			✓												
Tunisia	✓					✓			✓	✓			✓												
Viet Nam			✓										✓										✓		

non-Annex I Parties do not appear in this table because they indicated financial support received only for some projects, activities, sectors, or donors, or did not include quantitative financial information at all in their BURs

89 UNFCCC 2015, Decision 1/CP.21, Article 13.10, paragraph 90

90 van Asselt et al. 2017

91 UNFCCC 2015, Decision 1/CP.21, paragraph 57

92 van Asselt et al. 2017

impossible to compare the total support provided and received. These problems are further exacerbated by the absence of project-level data that underlie Annex I and non-Annex I Parties' reports, which makes it extremely difficult to understand what types of projects and programs are being supported, and how this support is being provided.

Conclusion: Main Challenges and Opportunities Ahead

There are at least two challenges that need to be addressed in order for a clear picture to emerge of international climate finance needed and received.

First, as described above, few non-Annex I Parties have submitted their first BUR. Frequent reporting by non-Annex I Parties is the first condition that would permit a comprehensive picture of the landscape of climate finance needed and received to emerge. There is a pressing need to understand why so many non-Annex I Parties have not yet submitted their first BUR to the Convention Secretariat. Similarly, we need to understand why some countries fail to comply with the UNFCCC guidelines that are in place when preparing their BURs. If the main reasons are linked to capacity constraints, more international support should aim to build capacities to track and report the support needed and received. If reporting is hampered by a lack of political willingness, incentives to report in a timely manner should be identified and promoted.

Moreover, under the Paris 'enhanced transparency framework', LDCs and SIDS are still allowed to submit their BURs "at their discretion".⁸⁹ Through this provision is necessary to protect these countries from overwhelming reporting duties, such discretionary reporting can impede the emergence of a comprehensive picture of the international climate finance landscape.⁹⁰

A second challenge identified in this chapter is a lack of specific guidelines on how to account for and report on climate finance needed and received. This has given rise to a plethora of approaches used by non-Annex I Parties, and makes it impossible to compare across countries the information that is reported. The Paris enhanced transparency framework aims at dealing with the issue of accounting modalities for climate finance provided and mobilized.⁹¹ However, the accounting modalities that are currently being negotiated in this regard will not apply to accounting for climate finance needed and received.⁹² This is a gap that deserves immediate attention: for a comprehensive transparency framework to emerge, it will be necessary to develop common accounting modalities that apply in all contexts for reporting on climate finance.

As the Paris Agreement depends on accurate tracking of action and support, and continuous assessment and reassessment, it is increasingly urgent that reporting is carried out in a way that is transparent, uniform, and thorough. Non-Annex I countries have a crucial role to play in this process: they will both affirm that the finance claimed to be given by Annex I Parties has been received, and indicate whether this fulfills their needs. With clear and comprehensive reporting, the UNFCCC will be better able to improve mechanisms for funding and allocation of funds, thereby enhancing global efforts to mitigate and adapt to climate change.

Chapter 7

Capacity Building for Climate Change Adaptation: Lessons from Other International Regimes

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Although the challenge of climate change is universal, capacity to adapt to the phenomenon and cope with its impacts is not. Many of the world's developing countries have extremely limited scope to plan and implement adequate climate policies and actions. As the enabler for the implementation of responses to climate change, capacity building takes on central importance. This is especially true for the least developed countries (LDCs) and the small island developing states (SIDS), which are hit first and hardest by climate change, but have the least capacity to adapt.

The Paris Agreement's capacity building provisions, including: the decision to establish a Paris Committee on Capacity Building (PCCB) (Article 11); a Capacity Building Initiative for Transparency (CBIT) (Article 13); and the promotion of education, training, and public awareness (Article 12) can therefore be regarded as foundational for all other institutions, mechanisms and processes under the United Nations Framework Convention on Climate Change.

However, capacity building as an element of development and environmental cooperation has been taking place under many different names and forms for more than half a century. These efforts have been carried out under a diverse set of global regimes that have emerged during the last several decades. Five categories of global regimes are highlighted here.

The first regime type relates to development issues, such as economic growth, poverty reduction, and sustainable development, which involve different kinds of assistance from bilateral and multilateral agencies. Trade and regional economic integration represents a second set of regimes with distinct objectives and regulatory instruments. A third category pertains to the protection of the environment and natural resources – that is taking care of brown and green issues. A fourth category covers international human rights frameworks with an array of covenants and declarations. Finally, a fifth category applies to security, cooperation, and humanitarian affairs. While there are thematic overlaps among all these regimes, each of them represents specific constituencies, and possesses its own normative and conceptual frameworks, procedures, institutions, and approaches.

Understanding and reconciling these multiple types of regimes and their relevance to national and international development presents considerable challenges. Research on international institutions identifies capacity as one of three conditions for institutional effectiveness; the other two are sufficient concern from nation-states and finding solutions applicable to the identified problems.⁹³

Under each of the regime categories mentioned above, different kinds of capacity building activities have been undertaken with donor support in developing countries. Both generic and regime-specific capacities have been addressed through the technical cooperation programs of rich industrial countries.⁹⁴ This chapter highlights the major findings from a review of capacity building initiatives under different regimes including the World Trade Organization, the Regional Seas Programme, the international human rights regime, disaster-risk reduction, and the Montreal Protocol on Substances that Deplete the Ozone Layer. The purpose of this exercise is to look at similarities and differences in the various approaches to capacity building, and to learn lessons for charting a realistic course for capacity building to enable adaptation to climate change.

95 World Bank 2005; UNDP
1996; OECD 2006
96 Vandever 1999
97 Luken and Grof 2006

The methodology of this review was primarily focused on a content analysis of the extremely limited literature: unfortunately, there is a dearth of peer-reviewed literature on capacity building. We gathered data from development agency reports on capacity-building activities and analyzed specific characteristics. These included: the type of capacity building undertaken; the focus of the activities; who was leading activities; who was funding activities; whether activities were foreign-consultancy driven; whether activities were demand- or supply-driven; the extent to which recipient countries owned activities; and whether a system for continued capacity building was in place in recipient countries once the work had concluded.

Regime Experiences: Commonalities and Differences

This brief review is a summary of experiences of past and ongoing capacity-building efforts under five different global regimes, undertaken through the technical cooperation programs of donor agencies. The regimes are: (1) trade capacity building; (2) capacity building under the Regional Seas Programme (RSP); (3) capacity building for integrating human rights into development; (4) capacity building for disaster-risk management; and (5) capacity building for the phase-out of ozone-depleting substances under the Montreal Protocol.

The review shows that there are numerous commonalities, and very few differences, in the approaches and tools these regimes use in capacity building. The primary findings are highlighted below:

- Institutional development and its strengthening is a focus of capacity building in all regimes.⁹⁵ Where this aspect was weak, the regime did not function effectively. One example is the Mediterranean RSP, where there was a wide diversity of state regimes and value systems, different levels of development, and political instability in some states. Public-sector capacity could therefore not reach the critical mass required for the RSP to function effectively. On the other hand, the Baltic Sea Programme was successful because a compatibility of state regimes and value systems contributed to stronger and effective capacity building.⁹⁶ Likewise, institutional capacity building has been more successful under the Montreal Protocol, with its detailed program and implementation plans, both at national and international levels.⁹⁷
- Education, training, and research aimed at developing human resources and improving professional competence on a sustainable basis is also key to building national capacity. This was evident in all the regimes, with a lesser focus on education and a greater focus on training and awareness-raising in the regime for phasing out ozone-depleting substances. The regimes on trade, human rights, and disaster-risk management particularly focused on formal and professional education at different levels including the development of research and analytical capacities.
- Strong financial support behind capacity building efforts under regimes for trade capacity building and phasing out ozone-depleting substances contributed greatly to effective compliance by member nations with the regime requirements. Recipients of aid for technical cooperation under these two

regimes were also able to build the foundations necessary for developing their own capacities. Such adequate financial support was made available by donor countries because of their direct interest in building capacity in developing countries. In addition, promotion of trade capacity and the phasing out of ozone-depleting substances promoted both direct and indirect economic and health benefits not only in industrial countries, but also in developing countries. In the case of the human rights regime, this impact was also true to some extent because of its contribution to enhancing aid effectiveness. However, responses from developing countries were not the same across the board. Still, financial constraints for capacity building in the regimes of human rights, disaster-risk management, and RSP in the Mediterranean continue to inhibit effective capacity building.

- National ownership of capacity building efforts is another key contributor to sustained progress. For example, aid-recipient countries that had direct interests in capacity building under the trade and ozone regimes had stronger ownership of such efforts than they did under other regimes where they did not have direct interests. Therefore, in areas where there are mutual interests between donors and recipients, capacity building efforts have greater success. Additionally, where aid projects are donor driven, as is often the case, the ownership of a recipient country usually does not grow.
- Networking, partnerships and sharing of experiences have contributed to capacity building in all the regimes. As donors and recipients share best practices within and across categories, the ability of any program to build capacity is enhanced.
- Web-based tools have also contributed to capacity building under human-rights and disaster risk management or reduction regimes. For example, Mexico has developed a web-based tool to sensitize citizens about human rights; other countries are now replicating this tool. Another web-based tool, the Hyogo Framework of Action monitor in disaster risk reduction, contributes by providing a platform for uploading information on disasters and their associated losses. This allows for the aggregation and consolidation of disaster-related data across the globe.
- Capacity substitution at the national level by external experts and consultants can work against the building of in-house and in-country capacity. This was most evident in the case of the disaster risk management or reduction regime, where external experts played a strong role. To some extent, this inhibited the utilization and further development of in-house and in-country capacity. Many developing countries, such as Bangladesh, have developed a fair amount of managerial and technical expertise in disaster risk management because of their age-old experiences of living with natural and climate disasters. By depending on outside experts rather than utilizing and enhancing in-country capacity, the recipient country's dependence on such external support is perpetuated, and opportunities for capacity building are lost.

Lessons for Building Capacity to Adapt to Climate Change

The primary lesson from this analysis is that sustainable support at both the national and international levels is critical for successful capacity building. This means, most importantly, that support must be long-term. Additionally, donor and recipient countries should work to establish common interests, with a special emphasis on the national needs and interests of the recipients. It has been shown that where countries take greater ownership of their capacity building, they are able to enhance long-term effectiveness. Finally, capacity building is most successful when there is education, training, and awareness-building at all levels on human rights. This should be a priority focus of national and global efforts.

Although capacity building provisions are new in climate policy under the Paris Agreement, other international regimes have set important precedents, from which lessons on best practice can be drawn. Leaders in the climate regime must now learn from this work to ensure that capacity-building efforts, particularly those targeted for adaptation, are successful.

Conclusion

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This report has highlighted the experiences of developing countries and regions in working to plan and implement measures for adapting to climate change. In putting forward these perspectives, we have aimed to elucidate key issues from adaptation experiences on the ground in order to inform future work and policy. Outlined below are ten common themes that have emerged from the research discussed in the previous chapters. These identify key issues regarding the implementation of adaptation efforts, especially around finance, governance, and capacity building. As developing countries are those which have the most at stake in global adaptation efforts, these countries should take the themes below as action items that need the most attention in order to make progress on adaptation under the Paris Agreement.

- 1. Commit to an era of implementing adaptation efforts.** For decades, the questions of what can be done about adaptation and how might it be approached in policy have been researched and debated. Now, with the coming into force of the Paris Agreement, currently ratified by 168 countries, the time has come to focus efforts on implementation. As countries are already beginning to feel the effects of climate change, it is crucial that adaptation moves from discussion into action.
- 2. Increase finance for adaptation.** Under the GCF, funding is meant to be equal for adaptation and mitigation, yet finance is still overwhelmingly focused on mitigation. Though mitigation is crucial for addressing climate change, adaptation is especially critical in developing countries where people face the greatest risks and impacts. As a result of insufficient funding, the risks faced by these countries persist unnecessarily. The longer these countries must wait to implement costly adaptation measures, the greater the loss and damage that will be experienced due to storms, droughts, and flooding. Closing the adaptation finance gap should be a priority for funders.
- 3. Define 'adaptation' in a way that is clear and widely accepted.** Currently there is no clear and common understanding of what qualifies as an adaptation project. This creates uncertainties in reporting, and conflict in the provision of adaptation finance. The difference between adaptation and development in particular must be delineated, or alternatively the two concepts must be defined together as interrelated. The Green Climate Fund debates over applications from Bangladesh and Ethiopia, discussed in Chapter 3, is a perfect example of how a lack of clear definitions in this area can inhibit adaptation efforts. Furthermore, countries must know what should be counted as work on adaptation when accounting and reporting under the Paris Agreement.
- 4. Outline a robust reporting system with universal methodologies for accounting.** As the analysis in Chapter 7 and past AdaptationWatch reports demonstrate, there are many problems relating to the reporting of adaptation action and support. What this report has shown is that these issues are not unique to developed countries, and that developing countries are also failing to include the necessary information, or even failing to report altogether.

As the success of the Paris Agreement lies in accurate reporting and assessment, the development of clear reporting requirements and universally-used methodologies is urgently needed. Furthermore, these standards must not impose an undue burden on developing countries, and they should be adequately supported in fulfilling their reporting duties.

5. **Move toward substantive assessments of progress on adaptation.** Currently, the evaluation of adaptation efforts, and their progress, is focused primarily on measurement and reporting according to predefined goals and numerical targets. As a more accurate alternative, progress should be measured in terms of substantive improvements based on locally-defined needs that are evaluated not only by numerical changes but also by qualitative, narrative testimonies. Therefore, in defining monitoring and evaluation frameworks, an approach that emphasizes not only reporting but also analysis of on-the-ground outcomes is crucial.
6. **Ensure that finance goes to the most vulnerable and under-supported.** In decision-making on adaptation finance, support should be targeted to the most vulnerable and to those sectors that are least supported. Sector-based targeting in particular should be based on finance data, allowing decision-makers to distribute funds in a way that addresses the greatest needs first and has the most significant impact. Additionally, funding should be targeted toward those populations and sectors that can use it most effectively, in order that it should have the greatest impact.
7. **Consider in-country issues with communication and coordination.** Not all nations have the same in-country governance capacity to plan and implement adaptation projects. This is especially true in developing countries, where communication and coordination across ministries and sectors can create insurmountable barriers to effectively approaching adaptation efforts. Thus, in the provision of adaptation finance, and the planning of projects, it is critical to take governance capacity into account. Moreover, improving these connections may lead to a system of nationally provided climate finance. This is not something that is typically imagined, but it could be beneficial, in the Latin American context for example.
8. **Simplify and support efforts to increase climate finance readiness.** It is currently complicated for countries to apply, prepare for, and receive climate finance. There are numerous actors and systems that must be in place in order for a country to take advantage of current sources of climate finance, and this situation may strain the resources of developing countries. Though many Latin American and Caribbean countries have performed quite well with Green Climate Fund Readiness program, there are still many others that lack this experience. Importantly, however, making financing systems less complicated should not come at the expense of strict accountability for the effective use of funds. In addition to simplifying the funding process and providing support, decision-makers must also work to facilitate the establishment of numerous

national implementing agencies. This will result in the streamlining of access to climate funds, and more effective governance and implementation when these funds are received.

9. **Co-design adaptation action with local communities.** It is now well established that many adaptation actions are most successful when they address a local need and are context appropriate. This is most likely to be the case when local communities are an integral part of the planning and implementation processes, preferably as co-designers. In addition to increasing the probability of success, this approach saves money by ensuring that funds are not wasted in the first place on projects that are maladaptive, and also eliminates the need for additional projects to correct for mistakes made initially. Finally, local communities are already implementing their own adaptation plans and know best what is appropriate for their own geographical and cultural context; utilizing this knowledge gives these communities ownership and understanding of the adaptation process as a whole.

10. **Reorient capacity-building efforts to focus on the long term.** Currently, capacity building is structured to depend on external experts entering a country to provide training that briefly enhances capacity, but leaves behind little ability for those countries to continue building that same capacity on their own. A long-term focus both effectively increases capacity overall, by building in-country knowledge and ownership of capacity building, and reduces costs by eliminating the need for repeated trips by non-native experts in and out of the country. Furthermore, capacity-building efforts should be focused on developing human rights and strengthening institutions, as this has proven to be an effective long-term strategy under other international regimes.

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