Stockholm Environment Institute

Five ways climate adaptation finance falls short in Africa

SEI fact sheet
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Insights based on the *Climate Policy* journal article Quantifying international public finance for climate change adaptation in Africa

Under the UN Framework Convention on Climate Change (UNFCCC), international financial assistance is expected to support developing countries as they prepare for and adapt to the impacts of climate change. African countries are among the most vulnerable to the impacts of climate change in terms of food security, health, the economy and ecosystems. Without financial support that helps communities develop in an inclusive manner, and adapt to climate impacts, climate change is projected to push tens of millions more Africans into extreme poverty by 2030.

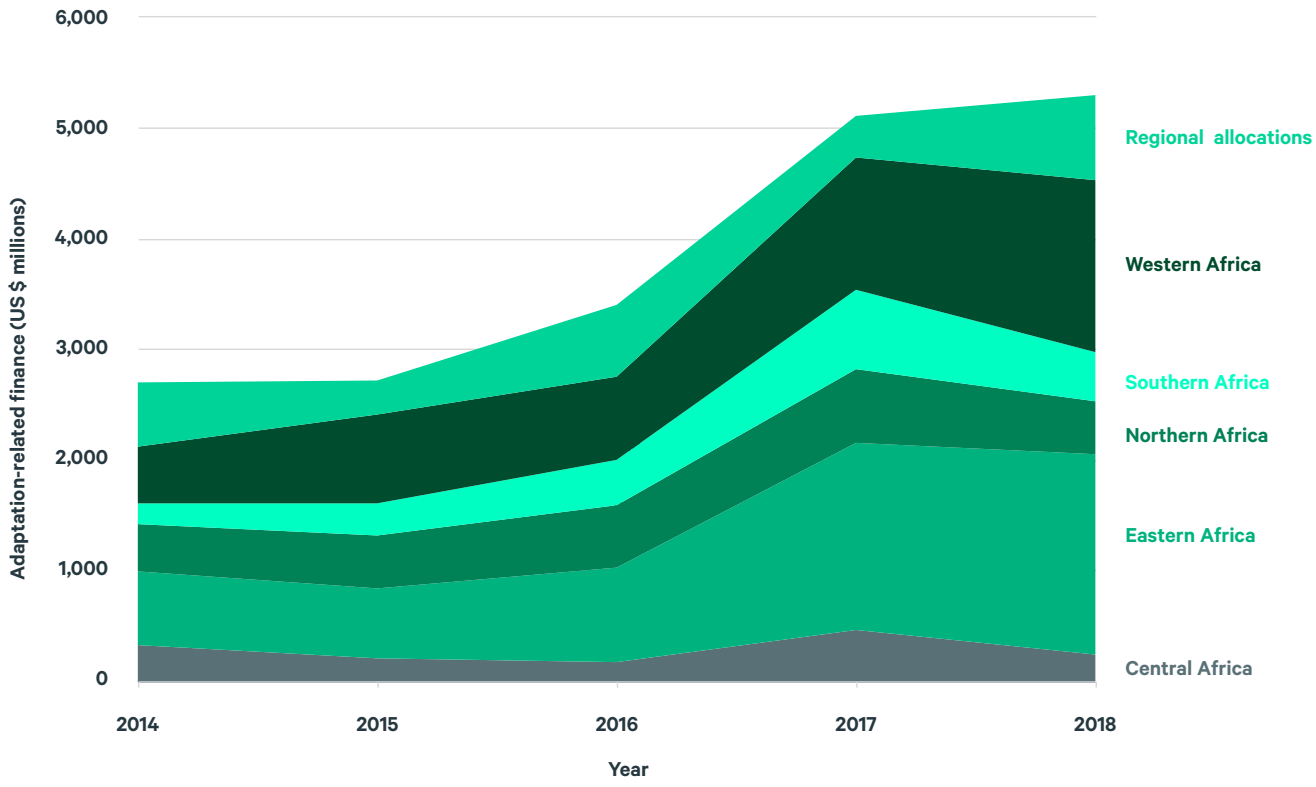
Assessing the impact of adaptation finance requires knowing how much finance is mobilized for adaptation in Africa and towards which countries, sectors and objectives it is targeted. We therefore undertook the first comprehensive quantitative mapping of adaptation-related finance flows to African countries to date. We did so by tracking development finance that principally targeted adaptation, from bilateral and multilateral funders to Africa between 2014 and 2018, based on data from the Organisation for Economic Co-operation and Development (OECD).

This research allowed us to identify five ways in which finance for adaptation to climate change in Africa falls short (Savvidou et al. 2021).

1. Funding for adaptation is much lower than necessary, and lower than mitigation funding

Total financial commitments for adaptation over the studied period remained well below US$5.5 billion per year, or roughly US$5 per person per year. Commitments are thus far below the various estimates of adaptation costs in Africa, which range between US$7 billion and US$15 billion per year for 2020 (Figure 1).

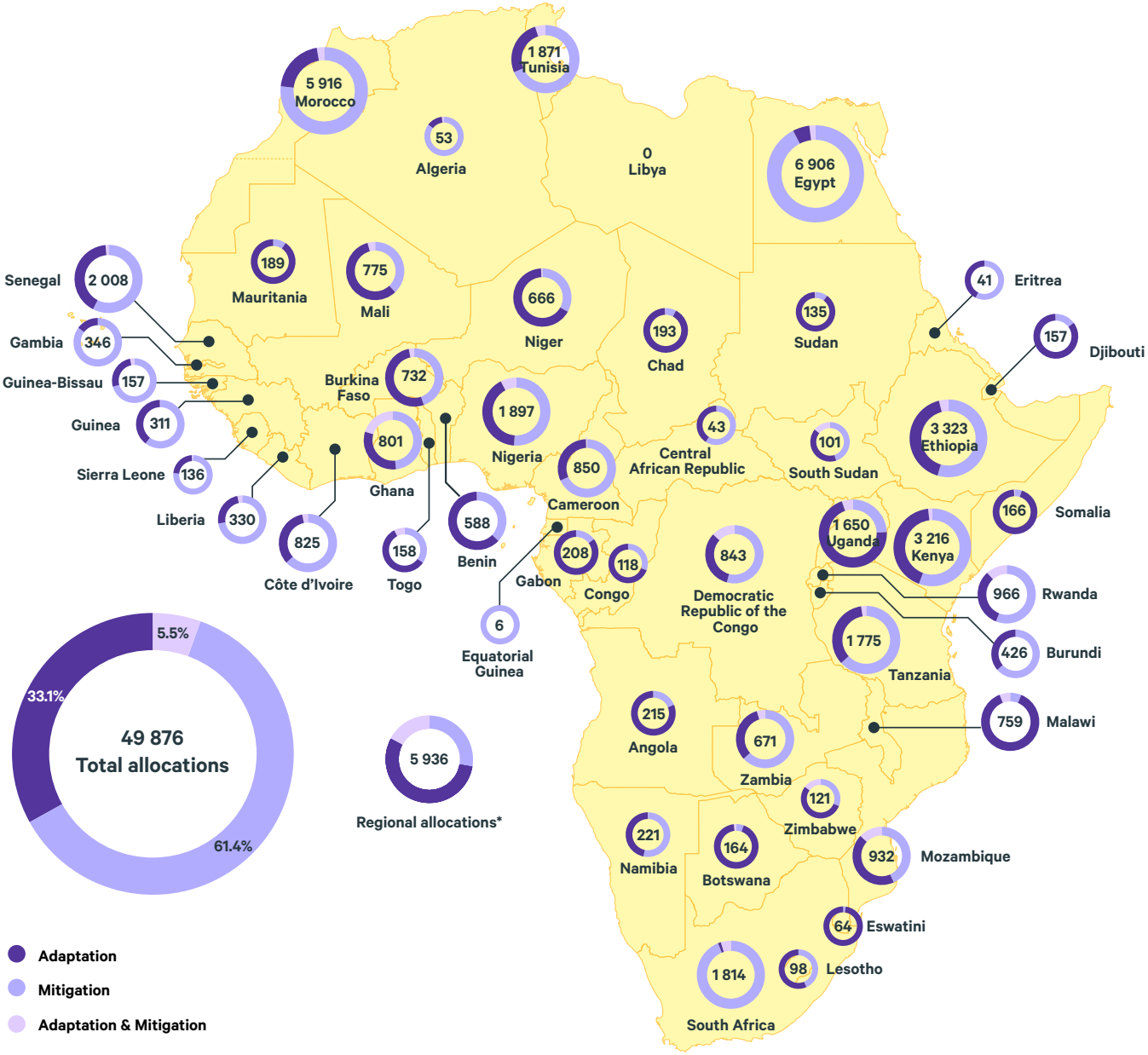
Figure 1. Trend of adaptation-related finance commitments to African regions over time (US$ millions, constant prices).



Source: OECD DAC 2020

The data also show an imbalance between adaptation and mitigation: Substantially more climate-related finance commitments to Africa targeted mitigation (US$30.6 billion, or 61%) compared with adaptation (US$16.5 billion, or 33%). This is in contrast to the expected equal split of climate finance between adaptation and mitigation as UN Secretary General Antonio Guterres stressed again and again in recent weeks, and a stronger demand for adaptation expressed by many African countries (Figure 2).

Figure 2. Total African adaptation- and mitigation-related finance (commitments) by country, 2014–2018 (US$ millions, constant prices).



Source: OECD DAC 2020

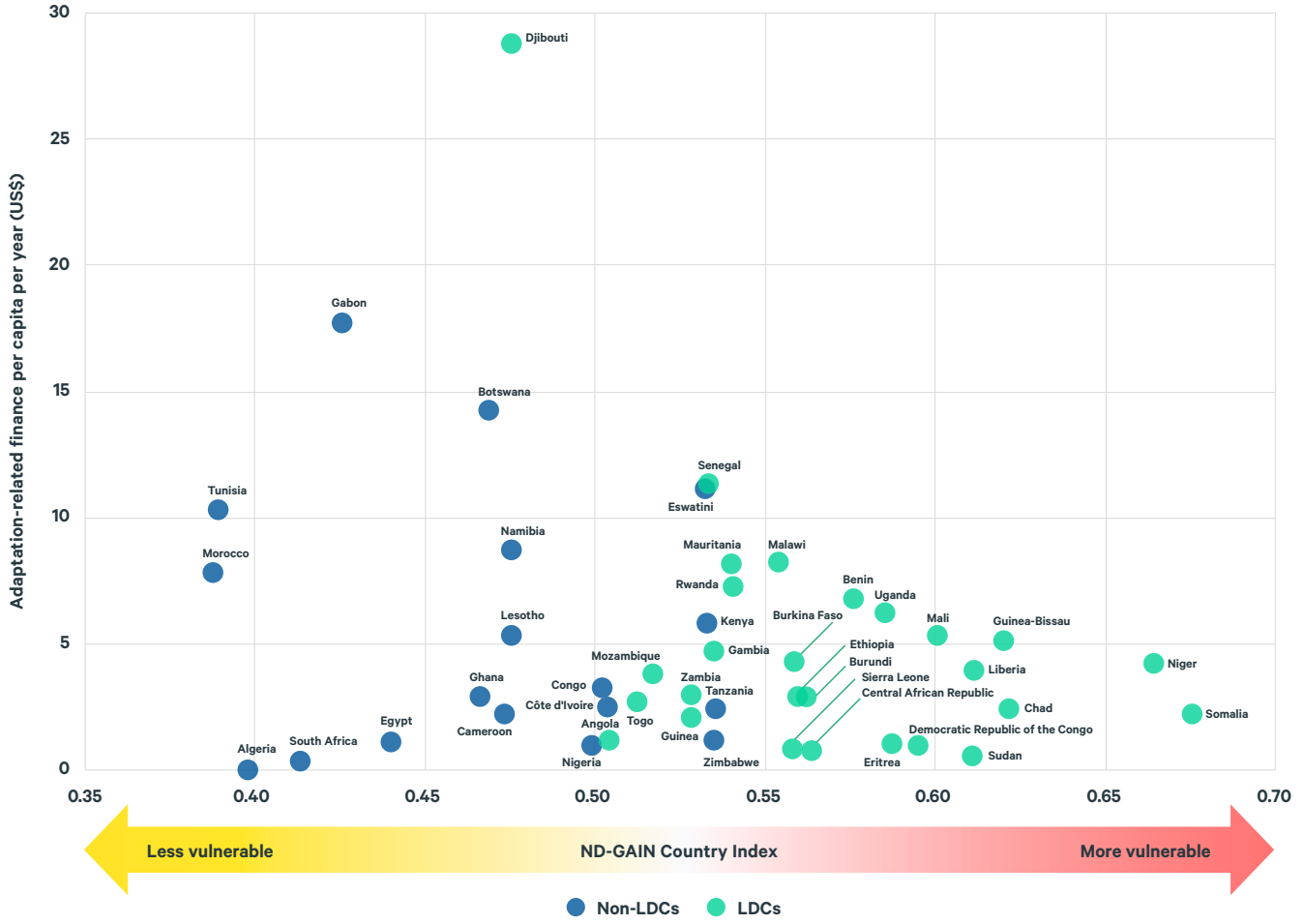
**Regional allocations include financial commitments that were reported separately from allocations to individual countries.*

2. Adaptation funding does not go to those who need it most

The data suggest that funders have not strategically targeted adaptation support towards those African countries with the greatest vulnerability and needs. There is no obvious difference in per capita funding levels between those countries classified as “least developed countries” (LDCs) – which also correspond closely with countries with higher vulnerability to climate changes, according to the University of Notre Dame’s Global Adaptation Initiative (ND-GAIN) Country Index – and those that are not (Figure 3).

This finding aligns with a growing body of evidence indicating vulnerability is not a strong factor influencing the allocation of adaptation-related finance between countries within Africa or globally.

Figure 3. Adaptation-related commitments for each African country, per capita per year, 2014–2018 (US$/person, constant prices), ND-GAIN Country Index and LDC status (as of September 2020).



Source: OECD DAC 2020

3. Adaptation finance doesn't go to all the sectors where it's needed

Half of all adaptation commitments for Africa were targeted at just two sectors: agriculture and water (supply and sanitation). We find that support has been negligible for targeting basic development sectors such as education or health as a deliberate component of adaptation spending in Africa. Similarly, only a small fraction of adaptation-related funding has targeted biodiversity.

To some extent, this finding aligns with the climate sensitivity of both the agriculture and water sectors in Africa and their prioritisation in adaptation actions outlined in African countries' Nationally Determined Contributions (NDCs). Yet we know adaptation investments need to target a wide range of sectors to reduce direct and indirect climate risks, boost social and economic resilience, and protect natural ecosystems.

4. Adaptation finance is committed but not necessarily spent

International public finance can only make an impact if the funds are actually disbursed. The ratio of disbursements to commitments over a period of years is one way of assessing whether approved projects are generally being implemented as planned, or whether they are encountering difficulties on the ground.

Actual disbursements of adaptation-related finance for the period 2014–2018, excluding multilateral development banks for which data were not available, amounted to only 46% of the corresponding commitments over that period (US$4.7 billion of US$10.1 billion). This ratio is lower than the ratio for funding targeting mitigation in Africa (56%). Therefore, the disbursement ratio for adaptation-related finance in Africa is much lower than the disbursement ratio for all development finance to Africa over the same period (96%).

This suggests governance system weaknesses and institutional capacity challenges may be impeding the implementation of adaptation projects in particular, compared to development projects in Africa generally.

5. Adaptation finance instruments of choice are debatable

More adaptation-related funding was provided as loans (57%) than as grants (42%). From a climate justice perspective, however, grant-based finance is more appropriate for highly indebted and vulnerable countries that have little responsibility for climate change.

Grant-based funding also appears to have higher disbursement rates than loans. More grant-based financial support for adaptation might help to overcome some of the disbursement problems and be more just.

Discussion

Our study identifies countries that have been relatively more successful in attracting finance for climate adaptation, such as Uganda, Mali, Malawi and Gabon. We hope to motivate investigations of whether this is the result of more sophisticated domestic adaptation policies and plans, alignment with priorities of the countries' NDCs, the funding requirements of specific funders, or strategic use of climate funds by national planners to implement key development projects.

Our findings confirm concerns expressed by African negotiators in the UNFCCC and summaries by African Parties to the Convention that inadequate funding is being mobilized to support climate change adaptation in African countries. This inadequate support is further magnified by the observed low disbursement ratios, where only 46% of finance has been disbursed for adaptation.

Our findings also highlight substantial underfunding of adaptation in key risk areas identified by African governments, particularly for human health and ecosystems. Increased adaptation funding is needed for these sectors. In addition, cross-sectoral approaches to adaptation planning are needed by funders and governments that give greater weight – and financing – to reducing risk across interconnected sectors affected by climate change, such as the water-energy-food nexus and the biodiversity-health nexus. Establishment of interministerial climate working groups, including ministries of finance, that engage directly with funders is one approach to strengthening cross-sectoral adaptation work and institutional capacity for effective implementation. This cross-sectoral capacity will be critical for successful design and implementation of climate adaptation solutions.

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