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## The Politics of International Climate Adaptation Funding: Justice and Divisions in the Greenhouse

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An ad hoc meeting of about 100 African negotiators, civil society members, and legislators was hastily called at the chaotic Copenhagen climate negotiations in December 2009. It was the first week, and the divisive Danish text had just been leaked. The lead negotiator for the G-77 group of Southern countries, Lumumba Di-Aping from Sudan, turned on his microphone, tears running down his face.<sup>1</sup>

“Ten billion dollars for climate change [promised to developing countries by the European Union] may be an inducement for some countries,” he said. “It is not enough to buy coffins for everyone who will die because of climate change in Africa. I would rather burn myself than accept these peanuts.”<sup>2</sup>

“Di-Aping’s words were controversial, both in tone and in their scientific basis, but they call attention to a dramatic shift that has recently taken place in the global climate change negotiations. Finance for developing countries to adapt to the adverse impacts of climate change has emerged as an issue at the top of the agenda alongside mitigation of greenhouse gas emissions. Adaptation to (human induced) climate change is defined by the IPCC as “initiatives and measures to reduce the vulnerability of natural and human systems against actual or expected climate change effects.”<sup>3</sup> At the core of the politics of adaptation funding is the reality that poor developing countries have contributed almost nothing to causing climate change, yet they are experiencing the impacts first and worst.<sup>4</sup>

This raises some basic questions. With little progress achieved in two decades of negotiations on mitigation issues and with major climate change impacts now inevitable, what would a “just” approach to adaptation finance look like? What precedent exists for a just approach in the negotiating texts, and what obstacles stand in the way in practice? Relatively little scholarly literature exists on adaptation politics and the role of funding. What does exist often portrays an oversimplified North-South split, ignoring divisions between countries on both sides of the global divide.

This article addresses adaptation finance politics in two parts. First, we assess how adaptation rose to the top of the agenda in the United Nations Framework Convention on Climate Change (UNFCCC, henceforth also the Convention) negotiations. We provide a

<sup>1</sup>Weiz 2009.

<sup>2</sup>*Hindustan Times*, 17 December, 2009.

<sup>3</sup>IPCC 2007, Glossary.

<sup>4</sup>Kasperson and Kasperson 2001; UNDP 2007; and Roberts and Parks 2007.

brief historical account of the rise to prominence of adaptation finance and discuss some likely drivers and implications of this shift.

Second, drawing upon Amartya Sen's recent "realization-focused comparison" theory of justice, we develop a definition of "adaptation finance justice" based upon decisions in the texts of the UNFCCC and its subsidiary bodies.<sup>5</sup> Sen provides a useful theoretical approach due to his (1) focus on advancing justice within the context of political realities, (2) focus on the actual behavior of actors in relation to institutions, and (3) recognition that there are often ambiguities between divergent approaches to organizing society that are all reasoned as just. Through this lens, we apply our definition of adaptation finance justice to identify and assess three main points of contention between countries on both sides of the North-South divide. We call these conflicts "The Gap" in raising the funds, "The Wedge" in who is prioritized to receive funds, and "The Dodge" in utilizing just governance institutions.

Overall, while some ambiguity exists, the articles of the 1992 Convention and the subsequent decisions adopted by the Conference of Parties (COP) provide a strong basis for a justice-oriented approach to adaptation finance. However, in practice, adaptation finance has thus far reflected developed country interests far more than the principles of justice adopted by Parties. To conclude, we lay out some concrete initial steps to enable just and lasting solutions to the climate crisis for developing countries, the countries whose interests are most crucial on this issue, and the most unlikely to be met. With Sen, we focus on the practical, in the hope that by doing so, a more just solution can be reached.

## Adaptation Takes Center Stage in the Negotiations

The core focus of climate negotiations for the first decade was preventing global warming (called mitigation), initially through voluntary and then through legally binding greenhouse gas emission reduction commitments. The cardinal principle in the UNFCCC of Parties taking actions based on their Common but Differentiated Responsibilities and Respective Capabilities (CBDR + RC), was employed as a rationale for developed countries to take action on mitigation issues, but was generally not discussed in terms of adaptation. The low profile of adaptation early on was evident from the fact that, as late as 2006, only six of the forty-four proposals for a post-Kyoto regime dealt with adaptation as a policy issue.<sup>6</sup> This was in spite of the fact that there was, from its beginning in 1992, language in the Convention on measures concerning adaptation to the impacts of climate change.

## What Delayed Action on Adaptation Finance?

We highlight three main reasons why adaptation finance was not a core issue in the early years of the UNFCCC. First, developed countries were not yet motivated to address adaptation, based on perceived self-interest. While many of the G77 and Association of Small Island States (AOSIS) delegates early on wanted more focus on adaptation, for Annex 1 Parties (essentially the OECD) a focus on adaptation would be an acknowledgment of responsibility and liability based on historical emissions. Thus, some key developed

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<sup>5</sup>Sen 2010.

<sup>6</sup>Kuik 2008, 328.

countries avoided adaptation issues because acknowledging culpability on this issue might fuel demand for solutions to other global problems, such as poverty, health, and human rights violations.<sup>7</sup> Further, mitigation projects in Non-Annex 1 countries bring clear benefits to Annex 1 countries (reducing global greenhouse gas concentrations); however, the far-reaching benefits of adaptation projects are less obvious.

Second, many actors in both developing and developed countries and civil society were reluctant to engage adaptation issues because of fears that it would distract from efforts to achieve an adequate mitigation framework.<sup>8</sup>

Third, adaptation as a strategy was also held back by intra-G77 disunity related to Article 4(8) of the Convention. This Article considers actions related to funding, insurance and the transfer of technology in response to the adverse effects of climate change on developing countries. However, it also refers to the impact of the implementation of response measures, especially on “Countries whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption of fossil fuels and associated energy-intensive products.” Accordingly, Saudi Arabia and other OPEC countries demanded compensation to help diversify their oil-dependent economies, which they argued was an adaptation strategy. The EU and other Annex 1 countries fervently rejected this demand for compensation.<sup>9</sup> This standoff delayed the negotiation process over adaptation for many years.<sup>10</sup>

### The Shift to Adaptation as a Focus

In Marrakech in 2001, adaptation first emerged as a major strategy to address climate change impacts. Three relevant funding institutions and a national adaptation planning program for the Least Developed Countries (LDCs) were created. In 2007, adaptation gained prominence as part of the Bali Action Plan. Notably, it calls for “improved access to adequate, predictable and sustainable financial resources and financial and technical support, and the provision of new and additional resources” for both mitigation and adaptation.<sup>11</sup> In 2009, the Copenhagen Accord put forward the first concrete dollar pledge to be provided by rich countries to developing countries for adaptation and mitigation measures. The Accord promised US\$30 billion “fast-start” finance between 2010–2012 and “scaling up” to US \$100 billion a year by 2020. In the following year, the Cancun Agreements anchored this pledge into the UNFCCC treaty with a formal approval by the COP and affirmed that “adaptation must be addressed with the same level of priority as mitigation. . . .”<sup>12</sup> Then in Durban in 2011, the design and governance arrangements of an umbrella fund called the Green Climate Fund (GCF) and the Adaptation Framework<sup>13</sup> were agreed upon.

Two factors drove the shift of adaptation to center stage in the negotiations. First, was an apparent increase in climate-related disasters, followed by the emergence of a cognitive

<sup>7</sup>Shue 1999.

<sup>8</sup>Anderson 1997, 13; Burton 1996.

<sup>9</sup>Author personal communication with EU negotiator, Buenos Aires, 2005.

<sup>10</sup>CAN-International ECO, 5 June 2010.

<sup>11</sup>Decision CP. 13 1e(i).

<sup>12</sup>Decision CP. 16 2 (b).

<sup>13</sup>A body of 16 experts tasked with promoting the implementation of adaptation under the Convention.

frame with which to understand and assign blame for them. The “climate justice” cognitive frame, advanced by academics, civil society organizations and many developing country Parties, tied emissions in the North to suffering in the South. In the annual UNFCCC negotiations and at UN General Assembly special sessions on climate change, country after country recounted horrible disasters that appeared tied to climate change.

Second, following the 1997 adoption of the Kyoto Protocol, it became increasingly clear that culpable nations were not taking adequate action to prevent “dangerous anthropogenic interference with the climate system” as agreed under the Convention.<sup>14</sup> The 2009 Copenhagen Accord saw a dramatic shift away from the legally binding greenhouse gas limits for most developed countries established in the Kyoto Protocol to a system of “bottom-up” emissions reduction pledges. This approach, designed by BASIC (Brazil, South Africa, India, and China) and the US in closed-door sessions, contains no agreed aggregate figure for emissions reduction, nor any system to ensure that the pledges made were deep enough to meet scientifically required emissions reduction. The current sum of individual nations’ emissions pledges will lead to an estimated global average temperature increase of 4.4 degrees Celsius.<sup>15</sup>

In this context, achieving gains on adaptation was seen as a more “winnable” fight by developing countries. And to mollify the G77 group sentiments on the lack of progress on mitigation, industrial countries offered concrete financial pledges in the area of adaptation. Thus the Copenhagen negotiations simultaneously produced the conditions for increased attention by developing countries to adaptation and increased willingness among developed countries to address this issue. The language remained loose, with plenty of wiggle room, but there now exists a promise to respond to adaptation needs, particularly for the most vulnerable countries, in a way that was “balanced” with mitigation efforts. However, while adaptation finance has received increased attention since Copenhagen, profound conflicts remain unresolved.

## A “Just” Approach to Adaptation Finance

Issues of justice and ethics in efforts to mitigate climate change have received a fair amount of attention.<sup>16</sup> Existing analyses often focus on principles of just “burden sharing” for reducing global greenhouse gas emissions to a safe level. Substantially less attention has been directed to conceiving of justice as it relates to who should pay for the task of adapting, and how. While these two issues overlap, adaptation finance raises some entirely new justice issues. Some of these relate to the fact that the distributive questions posed by the ethics of adaptation are “not only between burden-takers (i.e., those who take adaptive or mitigating action) but also between the recipients of benefits.”<sup>17</sup> Perhaps the most notable attempt to define adaptation finance justice is Grasso (2010), who calls for a “... fair process, that involves all relevant parties, of raising adaptation funds according to the responsibility for climate impacts, and of allocating raised funds putting the most vulnerable first.”<sup>18</sup>

<sup>14</sup>Article 2.

<sup>15</sup>Climate Interactive 2012.

<sup>16</sup>Singer 2002; Traxler 2002; Gardinar 2004; Roberts and Parks 2007; Baer et al. 2008.

<sup>17</sup>Grasso 2010, citing Jagers and Duss-Ottstrom 2008, 577.

As far as we know, there has yet to be an attempt to construct a definition of justice for adaptation finance comprehensively based on the text of the 1992 Convention and subsequent decisions of its subsidiary bodies. Such a definition offers the advantage of reflecting terms already been agreed upon by Parties, albeit those agreed through an imperfect and in many ways unequal political process.

In developing such a definition of justice in adaptation finance, we draw on Sen's "realization-focused comparison" theory of justice. For Sen, justice means sustaining people's capability to have—and safeguard—what they value and have reason to attach importance to.<sup>19</sup> His approach to justice differs from what he refers to as "transcendental" theories of justice<sup>20</sup> in at least three ways. First, it is comparative to the extent that it focuses on how practical reasoning should enable society to reduce injustice and advance justice, rather than focusing on the abstract components of a perfectly just society. As Sen writes, "A theory of justice must have something to say about the choices that are actually on offer, and not just keep us engrossed in an imagined and implausible world of unbeatable magnificence."<sup>21</sup> This is not to say that we think that efforts at achieving greater justice in adaptation finance should be confined to the readily winnable; but rather that they must engage with existing political realities, not merely utopian ideals.

Second, Sen's theory of justice focuses on the assessment of social realizations. This differs from what he views as an "arrangement-focused" conception of justice, which is concerned primarily with how institutions are arranged, while neglecting the actual behavior of actors in relation to such institutions and assuming their compliance. This is a huge problem in adaptation funding—that years are spent wrangling over constructing institutions (new funding institutions, for example) that are subsequently ignored by influential Parties.

Third, this perspective recognizes that there are often ambiguities between divergent approaches to organizing society that are all reasoned as just. For example, UNFCCC climate negotiations may include hundreds of different methodologies for defining vulnerability to fairly allocate adaptation finance, all of which can be reasoned as "just" in some way. Together, these perspectives on justice provide a useful theoretical entry point for developing a definition of adaptation finance justice in relation to the particular context of the UNFCCC negotiations; for assessing the political realities of adaptation finance in relation to this definition; and for discussing strategies for achieving *greater* justice in adaptation finance.

How does this approach to justice relate to the text regarding adaptation finance in the Convention, subsequent COP decisions and the Kyoto Protocol? In general, a first problem is that these texts often focus on *planning* rather than action on adaptation. The Convention uses language, such as "prepare for"<sup>22</sup> rather than implement, and "take climate change considerations ... to the extent feasible,"<sup>23</sup> rather than giving them highest priority. The

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<sup>18</sup>Ibid, 75.

<sup>19</sup>Sen 2010, 251.

<sup>20</sup>For example, John Rawls 1999.

<sup>21</sup>Sen 2010, 106.

<sup>22</sup>Article 4.1.e.

<sup>23</sup>Article 4.1.f.

Protocol says “strive to”<sup>24</sup> rather than “implement” policies and measures. So, compared to mitigation, the legal basis for key elements of adaptation finance under the Convention is weak. And tough practical questions of how to pay for adaptation work have been put off, little addressed to date. Further, it remains unclear how vulnerability should be assessed in relation to allocating and distributing funds. Despite this, as demonstrated by Table 1, the overall intent of the UNFCCC decisions related to adaptation finance is relatively straightforward. Most prominent is the commitment for states to take action based on “common but differentiated responsibility and respective capabilities” (CBDR+RC).<sup>25</sup> While CBDR+RC is theoretically relevant to issues of adaptation finance, it is mostly referenced in relation to mitigation. More explicit are Articles 4.3 and 4.4 of the Convention, which say that developed countries will provide “new and additional financial resources to meet the agreed full costs” and “full incremental costs” of actions including for adaptation taken by developing country parties. The qualifying “agreed” poses the real problem, as elusive. Subsequent decisions of the COP offer further clarity on the raising of “adequate,” “scaled up,” “predictable,” “balanced,” “new” and “additional” funds.

Based on this analysis of the UNFCCC texts in relation to adaptation finance (Table 1), we present the following summary definition for adaptation finance justice:

Adaptation Finance Justice requires that developed country Parties take precautionary measures to assist developing countries to adapt to climate impacts by providing adequate, scaled up, predictable, balanced and new and additional adaptation finance, with priority to those Parties that are particularly vulnerable. Action should be taken on the basis of equity and in accordance with the principles of common but differentiated responsibility and respective capabilities and should follow a country-driven, gender-sensitive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems.

This definition contains substantial ambiguity in the details of how it should be carried out in practice. We strove for a definition that focused on the general rather than the particular. This definition is representative of current agreement in the UNFCCC texts, but it will have to be amended over time as the agreement among Parties evolves.

## The Puzzles of Adaptation Finance

The conflicts in adaptation finance politics fall in three categories: those having to do with supplying, allocating, and governing the funds. We begin with The Gap between promises and delivery of adaptation funding.

### Puzzle #1: The Gap in Funding: Sources and Supply Questions

The puzzle of The Gap in adaptation finance relates to the part of our definition referring to developed countries providing adequate, scaled up, predictable, new and additional, and balanced adaptation finance based on the principle of CBDR + RC. There remains a

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<sup>24</sup>Article 2.3.

<sup>25</sup>Article 3.1.

yawning gap in the adaptation funds available to developing nations, compared to any assessment of need. To assess the degree of justice achieved thus far, attention to the numbers themselves in the Copenhagen Accord and Cancun Agreements is crucial: \$30 billion in short-term “fast start finance” for 2010–2012 and “scaling up” to \$100 billion a year by 2020. However, the true meaning of these numbers depends on the interpretation of key phrases in the text, many of which are loosely defined or undefined.

First, the texts promise “adequate funding,” yet developed countries have fallen far short. Donor countries have failed to clarify how they determine their financial contributions for adaptation. To know if pledges and delivered funds are adequate we would need updated and best-knowledge estimates of *need* for adaptation funding. Some estimates of adaptation need range from \$86 to \$109 billion a year by 2015.<sup>26</sup> Why has a “balanced” share of \$100 billion a year by 2020 been allowed to count as “adequate” funding? This is clearly a political decision, based on perceptions of what was feasible by key players.

Also not clear is what proportion of the funding will be in the form of *pure grants, partial grants, or purely market rate loans*. It is difficult to see how vulnerable countries could respond to the requirement to repay loans for adaptation. The Copenhagen Accord also says, “This funding will come from a *wide variety of sources, public and private ...* [emphasis added].” Despite repeated complaints about this mixing of two very different types of finance, no improved clarity is found in the Cancun Agreements or Durban Platform concerning what proportion of funding should or must be publicly raised.

In addition, the Accord says the funds will come from “... bilateral and multilateral, including alternative sources of finance.” The first part of this clause allows contributor nations to protect their right to channel climate finance through their own bilateral agencies. The second part suggests that Parties are willing to take on so-called “innovative financial mechanisms” such as those put forward by the High-Level Panel on Climate Finance (i.e., airline and bunker fuel levies). However it is entirely unclear *which* of these mechanisms Parties will accept.

Second, related to adequacy, the Copenhagen and Cancun texts promise “predictable” funds, which means clearer and better-met targets. Predictability is essential for developing countries to establish their own budgets and to plan for adaptation responsibly. But with the Fast Start Finance period now ending, very few new adaptation pledges were made in the most recent negotiations in Doha. As a result, levels of adaptation finance that developing countries can expect in the coming years are entirely unpredictable.

Another issue impacting the predictability of funding is the fragmentation of aid. Foreign assistance has grown increasingly fragmented, with more than seven-dozen donors, both governmental and multilateral, and now also private foundations active. With so many funding channels, and very little transparency about what is being funded, it is difficult for both donors and recipients to adequately assess where money is going.

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<sup>26</sup>Agrawala and Fankhauser 2008.

Third, “scaled up” is not adequately addressed. After years of wealthy nations putting token amounts of voluntary funding into UN climate funds (see Table 1), developing nations pushed for real “scaled up” funding at Copenhagen. This phrase also stands for the period from 2013, after Fast Start Finance ends, to 2020, when the Cancun Agreements specify a ten-fold larger scale per year. There is *no* language in UNFCCC texts or elsewhere discussing a plan for this crucial “scaling up” period.

Fourth, Copenhagen and Cancun texts promise “new and additional” funding, suggesting it would be above conventional Official Development Assistance (ODA). These words have been much debated since Copenhagen, and their meaning remains unclear.<sup>27</sup> Most countries have provided no explanation of their baseline.<sup>28</sup> There is serious concern that developed countries are recycling their ODA towards climate finance, or renaming past pledges as commitments to Fast Start Finance, as was seen with the UK, Germany, US, and Japan.<sup>29</sup> This undermines the credibility of financial pledges made at the international level and damages trust in the political process.<sup>30</sup>

Finally, the Copenhagen Accord and Cancun Agreements promise “balanced allocation between adaptation and mitigation.” The Fast Start pledges through November 2012 have been 78 to 80 percent focused on mitigation.<sup>31</sup> This ratio can hardly be called balanced.

Overall The Gap raises critical issues about the adequacy of allocated funds, and about where and when they are needed for appropriate interventions.

### **Puzzle #2: The Wedge Issue of Allocation: The Demand Side**

While the supply side of adaptation finance concerns questions such as where funds come from, the “demand” side deals with questions such as who gets access to available funds, based on what criteria. In other words, if there are US\$50 billion available yearly for adaptation in 2020 (“balanced” funding to adaptation under Copenhagen and Cancun language), how are they to be allocated based on a fair set of criteria? Thus, this puzzle relates to our definition’s focus on providing funds “with priority to those Parties that are particularly vulnerable.”

We call this puzzle The Wedge: if current pledges stand, the issue of how to divide too few funds among too many actors stands as a potential wedge to disrupt solidarity between developing country actors in both the mitigation and adaptation negotiations. Also, funds may not be allocated to prioritize the most vulnerable groups; instead, some funding allocation formulas reflect donor country interests more than the needs of vulnerable actors. The wedge puzzle raises the question: How can “fair” funding allocation criteria be developed without disrupting developing country solidarity?

Currently, perhaps due to the sensitive nature of the issues involved, explicit criteria to determine how vulnerability should be assessed to allocate adaptation funds have yet to be

<sup>27</sup>Stadelmann et al. 2010.

<sup>28</sup>Ciplet et al. 2011.

<sup>29</sup>Adam 2010; World Resources Institute 2010.

<sup>30</sup>German Advisory Council on Global Change 2010.

<sup>31</sup>Ciplet et al. 2012.



fully developed. Little has been decided, except that “most vulnerable” developing nations are to be prioritized. In the Convention text, LDCs were identified to have specific needs and special situations concerning funding transfer and technology. Small Island Developing States (SIDSs) and African countries were subsequently included alongside LDCs in the Bali Action Plan as “particularly vulnerable to the adverse effects of climate change.” Then, in the Copenhagen Accord, the language distinguishing these groups became even stronger, with the phrase “most vulnerable developing countries.” Some G77 countries, including Pakistan, opposed this category. Recently, developing countries, including Guatemala, Colombia, Bolivia, and Pakistan, which are not LDCs, SIDSs, or African countries, called for inclusion of language in the Cancun Agreements that would designate them as “highly vulnerable states” to ensure they would be positioned to receive adaptation funds. This effort was referred to negatively as a beauty contest for most vulnerable.<sup>32</sup>

While the proposal for “highly vulnerable states” was rejected by the G-77 plus China bloc, it indicates the perceived benefits for countries in gaining specific vulnerability status in the UNFCCC. This also indicates the risk to developing country solidarity that concessions based on special status can have. Given that the 134 countries in the G-77 and China bloc have diverse characteristics and interests, the relative unity of the groups’ demands and actions for nearly two decades of climate negotiations is notable.<sup>33</sup> Clearly, the negotiating leverage of developing countries depends on their ability to maintain common positions and solidarity.

As our definition of justice in adaptation finance indicates, according to UNFCCC Parties, allocation for adaptation funds should prioritize the most vulnerable. This approach runs counter to prior schemes such as the Global Environment Facility (GEF) Resource Allocation Framework, which is not based on country vulnerability, but on a nation’s ability to contribute to environmental benefits beyond its borders. This formula has resulted in an inequitable distribution of funds, with simulations showing that “In the climate change focal area, 36 countries share \$674 million, with \$236 million left to 124 countries.”<sup>34</sup>

So what would a “just” allocation approach based on vulnerability look like? The concept of vulnerability is an analytical tool for describing states of susceptibility to harm, powerlessness, and marginality of both physical and social systems, and for guiding normative analysis of actions to enhance well-being through reduction of risk.<sup>35</sup> Thus, not only are certain groups more or less geographically exposed to physical environmental threats such as sea level rise, droughts, floods and disease, but various characteristics of a group and their context make them more or less likely to be able to prepare for, cope with or adapt to such impacts. However, from a justice perspective, allocating funds based on the assessment of vulnerability is a process fraught with ambiguity.

The first effort to plan the allocation of adaptation funds with attention to vulnerability is in the Adaptation Fund (AF).<sup>36</sup> The AF’s current prioritization formula for selecting projects

<sup>32</sup>CAN-International ECO 2 December 2010.

<sup>33</sup>Najam 2005; Roberts and Parks 2007.

<sup>34</sup>Cléménçon 2006.

<sup>35</sup>Adger 2006; Adger and Brooks 2004.

and programs includes the level of vulnerability, the level of urgency and risks arising from delay, and ensuring access to the Fund in a balanced and equitable manner, among others. In addition, the Adaptation Fund Board recently considered three protocols for fund distribution among eligible Parties: a cap per eligible country; an allocation per region; and criteria to prioritize among specific eligible projects.<sup>37</sup>

While the attributes in the AF frameworks are theoretically sound, they lack clear criteria. Such metrics thus prove difficult to quantify and assess, and allow too much discretion or interpretation in prioritization. As a result, utilizing these criteria to allocate funding is potentially problematic. Questions facing the Adaptation Fund Board and other funding entities on how best to allocate scarce resources are numerous. What time frame should be prioritized in terms of allocating funds? Should the funding entity allocate funds primarily to individual projects, or should national programs that take a more comprehensive approach receive priority? At what scale should vulnerability be assessed in the allocation of funds? Should countries with “shovel-ready” plans in place, or those with less institutional capacity, be given priority?

Science cannot rescue us from the politics of adaptation funding allocation, particularly when there are inadequate funds to address all needs. Many models are available to assess national vulnerability,<sup>38</sup> all with strengths and weaknesses, depending on what criteria are prioritized in assessment. A reflection of the tensions that lie ahead is the weight given to specific indicators of vulnerability. For example, Bangladesh argues for giving more weight to loss of lives and livelihoods, while some G77 members, including AOSIS that are small in population size, argue for an approach that considers their geographical and cultural integrity. This conflict is indicative of the practical and political decisions necessary in any allocation model that assesses national vulnerability.

### **Puzzle #3: The Dodge: Governance, Transparency and Accounting of Adaptation Funds**

The third puzzle of adaptation finance, related to governance of funds, is The Dodge. Thus far, limited funds have been allocated through institutions that meet the demands of developing country Parties and/or that adequately address the justice dimensions in our definition. This puzzle raises the question of what can be done to ensure that funds established under the supervision of the UNFCCC are not simply dodged by donors in favor of more “donor-friendly” institutions?

Developing countries have been united in their demand that adaptation and mitigation funds be administered by UNFCCC and Kyoto Protocol parties. Chief among demands is “direct access” to funds, in which national governments in recipient countries assume the role of administrator of funds through National Implementing Entities (NIEs). Similarly, there has been a strong push to have majority representation from developing countries on the boards that oversee funding decisions. These two measures are part of a larger platform to shift donor assistance, from the micromanagement of funds at the point of disbursement, to

<sup>36</sup>Decision 1/CMP. 4.

<sup>37</sup>AFB/B.12/5.

<sup>38</sup>Harmeling 2010; Yohe et al. 2006; Klein 2010; DARA 2010.

establishing more democratic global funding mechanisms and greater national ownership and autonomy in making decision about funding priorities in recipient countries.<sup>39</sup> Greater control over funds is also advocated by developing countries to provide a more streamlined process for accessing funds, given that funding has been slow to reach recipients.

During the second decade of the Convention, the focus of larger developing countries such as Brazil, India, China and South Africa (BASIC) remained focused more on mitigation than adaptation. Feeling they were not getting adequate attention in the negotiations, the LDCs created their own caucus in 2001. Their organizing paid off: in Marrakesh in 2001 three funds were established—the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) under the Convention, and the Adaptation Fund (AF) under the Kyoto Protocol.<sup>40</sup>

There were major struggles over who should oversee these funds and how they should be structured. Developing countries pushed for the Conference of Parties (COP) to oversee the funds, consistent with Article 11, which creates a “financial mechanism” for implementation of the Convention under the guidance of and accountable to the COP. In contrast, developed countries preferred the GEF, an institution established in 1991 by the World Bank in consultation with the United Nations Development Programme (UNDP) and United Nations Environment Programme (UNEP), to oversee the funds. Since major donors have near veto power at the World Bank, developing countries objected. Further controversy was added by the GEF proposed Resource Allocation Framework (RAF)<sup>41</sup>, based on two criteria—global benefits from some activity and country performance. The former criteria was seen by the LDCs as a way to divert most GEF resources to greenhouse gas mitigation, leaving almost nothing for adaptation. Despite developing country opposition, the LDCF and SCCF were established under the oversight of the GEF.<sup>42</sup>

A similar power struggle took place between developed and developing countries over the administration of the AF. However, the unique structure of the AF enabled developing countries and civil society to have leverage in their fight to achieve the governance practices they sought. In particular: (1) the AF is funded by an international revenue-generating source, the Clean Development Mechanism (CDM), not directly attached to national budgets of Northern governments; and (2) the AF is under the Kyoto Protocol, a treaty to which the United States is not a Party. Technically, the two percent levy on the CDM that funds the Adaptation Fund belongs to the host nation where investments are bought, not to the purchaser. Therefore, this fund is paid for by developing nations. As a result, developing countries achieved many of their demands, including establishing a Board with majority developing country representation and the establishment of NIEs to grant recipient governments “direct access” to funds. The AF has also taken notable steps to incorporate transparency measures into its practices. It represents a very different balance of power compared with other international funding agencies.

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<sup>39</sup>2008 Accra Agenda for Action.

<sup>40</sup>Decisions 5/CP. 7, 6/CP. 7, 7/CP. 7 and 10/CP. 7.

<sup>41</sup>Global Environment Facility 2010.

<sup>42</sup>Decision 3/CP. 4.

Most recently, an umbrella funding institution called the Green Climate Fund (GCF) was introduced in the Copenhagen Accord, and key elements of its structure were agreed to in Durban in 2011. Notably, Parties agreed that the GCF will be overseen by a body under the United Nations, as advocated by developing countries, rather than the GEF, as advocated by the US and EU. Furthermore, a governance board will be established with equal representation from both developing and developed countries, and direct access to funds will be allowed. However, contrary to the demands of several developing country delegates, the World Bank will serve as interim trustee.

Developing country delegates and civil society campaigners from both the North and South have essentially pursued a strategy of “if you build it, funds will come.” However, despite the effort in establishing and refining these funds, only about 2 percent of Fast Start climate funds have been channeled through COP and KP Funds, with limited consistent or predictable sources of revenue.<sup>43</sup> To date, most Northern donors have simply dodged these funds, preferring other channels.

The Adaptation Fund has garnered a mere \$84 million in fast-start funding pledges,<sup>44</sup> despite strong calls to donors from civil society to do so.<sup>45</sup> While the CDM provides a relatively steady stream of AF funding, the overall amount remains small, with \$243 million in 2012 and great uncertainty after that (see Table 2). Similarly, of the estimated US\$3 billion needed to fully fund National Adaptation Programmes of Action<sup>46</sup> in LDCs, donors have paid a mere US\$436 million into the Least Developed Countries Fund. Meanwhile, US \$10 billion have been directed to the World Bank, particularly to its Climate Investment Fund (CIF) and other agencies controlled mainly by the North.

History tells us that many such funds have been created in multilateral processes, only to be abandoned by Northern donors.<sup>47</sup> While the steps toward the establishment of the GCF have been widely celebrated as victories, important questions remain unanswered about how much funding it will govern. If only 2 percent of climate funds continues to be channeled through UNFCCC and KP funds, the creation of funding structures that reflect principles of adaptation finance justice may be largely hollow victories. In such cases, efforts to establish more just institutional funding frameworks may come at the cost of diverting attention from other goals such as addressing the overall gap in adaptation funding. In addition, even the highly regarded AF has done little to address the justice issue of gender-sensitivity or taken measures to ensure that the most vulnerable populations within a given state are able to effectively participate in adaptation planning and funding decisions.

## Conclusion

We argue that Sen’s “realization-focused comparison” theory of justice provides an approach for the analysis of justice in adaptation finance grounded in existing political processes, attentive to the actual behavior of actors in relation to institutions, and accepting

<sup>43</sup>Ciplet et al. 2012.

<sup>44</sup>Ciplet et al. 2011.

<sup>45</sup>ActionAid 2010; Oxfam International 2010.

<sup>46</sup>Personal communication with GEF.

<sup>47</sup>Krasner 1985.

of normative ambiguity. Through this lens, we find that, taken together, the story of The Gap, The Wedge, and The Dodge reveal that (to date) adaptation finance has not reflected the basic tenets of justice agreed upon by Parties in the UNFCCC decisions.

Those most responsible for climate change and capable of supporting adaptation actions have fallen far short of their obligations. Despite clear language in the Convention about wealthy country responsibility to provide adequate funding to developing countries to adapt to climate change, there remains an ever-widening chasm between funds needed and those promised and delivered. The inadequacy in funding levels contributes to tensions between developing countries over who should have priority to access scarce resources. This threatens to disrupt decades of the solidarity among actors in the global South essential to finding leverage in the negotiations. And the widely celebrated initiative to establish a GCF will do little to promote *a country-driven, gender-sensitive, participatory, and fully transparent approach* to adaptation finance, if, like other UNFCCC and Kyoto Funds, adequate resources are not allocated to it. A justly governed fund without sufficient money does little to promote justice for the millions of people already experiencing adverse impacts of climate change.

Despite these shortcomings in adaptation finance justice to date and in keeping with Sen, we argue that there is great merit in focusing on steps that can be taken by both developed and developing countries to shift to a *more* just approach to adaptation finance. We see three essential steps to steer the adaptation finance regime in a more just direction.

First, raising the funds through normal development assistance channels—through national treasuries raising tax revenues—seems exceedingly unlikely to result in adequate and predictable funding flows. A series of international sources of fund-generation are critical for the scaling-up period and for 2020 and beyond. If truly *adequate* climate finance is to be raised, the amount should be far above \$100 billion a year, perhaps up to \$600 billion yearly, to green the global economy and buffer societies from climate impacts.<sup>48</sup> And, this number changes as science struggles to assess the impending impacts of climate change. Approaches to respond to this need also must allow for flexibility and predictability. A small levy on international airline travel, bunker transport fuel or international financial transactions, for example, would help to close the adaptation finance gap. Such measures could also ensure that funds with more just and participatory practices, such as the AF and GCF, are more than symbolic victories.

Second, notwithstanding the creation of the GCF, the vast majority of money in the next few years appears likely to flow bilaterally or through multilateral channels outside the UNFCCC funds. Thus, transparency and central accounting of financial flows are crucial.<sup>49</sup> “New and additional” adaptation finance has to be defined at the international level or clearly by each donor. In addition, more precise project-level reporting of the financial flows is required.<sup>50</sup>

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<sup>48</sup>World Bank 2010.

<sup>49</sup>Stadelmann et al. 2010.

<sup>50</sup>Ibid.

Third, metrics that evaluate relative vulnerability of countries or regions will always be problematic, especially when funds are scarce. But the vast majority of funds currently flow through institutions with *no* explicit criteria to prioritize vulnerable populations. Thus, developing countries attention should be redirected from infighting over who should be considered the most vulnerable countries in the UNFCCC, to expanding the overall volume and share of adaptation funding reaching vulnerable populations. This necessitates shifting donor behavior across all bilateral and multilateral funding institutions to accomplish the following: provide clear and transparent funding, with defined allocation criteria; prioritize adaptation funding in balance with mitigation; and provide avenues for broad and meaningful participation of particularly vulnerable groups—including indigenous peoples and women—to influence funding allocation practices.

In sum, a shift toward more just action on adaptation finance is essential. Engendering this, we argue, requires deepening our understanding of the complex power dynamics in both the North and the South, and about where possibilities lie for positive change.

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**Table 1**  
Principles of Adaptation Funding Justice in UNFCCC Texts versus Current Practice

Principle of Adaptation Finance Justice	Related Articles and Decisions of the Conference of Parties	Political Reality of Adaptation Finance
1. <b>BALANCE:</b> "Affirms that ... Adaptation must be ad- dressed with the same priority as mitigation and requires appropriate institutional arrangements to enhance adaptation action and support;"	CP. 16 2 (b) * CP. 16 IV (a) 95	<b>IMBALANCE:</b> <ul style="list-style-type: none"> <li>Finance to developing countries for mitigation has been far greater than that for adaptation ("The Gap")</li> </ul>
2. "The Parties should protect the climate system for the benefit of present and future generations of human-kind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities."	3.1 * CP. 16 I.1 CP. 16 II (14)	<b>NO AGREEMENT ON FAIR BURDEN-SHARING:</b> <ul style="list-style-type: none"> <li>No consistent or transparent allocation formula for developed country adaptation finance commitments</li> <li>Developed countries have been unwilling to discuss adaptation finance in terms of "responsibility" or "capability" ("The Gap")</li> </ul>
3. <b>PRECAUTION:</b> "The Parties should take precautionary measures to anticipate, prevent or minimize the causes of climate change and mitigate its adverse effects;"	3.3 * 4.4 4.8	<b>NOT PRECAUTIONARY:</b> <ul style="list-style-type: none"> <li>Finance pledges represent movement towards a precautionary approach; however levels of funding are inadequate to meet developing country needs ("The Gap")</li> </ul>
4. <b>PREDICTABLE, ADEQUATE, NEW AND ADDITIONAL:</b> "Decides that, in accordance with the relevant provisions of the Convention, scaled-up, new and additional, predictable and adequate funding shall be provided to developing country Parties, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change"	CP. 13 I. (e) CP. 13 I. (i) CP. 16 2. (d) CP. 16 II (18) CP. 16 IV (a) 97 *	<b>NOT PREDICTABLE, ADEQUATE, NOR CLEARLY NEW OR ADDITIONAL:</b> <ul style="list-style-type: none"> <li>Pledges made by developed countries represents a step towards scaling up climate finance</li> <li>Likely that adaptation finance is not new or additional to existing Official Development Assistance</li> <li>Adaptation finance is not adequate for meeting basic developing country needs related to climate change</li> <li>Due to a lack of transparency and uncertainty about future adaptation finance provisions, funding levels are highly unpredictable ("The Gap")</li> </ul>
5. <b>NEEDS-BASED TARGETING OF FUNDS:</b> Parties shall be guided by "The specific needs and special circumstances of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change ..."	3.2 * 4.4 4.8 4.9 CP. 13 I. (i) CP. 16 II (11) CP. 16 IV (a) 95	<b>NO AGREED ALLOCATION PROTOCOL:</b> <ul style="list-style-type: none"> <li>Least Developed Countries, Small Island Developing States and African countries are considered as the "particularly vulnerable Parties"; however, there is increasing controversy about which Parties should be included in this group and how vulnerability should be assessed for the allocation of adaptation funds ("The Wedge")</li> </ul>
6. <b>TRANSPARENT, RECIPIENT AND SCIENCE-LED ALLOCATION AND GOVERNANCE CONSIDERS ESPECIALLY VULNERABLE GROUPS:</b> "Affirms that enhanced action on adaptation should be undertaken in accordance with the Convention, should follow a country-driven, gender-sensitive,	CP. 16 II (12) * CP. 16 II (20) a CP. 16 IV (a) 100, 103,	<b>NOT COUNTRY-DRIVEN:</b> <ul style="list-style-type: none"> <li>The National Adaptation Programme of Action (NAPA) for Least Developed Countries represents an attempt at a country driven approach to adaptation planning and funding; however, less than a quarter of NAPA projects have been funded</li> </ul>

Related Articles and Decisions of the Conference of Parties	Political Reality of Adaptation Finance
<p><b>Principle of Adaptation Finance Justice</b></p> <p>participatory and fully transparent approach taking into consideration vulnerable groups, communities and ecosystems, and should be based on and guided by the best available science and, as appropriate, traditional and indigenous knowledge ...”</p>	<ul style="list-style-type: none"> <li>• COP and Kyoto Funds created with the intent of facilitating a country-driven and participatory approach have received about 1% of climate funds</li> <li>• No evidence that adaptation finance has been sensitive to the particular needs of women or other marginalized groups</li> <li>• Limited transparency in adaptation finance—inconsistent reporting disallows summing and comparison (“The Dodge”)</li> </ul>

\* Refers to the Decision quoted in left column.

**Table 2**

Status of UNFCCC/KP Funding (in millions US\$)

<b>Funding Source</b>	<b>Pledged</b>	<b>Paid</b>	<b>Disbursed</b>
LDCF <sup>a</sup>	\$536.70	\$435.50	\$62.61
SCCF <sup>b</sup>	\$241.61	\$196.40	\$70.06
AF <sup>c</sup>	\$242.96	\$242.96	\$30.17
Green Climate Fund <sup>d</sup>	\$68.72	NA	NA
<b>Total</b>	<b>\$1,089.99</b>	<b>\$874.86</b>	<b>\$162.84</b>

<sup>a</sup> Global Environment Facility 2012 (as of June 2012).

<sup>b</sup> Ibid.

<sup>c</sup> Adaptation Fund 2012 (as of December 2011).

<sup>d</sup> Climate Funds Update 2012.