

## DT TOOLKIT

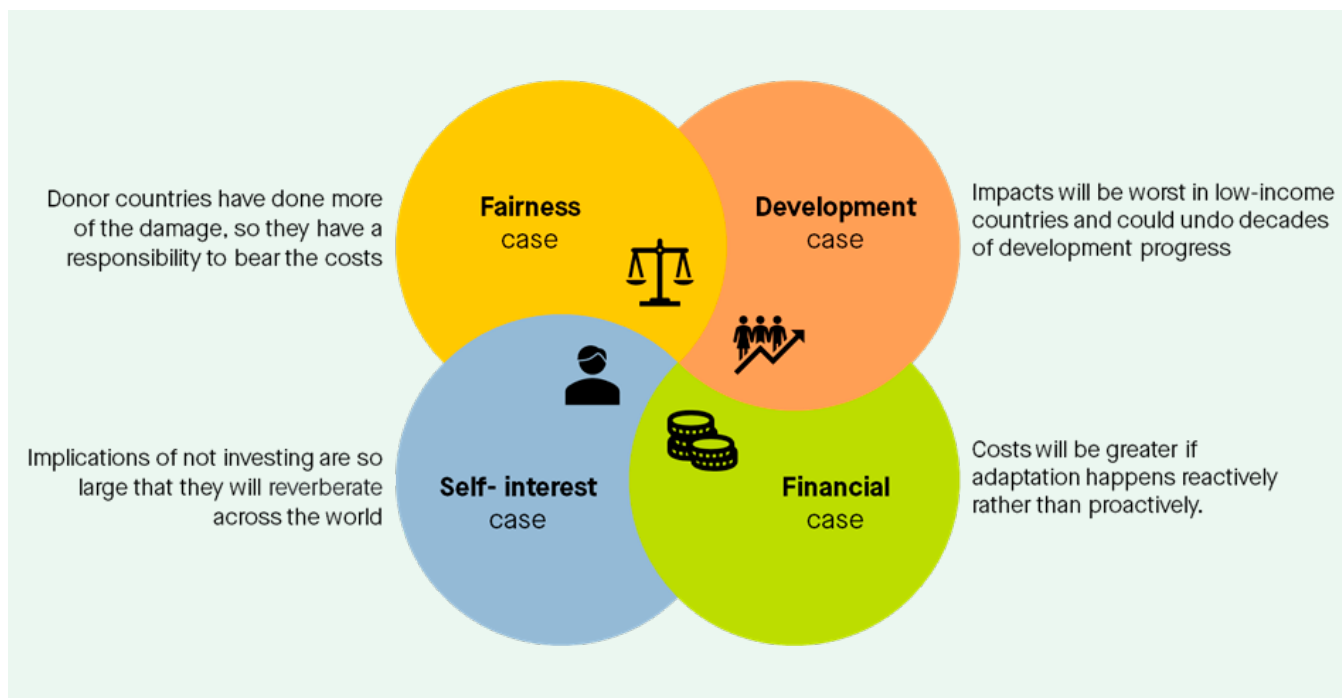
# Funding climate change adaptation: Tools for advocates on the road to COP26



## CASES FOR INVESTMENT:

### Compelling arguments for why donors should increase financing for climate change adaptation

Donors have an important role to play in ensuring that climate change adaptation efforts in low- and middle-income countries are adequately financed. This advocacy 'cheat sheet' sets out four broad and inter-linked arguments for why donor governments should provide concessional financing for climate change adaptation in ODA-eligible countries, including the 1) fairness case, 2) development case, 3) financial case, and 4) self-interest case.



**Fairness case:** High-income countries are to blame for a larger share of the damage done to the climate, therefore they have a responsibility to bear some of the climate change adaptation costs in low- and middle-income countries.

Greenhouse gases stay in the atmosphere for between 300 and 1,000 years, meaning that some of the warming we are experiencing today is a result of the activities of our great-grandparents' generation. The countries that industrialized first are therefore disproportionately responsible for the changes in the climate that are affecting us all today.

Despite decades of calls to action to reduce emissions, this inequality in contribution to climate change persists. Oxfam and the Stockholm Environment Institute estimate that between 1990 and 2015, the poorest 50% of the world's population consumed only 4% of the available global carbon budget (or the total amount of additional CO<sub>2</sub> emissions that can be released without average temperatures rising above a threshold) compared to 9% used by the richest 1%. This negative externality of historical and current emissions means it is only fair that DAC donors scale

up concessional financing to compensate for the adaptation challenges that they are disproportionately responsible for causing.

The irony is that the countries that contributed the most, stand to be the least affected; according to the Swiss Re Climate Economic Index which accounts for countries capacity to cope with and their exposure to climate risk, the US, Canada, and Germany are among the ten countries least vulnerable to the effects of climate change.

The inequity in responsibility for climate change has and continues to be a major impediment to global coordination on this issue. Without more financial recognition of the additional responsibility borne by donor countries, it will remain difficult for the global community to unite around the collective action urgently needed to prevent a climate catastrophe.

**Development case: Climate change could undo decades of development progress since the most vulnerable countries and populations are bearing the brunt of its impacts.**

Southeast Asia, the Middle East, and Africa — the regions of the world with the [largest number](#) of people living below the international poverty line — are expected to be the most affected by climate change. Climate change represents a significant additional hurdle to the development challenges they already face. If temperatures rise by two degrees Celsius compared to pre-industrial times, by mid-century, Association of Southeast Asian Nations (ASEAN) economies could [suffer](#) 17% losses to their gross domestic product (GDP), and the Middle East and Africa 14%. This points to the futility of efforts to promote economic development in these regions while neglecting to invest in climate change adaptation. (The economic loss to countries in Europe is expected to be 8%.)

Within countries, the impacts of climate change tend to exacerbate poverty and compound social inequality. The impacts of climate change are disproportionately felt by the poor who tend to be most reliant on natural resources and generally have more limited capacity to adapt to changes in the environment.

Already more than [132 million](#) of the global poor live in areas prone to flooding. Higher temperatures increase their risk of having their livelihoods destroyed. [Women](#) are especially vulnerable; they make up about [70% of the world's 1.3 billion](#) people living in poverty and are less likely to own land, control decision-making structures, or have access to technology and training that might enhance their ability to adapt to the impacts of climate change. By 2030, the World Bank estimates that an additional [32 to 132 million](#) people will fall into extreme poverty because of climate change. This is a similar increase in poverty levels as experienced during the COVID-19 crisis, toward which donor countries have contributed more than [US\\$18.1 billion](#).

Supporting the most vulnerable countries and populations in adapting to the impacts of climate change must be an essential part of donors' development efforts if the global community has any hope of [delivering on the commitments made in the 2030 Agenda for Sustainable Development](#).

**Self-interest case: The implications of not investing in climate change adaptation are so large that they will reverberate across the world.**

The adverse impacts of climate change on low- and middle-income countries will be so significant that they will not be constrained by national borders.

Climate impacts such as rises in sea levels and persistent severe heatwaves risk making some areas, particularly coastal regions, uninhabitable in the next decades. This could drive significant numbers of people to [migrate internally](#) or [across borders](#), increasing competition for scarce resources and potentially undermining global stability.

According to the World Bank, climate change could force [216 million](#) people to move within their countries by 2050. While many of these will move within national borders, some [studies](#) have demonstrated a link between climate change and external migration,

for example [this study](#) which found a link between severe drought, armed conflict and asylum-seeking driven by poverty, food security and inequality.

Climate change and changes in land use are also expected to increase the risk of many zoonotic diseases, increasing the chances of future pandemics. Enhanced investments in adaptation efforts, including efforts to protect ecosystems and improve disease surveillance, are therefore essential to protecting global public health.

Substantial investments in climate change adaptation in low- and middle-income countries could directly benefit the citizens of donor countries by limiting the knock-on global effects of insufficient investment in adaptation.

**Financial case: The costs of climate change will be greater if adaptation efforts are reactive rather than proactive.**

Achieving the Paris Agreement entails significant global costs; however, these costs are considerably outweighed by the benefits of avoiding the damage of further warming. This is true of climate change mitigation — where investments now can help prevent future economic losses due to rising temperatures — but also of climate change adaptation where proactive investment in resilience can prevent or reduce the impact (and costs) of future climate change. According to the Global Commission on Adaptation, investing US\$1.8 trillion in adaptation efforts including early warning systems, climate-resilient infrastructure, and improved dryland agriculture, could generate nearly four times as much in avoided costs and economic and social damage.

The challenge is that many of the countries that need this investment the most also face the biggest hurdles in accessing the financing it requires. Given fiscal pressures in low- and middle-income countries, particularly in the context of the COVID-19 crisis, many domestic governments do not have the fiscal space to optimally invest in climate change adaptation. This is particularly true of small countries with significant adaptation costs such as the Pacific Island countries. In addition, there is very limited private investment in adaptation overall, and particularly in

low- and middle-income countries. This means many at-risk nations are forced to spend what they can reactively when disasters happen, rather than being able to efficiently invest in protecting their economies and populations. This reactive spending on disasters, as well as the economic costs of them when they happen, risks crowding out domestic spending on other development priorities such as healthcare and education and impeding progress against the Sustainable Development Goals (SDGs).

As well as the financial case for more donor funding for adaptation, there is also a financial case for better allocation of concessional adaptation funding. The analysis provided in ‘The baseline’ component of this toolkit confirms the findings of a study by the Stockholm Environment Institute, which found that the most vulnerable countries received less donor funding than those with lower vulnerability scores indicating that donors are not optimally targeting the limited amount of funding that they are providing. Proactive and well-targeted donor financing in climate resilient development can be an efficient way of avoiding future development costs and can help to de-risk and attract private investment, for example through providing financial support for adaptation planning.