



# CLIMATE ADAPTATION FINANCE: FACT OR FICTION?

April 2021 Version



*This report is a slightly revised version of the original report which was published in January 2021. See Annex for information on the changes made and the reasons behind them.*

*This report was written by Andrew Hattle with contributions by Christopher Roy and Hans Peter Dejgaard of INKA Consult and by John Nordbo and Bart Weijs of CARE.*

*The study was commissioned by CARE Denmark and CARE Netherlands, under the guidance of John Nordbo, Bart Weijs, Obed Koringo and Camilla Schramek. Sven Harmeling and Inge Vianen provided input.*

*The views expressed in this publication are those of the authors and do not necessarily represent those of CARE International.*

*The research and analysis used to produce this report are based on six national reports published by civil-society organisations partnered with CARE in Ethiopia, Ghana, Nepal, the Philippines, Vietnam and Uganda. Sincere thanks to the following researchers and contributors: Sileshi Zewdie (CARE), Neïma Aliyi (CARE), Yonas Gebru (CCC-E), Yoseph Arega (CCC-E), Meskir Tesfaye (CCC-E), Alazar Daka (CCC-E), Abdul-Razak Saeed (Destreza Consult), Elvis Oppong-Mensah (Civic Response), Jonathan Gokah (KASA Ghana), Vincent Awotwe-Pratt (Biodiversity Advocates), Chibeze Ezekiel (Strategic Youth Network for Development), Godlove Otoo (Institute of Green Growth Solutions), Fati Seidu Tambro (SUNG Foundation), Albert Katako (Civic Response), Raju Pandit Chhetri (Prakriti Resources Centre), Sneha Rai (Prakriti Resources Centre), Binay Dhital (Prakriti Resources Centre), Athena Denise Gepte (ACCORD), Kairos de la Cruz (ICSC), Aarjan Dixit (CARE), Elaine Lopez, Danica Supnet (ICSC), Janssen Martinez (ICSC), Isabella Mendoza (ICSC), Angelika David (ICSC), Nguyen Thi Yen (CARE), Vu Minh Hai (CARE), Vu Cong Lan (SRD), Nguyen Thi Tho (SRD), Thuan Sarzynski (SRD), Robert Bakiika (EMLI), Christine Mbatuusa (EMLI), Jaliah Namubiru (EMLI), Zerubabeeli Naturinda (Consultant), Joshua Zake (Environmental Alert), Gaster Kiyingi (Tree Talk Plus), Margaret Barihaihi (Consultant), Monica Anguparu (CARE), Annet Kandole (CARE), Robert Otim (CARE), Emmanuel Musa Kyeyune (EMLI).*

*Thanks also to Bill Maslen for editorial work and to Enrique Spacca for preparing the report for release.*

*Cover photo: CARE/Georgina Goodwin (Amina Suleiman Gas, losing livestock in the face of drought in Somaliland).*

# CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>1. INTRODUCTION</b> .....	<b>5</b>
<b>2. TRACKING ADAPTATION FINANCE</b> .....	<b>7</b>
<b>3. IN THE SPOTLIGHT: FIVE CASES OF OVER-REPORTING</b> .....	<b>9</b>
<b>4. HOW ACCURATE IS ADAPTATION FINANCE REPORTING?</b> .....	<b>15</b>
<b>5. OVERSTATING ADAPTATION FINANCE</b> .....	<b>19</b>
<b>6. THREE TRENDS IN OVER-REPORTING</b> .....	<b>23</b>
<b>7. MAINSTREAMING GENDER EQUALITY</b> .....	<b>27</b>
<b>8. INTEGRATING ADAPTATION WITH POVERTY REDUCTION</b> .....	<b>30</b>
<b>9. DONOR TRANSPARENCY</b> .....	<b>32</b>
<b>10. TECHNICAL SUMMARY</b> .....	<b>34</b>
<b>RECOMMENDATIONS</b> .....	<b>38</b>
<b>ANNEX</b> .....	<b>40</b>
<b>ABBREVIATIONS</b> .....	<b>41</b>
<b>GLOSSARY</b> .....	<b>42</b>
<b>BIBLIOGRAPHY</b> .....	<b>46</b>





# EXECUTIVE SUMMARY

In 2009, developed countries made a commitment to support climate activities in developing countries. They promised to mobilise climate finance and scale it up to \$100 billion in 2020, half of which to be spent on helping vulnerable people and countries adapt to climate change.

So that these financial commitments can be tracked, developed countries report how much they spend on international climate finance to the UNFCCC and OECD. We have looked at the numbers, and **our conclusion is clear: current official figures for adaptation finance are severely overstated and far too high.**

Together with civil-society organisations in Ghana, Uganda, Ethiopia, Nepal, Vietnam and the Philippines, CARE has assessed whether rich countries' reporting of adaptation finance is accurate, and whether the reported amounts genuinely contribute to climate adaptation. In addition, we investigated whether the funded projects are gender-responsive and prioritise the poorest and most vulnerable members of the target populations. This research is the most comprehensive adaptation finance tracking study to date.

**Our research shows that large amounts of climate finance for projects that have nothing to do with adaptation.** Some examples are:

- *The “Nhat Tan Friendship Bridge” in Vietnam. A financial commitment to fund the construction of a bridge to meet Hanoi’s traffic demands and link the city centre with Noi Bai Airport.*
- *The “North-South Expressway Construction Project” in Vietnam. A road construction project connecting Ho Chi Minh City with various industrial developments.*
- *The “Post-Disaster Standby Loan” provided to the Philippines. A loan intended to provide the country’s government with general budget support during natural disasters, but which has been used to repay other loans.*

**Our research also shows that donors routinely exaggerate the adaptation finance component of their projects, thereby over-reporting the amount they spend on climate adaptation.** In effect, this means that

donors commonly report more than the actual costs of the adaptation activities in their projects as adaptation finance. Some of the biggest examples of exaggeration of projects' adaptation relevance include:

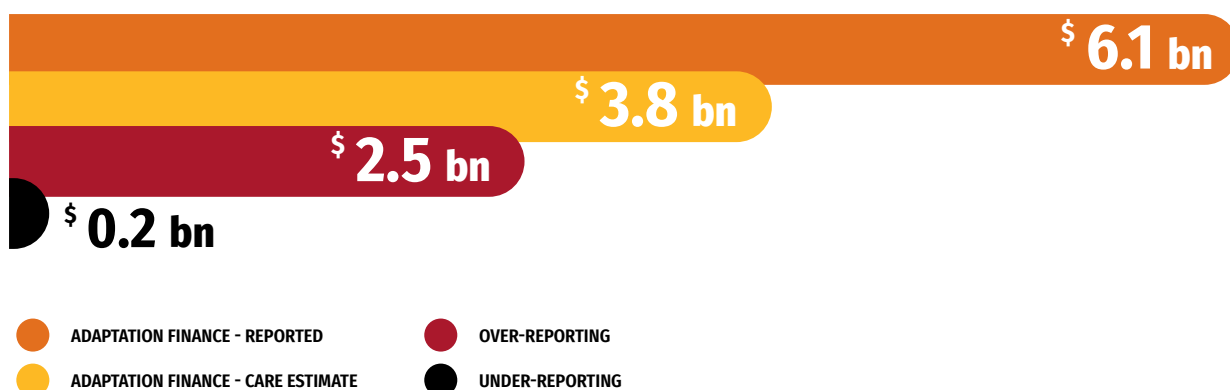
- *The World Bank's Earthquake Housing Reconstruction Project, which provides support for rebuilding earthquake-resilient infrastructure in Nepal. Although the project is primarily a response to a geohazard which is unrelated to climate change, 86% of its budget is reported as finance for climate-change adaptation.*
- *The World Bank's Rural Productive Safety Net Project in Ethiopia, providing food and cash to food-insecure communities. Over 50% of this project's budget is reported as adaptation finance, although the actual proportion of the project's activities explicitly dedicated to building long-term resilience and addressing adaptation needs is much smaller.*

In total, we have assessed 111 projects launched over the 2013-2017 period in six countries across Africa and Asia. The total adaptation finance reported for these projects by donors is \$6.1 billion, representing 13% of the climate adaptation funding provided to all developing countries over the five-year period, as reported by the OECD (2019). Our research reveals that \$2.5 billion of this adaptation finance has been over-reported in official estimates. **This means that in reality,**

**climate adaptation finance only represents about 59% of what donors reported.**

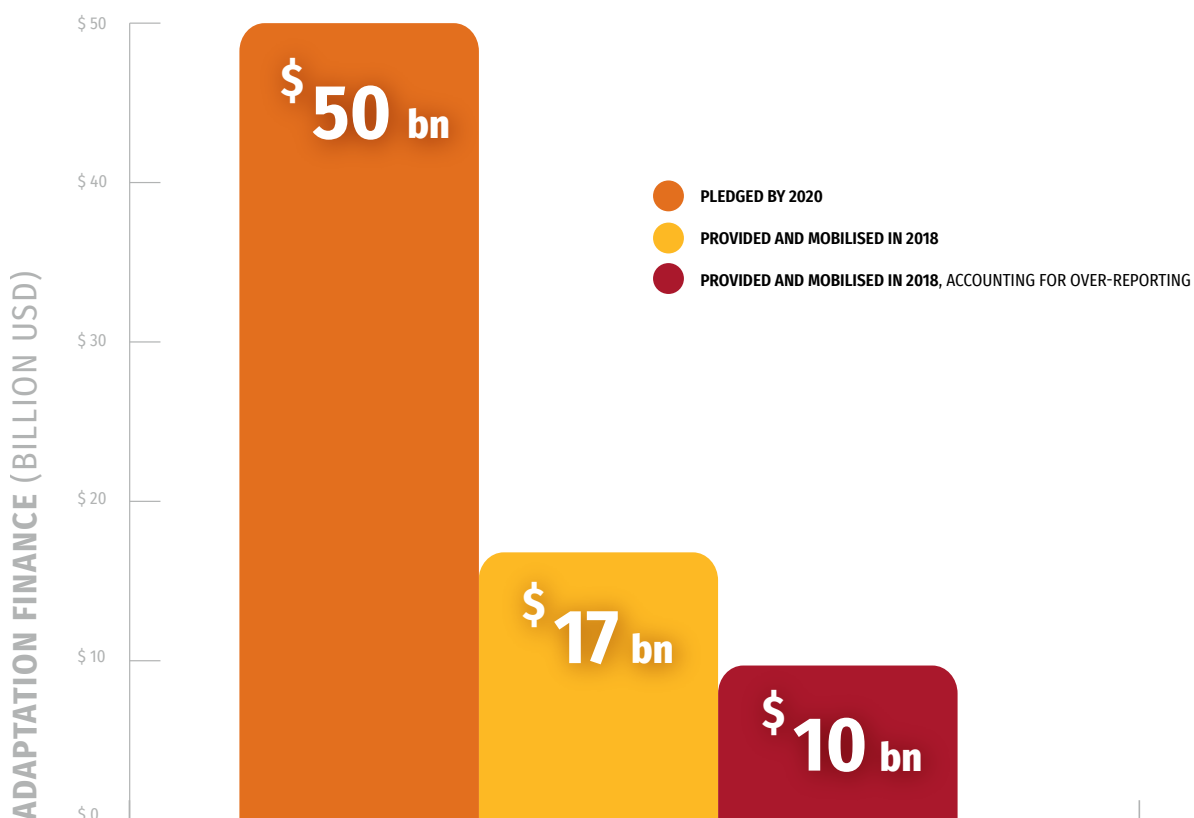
A very basic error that results in over-reporting is the Japanese government's method of calculating adaptation finance. This method makes no distinction between the financial reporting of projects with adaptation as their main objective and projects with adaptation as a minor objective. Regardless of the extent to which each project actually addresses climate adaptation, 100% of each project's budget is reported as adaptation finance, resulting in grossly inflated figures. **CARE estimates that Japan's reporting practices alone mean that the annual total for adaptation finance is 10% lower than the figures reported to the OECD by developed-country donors would suggest.**

**A second factor resulting in the exaggeration of figures for adaptation finance is the reporting of non-concessional loans, often at face value.** Non-concessional loans do not have conditions (such as grace periods, maturities, or interest rates) favourable enough to recipients to be reported as Official Development Assistance (ODA) loans, yet they can still be reported as adaptation finance. This means that adaptation finance reported as contributing to the \$100bn goal can be lent at rates that profit the providers, and includes funding due for repayment by the developing countries.



**Figure 1**  
Adaptation finance as reported by donors and assessed by civil-society organisations, including estimates of over- and under-reporting based on 111 project-level assessments (in USD billions).

If the level of over-reporting found in this analysis – equivalent to 41% of the reported total – applies to all developing countries in receipt of adaptation finance in 2018, OECD estimates of the flow of adaptation finance from developed to developing countries would drop from \$16.8bn to just \$9.8bn. It should be noted that even though it represents a drastic decrease in the estimated total for international adaptation finance, the figure of \$9.8bn still includes a significant amount of finance provided in the form of non-concessional loans at face value. Meaning that the true figure for international adaptation finance contributions would be even lower if funding due for repayment by developing countries was also accounted for.



**Figure 2**  
*Scaling up the over-reporting of adaptation finance to global level: international adaptation finance pledged to developing countries annually by 2020 vs. funding actually provided by developed countries in 2018, adjusted to account for over-reporting. Data source: OECD (2020) and the OECD's climate-related development finance database.*



**Our research also indicates a risk of increased over-reporting in the coming years.** The World Bank is revising its approach to tracking adaptation activities and finance whilst also undertaking to double its adaptation finance provisions by 2025 (World Bank, 2019). While current practice only reports the incremental costs of adaptation for a project, this is set to change following the World Bank's conclusion that current practice underestimates the "financial co-benefits" of adaptation investments (World Bank, 2019). However, our research finds that even using the current methodology, adaptation finance is being overstated. Consequently, the proposed changes risk further over-reporting and the blurring of clear distinctions between adaptation-related vs. non-adaptation-related finance, without actually resulting in increased support for vulnerable communities.

**This all means that vulnerable people and countries are only receiving a fraction of the adaptation finance they have been promised.** And while the burden of adaptation is falling on the world's poorest communities, the historic responsibility for global emissions resides squarely with the developed nations that are currently failing to deliver on their promises. It is this injustice that imposes a need for transparent, accountable, predictable and increasing flows of financial support from rich to poor in support of climate action.

**Donors must change their course and live up to their commitments.** To do so:

- *Multilateral development banks, especially the World Bank, should renew efforts to report only the incremental cost of adaptation in their projects as adaptation finance.*
- *Japan's financial reporting should accurately distinguish between projects that are primarily driven by adaptation and projects with adaptation co-benefits.*
- *In the run-up to and at COP26, donors should clearly and collaboratively describe how they will make good their Paris Agreement commitment to provide scaled-up financial resources for mitigation and adaptation by indicating how they will provide and mobilise \$50bn of adaptation finance annually.*

**An important finding is that some of the projects supported by donors are in fact of high quality.** Some

projects demonstrate the successful integration of gender equality and poverty alleviation in climate adaptation activities. Two examples are:

- *The Climate Investment Fund's Enhancing Natural Forest and Agroforest Landscapes project in Ghana. The project combines climate-smart cocoa cultivation with agroforestry and high-yield production techniques to simultaneously improve cocoa farmers' resilience to climate change and reduce poverty.*
- *The Green Climate Fund's Responding to the Increasing Risk of Drought project in Ethiopia. This project aims to set up year-round drinking water and small-scale irrigation systems to help address the risks of drought in rural communities. It also recognises that women's livelihoods are more intrinsically linked to natural resources, and that women have greater responsibility for gathering them, in Ethiopia's rural, agrarian societies. Consequently, the project incorporates community-based gender analyses, community engagement with gender-responsive strategies, and women's indigenous knowledge, while ensuring that 50% of the beneficiaries are women.*

Despite donors' commitment to openness in the provision of financial assistance, **our research was hindered by a lack of transparency. Donors routinely deny, limit, or frustrate access to project documents.** To address this:

- *Developed-country donors must renew efforts to adhere to the spirit of the International Aid Transparency Initiative. Donors should follow through on their existing obligations regarding transparency and build upon them to facilitate and guarantee public access to project documentation.*

A more comprehensive set of findings and recommendations can be found in the technical summary in Chapter 10.



# 1. INTRODUCTION

Global emissions and the climate crisis are accelerating, and there remains a significant gap between government pledges and levels of action consistent with the long-term temperature goal set down in the Paris Agreement. Human emissions have already caused global temperatures to rise 1.1°C above preindustrial levels and may cause a 1.5°C temperature rise by as early as 2030 (WMO, 2020; IPCC, 2018). Yet vulnerable regions are already suffering from the associated impacts. In its Special Report on Global Warming of 1.5°C, the IPCC outlined that even if the global temperature increase does not exceed 1.5°C, far-reaching adaptation measures will be required. For many regions, 1.5°C of global warming will stretch the limits of the adaptability and adaptive capacity of many human and natural systems (IPCC, 2018).

The impacts of climate change will be hardest on the poorest and most vulnerable. The associated climate shocks will require ever deeper and more immediate responses to reduce underlying vulnerabilities and enhance climate resilience. Such responsive capacities are urgently required because climate impacts are

compounding existing global inequalities. Those already living and working at the margins, with limited capacity to adapt, are those who are being required to make the most drastic responses to the climate crisis. In many parts of the world, the climate crisis is having a disproportionate impact on women and girls because of their social and domestic roles and tasks (e.g. taking care of the land, carrying water, caring for children and family members), and the discrimination they face (e.g. restricted access to productive resources and services, lack of participation in decision making and education). In the event of a disaster, the risk of death is higher among women and children than among men.

While the burdens of adaptation will fall predominantly on the world's poorest, the historical responsibility for global emissions resides squarely with the developed nations. Despite the fact that the poorest 50% of the world's population is responsible for just 7% of global emissions, developing countries will face 75-80% of the costs of climate change (World Bank, 2010; Gore, 2020). Thus climate change will chiefly affect those communities who have contributed least to the crisis,



and this injustice necessitates a flow of financial support from rich to poor so that the latter can take suitable action.

To enable climate-resilient development, financial support and assistance for tackling climate change play an important role in the adaptation response by developing countries. In 2009, at COP15 in Copenhagen, developed countries undertook to mobilise \$100bn per year for climate action in developing countries by 2020. It was further agreed that these resources should be balanced between adaptation and mitigation. However, this commitment is far from being fulfilled.

In international negotiations, adaptation to climate change has been consistently overshadowed by a heavier emphasis on reducing emissions. Consequently, there is a significant disconnect between efforts to provide financial support for adaptation and actual adaptation needs in those areas most at risk. The United Nations Adaptation Gap report estimates that the annual cost of adaptation in developing countries could reach \$140-300bn by 2030 (UNEP, 2018). However, the OECD estimates that climate finance in 2018 totalled \$79.9bn, of which just \$16.8bn, or 21%, was earmarked for adaptation (OECD, 2020). In addition to these inadequate volumes of adaptation finance, the International Institute for Environment and Development (IIED) suggests that climate finance provided by multilateral climate change funds rarely reaches local recipients; less than 10% of these disbursements are used for adaptation purposes at local level (IIED, 2017).

As a result, those whose livelihoods are being disrupted – the communities hit first and hardest by climate change – are receiving inadequate levels of support. And even where financial resources do exist, communities struggle to access and utilise them.



## 2. TRACKING ADAPTATION FINANCE

Where resources for adaptation are limited, it follows that they must be used effectively and efficiently in the present, and rapidly scaled up. As many of the adverse impacts of climate change cannot be avoided, there is an urgent need to determine the quality of adaptation activities and the accuracy of international reporting.

Earlier studies of climate and adaptation finance such as those by Weikmans et al. (2017) and Baral & Chhetri (2014) focused primarily on reporting practices and accounting methods. They found that the levels of finance reported by donors are consistently higher than the funding actually received by the target recipients. Using detailed project-level assessments, this report expands on this research and finds further evidence of over-reporting.

CARE's tracking and assessments highlight that where over-reporting exists, donors are failing to make a clear distinction between finance that targets climate adaptation – as reflected by relevant objectives, outcome indicators and budget components – and broader development finance of no relevance to climate change. Wherever the distinctions between adaptation and other objectives are lost, it is quite usual to find inflated adaptation finance figures in a donor's reporting. In effect, this haziness means that donors report more than just the “incremental” cost of adaptation in their projects as adaptation finance.

**INCREMENTAL ADAPTATION FINANCE** refers exclusively to the additional finance in a project's budget that is earmarked explicitly for climate adaptation objectives. It can be thought of as the cost of adaptation associated with a given activity. Incremental finance is therefore relevant in discussions of development projects with multiple objectives, each benefiting from different levels of financial support. The multilateral development banks' Common Principles for Adaptation Finance Tracking state that these institutions should only include their projects' incremental cost of adaptation in reports to the UNFCCC and OECD.

Ultimately, existing inequalities based on gender, age, ethnicity, class, caste, indigeneity, and (dis)ability strongly influence the capacity of communities to respond to the impacts of climate change. As a result, adaptation is inherently linked to broader development goals, and poverty alleviation should form an integral part of all development activities. And yet to remain meaningful, adaptation finance cannot include contributions from funds earmarked for

non-adaptation-related activities. Without such clear distinctions, donors run the risk of reporting adaptation figures that are unrelated to both their financial outlay and recipients' financial needs.

## RESEARCH FRAMEWORK

CARE's adaptation finance tracking research assesses whether donors' reporting of adaptation finance is reliable and accurate, and whether the full amounts genuinely target climate adaptation.

**SCOPE:** Using the OECD's climate-related development aid database, assessment teams from CARE and partnered civil-society organisations selected and assessed 111 internationally funded adaptation projects launched between 2013 and 2017 in Ethiopia, Ghana, Nepal, the Philippines, Uganda, and Vietnam. Tracking covered 68% (\$6.1bn) of total adaptation finance received across the six countries over the 5-year period and included assessments of the 10 largest adaptation-relevant projects in each country.

The assessments use a combination of documentary and observational analysis to determine each project's adaptation relevance. They draw upon the analysts' knowledge of in-country civil-society organisations to build a recipient-oriented adaptation perspective and to quality-assure donor reporting. While it is not universal in scope, this report represents the largest project-level analysis of adaptation finance to date. And by uncovering significant examples of over-reporting, the assessment

teams have highlighted the need for civil-society networks to work as proactive and constructive watchdogs of large flows of adaptation finance.

**METHODOLOGY:** This report uses a 3-step process to assess financial commitments at the project level, adapted from the three key steps outlined in the multilateral development banks' Common Principles for Climate Change Adaptation Finance Tracking (World Bank, 2015). Each project was assessed to determine how the project:

- (1) set out the context(s) of risks, vulnerabilities and impacts related to climate variability and climate change;**
- (2) in the project documentation, stated the intent to address identified risks, vulnerabilities and impacts, and**
- (3) demonstrated a direct link between the identified risks, vulnerabilities and impacts, and the financed activities**

The analysis and rating of each step were used to produce an "adaptation relevance coefficient" for each project, and to estimate the actual adaptation finance associated with each project. These figures were then compared with those reported by the donors themselves to estimate levels of over-/under-reporting.





# 3. IN THE SPOTLIGHT: FIVE CASES OF OVER-REPORTING



## 3.1. Building resilience to what?

### THE WORLD BANK'S EARTHQUAKE HOUSING RECONSTRUCTION PROJECT (CONCESSIONAL LOAN)

#### NEPAL

Nepal is highly vulnerable to the impacts of climate change, which manifest as floods, landslides, erratic and intensifying monsoon rainfalls, warmer and drier winters, and the retreat of the Himalayan glaciers. As a Least Developed Country (LDC), Nepal is one of the countries most vulnerable to the climate crisis. With climate-related impacts already proliferating, the country is suffering from the economic costs caused by climate variability and extremes, yet has a per-capita GDP of just \$1,004. Accessing and utilising international climate finance is key to enhancing Nepal's resilience, whilst also achieving sustainable development.

From 2015 to 2017, the World Bank committed \$500m to its Earthquake Housing Reconstruction Project in

Nepal, of which \$428m was reported as adaptation finance. The project's main purpose is to provide grants for facilitating a resilient recovery and reconstruction process in the wake of the 2015 earthquakes in Nepal, which destroyed nearly half a million homes and rendered many more uninhabitable.

By isolating the project activities and finance contributing directly to climate adaptation, researchers from the Prakiti Resources Centre estimate that the adaptation finance in the project's budget is significantly less than the \$428m reported by the World Bank, totalling just \$100m. Thus the analysis finds that \$328m has been over-reported as funding intended to support adaptation and climate-resilient development.

## THE COMMON PRINCIPLES FOR CLIMATE

**CHANGE ADAPTATION FINANCE TRACKING** define the multilateral development banks' shared approach to calculating the adaptation finance associated with their projects. The Principles aim to "...differentiate between their usual development finance and finance provided with an explicit intent to reduce vulnerability to climate change. Thus, the methodology for tracking adaptation finance attempts to capture the incremental cost of adaptation activities" (EBRD, 2019). By treating adaptation and development finance as mutually exclusive flows, the Principles are – when applied correctly – considered as representing some of the best international practices for tracking and reporting adaptation finance. Failure to separate the two forms of finance may result in over-reporting.



The project's objectives and stated outcomes focus overwhelmingly on earthquake-resilient reconstruction, and thus respond to a geohazard unrelated to climate change. Although the project seeks to climate-proof the ongoing construction activities, the project design only explicitly considers adaptation in the context of "multi-hazard"-resilient construction. However, in the Bank's own reporting, this climate proofing of earthquake resilience activities means that the vast majority of the project's total budget (86%) is reported as adaptation finance (World Bank, 2019a).

There is insufficient evidence to suggest that the project's principal objectives of disaster preparedness and reconstruction, especially in response to a non-climate-related natural disaster, should be considered as finance for addressing the current and expected impacts of climate change. When considering only those activities that seek to enhance climate resilience,

together with their incremental costs, civil-society estimates find that under a quarter of the project's budget genuinely addresses climate change adaptation.

This analysis recognises the adaptive relevance and importance of climate-proof housing reconstruction, and acknowledges that this will result in additional costs during the project's implementation. However, if 86% of the project's budget is set aside for climate adaptation, this leaves just 14% of the funds available for the primary objective of reconstructing over 150,000 homes. In effect, this apportioning of the budget would allocate \$500 to the rebuilding of a home and \$3,000 to its climate proofing. It remains unclear how this number of rebuilds could be achieved with such a small share of the project costs, which in turn suggests that the project's contribution to adaptation finance figures has been substantially over-reported.



### 3.2. Food insecurity: long-term resilience or short-term relief?

#### THE WORLD BANK'S RURAL PRODUCTIVE SAFETY NET PROJECT (CONCESSIONAL LOAN)

##### ETHIOPIA

Ethiopia is one of the world's most drought-prone countries, with harvests that regularly suffer from unpredictable or completely absent seasonal rains. Intensifying climate extremes and variability, coupled with a reliance on subsistence agriculture for the food intake of 75% of the population, have resulted in widespread food insecurity among rural communities (FAO, 2015).

In 2017, the World Bank committed \$600m to support the Ethiopian government's productive safety net programme and its response to droughts. Of this total investment, \$313m was reported as adaptation finance. This commitment to the Rural Productive Safety Net Project supports rural populations suffering from chronic food insecurity, whilst also providing additional emergency food aid to those affected by transitory shocks.

More than 85% of the funds committed by the World Bank is earmarked for transfers of food or cash, both unconditionally and in exchange for participation in so-called "public works". The nature of the "public works" is diverse, including actions to "... rehabilitate the natural resource base, build health posts and schoolrooms, construct and rehabilitate roads, and build other public infrastructure as prioritized by the community."

The major focus of the project is short-term and seeks to scale up humanitarian transfers to act as a safety net and provide dependable protection against food insecurity and famine. The support is vital for over 8 million rural people, and yet without fundamentally promoting climate-resilient agriculture, provisions of cash or food do not in themselves build resilience. Nor do such provisions reduce vulnerability to future events of the same kind. Only a small proportion (around \$17m) of the available budget has a stated long-term focus, funding the development of livelihoods through on-farm extension services, capacity building and diversification.

Assessments undertaken by civil-society organisations in Ethiopia recognise that certain "public works" involve managing natural resources and climate risks. In some areas, the results of participation in these activities also indicate increases in both soil and water retention and crop yields. However, the project's development objectives and outcome indicators provide no evidence that its design, implementation or review processes explicitly target adaptation or increase the resiliency of food production systems.



**DISTINGUISHING BETWEEN ADAPTATION AND DEVELOPMENT FINANCE:** Climate change adaptation and development activities are often interlinked, and care must be taken when discussing the various forms of finance in reporting. The World Bank's Common Principles for Adaptation Finance Tracking outline that where disaggregation is not possible, "...a more qualitative or experience-based assessment can be used to identify the proportion of the project that covers climate change adaptation activities. In consistence with the principle of conservativeness, climate finance is underreported rather than over-reported in this case" (World Bank, 2015).

Ultimately, evidence to suggest that adaptation-relevant activities account for \$313m of adaptation finance – amounting to more than 50% of the total project cost – is lacking. In addition, there is no evidence to show that the main outcomes and drivers of the public works result in adaptation to climate change. This report estimates that closer to \$206m of the committed funding actually targets adaptation, indicating that the World Bank has over-reported \$106m as adaptation finance in its international reporting.

There is no doubt that widespread subsistence agriculture and drought necessitates a responsive financial safety net in Ethiopia. However, without objectives fundamentally rooted in the climate resilience of food production, access to cash in itself cannot be said to substantially increase adaptive capacities or reduce vulnerability to persevering future droughts.





### 3.3. “Indirect” adaptation finance

#### JAPAN’S POST-DISASTER STANDBY LOAN (CONCESSIONAL LOAN)

##### THE PHILIPPINES

The Philippines is one of the most disaster-prone countries in the world and is exceptionally vulnerable to hydro-meteorological and geological hazards. Climate change impacts are projected to take the form of rising sea levels and extreme weather events, including stronger typhoons and more frequent tropical storms, droughts, floods and landslides. Additional non-climate-related hazards such as earthquakes and tsunamis also pose a risk to lives and livelihoods. The societal impacts of such events highlight the exposure of the country’s natural resources and coastlines to climate change. In 2013, Typhoon Yolanda, one of the strongest typhoons ever to make landfall, caused over 6,000 deaths and nearly \$13bn in losses and damages.

In 2014, Japan reported just over \$470m of adaptation finance as part of its Post-Disaster Standby Loan. The project helped to fund post-disaster restoration and enhanced disaster risk reduction and management capacities in the Philippines. The loan was reported to the OECD-DAC as adaptation finance at its full face value, including interest and repayments.

Access to the loan was triggered upon the declaration of a “National State of Calamity” in the wake of Typhoon Yolanda. The loan’s primary objective was to stabilise the financial base of the Philippines by enabling the country to continue to meet the cost of imports and repay its debts. The loan also required certain conditions to be fulfilled prior to disbursement. These conditions included the existence of disaster risk management

programmes in the Philippines, established by the government’s Disaster Risk Reduction and Management Plan of 2010, and an agreed policy matrix describing the actions to be undertaken.

In effect, the loan provided the Philippine government with liquidity to meet pre-existing financial commitments. Japan’s International Cooperation Agency stated that conceptually, the loan can be linked to climate change adaptation as it indirectly “freed up” national funds so that the government could respond to the natural disaster. However, there was no mechanism in the project design to track where the freed-up government funds were spent, or to ensure that they targeted adaptation. Importantly, assessments of the project state that the Standby Loan was used to meet ODA loan repayments, many of which were found to flow... back to Japan.

Ultimately, it is not possible to determine the extent to which the finance provided by Japan targeted climate adaptation rather than short-term humanitarian objectives. Yet project evaluations produced by Japan actually state that a proportion of the funding was returned to Japan in the form of loan repayments.

Although financial liquidity is important for governments in the aftermath of natural disasters, if the face value of loans that facilitate normal government spending is reported as adaptation finance, meaningful distinctions between development and climate aid are lost.

Ultimately, civil-society assessments in the Philippines found that \$220m of the \$470m in adaptation finance reported by Japan as part of the Standby Loan was over-reported.



### 3.4. Building bridges: infrastructure and the adaptation gap

#### JAPAN'S NHAT TAN BRIDGE & NORTH-SOUTH EXPRESSWAY CONSTRUCTION PROJECTS (CONCESSIONAL LOANS)

##### VIETNAM

Highly exposed to climatic risks, Vietnam is a country vulnerable to climate change. Every year, Vietnam is struck by an average of 7-8 typhoons, with annual tropical storms also hitting the Mekong Delta. The country's vulnerability is primarily the result of its extensive coastline, exposed waterways, highly populated coastal cities, and low-lying islands, all of which are subject to the hazards associated with rising sea levels and saltwater intrusion.

Over the last decade, Vietnam has seen a huge expansion of its transport infrastructure, with development cooperation contributing significantly to the costs of construction. Finance in support of infrastructure projects forms a large and important part of the aid flowing from developed to developing countries.

It is vital that such finance results in infrastructure that is resilient to the impacts of climate change. However, it is extremely rare that the primary objective behind the construction of a bridge or expressway is adaptation to climate change. Consequently, it is rare to see development funding for infrastructure being reported in full as adaptation finance.

For a road or infrastructure construction project to be assigned to climate adaptation, the OECD states that it must explicitly consider climate-change impacts

and variability in its design. Consequently, adaptation finance reporting should only include the incremental costs of climate change in the project's design and implementation. To report more than these additional costs as adaptation finance is to misreport finance intended for other development goals, resulting in over-reported figures.

Despite this, in multiple commitments over the 2013-2014 period, Japan reported that a total of \$432m of adaptation finance was provided to Vietnam in support of two large infrastructure projects designed to meet growing traffic demands. The budgets for the Nhat Tan Friendship Bridge and North-South Expressway Construction Projects were reported in their entirety as financial support for adaptation objectives, representing \$282m and \$150m of adaptation finance respectively, despite the lack of any indication that adaptation was considered in either project's lifetime.

In direct correspondence with CARE Vietnam in October 2019, Japan's International Cooperation Agency confirmed that neither project targeted adaptation, yet made no undertaking to amend the figures reported to the OECD. As a result, the assessments from Vietnam conclude that the full amount of \$432m reported as adaptation finance has been over-reported.



# 4. HOW ACCURATE IS ADAPTATION FINANCE REPORTING?



Project-level assessments of publicly funded adaptation projects in Ethiopia, Ghana, Nepal, the Philippines, Uganda and Vietnam suggest that many donors significantly overstate their adaptation finance in international reporting.

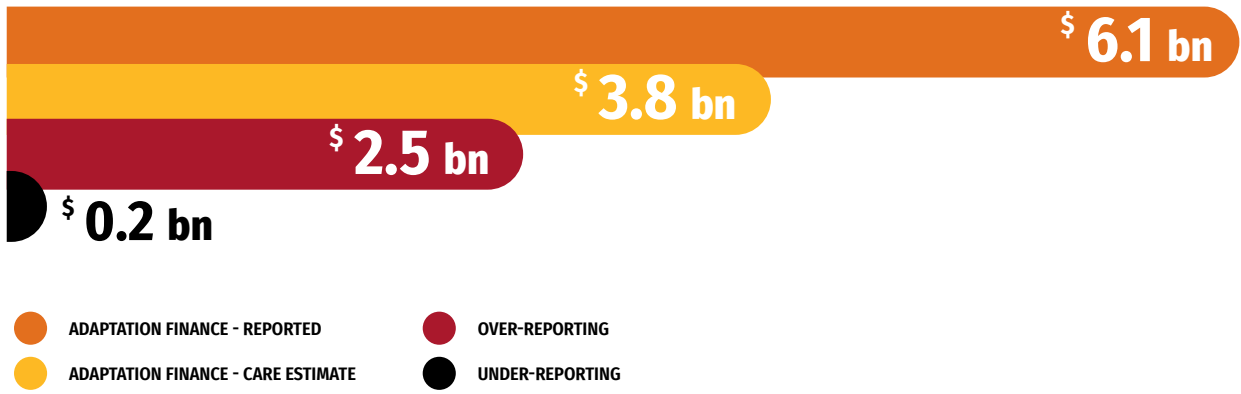
The assessments undertaken for this report tracked \$6.1bn of adaptation finance across 111 projects, estimating that \$2.5bn or 41% of this total was over-reported by donors. Findings also show that instances of over-reporting are far more common than cases of under-reporting, which totalled just \$0.2bn.

Both developed countries and multilateral providers were found to over-report adaptation finance. This means that both the quantitative reporting practices intended to isolate the incremental costs of adaptation, as used by the multilateral development banks, as well as the more qualitative Rio marker method used by developed countries and other donors, are contributing to high levels of inaccuracy in reporting.

The adaptation finance reported by the multilateral development banks (the World Bank, Asian Infrastructure

Investment Bank (AIIB), Asian Development Bank (AsDB) and African Development Bank (AfDB)), which determine their totals using project-level assessments, was found to have been over-reported by just under \$1bn, whereas \$1.5bn or 47% of the adaptation finance reported by developed countries and other multilateral institutions resulted in over-reporting. As outlined in Table 1 below, over-reporting is overwhelmingly a result of projects funded by the World Bank and Japan.

Only nine of the 111 projects assessed show no disagreement between the adaptation finance figures reported by donors and the assessments in this report, and only seven donors (the European Union (EU), Netherlands, Denmark, Sweden, Global Environment Facility (GEF), Germany and Australia) under-report more adaptation finance than they over-report.



**Figure 1**  
*Adaptation finance as reported by donors and assessed by civil-society organisations, including estimates of over- and under-reporting based on 111 project-level assessments (in USD billions).*

Donor	Number of projects assessed	Reported adaptation finance	Over-reporting	Under-reporting	Estimated actual flow of adaptation finance	Net over-reporting
Japan	13	2,009	1,334	0	675	1,334
World Bank	16	2,542	872	40	1,710	832
Asian Infrastructure Investment Bank	1	204	75	0	129	75
Korea	1	95	30	0	65	30
African Development Bank	3	75	26	2	50	24
Asian Development Bank	3	48	22	0	25	22
United States	10	119	33	11	97	22
IFAD	7	240	31	10	219	21
CIF	5	66	13	0	53	13
France	1	55	11	0	44	11
United Kingdom	4	99	13	8	94	5
Italy	1	3	2	0	1	2
Adaptation Fund	3	26	2	0	24	2
Belgium	1	9	2	0	7	2
Norway	1	14	1	0	13	1
Nordic Development Fund	1	6	0	0	5	0
GCF	3	71	7	7	71	0
Finland	1	7	0	0	7	0
Canada	1	2	0	0	2	0
Australia	2	3	0	1	3	-0
Germany	6	54	5	6	55	-1
GEF	4	12	1	2	13	-1
Sweden	1	13	0	3	16	-3
Denmark	4	37	2	6	41	-4
Netherlands	4	23	0	10	33	-10
European Union (excl. EIB)	14	248	35	94	307	-58
<b>Totals (million USD)</b>	<b>111</b>	<b>6,079</b>	<b>2,518</b>	<b>199</b>	<b>3,760</b>	<b>2,319</b>



**Table 1**

*Reported and assessed adaptation finance figures, including levels of over-reporting and under-reporting by donors (in USD millions). The estimated net impact of inaccurate reporting suggests that over \$2.3bn of adaptation finance has been over-reported in both the six recipient countries and international aggregates for 2013-2017*



# 5. OVERSTATING ADAPTATION FINANCE

Civil-society assessments across all six countries find that estimates of the actual adaptation finance received are lower than the amounts reported by the donors themselves. Figure 2 below outlines the flows, from source to recipient, behind adaptation finance over-reporting. It highlights the concentration of over-reported figures for adaptation finance in the reports provided by Japan (\$1.33bn) and the World Bank (\$0.87bn) for projects implemented in Vietnam (\$1.13bn) and the Philippines (\$0.73bn). Over-reported finance for Vietnam, the Philippines and Nepal accounts for 89% of the total over-reporting recorded across the six countries. Thus, the largest volumes of over-reporting appear in the countries receiving the largest loans by volume. In contrast, most of the adaptation finance tracked in Ghana and Uganda was provided in the form of grants, whilst also resulting in much lower levels of over-reporting.

In excess of \$1.7bn or 68% of the adaptation finance estimated as over-reported can be attributed to nine large projects supported by Japan and the World Bank. All these projects received loans in response to major disasters or for the development of social and physical infrastructure.

## IS IT POSSIBLE TO PROFIT FROM CLIMATE FINANCE?

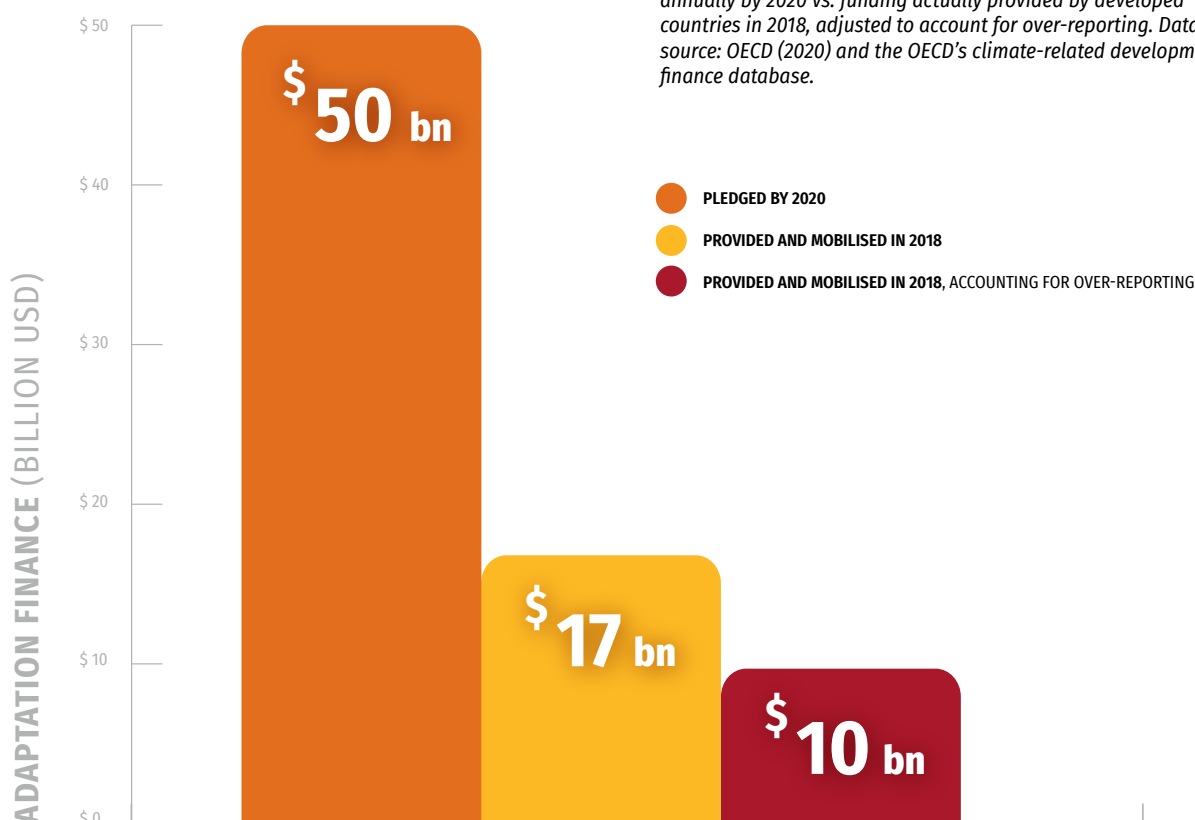
The OECD calculates that 20% and 76% of the climate finance loans made by developed countries and multilateral development banks respectively, are provided on non-concessional terms (OECD, 2020). These loans do not have grace periods, maturities or interest rates favourable enough to the recipient to be reported as Official Development Assistance (ODA), yet they can still be reported as climate finance. This means that climate finance which is deemed to contribute to the \$100bn goal can be lent at rates that deliver a profit to the provider.

Whilst it is not possible to state that over-reporting is systematic across all providers, the gap between the level of adaptation finance provided by developed countries and the needs of the developing countries involved is substantially larger once over-reporting is taken into consideration. As outlined in Chapter 4: at 41%, the volume of over-reported adaptation finance in

donor reporting is substantial. If similar levels of over-reporting were observed across all developing country recipients, OECD estimates of the flow of adaptation finance from developed to developing countries in 2018 would drop from \$16.8bn to just \$9.8bn.

**Figure 2**

*Scaling up the over-reporting of adaptation finance to global level: international adaptation finance pledged to developing countries annually by 2020 vs. funding actually provided by developed countries in 2018, adjusted to account for over-reporting. Data source: OECD (2020) and the OECD's climate-related development finance database.*



It should be noted that even though it represents a drastic decrease in the estimated total for international adaptation finance, the adjusted figure of \$9.8bn shown in Figure 2 still includes a significant amount of finance provided in the form of non-concessional loans at face value. Meaning that the true figure for international adaptation finance could be even lower once funding due for repayment by developing countries is also accounted for.

The commitment by developed countries to mobilise an annual \$100bn of climate finance by 2020 appeared to represent an active step towards ensuring that the major polluters begin to pay for the costs of climate change. However, with current trends making it unclear whether this target will be achieved, there has been

a growing incentive for providers to change how they measure their contributions towards the \$100bn goal.

The civil-society estimates of over-reporting presented here indicate that current levels of adaptation finance are, to some extent, reliant on certain accounting techniques that may report activities of widely varying degrees of relevance under the heading of climate adaptation finance.

Ultimately, the assessments across the six countries in question find little consensus between providers on which elements should be regarded as contributing to adaptation finance figures or, more generally, on what separates adaptation finance from development finance. For example, developed countries make little



attempt to separate adaptation finance from non-adaptation-relevant finance, and do not engage in project-level scrutiny. On the other hand, the multilateral development banks' method does at least attempt to isolate the incremental cost of adaptation from the cost of any related development objectives, but appears to do so inconsistently, as outlined in Chapter 3.

In general, calculations of adaptation finance using project-level assessments may better represent genuine contributions to climate adaptation in developing countries and are – in theory – more likely to be accurate. However, this report finds that both methods result in significant levels of inaccuracy in international reporting.

Assessments carried out by civil-society organisations in the six countries show that providers may overstate adaptation finance regardless of their own working definitions of adaptation finance. This is reflected most significantly in the high levels of over-reporting for projects supported by both Japan and the World Bank.

Furthermore, the conditions behind the over-reporting of adaptation finance could potentially be transferable to other developing countries, with significant implications for historical records of financial efforts in support of adaptation. This highlights the need for donors to increase the accuracy of their reporting, and for civil-society networks to act as proactive and constructive watchdogs in scrutinising large flows of adaptation finance.

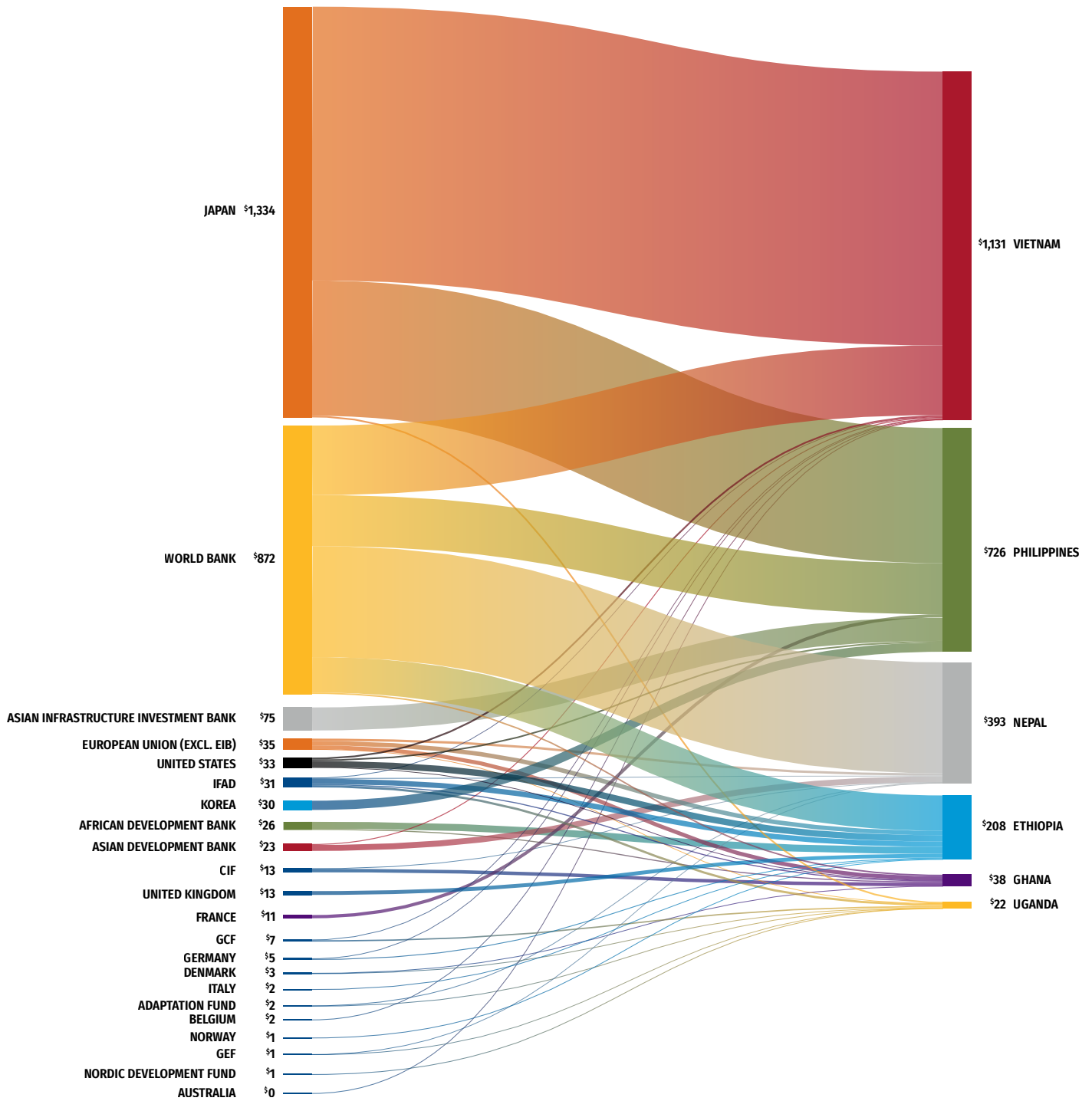
**TOWARDS SUCCESSFUL ADAPTATION:** Project-level assessments have highlighted characteristics that routinely result in better adaptation projects. Civil-society observations across all six countries in this report indicate that a project's ability to identify climate vulnerability contexts is key to successful adaptation.

Adaptation projects that produced vulnerability analyses of explicit relevance to the project's implementation were routinely found to deliver better outcomes. Similarly, projects that took unique activities, location(s) and stakeholders into consideration were found to be more responsive to specific local needs.

For example, nationwide agricultural projects planned in response to a range of subnational contexts can provide advice and solutions tailored to different geographical contexts. In future, additional consideration of local as well as subnational vulnerabilities at the planning stage could further improve these outcomes.

Furthermore, projects affecting multiple groups of stakeholders are seen to be more effective when they consider how adaptive capacity differs between the target groups. For example, local and national government capacities can vary strongly between regions and departments. Adaptation planning that identifies and highlights those areas where support is most urgently needed can result in the more effective utilisation of funds. This report concludes that projects which considered different stakeholders in their design were far more likely to result in activities that competently addressed any identified risks, exposures and impacts.

Conversely, projects that failed to pinpoint vulnerability, or to appreciate the potential for additional diversity within existing vulnerability contexts, responded less effectively to the genuine needs of those communities targeted by the project.



**Figure 3**  
*Flows of adaptation finance over-reporting: sources (left) and recipients (right) of over-reported adaptation finance (in USD millions).*



# 6. THREE TRENDS IN OVER- REPORTING

## **1** REPORTING UNRELATED DEVELOPMENT FINANCE AS ADAPTATION FINANCE:

Where donors report more than the incremental cost of adaptation activities in their projects, particularly those with multiple objectives, they often report non-climate-relevant finance as a response to adaptation needs. These projects effectively overstate their adaptation relevance.

Projects that fail to make a clear distinction in their financial reporting between finance earmarked for adaptation and finance earmarked for other objectives are often large, nationwide projects targeting more than one issue. Examples include projects for responding to natural disasters, for constructing transport infrastructure, or for mainstreaming climate adaptation into market-access and supply-chain activities. In these contexts, there are examples of development finance earmarked for earthquake responses, humanitarian food aid or road construction overlapping with and contributing to adaptation finance figures. However, these projects report much more in their adaptation finance totals than can be justified by the activities themselves.

A large part of the over-reporting in projects that overstate their adaptation relevance originates with the multilateral development banks, whose share of total climate finance provisions is rapidly increasing. In 2019, the World Bank announced that it will increase its adaptation finance contributions to \$50bn over the 2021-2025 period (World Bank, 2019). This provides ample scope for over-reporting in the future, and there is an urgent need for all providers to accurately isolate adaptation finance from unrelated finance in their reporting.

## **2** OVERSTATING THE ADAPTATION FOCUS OF A PROJECT VIA THE RIO MARKER METHOD

Developed countries make use of so-called “Rio markers” to estimate and report their adaptation finance contributions. This method is used to screen development projects for adaptation relevance and assigns each project a marker of 0, 1, or 2 to indicate that adaptation was either “not targeted” (0) by the activity, or was a “significant” (1) but not fundamental objective, or the main or “principal” (2) objective of the activity.



A marker of 0 means that none of the project finance reported to the OECD-DAC is considered to be adaptation finance, whereas all finance reported for a project with a marker of 2 is assumed to contribute to adaptation finance totals. In the case of projects with a marker of 1, finance providers can choose the coefficient used to estimate the proportion of project costs reported as adaptation finance. Generally, the chosen coefficient is in the 40-50% range, but some providers, such as Japan, opt for 100% (OECD-DAC, 2019a).

As Japan is one of the largest international providers of adaptation finance, the use of a 100% coefficient for projects with Rio markers indicating “significant” adaptation objectives has a substantial impact on international figures. The Japanese accounting method reports all finance for projects where adaptation is one of multiple objectives, or even just a minor objective, as contributing in full to the recipient country’s adaptation needs. As highlighted in the assessments of the Nhat Tan Bridge and North-South Expressway Construction projects, the resulting over-reporting is extreme: entire budgets for infrastructure developments are effectively treated as adaptation finance.

CARE calculates that if Japan reduced its Rio marker 1 coefficient from 100% to 40%, in line with most other international donors, the level of adaptation finance provided to Ethiopia, Ghana, Nepal, the Philippines, Uganda and Vietnam in 2013-2017 would decrease by \$1.5bn. Extending this to cover flows of adaptation finance from Japan to all developing countries over the same period suggests that Japan may have over-reported up to \$6.6bn of adaptation finance, or \$1.3bn per year.

### **3 REPORTING THE FACE VALUE OF LOANS:**

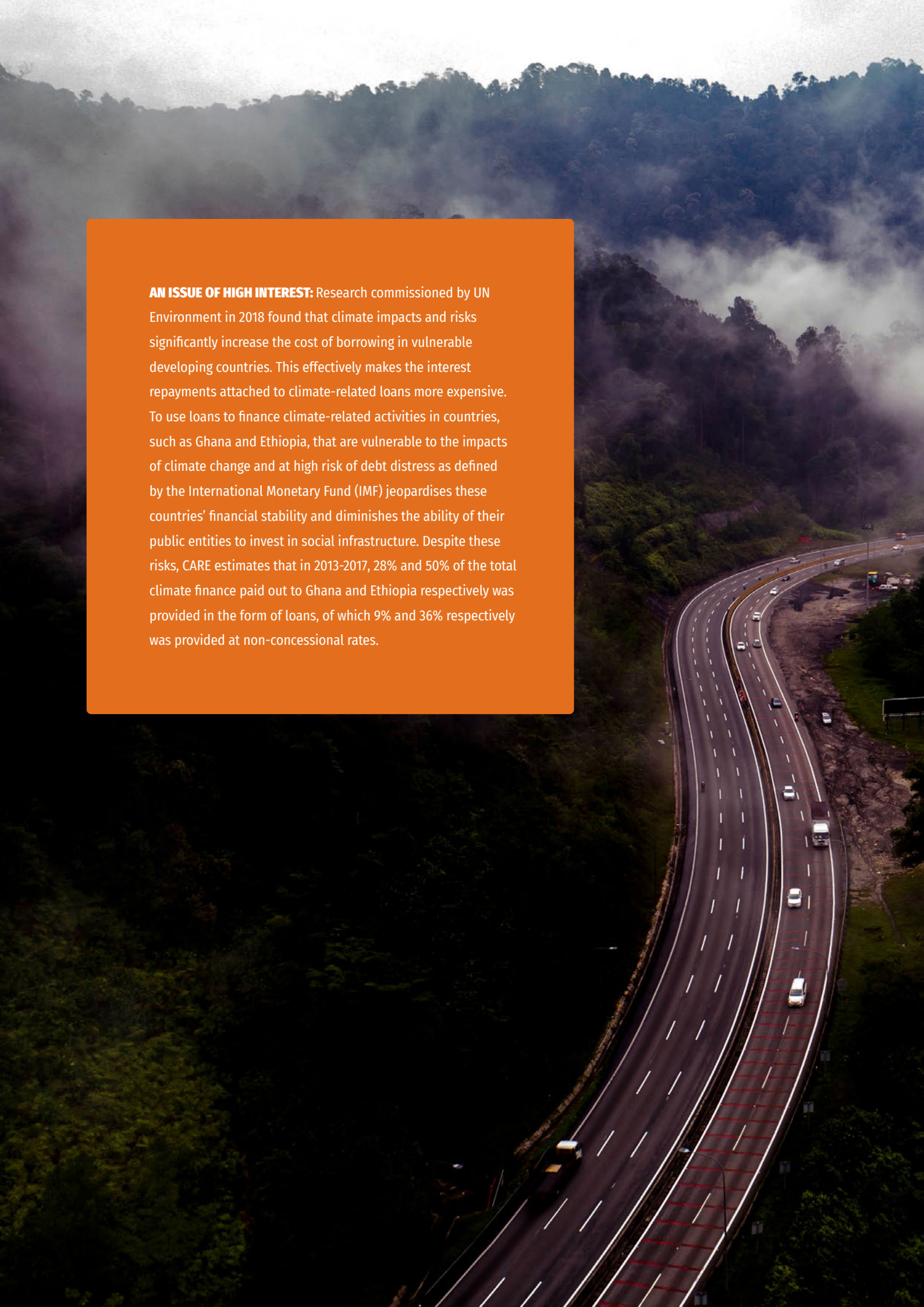
For flows of ODA from 2018 onwards, the OECD mandated that bilateral providers should report the grant-equivalent value of their loans to more accurately describe levels of donor effort (OECD-DAC, 2016). Prior to this, providers reported climate finance loans in 2013-2017 at their face value, including repayments and interest – i.e. money which recipients were unable to spend on adaptation. This reporting practice resulted in significant levels of over-reporting of both development and climate finance.

However, even after the OECD rule change, grant-equivalent reporting is only a requirement for bilateral providers of climate finance. Projects funded by

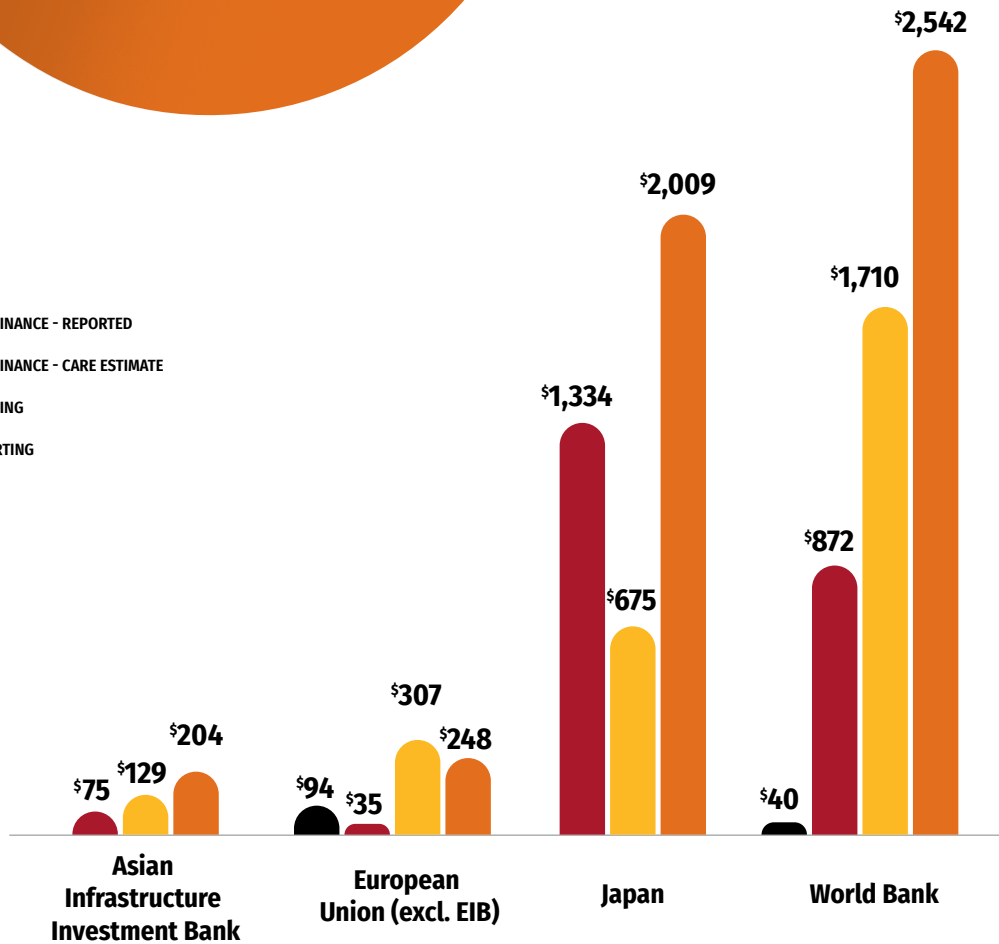
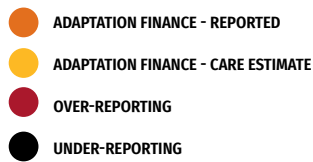
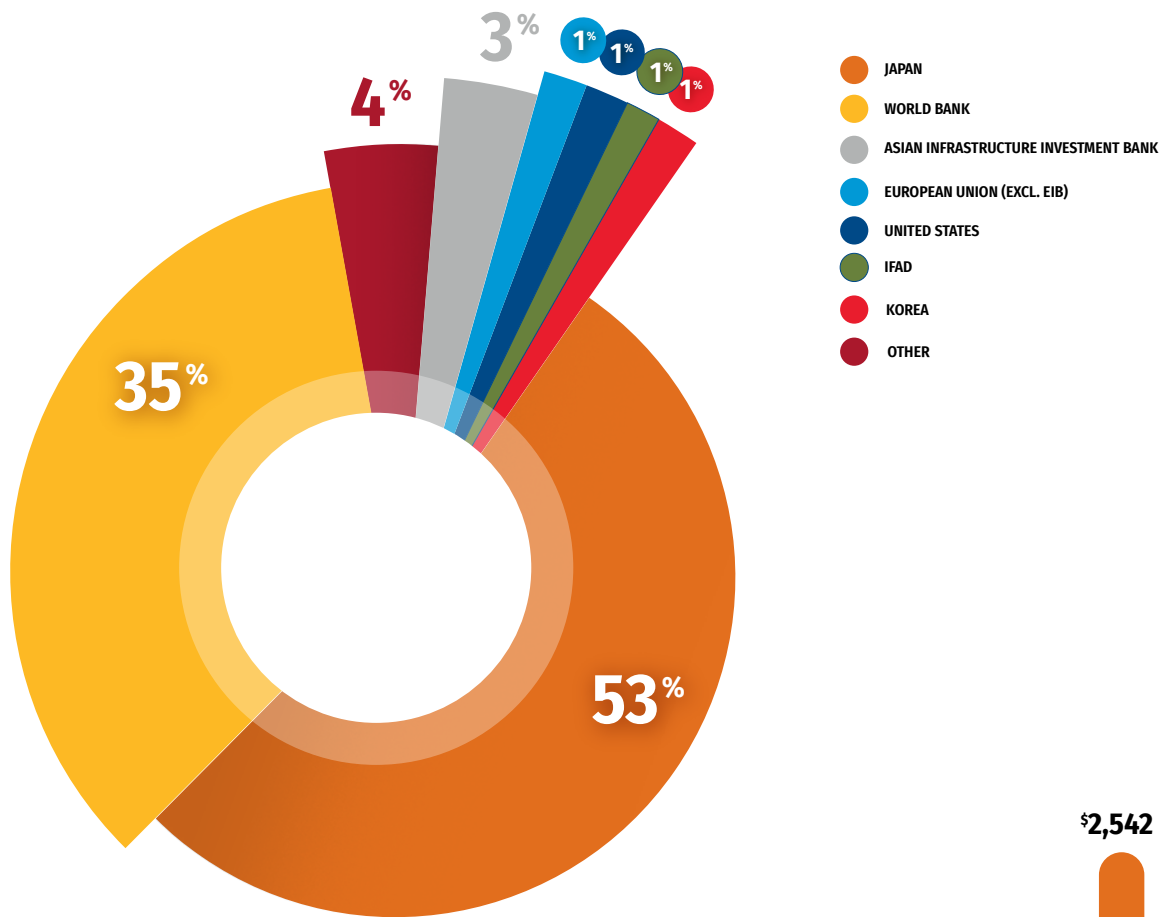
multilateral institutions and development banks are not required to adhere to the same reporting standards. Furthermore, in contrast to OECD reporting, UNFCCC biennial reporting standards still allow climate finance loans to be reported at their face value.

In view of the fact that loans currently account for the majority of climate finance provisions and their use – especially by multilateral providers – is increasing more rapidly than that of other financial instruments (OECD, 2020), this source of over-reporting is likely to persist into the future.

Because donors were not required to report on the grant equivalence of the 42 loans tracked in this study, it was not possible to accurately calculate the extent to which the loans have further contributed to the estimated levels of over-reporting. But a study by Oxfam estimates that the face value of loans and other non-grant instruments could be more than twice that of their respective grant-equivalent values (Carty, Kowalzig, & Zagema, 2020).



**AN ISSUE OF HIGH INTEREST:** Research commissioned by UN Environment in 2018 found that climate impacts and risks significantly increase the cost of borrowing in vulnerable developing countries. This effectively makes the interest repayments attached to climate-related loans more expensive. To use loans to finance climate-related activities in countries, such as Ghana and Ethiopia, that are vulnerable to the impacts of climate change and at high risk of debt distress as defined by the International Monetary Fund (IMF) jeopardises these countries' financial stability and diminishes the ability of their public entities to invest in social infrastructure. Despite these risks, CARE estimates that in 2013-2017, 28% and 50% of the total climate finance paid out to Ghana and Ethiopia respectively was provided in the form of loans, of which 9% and 36% respectively was provided at non-concessional rates.



**Figure 4 (top)**  
Share of over-reported adaptation finance by donor

**Figure 5 (bottom)**  
Reported, estimated, over-reported and under-reported adaptation finance from the four main sources of discrepancy (in USD millions).





Climate change exacerbates existing inequalities such as gender inequality, and the importance of gender-responsive climate adaptation action is recognised in Article 7.5 of the Paris Agreement: “Parties acknowledge that adaptation action should follow a country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems”. Thus good adaptation practices manage the increased risks associated with gender inequality by implementing gender-transformative adaptation (CARE, 2019a).

Developed-country donors, as well as certain multilateral organisations reporting on a voluntary basis, report gender policy markers to the OECD using the same 3-point scoring system as the climate-related Rio markers: “principal” (2), “significant” (1) and “not targeted” (0). According to the OECD’s database, gender mainstreaming was reported for just over half of the bilateral adaptation projects across the six countries in this report. In 6% of the adaptation projects, gender is marked as one of the activity’s “principal” objectives, while in 47% of projects, gender is marked as “an important and deliberate objective, but not the principal

reason for undertaking the project/programme”.

Relative to the amount of adaptation finance flowing to each country, there is significant variation between countries with the highest proportion of gender markers reported for adaptation projects – such as Ethiopia, Ghana, Nepal and Uganda – and countries such as the Philippines and Vietnam where adaptation finance only features low levels of gender markers (see figure 7 below).

It is a matter of concern that 47% of adaptation projects in the six countries do not mainstream gender equality, and either have a gender marker of 0 or are not marked at all (see figure 6 below). This is not good enough, especially considering the establishment of the Gender Action Plan in the follow-up to the Paris Agreement, put in place to support gender-responsive climate action (United Nations, 2017).

In addition, the six in-country assessments found that, of the projects that do have an OECD gender marker, very few could be considered to apply gender-transformative adaptation principles. “Most of the projects have some

element of gender analysis within them, but they fall short of adequately covering the particular context of climate vulnerability viewed through a gender lens, and how disproportionately women and girls get affected by climate change” (Nepal Adaptation Finance Tracking Country Report). This represents a missed opportunity to redress gender inequality and move beyond piecemeal actions. Large providers of adaptation finance such as France and Norway only include gender markers of 1 or 2 in, respectively, 33% or 20% of their adaptation projects in all developing countries.

Assessment teams in the six countries analysed the degree to which gender equality was considered in each of the selected adaptation projects and then compared the results to those reported by donors. The assessments addressed four key criteria: (1) whether the project was informed by a gender analysis, (2) whether the project indicators include disaggregated sex (and age) data analysis, (3) whether the project attempts to meet the distinct needs of women and

men, and (4) whether the project’s interventions ensure the meaningful participation of women and men. These four key questions are based on CARE’s Gender Marker, which differs from the OECD’s Gender Equality Markers (as reported by bilateral donors) in its greater focus on empowerment and a Human Rights-based Approach (CARE, 2019b).

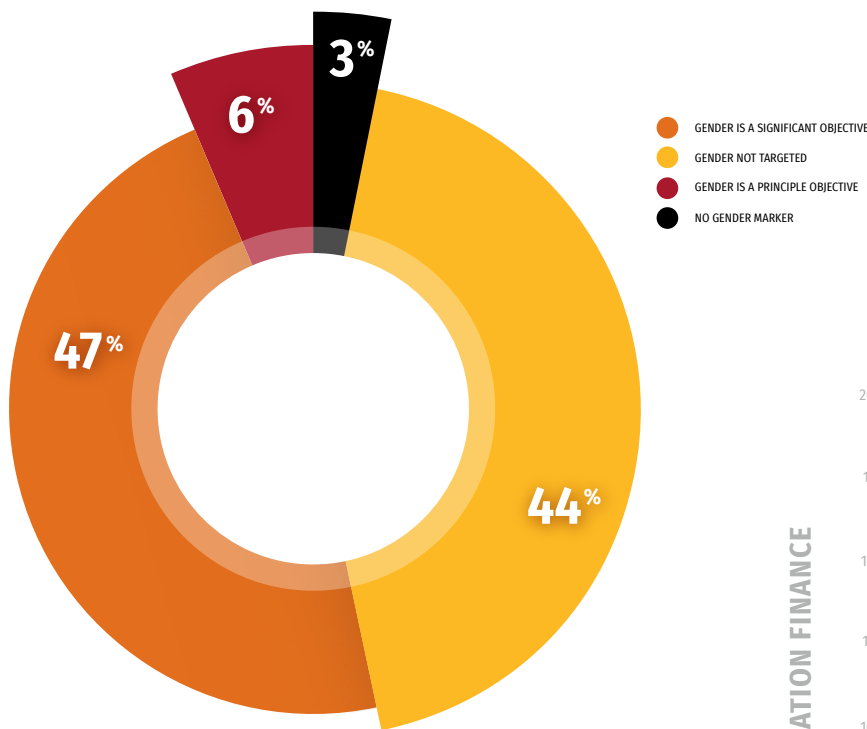
Projects in Ethiopia were found to have the most comprehensive inclusion of gender in adaptation activities (see figure 7 below). The country report noted that: “Gender assessment results showed that all of the assessed projects have mainstreamed gender at varied levels and contributed to women empowerment, but not enough was done to bring women one step forward to transformative level”. A key finding in the Ethiopian civil-society assessments was that projects which included a gender analysis from the outset were far better placed to integrate gender issues throughout the project cycle, as in the case of the Green Climate Fund’s (GCF’s) response to Ethiopian drought.

**BUILDING GENDER-RESPONSIVE RESILIENCE IN VULNERABLE COMMUNITIES:** The GCF’s Responding to the Increasing Risk of Drought project in Ethiopia provides a good example of the successful integration of gender considerations into adaptation activities. The project aims to establish year-round drinking water and small-scale irrigation in vulnerable drylands, helping to address the risks of drought and other climate impacts in exposed rural communities. To differentiate the needs of its target groups and communities, the GCF designed the project using both a Gender Assessment and a Gender Action Plan. Through its Gender Assessment, the intervention recognises that women’s livelihoods are more intrinsically linked to natural resources, and that women are often more responsible for gathering them in Ethiopia’s rural, agrarian communities (GCF, 2017). However, in the aftermath of recent Ethiopian droughts during 2015-2016, women’s needs have not been considered a priority in existing recovery programmes. Consequently, through its Gender Action Plan, the GCF aims to address these disparities by informing its action using community-based gender analysis, community engagements with gender-responsive strategies, and by integrating women’s indigenous knowledge, practices and climate resilience (GCF, 2017a). All while stating that 50% of beneficiaries will be women, with 30% of engaged households being headed by women.

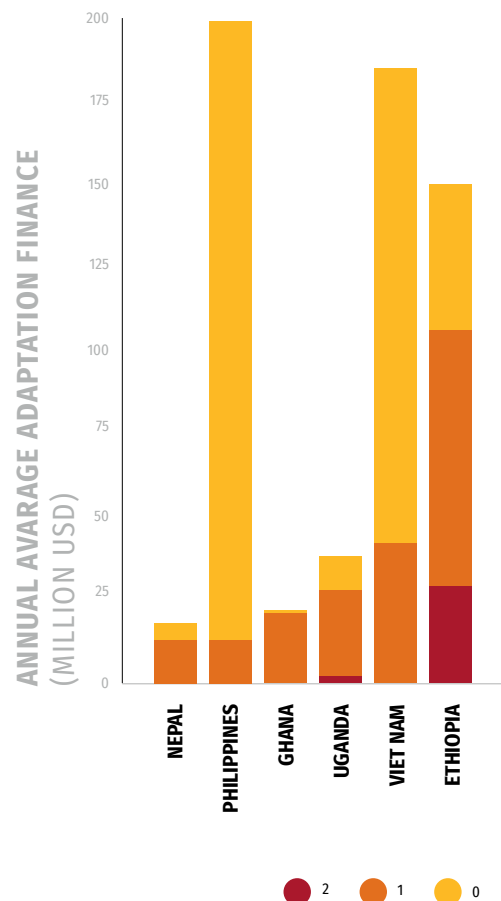
By comparison, the country with the lowest levels of gender mainstreaming as a proportion of the total climate finance received was the Philippines. “Gender equality is not a key objective of the different adaptation-related projects. Vulnerability assessment lacks gender analysis therefore resulting in projects with limited transformative potential in terms of gender equality and empowerment” (Philippines Country Report). In particular, it was found that projects implemented by Japan have consistently failed to take gender into consideration. For example, the Cavite Industrial Area and Cagayan De Oro River Flood Risk Management projects did not use gender analyses to establish their vulnerability contexts. This was found to be a hindrance when integrating gender at later stages in the project cycle. Local tracking also showed that participation by

women and young people was generally lacking in the implementation of these projects.

The conclusion of many of the adaptation project assessments was that gender equality was considered at certain stages in the project cycle. However, there is a significant gap between the projects assessed and adaptation projects that truly embody gender-transformative adaptation principles, which are vital for addressing the clear inequalities felt by women as a result of their greater vulnerability to the impacts of climate change. This highlights the largely symbolic inclusion of gender in many current adaptation activities. This shortfall in required levels of integration across the project cycle as a whole represents a missed opportunity to address inequality.



**Figure 6 (above)**  
the percentage of bilateral adaptation projects in the six countries under assessment that included OECD gender markers.



**Figure 7 (right)**  
annual average bilateral adaptation finance contributions (in USD millions, 2016 baseline) with OECD gender markers. Average based on 2013-16 period.





# 8. INTEGRATING ADAPTATION WITH POVERTY REDUCTION

Poverty reduction is a vital part of achieving the UN's Sustainable Development Goals, including SDG 13 on climate action. Poverty is a primary contributor to a society's vulnerability to climate change. To build resilience and enhance adaptive capacity, poverty must be addressed.

Consequently, one important aspect of the project-level assessments conducted for this study was to determine the extent to which adaptation projects addressed poverty and how they performed in relation to poor communities. The poverty orientation assessment considered four key criteria: (1) the level of poverty orientation in the project design, (2) the prioritisation of poor communities, regions and/or ethnic groups, (3) the application of Human Rights-based Approaches, and (4) the evidence of poverty orientation in project implementation.

The results from the six countries were highly contextual. In the three LDCs (Uganda, Ethiopia and Nepal), poverty orientation was found, on average, to be better integrated into project design, especially in bilateral projects. For example, the assessment team in Uganda found that all projects were poverty-oriented, primarily due to their implementation in areas with high poverty rates, where they targeted ethnic minorities

or vulnerable and disadvantaged communities. Many of the projects also included poverty reduction and increased household incomes in their project design. For example, certain Global Climate Change Alliance (GCCA) project activities, such as the construction of a dam in the Luwero district, were designed to facilitate irrigation and provide water for both consumption and production, thereby enhancing community livelihoods.

Assessments in Ethiopia also found that projects addressed poverty effectively by targeting poor and food-insecure households, poor regions, and pastoralist or agro-pastoralist communities. However, there was a clear lack of poverty orientation in infrastructure and market-based projects – often more heavily funded projects implemented by multilateral development banks. One key weakness found by the Ethiopian assessment team was a failure to adequately address the Human Rights-based Approach, possibly as a result of a resistant legal environment. The Nepalese assessment team also noted the geographical targeting of the country's poor western and central regions, but raised concerns over the lack of Human Rights-based Approaches in tackling the power dynamics between different social classes in particular.

In the three Lower-Middle Income Countries (LMICs)



- Ghana, Vietnam and the Philippines - poverty orientation was generally found to be less integral to adaptation activities. Projects in Ghana were found to be lacking a Human Rights-based Approach, and poverty-mapping data was only used in limited cases. In the Philippines, the assessment team found that adaptation projects only included limited actions for improving the conditions and positions of marginalised communities. In Vietnam, the team also found that while most projects were implemented in provinces with high levels of poverty, few of them focused specifically on supporting the poorest members of society. The assessment team also concluded that projects focusing on vulnerable ethnic minorities in the mountainous regions and the Red River Delta (a climate-sensitive region) should be prioritised going forward, to ensure that national efforts remained balanced.

Ultimately, many projects lack a Human Rights-based Approach, and the largest financial provisions often fail to adequately consider the poorest in society. This is

particularly true of infrastructure and market-based projects, which are frequently provided with finance in the form of loans. Poverty orientation is a stronger focus of adaptation activities in LDCs, where projects are often found to target vulnerable regions or groups, but this does not apply to LMICs to the same extent.

#### **ENHANCING NATURAL FOREST AND AGROFOREST LANDSCAPES:**

The Climate Investment Fund's Enhancing Natural Forest and Agroforest Landscapes project in Ghana is a strong example of adaptation activities that include poverty reduction co-benefits. The project aims to improve cocoa farmers' forest management practices, to enhance their resilience to future climate change. The project also focuses on poverty reduction in the target group, noting that agricultural and agroforestry workers have not yet felt the benefits of Ghana's transition to a middle-income country. Furthermore, the project uses economic analysis to identify poor communities within this target group, differentiating between the needs of regions in the north and south of Ghana and focusing on the vulnerable western and Brong Ahafo Regions, as well as Ghana's High Forest Zone. The project combines climate-smart cocoa cultivation practices with activities to enhance and diversify livelihoods, such as agroforestry and high-yield production techniques, with the aim of simultaneously reducing poverty and climate vulnerability.



# 9. DONOR TRANSPARENCY

Almost all developed countries and institutions contributing to the adaptation projects assessed in this study are signatories to the International Aid Transparency Initiative (IATI). The IATI Standard provides organisations with a set of rules and guidelines on what to include in and how to publish aid transparency information, aiming to enhance the coordination, accountability and effectiveness of aid efforts around the world. The IATI Standard also covers financial (and other) information at the activity level.

Despite an outward commitment to transparency by a number of key provider nations, gaining access to documentation for many of the projects in question has been problematic. It was a headache for all six in-country teams, who struggled with limited access to project documentation. This reveals a general lack of transparency on the part of bilateral donors in particular. On the positive side, multilateral development bank providers, as well as the European Commission, generally adhered to much higher standards of transparency and provided readier access to documentation. However, even though the documentation for projects supported by multilateral development banks is freely

available online, and although the banks also provide detailed mitigation and adaptation finance figures for all their projects, their in-depth methodology and the evidence behind their climate finance figures remain unpublished. Furthermore, the World Bank has been much less forthcoming when approached for additional information on its adaptation finance reporting and reporting practices.

When attempting to consult project documentation held by providers other than multilateral development banks, civil society was consistently refused access to documentation for adaptation projects. Both bilateral and other multilateral institutions effectively blocked attempts to conduct detailed evaluations of their adaptation activities. In several instances, researchers in the country of implementation were only able to acquire documentation after direct intervention by CARE's in-country representatives – indicating that access is also subject to inequality.

Project documents for four large infrastructure projects supported by Japan and implemented by the Japan International Cooperation Agency were withheld from

civil-society organisations in Vietnam. Likewise, in the case of three projects implemented by the German Agency for International Cooperation, the donor refused to share detailed project documentation with teams in Ghana and Ethiopia. Similar barriers arose in interactions with development agencies in the United Kingdom, Switzerland, and the Netherlands.

Low levels of transparency on the part of bilateral donors is problematic, and places onerous restrictions on researchers attempting to conduct accurate and independent assessments at project activity level. Given their commitment to the IATI, it is alarming that donors are not adhering to these standards in practice.





# 10. TECHNICAL SUMMARY

The United Nations Adaptation Gap report estimates that the annual cost of adaptation in developing countries could reach \$140-300bn by 2030. In contrast, the OECD estimates that adaptation finance reported by donors in 2018 totalled just \$16.8bn. It is clear that despite developed countries' commitment to mobilise \$50bn in annual adaptation finance by 2020, this pledge is far from being fulfilled, and that actual contributions remain far below the levels required to address climate change impacts.

It is vital to understand where developing countries are channelling climate finance if we are to establish whether they are meeting the needs of the most vulnerable. Yet relatively few studies have tracked adaptation finance within recipient countries, or at the level of individual activities.

CARE's adaptation finance tracking research assesses whether donors' reporting of adaptation finance is accurate, and whether the full amounts reported genuinely target adaptation. The study also investigates whether interventions are gender-responsive and focus on the poorest and most vulnerable members of society.

This report presents the findings from assessments of 111 internationally funded adaptation projects launched in 2013-2017 in Ethiopia, Ghana, Nepal, the Philippines, Uganda and Vietnam. Tracking was undertaken by assessment teams in the six countries, including representatives of CARE and partner civil-society organisations. As well as assessing project documentation, the civil-society teams gathered in-country perspectives on the adaptation projects to compare with the information found in donors' reports.

Civil-society estimates of adaptation finance suggest that donor reporting heavily overstates the efforts of some donors, the level of their contributions to the adaptation response of those at greatest risk, and the rate of progress towards the UNFCCC's annual \$100bn commitment. The magnitude of over-reporting unearthed in this report is significant, and further over-reporting is likely to be present in the figures reported for other developing countries.

If the level of over-reporting found in this analysis – equivalent to 41% of the reported total – applies to all developing countries in receipt of adaptation finance in

2018, OECD estimates of the flow of adaptation finance from developed to developing countries would drop from \$16.8bn to just \$9.8bn. It should be noted that even though it represents a drastic decrease in the estimated total for international adaptation finance, the figure of \$9.8bn still includes a significant amount of finance

provided in the form of non-concessional loans at face value. Meaning that the true figure for international adaptation finance contributions would be even lower if funding due for repayment by developing countries was also accounted for.

---

## Key findings & takeaways

### **1** Adaptation finance tracked, assessed and estimated by civil-society organisations is far lower than the adaptation finance reported by donors.

Assessments of the \$6.1bn of adaptation finance reported by donors find that \$2.5bn or 41% has been over-reported. This over-reporting is due to the fact that projects reported as adaptation-relevant were found not to target climate adaptation at all, and other projects overstated their adaptation relevance. The provision of finance for adaptation purposes is therefore significantly lower than current international aggregates suggest.

### **2** Japan and the World Bank are significantly over-reporting their adaptation finance.

Estimates show that Japan and the World Bank were responsible for \$1.3bn and \$0.9bn of total over-reporting respectively, representing 88% of the total. Just over \$1.7bn of the over-reported finance results from assessments of nine large projects.

### **3** Japan is systematically over-reporting billions of dollars of adaptation finance.

Japan's adaptation finance reporting makes no distinction between projects with adaptation as their primary objective, and projects with adaptation as a minor objective. In all cases, 100% of the project's budget is reported as adaptation finance. On average, CARE estimates that by applying this accounting method, Japan annually over-reports \$1.3bn of adaptation finance globally – more than 10% of average international totals.

### **4** Over-reporting is much more prevalent than under-reporting.

Compared to the estimated \$2.5bn of over-reporting, only \$199m of adaptation finance – 13 times less – was found to be under-reported. Regardless of the reporting method, adaptation finance providers were found to be much more likely to over-report their adaptation finance than to report conservatively. Developed countries that do not use the Rio marker method to calculate climate finance include the United States and United Kingdom. Although both countries report Rio markers, allowing adaptation finance to be calculated using standard assumptions and Rio marker methodology, they both claim to identify and report the proportion of climate finance in each individual project without applying predetermined climate finance coefficients.

### **5** The adaptation finance gap is substantially larger than current estimates suggest.

UN Environment estimates that annual adaptation needs in developing countries may reach \$140-300bn by 2030. Yet according to the OECD, annual flows of adaptation finance provided and mobilised by developed countries reached a total of just \$16.8bn in 2018. As over-reporting of adaptation finance is likely to occur in flows of funding to other developing countries, the gap between provided and mobilised adaptation finance and actual adaptation finance needs could be much larger than current estimates indicate. This also means that the climate finance currently being provided by developed countries could be much further from “balanced” between mitigation and adaptation as required by the Paris Agreement.

**6 Although adaptation finance over-reporting is not systematic across all donors, the reporting method used by developed countries is consistently inaccurate.**

A third of the assessed adaptation finance reported by developed countries using the Rio marker method is inaccurate, resulting in either over- or under-reporting. The Rio markers were not designed to calculate climate finance figures and are not capable of producing accurate adaptation finance figures for projects with multiple objectives.

**7 Finance that makes little or no contribution to adaptation is often reported as adaptation finance.**

Assessments found examples of large amounts of finance for infrastructure building and disaster responses reported primarily or entirely as adaptation finance. As a cross-cutting issue, adaptation should be integrated into development activities wherever possible, but unless adaptation finance is clearly separated from non-adaptation-related finance in financial reporting, there is a risk that donors' figures could become meaningless.

**8 Donors often fail to clearly reflect adaptation activities in their reporting and documentation.**

In the case of projects reported as adaptation-relevant that, in reality, have objectives at the nexus between climate change and broader development, it is common for donors to report substantial amounts of adaptation finance without clearly or adequately justifying this categorisation in their project documentation. Where donors fail to explicitly incorporate adaptation into the design, objectives, outcome indicators and budget components of their projects, it is hard for independent assessors to justify the reported adaptation finance figures.

**9 Adaptation finance is being provided as loans to countries at high risk of debt distress.**

CARE estimates that in 2013-2017, 28% and 50% of total climate finance contributions made to Ghana and Ethiopia respectively were provided as loans, of which 9% and 36% respectively were at non-concessional rates with low grant equivalence. This is despite the fact that according to International Monetary Fund criteria (IMF, 2020a), both countries are at high risk of debt distress. Although loans for adaptation activities are necessary in certain situations, they are far less likely to generate income than mitigation investments because returns can often only be measured in

terms of future loss avoidance. Where a recipient country's debt sustainability cannot be assured, loans – especially non-concessional loans for adaptation activities – risk negatively impacting a country's capacity to finance social spending.

**10 Our assessments indicate that inclusion of gender in project documentation is largely symbolic.**

Only half of bilateral adaptation projects reported an accompanying gender equality marker. Furthermore, only 6% of all bilateral projects were marked as having gender equality as a fundamental objective. Consequently, there is a significant gap between the gender focus of the projects assessed and adaptation projects which can be considered to truly embody gender-transformative adaptation principles. Transformative action on gender equality is vital to address the clear inequalities felt by women, which are exacerbated by the impacts of climate change.

**11 Projects often lack a Human Rights-based Approach, and the largest financial provisions did not adequately consider the poorest members of society.**

Civil-society assessments found that many climate adaptation projects are not applying a Human Rights-based Approach. The lack of a Human Rights-based Approach was particularly evident in infrastructure and market-access projects. Poverty reduction forms a stronger focus in adaptation activities in Least Developed Countries, where projects were often found to target vulnerable regions or groups, but this was not apparent to the same degree in Lower Middle-Income Countries.

**12 Almost all bilateral donors of adaptation finance are signatories to the International Aid Transparency Initiative, yet they routinely deny, limit or frustrate access to project documents.**

Civil society was consistently refused access to adaptation project documentation in their respective countries, reflecting a severe lack of donor transparency. Developed countries were most likely to restrict access to documentation, whereas multilateral institutions – especially the multilateral development banks – were more transparent. In several cases, researchers from civil-society organisations in the country of implementation needed the assistance of CARE's representatives in the donor countries to access documentation, suggesting access inequality.

### **13** Multilateral development banks' adaptation finance tracking methodology is still not in the public domain.

Multilateral development banks now claim to channel more adaptation finance than all developed-country donors combined. However, it is not possible to access the detailed, project-level assessments produced by the banks using their Common Principles for Climate Change Adaptation Finance Tracking methodology. This analysis found significant discrepancies between the adaptation finance figures reported by the World Bank itself and those estimated here.

### **14** Tracking the prioritisation of adaptation, gender equality and poverty reduction in large flows of adaptation finance has proved eminently relevant, highlighting the need for civil-society networks to work as proactive and constructive watchdogs in other developing countries.

Conditions for over-reporting of adaptation finance and low levels of gender mainstreaming and poverty orientation are applicable to all developing countries. If over-reporting is as widespread in other countries than the six included in this study, this has significant implications for historical records of financial efforts to achieve adaptation goals.





# RECOMMENDATIONS

## TO REDUCE THE OVER-REPORTING OF ADAPTATION FINANCE:

**1** On a project-by-project basis, donors should work to ensure greater and more consistent separation of adaptation finance from non-adaptation-related finance in the project documentation that forms the basis of their reporting to both the OECD-DAC and UNFCCC. Donors should more explicitly integrate and signpost adaptation in the objectives, outcome indicators and budget components defined in all their project documentation, especially where projects have additional, non-climate-relevant objectives.

**2** Multilateral development banks, especially the World Bank, should renew efforts to calculate and report only the incremental costs of adaptation in their projects, especially for large social and physical infrastructure projects.

**3** In its financial reporting, Japan should distinguish between projects with adaptation as a primary target and projects with adaptation co-benefits, and provide official figures that are as accurate as possible. At an absolute minimum, we recommend that Japan should apply a 40% coefficient to climate-related projects with a “significant” Rio marker (1), in line with most other donors, and as Norway did three years ago.

## TO REDUCE THE POTENTIAL FOR ADAPTATION FINANCE TO EXACERBATE DEBT DISTRESS:

**4** Bilateral donors and development banks should reconsider whether it is appropriate to provide climate finance in the form of loans, when burdening recipients with debt so clearly runs counter to adaptation objectives. Lending instruments should be avoided when financing adaptation activities in countries that are already in, or at high risk of, debt distress. Where loans are provided, they must be accompanied by in-depth debt sustainability analyses.

**5** If lending instruments are to be used, providers should generally refrain from providing adaptation finance subject to non-concessional conditions close or equal to market rates. In some situations, concessional loans with high grant equivalence may be necessary for delivering adaptation finance. However, it is unjustifiable for climate finance providers to impose high debt-service obligations on loans intended to respond to adaptation needs created by emissions produced by developed countries. In any case, all loan providers should only report the grant-equivalent portion of the loan as adaptation finance to both the OECD-DAC and UNFCCC.

#### **TO INCREASE THE TRANSPARENCY OF ADAPTATION FINANCE REPORTING:**

**6** In the run-up to and at COP26, donors should clearly and collaboratively explain how they intend to meet their Paris Agreement commitment to provide scaled-up financial resources, evenly balanced between mitigation and adaptation, by indicating how they will provide and mobilise \$50bn of annual adaptation finance.

**7** All developed-country donors must renew efforts to adhere to the spirit of the International Aid Transparency Initiative. This can be achieved by ensuring compliance with existing transparency commitments under the agreement, and by facilitating public access to project documents. To do so, providers of adaptation finance could follow the example of the multilateral development banks by ensuring that project documents and subsequent progress reports are made readily and publicly available online.

**8** To further improve transparency, the multilateral development banks should publish their reporting templates along with the project-level assessments produced using their Common Principles for Climate Change Adaptation Finance Tracking methodology.

#### **TO INCREASE THE INTEGRATION OF GENDER EQUALITY AND POVERTY REDUCTION IN ADAPTATION ACTIVITIES:**

**9** Providers should significantly increase the gender equality objectives in their adaptation projects. Of a provider's adaptation projects, 85% should have a Gender Equality Marker, of which 20% should target transformative gender equality with a Gender Equality Marker value of 2. In addition, providers need to ensure that gender-transformative adaptation principles are integrated into all aspects of adaptation project cycles, from planning through to implementation.

**10** Providers should increase the integration of poverty reduction and the Human Rights-based Approach in adaptation projects to adequately address the unequal vulnerabilities of different communities to climate change.

# ANNEX

This report is a slightly updated version of the original published in January 2021. The changes concern the French project “Local Government Finance and Fiscal Decentralization Sub-Program 2”, extended to the Philippines in 2017. This project was included as an example of over-reporting on initial publication, yet has now been removed from the analysis, executive summary and Section 3 of the report

The first version of this report stated: “France reported \$109m of development aid in support of this project to the OECD, all of which was classified as adaptation finance”. After publication, the provider, the Agence Française de Développement (AFD), has stated that although a Rio marker of “2” was applied to this project, implying its principal objective was climate change adaptation, the AFD does not use the Rio marker approach to calculate the adaptation finance resulting from its projects. The AFD, unlike some other channels used by the French government to extend adaptation finance, makes use of multiple methods to calculate the adaptation finance resulting from their projects, on a project by project basis. The primary method is based on the multilateral development banks’ Common Principles for Climate Change Adaptation Finance Tracking, whilst additional methods calculate adaptation finances using

predetermined coefficients in certain circumstances.<sup>1</sup> The AFD confirmed that only \$6.78m, the adaptation-specific portion of this project’s budget, had been reported to the UNFCCC as adaptation finance, and that in recent years Rio markers of 2 have not been applied to its projects, instead the AFD now applies Rio markers of 1 to its climate-relevant projects.

The assigned Rio marker of 2, in combination with the sizeable total climate-related budget of the project, was the reason this project was included in the research for this report. As the project should never have been marked with a Rio marker of 2, the project has been removed from all calculations and figures in the report. As a result, the study is now based on 111 projects instead of 112, as was previously stated in the original publication. This does, however, not change any of the report’s conclusions or recommendations.

---

<sup>1</sup> See Appendix III, page 69, of France’s Third Biennial Report: <https://unfccc.int/sites/default/files/resource/France-BR3-4-BR%20-%20FRANCE%20-%20EN%20-%20VF15022018.pdf>

# ABBREVIATIONS

<b>AfDB</b>	African Development Bank
<b>AsDB</b>	Asian Development Bank
<b>AIIB</b>	Asian Infrastructure Investment Bank
<b>CIF</b>	Climate Investment Funds
<b>COP</b>	Conference of the Parties
<b>CRS</b>	Creditor Reporting System (OECD)
<b>CSO</b>	Civil-Society Organisation
<b>DAC</b>	Development Assistance Committee (OECD)
<b>EC</b>	European Commission
<b>EIB</b>	European Investment Bank
<b>EU</b>	European Union
<b>GCF</b>	Green Climate Fund
<b>GEF</b>	Global Environment Facility
<b>GHG</b>	Greenhouse Gas
<b>IATI</b>	International Aid Transparency Initiative
<b>IDA</b>	International Development Association
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFC</b>	International Finance Corporation
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>JPA</b>	Joint Principles for Adaptation
<b>LDCs</b>	Least Developed Countries (in this report: Ethiopia, Nepal, Uganda)
<b>LMICs</b>	Lower-Middle Income Countries (in this report: Ghana, Philippines, Vietnam)
<b>MDB</b>	Multilateral Development Bank
<b>NDF</b>	Nordic Development Fund
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>UN</b>	United Nations
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>USD</b>	United States Dollars



# GLOSSARY

## **ADAPTATION (TO CLIMATE CHANGE)**

Adaptation to climate change involves anticipating or reacting to climate-change impacts by taking actions that reduce their adverse effects or taking advantage of opportunities that may arise. There are various ways of categorising adaptation, for example by labelling it as autonomous or planned, private or public, anticipatory or reactive (IPCC, 2014). In practical terms, adaptation refers to the changes people and institutions make to adjust to observed or projected changes in climate. It is an ongoing process that aims to reduce vulnerability to climate change. Adaptation can also occur in natural systems, where it refers to the process of adjustment to actual climate and its effects, sometimes facilitated by human intervention.

## **ADAPTIVE CAPACITY**

The ability of systems, institutions, humans and other organisms to adjust to potential damage, take advantage of opportunities, or respond to consequences. Adaptive capacity is what enables people to make adjustments to protect their lives and livelihoods from the impacts of climate change. In general, the term is applied to adaptive efforts outside actual periods of crisis, based on learning from past shocks and stresses. Adaptive capacity describes the extent to which uncertainty can be managed and future risks reduced.

## **ASSESSMENT TEAMS**

The CARE Adaptation Finance Tracking Project was implemented in such a way that individual adaptation projects could be collaboratively assessed by multiple representatives of the recipient country. Groups of civil-society representatives and community leaders joined together to form individual in-country Assessment Teams, who conducted around 20 adaptation project assessments in each country.

## **BILATERAL DONORS**

A government organisation that provides direct development assistance to a developing country. In relation to climate finance and the \$100bn pledge, bilateral donor countries include the “Annex II” nations,

i.e. Australia, Austria, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States of America (UNFCCC, 2019).

## **CIVIL-SOCIETY ORGANISATIONS**

Non-governmental organisations and civic institutions independent of government that promote community interests.

## **CLIMATE FINANCE**

Climate finance has numerous definitions and may describe any funding used to achieve objectives associated with the mitigation of or adaptation to climate change. In this report, the term is used to describe the flow of public funds to developing countries to help them achieve objectives related to climate mitigation or climate adaptation (or both). The following types of funding are directly relevant to the \$100bn pledge made at the 15th Conference of the Parties in Copenhagen in 2009 (UNFCCC, 2009):

### → **ADAPTATION FINANCE**

Finance used to implement projects or programmes with adaptation to climate change as a direct or indirect objective.

### → **CONCESSIONAL LOANS**

Also known as “soft” loans, concessional loans are provided at significantly lower than market rates. They must also be “concessional in character”, i.e. targeting development objectives (OECD-DAC, 2019).

### → **CONCESSIONALITY**

This term describes the degree to which a loan is concessional (the “softness” of a loan), quantified in terms of the grant element and/or grant-equivalent measures (OECD-DAC, 2019).

### → **CLIMATE-RELEVANT FINANCE**

The proportion of a project or programme that

is relevant to climate mitigation or adaptation objectives (or both) and has been earmarked as such in their reporting by donors.

→ **CLIMATE-SPECIFIC FINANCE**

Climate-relevant finance which is either bilaterally funded or channelled through multilateral organisations but earmarked for a particular project or programme.

→ **CROSS-CUTTING FINANCE**

Finance used to implement projects or programmes that target both adaptation and mitigation objectives.

→ **FACE VALUE**

The “headline” amount of money lent to a recipient nation as part of a loan at the point of lending, less any repayments.

→ **GRANT ELEMENT**

The proportion of a concessional loan which is estimated to be the grant-equivalent amount. Effectively a coefficient of face value which can be applied to calculate the grant equivalent (OECD-DAC, 2019).

→ **GRANT EQUIVALENT**

An approximation of the amount being “gifted” over the course of a concessional loan’s lifecycle, stated at its current monetary value (OECD-DAC, 2019).

→ **INCREMENTAL COSTS**

The additional expense of climate-proofing a project or programme (see “incremental adaptation”).

→ **MITIGATION FINANCE**

Finance used to implement projects or programmes that include mitigation of climate change as a direct or indirect objective.

→ **NON-CONCESSIONAL LOANS**

Unsubsidised “hard” loans that do not necessarily have development as a core goal. These loans are not “concessional in character” and are provided at – or close to – market rates.

**CONFERENCE OF THE PARTIES**

All nations which are parties to the United Nations Framework Convention on Climate Change are represented at the Conference of the Parties (COP), which is the supreme decision-making body. The COP meets annually (UNFCCC, 2020).

**COPENHAGEN ACCORD**

The agreement arising from the 15th Conference of the Parties in Copenhagen in 2009, which included the agreement by developed nations to provide \$100bn worth of climate finance per year by 2020.

**DEBT DISTRESS**

Countries with a large burden of debt are considered to be in “debt distress”. In many cases, debt-distressed nations are obliged to redirect flows of money that might otherwise serve a social benefit to the repayment of debt. The extent to which a country is considered to be in debt distress depends on which sources you consult (World Bank, 2018).

**EXPOSURE**

The degree to which someone or something is subjected to adverse impacts as a result of its location or setting (IPCC, 2014).

**GENDER EQUALITY MARKERS**

Policy markers used to monitor the mainstreaming of gender issues in a project or programme.

→ **OECD GENDER EQUALITY MARKERS**

The Organisation for Economic Co-operation and Development uses a Gender Equality Marker to monitor flows of development finance in support of gender equality and women’s rights (OECD, 2019a). These markers follow the same 3-grade system

as Rio markers, where “0” means the issue is “not targeted”, “1” means it is a “significant” objective, and “2” means it is a “principal” objective.

#### → **CARE GENDER MARKERS**

CARE has created a different but compatible gender marker to better track the degree to which gender is integrated into all stages of a project cycle. CARE gender markers use five grades: “0 – Harmful”, “1 – Neutral”, “2 – Sensitive”, “3 – Responsive”, “4 – Transformative” (CARE, 2019b).

#### **GENDER-TRANSFORMATIVE ADAPTATION**

Building on the concept of transformative adaptation, which moves from the idea of “accommodating change” to addressing the underlying structures that cause inequality, gender-transformative adaptation considers the gender inequality inherent in vulnerability to climate change. Gender-transformative approaches are used to challenge unequal structures and build adaptation programmes that directly confront gender-based climate vulnerabilities. (CARE, 2019a)

#### **HUMAN RIGHTS-BASED APPROACH**

A human rights-based approach is a framework for implementing development that is based on international human rights standards, and focuses on the promotion and protection of human rights (UNICEF, 2016).

#### **IMPACTS**

The effects of climate change on physical, ecological and social systems (IPCC, 2014).

#### **INCREMENTAL ADAPTATION**

Incremental adaptation is the taking of actions to safeguard a system from disruption (Pérez-Català, 2014). This can also be described as “adaptation as resilience” (Pelling, 2011).

#### **JOINT PRINCIPLES FOR ADAPTATION**

The Joint Principles for Adaptation (JPAs) are a set of principles put forward by a network of civil-society

organisations in the Global South as a framework tool for best practice in adaptation projects and programmes. The principles put the needs of the most vulnerable people involved at the forefront of any planning and implementation stages. The JPA has seven principles, each with several qualifying criteria (Southern Voices on Adaptation, 2015).

#### **MITIGATION (OF CLIMATE CHANGE)**

An action to reduce sources of greenhouse-gas (GHG) emissions or enhance GHG sinks (IPCC, 2014).

#### **MULTILATERAL AID**

Multilateral aid is financial assistance channelled and implemented by international organisations such as the United Nations or the World Bank.

#### **PARIS AGREEMENT**

The Paris Agreement is the primary outcome of the 21st Conference of the Parties held in Paris in 2015 (COP21). The central goal of the Paris Agreement is to enable a global response to climate change by keeping the rate of global warming as close to 1.5 degrees Celsius as possible and also enhancing the abilities of countries to deal with the effects of climate change (UNFCCC, 2015).

#### **(CLIMATE) RESILIENCE**

Resilience is about managing risk and dealing with shocks and stresses that negatively influence people’s lives. Climate resilience is increased if: (1) people’s ability to manage climate-related shocks and stresses, as well as their resources for doing so, are developed and supported; (2) associated risk drivers are reduced, and (3) these actions are supported by appropriate formal or informal rules, plans, policies and legislation that allow individuals and communities to reduce their vulnerability to climate change.

#### **RIO MARKERS**

Following the 1992 “Earth Summit” in Rio de Janeiro, three conventions were established for tackling Climate

Change, Biodiversity and Desertification. To monitor the mainstreaming of these issues in financial assistance provided to developing countries, the Rio policy markers were created. Rio markers indicate the degree of integration of these issues by assigning one of three possible numbers to projects. A Rio marker of “2” means the related issue is a project’s “Principal” objective, “1” means the issue is a “Significant” project objective, and “0” means the related issue is “Not targeted” (OECD-DAC, 2016). Rio markers are only mandatory for bilateral official development assistance.

#### → **COEFFICIENTS**

Coefficients are used in combination with Rio markers to calculate the proportion of a project or programme which can be considered climate-relevant. For example, if a project or programme is assigned a Rio marker of “2” for Adaptation, 100% (the coefficient) of the finance is likely to be climate-relevant. If the project is assigned a Rio marker of “1” for Adaptation, 40% of the finance might be considered climate-relevant. The coefficients for Rio markers change according to the donor countries reporting the project or programme.

#### **TRANSFORMATIVE ADAPTATION**

Contrary to incremental adaptation (see above), the concept of transformative adaptation contends that adaptation actions should be continuous and transformative, rather than incremental and intermittent (Smith, et al., 2011). In particular, transformative adaptation is emerging as a key concept for addressing the adaptive needs of major sectors such as agriculture (Vermeulen, et al., 2018). The concept moves from the idea of “accommodating change” to addressing the underlying structures that cause inequality (CARE, 2019a).

#### **VULNERABILITY (TO CLIMATE CHANGE)**

Vulnerability is defined as a propensity or predisposition to be adversely affected. In the context of climate change, it refers to the potential for negative effects resulting

from the impacts of climate change. Vulnerability to identical risks may differ based on gender, wealth, mobility and other factors. It is influenced by adaptive capacity – the higher the adaptive capacity, the lower the vulnerability.



# BIBLIOGRAPHY

**Adaptation Watch (Weikmans et al.). (2016). Towards Transparency: Adaptation Finance Transparency Gap Report.** Retrieved April 28, 2020 from <http://www.adaptationwatch.org/s/AdaptationWatch-Report-2016-Digital-FIN.pdf>

**Baral, P., & Chhetri, R. P. (2014). Finding the money: A stock taking of climate change adaptation finance and governance in Nepal.** Oxfam. <https://policy-practice.oxfam.org.uk/publications/finding-the-money-a-stock-taking-of-climate-change-adaptation-finance-and-gover-316740>

**Buhr et al. (2018). Climate Change and the Cost of Capital in Developing Countries.** UN Environment. Retrieved April 29, 2020 from <http://unepinquiry.org/publication/climate-change-and-the-cost-of-capital-in-developing-countries/>

**CARE. (2019a). Gender-Transformative Adaptation – From Good Practice to Better Policy.** Care Climate Change, 27. Retrieved from [https://careclimatechange.org/wp-content/uploads/2019/06/Gender-Transformative-Adaptation\\_Publication\\_FINAL.pdf](https://careclimatechange.org/wp-content/uploads/2019/06/Gender-Transformative-Adaptation_Publication_FINAL.pdf)

**CARE. (2019b). Gender Marker Guidance.** CAREinternational, 5.

**Carty, T., & Le Comte, A. (2018). Climate Finance Shadow Report 2018: Assessing progress towards the \$100 billion commitment.** Oxfam. Retrieved from <https://doi.org/10.21201/2018.2388>

**Carty, T., Kowalzig, J., & Zagema, B. (2020). Climate Finance Shadow Report 2020: Assessing progress towards the \$100 billion commitment.** Oxfam. Retrieved from <https://www.oxfam.org/en/research/climate-finance-shadow-report-2020>

**EBRD. (2019). 2019 Joint Report on Multilateral Development Banks' Climate Finance.** Retrieved September 15, 2020 from <https://www.eib.org/attachments/press/1257-joint-report-on-mdbs-climate-finance-2019.pdf>

**FAO (Asfaw, S., Coromaldi, M., & Lipper, L.). (2015). Adaptation to climate risk and food security Evidence from smallholder farmers in Ethiopia.** Retrieved September 15, 2020 from <http://www.fao.org/publications/card/en/c/0e1dedc1-05e0-453f-978d-9ef38a9b8f74/>

**GCF. (2017). Gender Assessment: FP058: Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities.** Retrieved October 11, 2020 from <https://www.greenclimate.fund/sites/default/files/document/gender-assessment-fp058-mofec-ethiopia.pdf>

**GCF. (2017a). Gender Action Plan: FP058: Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities.** Retrieved October 11, 2020 from <https://www.greenclimate.fund/sites/default/files/document/gender-action-plan-fp058-mofec-ethiopia.pdf>

**Gore, T. (2020). Confronting Carbon Inequality.** Oxfam & Stockholm Environment Institute. Retrieved from <https://www.oxfam.org/en/research/confronting-carbon-inequality>

**IIED (Soanes et al.). (2017). Delivering real change: Getting international climate finance to the local level.** Retrieved September 15, 2020 from <https://pubs.iied.org/pdfs/10178IIED.pdf>

**IPCC. (2014). Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.** IPCC, 151. Retrieved from [https://www.ipcc.ch/site/assets/uploads/2018/02/SYR\\_AR5\\_FINAL\\_full.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/SYR_AR5_FINAL_full.pdf)

**IMF. (2020). The Joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries.** Retrieved May 4, 2020 from Factsheet website: <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/39/Debt-Sustainability-Framework-for-Low-Income-Countries>

**IMF. (2020a). List of LIC DSAs for PRGT-Eligible Countries as of June 30, 2020.** Retrieved September 15, 2020 from <https://www.imf.org/external/Pubs/ft/dsa/DSAlist.pdf>

**OECD-DAC. (2016). Annex 18. Rio Markers.** Retrieved from [https://www.oecd.org/dac/environment-development/Annex\\_18\\_Rio\\_markers.pdf](https://www.oecd.org/dac/environment-development/Annex_18_Rio_markers.pdf)

**OECD-DAC. (2016). Converged statistical reporting directives for the Creditor Reporting System (CRS) and the annual DAC questionnaire, Chapters 1-6. DCD/DAC(2016)3/FINAL.** Retrieved May 1, 2020 from [https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DCDDAC\(2016\)3FINAL.pdf](https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DCDDAC(2016)3FINAL.pdf)

**OECD-DAC. (2019). Official Development Assistance (ODA) WHAT IS ODA?** Retrieved from [www.oecd.org/dac](http://www.oecd.org/dac)

**OECD-DAC. (2019a). Results of the first survey on coefficients that Members apply to the Rio marker data when reporting to the UN Conventions on Climate Change and Biodiversity.** Retrieved September 15, 2020 from <http://www.oecd.org/dac/financing-sustainable-development/Results%20of%20the%20first%20survey%20on%20coefficients%20that%20Members%20apply%20to%20the%20Rio%20marker%20data%20when%20reporting%20to%20the%20UN%20Conventions%20on%20Climate%20Change%20and%20Biodiversity.pdf>

**OECD. (2019). Climate Finance Provided and Mobilised by Developed Countries in 2013-17.** Retrieved April 28, 2020 from <https://doi.org/10.1787/39faf4a7-en>

**OECD. (2019a). DAC gender equality policy marker.** Retrieved April 29, 2020 from <https://www.oecd.org/dac/gender-development/dac-gender-equality-marker.htm>

**OECD. (2020). Climate Finance Provided and Mobilised by Developed Countries in 2013-18.** Retrieved December 8, 2020 from <https://www.oecd.org/>

*environment/climate-finance-provided-and-mobilised-by-developed-countries-in-2013-18-f0773d55-en*. htmPelling, M. (2011). Adaptation to climate change: From resilience to transformation. In *Adaptation to Climate Change: From Resilience to Transformation*. <https://doi.org/10.4324/9780203889046>

Pérez-Català, A. (2014). *Conceptualizing Transformational Adaptation* [Online]. Retrieved from <https://climate-exchange.org/2014/03/02/conceptualizing-transformational-adaptation/>

**Smith, M. S., Horrocks, L., Harvey, A., & Hamilton, C. (2011). Rethinking adaptation for a 4°C world. Philosophical Transactions of the Royal Society A: Mathematical, Physical and Engineering Sciences, 369(1934), 196–216.** <https://doi.org/10.1098/rsta.2010.0277>

**Söderberg, M. (2018). How to Count to 100.** DanChurchAid, 18. [https://doi.org/10.1142/9789814287142\\_0012](https://doi.org/10.1142/9789814287142_0012)

**Southern Voices on Adaptation. (2015). The Joint Principles for Adaptation. 3.** Retrieved from [www.southernvoices.net](http://www.southernvoices.net)

**United Nations. (2017). Establishment of a gender action plan – Paris Agreement.** Decision -/CP.23, 6.

**UNEP. (2018). The Adaptation Gap Report 2018.** Retrieved September 15, 2020 from [https://wedocs.unep.org/bitstream/handle/20.500.11822/27114/AGR\\_2018.pdf?sequence=3](https://wedocs.unep.org/bitstream/handle/20.500.11822/27114/AGR_2018.pdf?sequence=3)

**UNFCCC. (2009). Copenhagen Accord.** Retrieved from <https://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>

**UNFCCC. (2015). Summary of the Paris Agreement.** Retrieved January 5, 2018 from The Paris Agreement website: <http://bigpicture.unfccc.int/#content-the-paris-agreemen>

**UNFCCC. (2019). Parties & Observers.** Retrieved August 5, 2019 from unfccc.int website: <https://unfccc.int/parties-observers>

**UNFCCC. (2020). Conference of the Parties (COP).** Retrieved April 30, 2020 from unfccc.int website: <https://unfccc.int/process/bodies/supreme-bodies/conference-of-the-parties-cop>

**UNICEF. (2016). What is HRBAP? Human Rights-based Approach to Programming.** Retrieved April 29, 2020 from [https://www.unicef.org/policyanalysis/rights/index\\_62012.html](https://www.unicef.org/policyanalysis/rights/index_62012.html)

**Vermeulen, S. J., Dinesh, D., Howden, S. M., Cramer, L., & Thornton, P. K. (2018). Transformation in Practice: A Review of Empirical Cases of Transformational Adaptation in Agriculture Under Climate Change. Frontiers in Sustainable Food Systems, Vol. 2, p. 65.** <https://doi.org/10.3389/fsufs.2018.00065>

**Weikmans, R., Roberts, J. T., Baum, J., Bustos, M. C. & Durand, A. (2017). Assessing the credibility of how climate adaptation aid projects are categorised.** *Development in Practice.* <https://doi.org/10.1080/09614524.2017.1307325>

**WMO. (2020). WMO confirms 2019 as second hottest year on record.** Retrieved September 15, 2020 from <https://public.wmo.int/en/media/press-release/wmo-confirms-2019-second-hottest-year-record>

**World Bank. (2010). World Development Report 2010: Development and Climate Change.** Retrieved from <https://openknowledge.worldbank.org/handle/10986/4387>

**World Bank. (2015). Common Principles for Adaptation Finance Tracking.** Retrieved from <http://pubdocs.worldbank.org/en/222771436376720470/010-gcc-mdb-idfc-adaptation-common-principles.pdf>

**World Bank. (2018). Debt Sustainability Analysis (DSA).** Retrieved April 30, 2020 from <https://www.worldbank.org/en/topic/debt/brief/dsa>

**World Bank. (2019). The World Bank Group Action Plan on Climate Change Adaptation and Resilience.** Retrieved April 30, 2020 from <http://documents.worldbank.org/curated/en/519821547481031999/The-World-Bank-Groups-Action-Plan-on-Climate-Change-Adaptation-and-Resilience-Managing-Risks-for-a-More-Resilient-Future>

**World Bank. (2019a). International Development Association Project Paper on Second Additional Financing Earthquake Housing Reconstruction Project.** Retrieved 15 September 2020 from <http://documents1.worldbank.org/curated/en/741541579316456847/pdf/Nepal-Earthquake-Housing-Reconstruction-Project-Second-Additional-Financing.pdf>

# IMAGE CREDITS

## **EXECUTIVE SUMMARY**

p. 1 Makmende/CARE (Drought in Ethiopia)

## **1. INTRODUCTION**

p. 5 Peter Caton/CARE (Elizabeth Jabadan, farmer in the Philippines)

## **2. TRACKING ADAPTATION FINANCE**

p. 7 Norman Camal/CARE (Response to Honduras Storms ETA/IOTA)

p. 8 Brian Sokol/CARE (life post-quake in Dhading District (Nepal) monsoon of 2015.)

## **3. IN THE SPOTLIGHT: SIX CASES OF OVER-REPORTING**

p. 9, 10 Brian Sokol/CARE (life post-quake in Dhading District (Nepal) monsoon of 2015.)

p. 11 Bouriel/CARE (Construction of feeder roads for drought-affected populations, Ethiopia)

p. 12 Michael Tsegaye/CARE (People of the arid region of Afar, Ethiopia)

p. 13 Peter Caton/CARE (devasted home after the typhoon Haiyan, the Philippines)

p. 14 Jiff Ang/AADC/CARE (needs and damage assessment in Zamboanga Peninsula (Philippines) after tropical storm Tembin).

p. 15 Lucy Back/CARE (October 2020 floods, Vietnam)

## **4. HOW ACCURATE IS ADAPTATION FINANCE REPORTING?**

p. 16 Josh Estey/CARE (Tsunami 2005, Indonesia)

## **5. OVERSTATING ADAPTATION FINANCE**

p. 20 UNFCCC (Espinosa Aktion, 2017 Climate Heroines, Germany)

## **6. THREE TRENDS IN OVER-REPORTING**

p. 24 Nguyen Do Hoa/Shutterstock (Nhat Tan Bridge, Vietnam)

p. 26 Mohd Nasri Bin Mohd Zain/Shutterstock (Menora Tunnel, Malaysia)

## **7. MAINSTREAMING GENDER EQUALITY**

p. 28 Dennis Amata/CARE (The Philippines: Four Years After Typhoon Haiyan, 2017)

## **8. INTEGRATING ADAPTATION WITH POVERTY REDUCTION**

p. 31 Makmende/CARE (Drought in Ethiopia)

p.32 Sylvester and Sylvernus Darku/CARE (Ghana 2017)

## **9. DONOR TRANSPARENCY**

p. 33 Josh Estey/CARE (Venezuela)

## **10. TECHNICAL SUMMARY**

p.35 Norman Camal/CARE (Response to Honduras Storms ETA/IOTA)

## **RECOMMENDATIONS**

p. 39 Marja Koole/CARE (Kelle Agnes, farmer and beekeeper in Uganda)





### **CARE Netherlands**

Parkstraat 19  
2514 JD Den Haag  
P.O. BOX 85720  
2508 CK Den Haag  
[care@carenederland.org](mailto:care@carenederland.org)

### **CARE Denmark**

Jemtelandsgade 1  
2300 København S  
[care@care.dk](mailto:care@care.dk)

### **CARE's Climate Change and Resilience Platform**

Parkstraat 19  
2514 JD Den Haag  
P.O. BOX 85720  
2508 CK Den Haag  
[info@careclimatechange.org](mailto:info@careclimatechange.org)