



# Scaling up international support for adaptation:

Productive safety nets and reimbursable debt service

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## Introduction

Securing a successful outcome at the 2015 UNFCCC meeting in Paris will rest in part on finding ways to increase adaptation finance flows to the most vulnerable countries. This paper explores the potential for two elements of an approach that could help unlock public funding and accelerate the disbursement of international climate finance to vulnerable countries. The first element considers scaling up one cost effective adaptation response: support for productive safety nets<sup>1</sup>, which support public work programmes especially those that focus on improving agriculture productivity and include reforestation, water and soil conservation works. The second assesses the extent to which reimbursable debt service payments could play a role in freeing up finance for such national programming. Either of these two elements could stand alone. However, this proposal suggests there is a substantial potential synergy to be captured by unlocking a new source of funding and scaling up a programmatic use of funds.

Current delivery mechanisms in support of climate change actions within vulnerable countries have been almost completely project based. International public funding for programmatic support to national climate change strategies remains limited in these countries, despite interest to find more strategic and flexible ways to support action. But through the provision of debt relief, development partners have substantial experience with providing finance for programmatic approaches in recipient countries. Debt relief developed out of a recognition that debt service payments made by vulnerable countries came at the cost of other important public programmes, such as in education and health, and was therefore inhibiting the pace at which countries could reduce poverty and achieve sustainable development goals. The possibility of using a similar approach in support of climate change actions has been posed before (Development Finance International, 2009; Fenton et al., 2014; Mitchell, 2015), but is worthy of renewed attention at this time in the run-up to the UNFCCC meeting in Paris this December.

At the same time, there is a recognition of the need to be clearer about how finance could be spent to strengthen resilience to climate change, and the benefits that will ensue. There is a growing interest in the role that

productive safety nets, such as guaranteed public work programmes, can play to support people living in extreme poverty affected by climate change, and the need to strengthen broader national systems for social protection, including to address climate related impacts and stresses (Béné et al., 2014).

This paper therefore reflects on reimbursable debt service payments as an option for creating additional fiscal space to act on climate change, by scaling up and strengthening productive safety nets to address adaptation needs. Other complementary approaches will of course be needed, both to mobilise finance and to secure adaptation in some of the world's poorest countries.

## Coming to grips with a longstanding problem: new sources of adaptation finance need to reach the poorest and most vulnerable countries

It is generally accepted that the world's poorest countries are among the most vulnerable to climate change. The UNFCCC recognises African States, Least Developed Countries and Small Island Developing States as being particularly vulnerable to climate change, comprising in total more than eighty countries. This section looks in detail at the financing position of half of these: the forty most vulnerable countries, as assessed by metrics posited in the ND-GAIN vulnerability index<sup>2</sup>. All these countries are recognised by the UNFCCC as being particularly vulnerable. The countries and their basic characteristics are set out in Annexes A and B. These countries need finance to respond to climate change and to support development that is sustainable in a changing climate. So far they have had major challenges accessing significant levels of funding from the new dedicated climate funds.

Adaptation finance commitments to these forty countries channelled through dedicated climate funds have amounted to \$912 million since 2010.<sup>3</sup> Assuming that projects take at least five years to complete, actual disbursements to these countries are likely to be running at less than \$200 million a year. By comparison, total aid<sup>4</sup> disbursements to the same set of countries have averaged \$42 billion a year, i.e. 200 times more (Figure 1).

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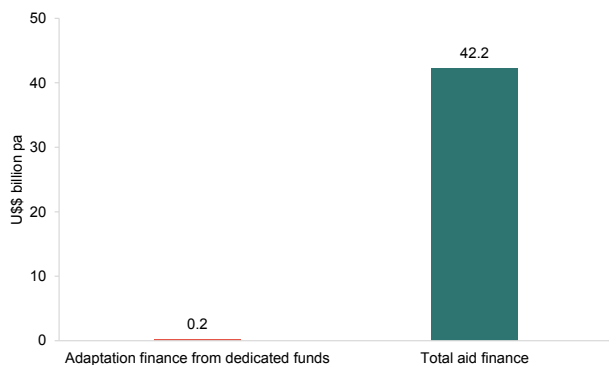
1 The term *productive safety nets* is used in this paper to refer to programmes such as in Ethiopia which increase productivity of the local economy and are predominantly delivered as local public works programmes but with some element of support for households that are unable to work. They are one form of a wider range of social safety nets which also include school feeding and conditional cash transfers such as Bolsa Familia in Brazil. Social safety nets in turn are one form of a wider set of social protection programmes and systems that cover a combination of contributory and non-contributory policies and pursue multiple objectives – such as pension schemes and subsidised access to health services.

2 <http://index.gain.org/>

3 <http://www.climatefundsupdate.org/>. The figures represent a small subset of possible climate related finance in that this is only the money channelled through dedicated climate funds. A large number of development finance projects also have climate related objectives, but are not included in these totals.

4 In this paper aid refers to the total of country programmable aid (average 2013-2015) plus humanitarian aid (average 2012-2014). The use of the country programmable aid definition ensures the focus is just on aid that is spent in country.

**Figure 1. Adaptation finance through dedicated climate funds and aid flows to 40 of the most vulnerable countries (\$ bn per year)**



Even countries participating in large-scale adaptation financing pilots, such as the PPCR<sup>5</sup> in Niger and Mozambique, have likely only received around \$1 per person per year. These flows compare to estimated costs of adaptation of \$15 per person per year in Mozambique and \$30 per person per year in Ghana<sup>6</sup>, and total aid flows that are typically around \$50 per person per year. This suggests that the problem does not lie solely in the inability of poor countries to absorb adaptation finance, but in how climate finance has been raised and spent when compared to existing forms of aid.

## Reaching the poorest and most vulnerable

### The core of the proposal

In the context of the need to find more effective channels for the delivery of international climate finance to the most vulnerable countries, this proposal identifies the potential for an ‘adaptation for the poorest’ initiative, initially targeted at the poorest ten countries within the larger set of countries recognised by UNFCCC as being particularly vulnerable to climate change. All of the ten are members of two UNFCCC vulnerable groups: LDCs and African countries. This proposal could therefore complement other international initiatives that aim to direct support to the third UNFCCC vulnerable group of Small Island Developing States (Mitchell, 2015). In principle, an additional \$1 billion each year could be directed at supporting these ten countries to adapt to climate change through reimbursable debt service relief.

### Financing options for initial ten priority countries

Some countries of this group, such as Ethiopia and the Democratic Republic of Congo (DRC), have very high levels of public external debt service, at over \$100 million a year (Table 1). Many of the others in this group also have substantive debt service levels relative to existing flows of adaptation finance. Reimbursement of debt service in these countries could therefore radically change the amount of finance available to support adaptation. But debt service reimbursement could not be the sole financing option, as not all these countries have high levels of debt service. Somalia, Central African Republic (CAR) and Liberia have less than \$10 million per year. In addition, not all development partners would want or would be legally able to reimburse debt service. And for some countries development partners might want to limit reimbursements for multilateral debt service or for debt service to their own country and in particular might be unwilling to reimburse non-concessional bilateral debt owed to another country. The precise proportions of debt service reimbursements that could be offered would therefore need to be considered on a case by case basis.

\$1 billion would imply on average an extra \$3.5 per person a year on adaptation. While this would be a marked step up from the current 20 cents per person a year average, it would still be much less than the total aid flows of approximately \$50 per person a year, suggesting that it would be relatively easy to absorb this extra spending.

If this proposal were extended to other countries recognised as being particularly vulnerable by the UNFCCC – and in the top forty of the ND vulnerability index – two countries in particular would benefit enormously from reimbursable debt service: Bangladesh and Kenya (Table 2). As neither of these countries benefited from previous debt relief initiatives (such as HIPC/MDRI) reimbursable debt service payments would be a particularly cost effective financing mechanism for scaling up the response to adaptation.

Other countries that could particularly benefit from increased provision of productive safety nets would be those with a very limited proportion of the extreme poor currently covered by any form of social safety net (Table 3).

5 Pilot Program for Climate Resilience, PPCR, <http://www.climateinvestmentfunds.org/cif/node/4>

6 There are major uncertainties around the possible costs of adaptation; these figures are indicative costs.

7 See for example the World Bank’s Adaptive Social Protection Trust fund created in 2014 that supports social protection in the Sahel in order to increase resilience to climate change.

**Table 1. Current adaptation finance flows through dedicated funds and public external debt service for the 10 poorest most vulnerable countries**

Initial target group of ten countries	Current adaptation finance flows through dedicated funds per year		Public external debt service per year
	Per person (\$)	Total (\$ million)	Total (\$ million)
Ethiopia	0.10	9.8	427
Democratic Republic of the Congo	0.03	2.0	325
Madagascar	0.20	4.0	65
Guinea	0.05	0.6	59
Niger	1.40	25.0	45
Malawi	0.20	3.0	44
Burundi	0.15	1.6	33
Liberia	0.90	4.0	6
Central African Republic	0.03	0.2	5
Somalia	0.05	0.5	1
<b>Total</b>		<b>50.7</b>	<b>1,010</b>

**Table 2. Scope for reimbursing debt service to support national adaptation programmes in other vulnerable countries**

Country	Current adaptation finance flows through dedicated funds per year (\$ million)	Public external debt service per year (\$ million)
Bangladesh	27	1,625
Kenya	4	580
Sudan	5	292
Senegal	4	213

**Table 3. Scope for reimbursing debt service to support social safety net programmes**

Other countries in UNFCCC 'particularly vulnerable' and ND Gain top 40 'most vulnerable' lists with very low levels of social safety net coverage.	Current proportion of extreme poor covered by social safety net
Togo	2%
Uganda	3%
Mozambique	4%
Tanzania	5%

Source: *Development Initiatives*

## Options for spending climate finance in the most vulnerable countries: A new focus of support – scaling up productive safety nets

National social safety net programmes, particularly productive safety nets that benefit subsistence farming households<sup>7</sup> are increasingly being recognised as a valuable part of national climate change strategies. This is because growth in low income countries remains heavily reliant on economic activity in the agriculture sector. Thus the impact of climate change on this sector is jeopardising growth and development in the near and mid-term. The Davies report (OECD, 2009) mapped out how broader social protection programmes can help people adapt to climate change. More recently an OECD paper (Béné et al., 2014) reviewed the current state of knowledge and evidence base on social protection and climate change. The practitioners that were consulted were clear that social protection is a key instrument for building climate resilient households and that much more needed to be done to integrate social protection with climate change. But both the practitioners and the authors recognised that more research was needed. For example, previous research had flagged that some existing social protection programmes would need to be strengthened if they were to be able to protect the poorest from severe climate shocks. More recent research has explored how to make national social protection programmes more responsive to disasters associated with extreme weather and climate shocks (Bastagli, 2014; Bastagli and Harman, 2015).

<sup>8</sup> DFID. Annual review of support to Ethiopian Productive Safety Net Programme, various years <http://devtracker.dfid.gov.uk/projects/GB-1-200762/>. The 2015 review notes 1.45 m tonnes of CO<sub>2</sub> have been sequestered in two sample watersheds, equivalent to approximately 20% of the total emissions of the transport sector in Ethiopia.

<sup>9</sup> Executive Director Horn of Africa Regional Environment Centre & Network, Addis Ababa University, personal communication, July 2015.



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## Lessons from Ethiopia

One of the best known examples of the how such programmes can work is the Ethiopia Productive Safety Net Programme. This has been in operation for ten years and reaches 7.6 million people. While the poorest households receive cash transfers it is primarily a public works programme accompanied by measures to improve agriculture productivity (Greenhill et al., 2015). Impact assessments show that the programme has had a significant impact upon household food security. Bio-physical studies and cost benefit evaluations find that it has made a sizable contribution to reversing soil erosion and environmental degradation and expanding the crop area served by small scale irrigation. The soil conservation measures have resulted in large scale climate change mitigation<sup>8</sup>.

The Productive Safety Net Programme has been credited with the restoration of the ecosystem in the Tigray region and its transformation so that farmers in the region can now withstand drought for at least a year<sup>9</sup>. There is considerable scope to expand the programme nationally, which would not only replicate the benefits more widely but would also increase the potential for national hydropower generation by reducing siltation problems. The programme was successfully scaled up in 2011 to meet additional needs sparked by the Horn of Africa crisis. Lack of funding remains the key constraint for substantive expansion.

Despite the fact that the Ethiopian programme provides effective support to farmers struggling to adapt to climate change it is not been formally treated as an adaptation programme. The UK's international climate fund has used part of its \$25 million support for the Strategic Climate Institutions Programme in Ethiopia to enable the programme to become more resilient to climate change. Ethiopia is also receiving substantial international support from a range of donors, including the UK and Norway, to realise its Climate Resilient Green Economy strategy. But a large scale up of its productive safety net using international climate funding has not yet advanced beyond the point of concept. There are three possible concerns. First the recent focus of debate has been on the fiscal sustainability of the current programme and the timetable for the government to assume responsibility for a growing share of the costs. Second a scaling up would not be regarded as a new discrete project and new projects tend to be the approach currently favoured internationally, not least because of concerns that climate finance should be additional to current development finance flows, and the need to monitor climate related impacts. Third is the scale of the programme. As it costs around \$300 million a year<sup>10</sup> if it were labelled as an adaptation action it would dominate all other expenditures, and therefore there might be concerns that it

would make it harder to raise funds for other approaches. But none of these possible concerns fundamentally alter the strong business case for scaling up the expansion of this programme on the basis that it would be a cost effective and relatively quick way of providing large scale adaptation support to the most vulnerable households.

## Case for global scale up

At a global level, the rationale for increasing funding for productive safety net programmes in the context of efforts to strengthen these systems is that the evidence base of its impact in many other countries is very strong. Such programmes are also relatively easy to audit and monitor; and, the under-funding for national programmes in poorest countries is becoming increasingly clear.

Almost all countries now have a social security system (ILO, 2014) with at least one social safety net programme in place (World Bank, 2014). But coverage of the extreme poor is still very limited - on average less than 20% in LICs and LDCs (Development Initiatives, 2015). Even the large scale Ethiopia programme only reaches 25% of the extreme poor, with the same pattern repeated in the most 40 climate vulnerable countries (Figure 2). The average coverage is 19% and nearly half of all countries have coverage of less than 10%. The highest rates are all in lower middle income countries (Sudan, Swaziland, Timor Leste and Djibouti). The average coverage for the ten poorest is just 10%. In addition to the problems of poor coverage, even when people do benefit the scale of payments is very small. In sub Saharan Africa the average is just \$0.04 /day in Purchasing Power Parity terms, corresponding to 10% of what is considered needed to lift the poor out of extreme poverty (Development Initiatives, 2015).

The potential to scale up productive safety net programmes in the ten poorest countries is very large (Table 4). Development Initiatives estimate that the cost of increasing social safety net coverage to all those living in extreme poverty at a level sufficient to lift everyone above the extreme poverty line of \$1.25 amounts to just over \$20 billion pa.

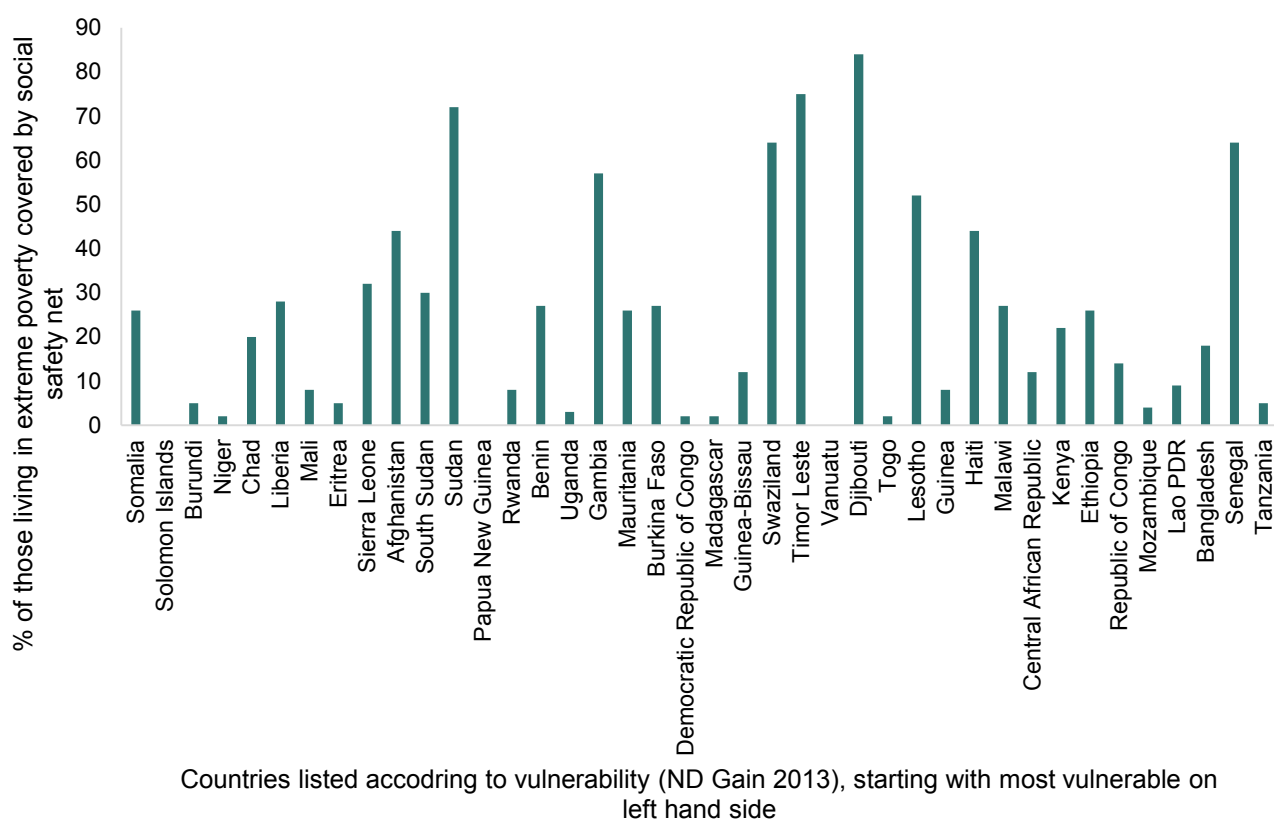
A productive safety net programme is no silver bullet – investments in education and health are also critical in enhancing the resilience of the poorest to climate change – but relatively speaking financing gaps on all types of social protection programmes are currently much higher<sup>11</sup>. There is also strong evidence that a basic level of social protection increases resilience by ensuring that the poor do not sell their assets as part of their coping system. In addition, once a national productive safety net system is in place it is then possible to increase the level of support rapidly in the event of extreme weather events.

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10 The most recent estimate of actual spend is Ethiopian Birr 5,759 million in FY2013/14 when the exchange rate averaged 19 Birr/\$. Source: DFID development tracker Annual Review 2015. <http://devtracker.dfid.gov.uk/projects/GB-1-200762/documents>

11 Development Initiatives 2015 estimate global funding gap is 88% of external financing requirement compared to 50-67% gaps for health and education.

**Figure 2. Social safety net coverage in climate change most vulnerable countries (countries listed in order of vulnerability, starting with most vulnerable countries)**



Source: Development Initiatives, 2015

**Table 4. The potential to scale up productive safety nets in the ten poorest most vulnerable countries**

Initial target group of ten countries	Number of current social safety net beneficiaries, thousands (World Bank, 2014)	Percent of extreme poor currently covered by social safety nets (DI estimate) (%)	Cost of extending coverage and increasing payment to eliminate extreme poverty* \$ million pa
Guinea	559	8	400
Liberia	963	28	502
Burundi	442	5	632
Central African Republic	406	12	639
Niger	168	2	753
Somalia	1,670	26	779
Malawi	3,614	27	1,699
Madagascar	489	2	1,737
Ethiopia	12,891	26	2,325
Democratic Republic of the Congo	1,394	2	11,281
<b>Total/average</b>	<b>22,596</b>	<b>10</b>	<b>20,747</b>

\*See Development Initiatives for costing assumptions. This include set up costs and allowance for leakages.

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Under this proposal, the precise form of the productive safety net programme would be the decision for each national government. In the poorest countries most of the target beneficiaries for national productive safety net programmes – in the large part rural subsistence households – are also the group that are most vulnerable to climate change. In some countries where there are communities identified in national adaptation plans that are not benefiting from social safety nets a condition of support might be to extend such coverage to them.

## **A new funding mechanism – reimbursing multilateral debt service**

The second element of this proposal, reimbursing debt service as a source of funding, would focus on multilateral debt service (as a large amount of bilateral debt to the poorest countries has already been written off through the Highly Indebted Poor Countries (HIPC) debt relief process<sup>12</sup>). This would require a new funding mechanism to be developed. Such a mechanism could be relatively straightforward as it would be based on the approach developed to deliver multilateral debt relief under the Multilateral Debt Relief Initiative (MDRI) element of the wider HIPC process. Under MDRI each multilateral institution (e.g. the World Bank, Regional Development Banks) created a trust fund. Bilateral donors contributed to these funds which were then drawn upon as and when a debt payment to the institution fell due from a HIPC country. As the trust fund would cover the cost of the debt payment, the HIPC country was then able to use this saving to fund increased spending on other items in the budget. An IMF programme was a requirement for a country to qualify for HIPC and one of the conditions was that overall poverty spending – broadly defined – had to increase in line with debt savings made.

In this case it would be neither appropriate nor necessary to have an associated IMF programme. Instead the mechanism could draw on more recent ex-post reimbursement instruments, such as USAID's Fixed Amount Reimbursable Agreement (FARA) instrument. This instrument builds on the success of the Afghanistan Reconstruction Trust Fund, a multi-donor fund that was originally intended to manage \$50 million but ended up disbursing \$5 billion of donor funding. Under a FARA arrangement USAID agrees to finance some budget items, but only releases the funds after an audit has been done to verify that the budget items have been spent. Such audits are done on a monthly or quarterly basis. In the same way, matching funds for reimbursing debt service would only be released when auditors had confirmed beneficiaries of a

national productive safety net programme had received their payments, by direct cash transfers or through wages for work under public works schemes. This post-audit release process has a number of advantages. If there were any audit queries the amount of debt service that donors would reimburse would be scaled back automatically. Such an approach would also ensure there is complete government ownership of the productive safety net programme as all expenditure would have to be budgeted for and spent through government systems (with additional external audit oversight and possibly additional fiduciary safeguards).

The administration costs would be minimal as there would only need to be one trust fund in each multilateral institution. The costs of auditing the productive safety net programmes would be relatively low and would have the additional benefit of ensuring funds in pre-existing schemes were reaching the intended beneficiaries.

## **Advantages of linking scaling up of social protection to reimbursable debt service payments**

As noted, there have been a number of exploratory commentaries on the potential of using debt relief to support climate change actions in developing countries (Development Finance International, 2009; Fenton et al, 2014 and Mitchell, 2015). Each of these has raised the possibility of using this financial instrument as an additional source of finance for national climate change action, although no initiative has yet been made operational. An important issue is that once debt relief is granted the decision is irrevocable. The proposal in this paper is more modest: a long term commitment to match national adaptation spending with 1:1 reimbursement of debt service.

It is worth summarising the advantages of linking funding for adaptation to reimbursing debt service: It can provide predictable levels of finance to countries as the amounts are linked to debt payments scheduled over a number of years. Many countries are reluctant to consider starting national social protection programmes as this would mean relying on donor funding for a prolonged period. Yet donors are often unpredictable and certainly not reliable over a 10-15 year horizon.

It is relatively easy to provide a robust level of auditing of both debt service and social protection spending. Indeed, the auditing under this proposal would be more rigorous than what happened under HIPC. Under HIPC, the IMF were tasked to check that governments increased their poverty spending in line with the savings made on debt reduction. But donors did not attempt to audit the budget expenditures to check that the beneficiaries actually

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<sup>12</sup> This section of the paper focuses on how to reimburse multilateral debt service, as this is twice as large as bilateral debt service and would require a more complex mechanism. However, it would be straightforward to add a bilateral debt service reimbursement window to the multilateral debt service proposal as the financial transfers required would all be between different departments/agencies of one government.

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received what was budgeted. And there was no attempt made to assess the quality or the value for money of the spending e.g. on building roads.

It is politically separate from what the government spends the savings on. Unlike budget support, donors are not assumed to be responsible for every item on which the government spends money.

It engages national ministries of finance in the process and therefore links directly to national allocations made towards climate change strategies.

It provides clarity on the terms and period of support for donors. Donors have also been reluctant to fund national social protection programmes out of concern that governments will not increase their share of the funding and eventually fully fund this themselves. By linking donor funding to debt service on specific loans the amounts will decline over time. While some debt service is for loans that are now nearly fully repaid others still have 30 years to go.

## Structuring the programme

Apart from robust financial auditing, conditionality associated with this proposal would be kept to a minimum. A national climate change strategy (including a national adaptation plan/NAPA/INDC) would be a requirement. The strategy would ideally articulate the linkages between national vulnerabilities, adaptation measures and productive safety net programmes, thereby situating the proposed response in the national context.

There could also be some element of requiring additional matched funding from government, as increasingly required for social protection schemes. For example, government spending on adaptation could be taken into consideration, acknowledging the fact that some of the world's most vulnerable countries are already making considerable investments in adaptation measures (Bird, 2014).

There could also be an agreed timetable to increase the national government's spending on productive safety net systems in a context of climate change over time. This will happen automatically to some extent as debt service payments reduce. If donor funding is limited to subsistence farming households within a national productive safety net programme these numbers will also be expected to decline over time. On the other hand the impacts of climate change are expected to increase, suggesting that climate funding should be at least maintained over the mid-term.

## Advantages of the two elements of the proposal

These two elements would ensure support is provided to those most in need without creating additional, parallel systems for delivery. It has the following two main advantages for the delivery of international funding: (i) being at scale; and (ii) using government systems

National productive safety net programmes could absorb large sums and could be set up relatively quickly e.g. 2-3 years. All countries have some kind of social protection programme. And in four of the ten poorest countries social safety coverage is already around 25% of the extreme poor. It has been estimated that the cost of national targeted social protection programmes aimed to lift all people above the extreme poverty line in Low Income Countries (LICs) would be US\$42 billion each year (Greenhill et al., 2015). Some of the richer LICs could afford to part finance this now. And in the longer term most LICs would be able to fund this themselves. But given most of the extreme poor are subsistence farmers the costs would not be much less. Targeting the \$1.25 poverty line would mean the support is automatically calibrated to need.

The costs of strengthening social protection systems are much larger than the sums that could be raised through the approaches discussed in this paper. Climate finance from this and other sources is likely to only cover part of the total. This is reasonable as social protection programmes simultaneously deliver on a range of objectives beyond adaptation. Measures to ensure climate resilience and seize opportunities to avoid or reduce emissions needs to become central to national development strategies and associated expenditure. But the offer of substantial long term financing could play a catalytic role in helping governments to have the confidence to start scaling up existing pilots into nationwide productive and climate sensitive safety net programmes. Funding could also be provided, for example, to increase existing level of payments automatically in response to forecasts of extreme weather events. As extreme events would reduce government revenues and increase spending the additional financing could act as an insurance facility at the national level<sup>13</sup>. The additional finance would also allow the government to increase daily payments under the national productive safety net programme so in effect providing insurance at the household and community level. Other measures, many of which will be contingent on local context and needs, are likely to be necessary to ensure these systems serve to strengthen resilience to climate change and support climate compatible development.

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13 As envisaged in De Schutter and Sepulveda's proposal for a Global Fund for social protection, 2012

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## Potential concerns

One potential concern is that this proposal could be seen as blurring the distinction between climate finance and development finance. However, the financing option of reimbursable debt service would be readily traceable and identifiable and can therefore be decomposed and analysed separately if that is needed. The bigger development/climate overlap issue is the need to ensure that the broader social protection systems that we seek to strengthen in poor and vulnerable countries are also able to cope with the new shocks and stresses that may result from climate change. Another potential concern is to ensure programmes do not inadvertently result in maladaptation. There is a risk that safety nets could delay necessary internal migration<sup>14</sup> or the restructuring of the agriculture sector. On the other hand there is also clear potential for programmes to trigger additional positive adaptation responses such as facilitating the development of non-farm income, accelerating the adoption of new seeds and increasing investment in education. The final potential concern is that external financing for safety nets could displace or delay efforts to build national funding mechanisms and develop contributory-based systems. This is an example of a much larger potential concern associated with all external efforts e.g. whether providing education and health sector funding undermines efforts

to develop national taxation systems, which is beyond the scope of this paper.

## Conclusions

A commitment to scale up productive safety nets, backed by a commitment to fund this in part by reimbursing external debt service could provide one part of the solution to the recognised need to scale up support for effective adaptation and resilience measures in low income countries. It would also provide a means by which to channel substantial resources for large scale programmes to the poorest and most vulnerable countries, building on ongoing efforts to strengthen social protection systems, potentially leveraging existing domestic capacity rather than requiring substantial new capacity to develop complex climate change adaptation project proposals. A reimbursement approach could ensure accountability for implementation, informed by encouraging new practices in the new aid architecture (e.g. USAID's FARA instrument). By linking a new mechanism of funding to an important use of funds targeting the most vulnerable, such an initiative could make a significant contribution to the global response to climate change

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<sup>14</sup> Bene et al., 2014, noted that social protection could lead to 'maladaptation' if the programme increased resilience in an area prone to long term climate degradation, while a more appropriate adaptation strategy would be resettlement in a less environmentally marginal area.

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# Annex A: Country list of forty most vulnerable countries (according to ND Gain) within UNFCCC wider set of particularly vulnerable groups of countries

Country	UNFCC category				Yes if occur in two of three categories	Population, million 2013	Income GNI per person US\$ 2013	Countries by Income category
	LDC	Africa	SIDS	Yes if occur in one of three categories				
Afghanistan	Y			Y	30.6	700	Low	
Bangladesh	Y			Y	156.6	900	Low	
Benin	Y	Y		Y	10.3	790	Low	
Burkina Faso	Y	Y		Y	16.9	670	Low	
Burundi	Y	Y		Y	10.2	280	Low	
Central African Republic	Y	Y		Y	4.6	320	Low	
Chad	Y	Y		Y	12.8	1020	Low	
Democratic Republic of Congo	Y	Y		Y	67.5	400	Low	
Djibouti	Y	Y		Y	0.87	1293	Lower - Middle	
Eritrea	Y	Y		Y	6.3	490	Low	
Ethiopia	Y	Y		Y	94.1	470	Low	
Gambia	Y	Y		Y	1.8	510	Low	
Guinea	Y	Y		Y	11.7	460	Low	
Guinea-Bissau	Y	Y		Y	1.7	520	Low	
Haiti	Y		Y	Y	10.3	810	Low	
Kenya		Y		Y	44.4	930	Low	
Lao PDR	Y			Y	6.8	1460	Lower - Middle	
Lesotho	Y	Y		Y	2.1	1550	Lower - Middle	
Liberia	Y	Y		Y	4.3	410	Low	
Madagascar	Y	Y		Y	22.90	440	Low	

Country	UNFCCC category			SIDS	Africa	Yes if occur in one of three categories	Yes if occur in two of three categories	Population, million 2013	Income GNI per person US\$ 2013	Countries by Income category
	LDC	Africa	SIDS							
Malawi	Y	Y	Y	Y	Y	Y	Y	16.4	270	Low
Mali	Y	Y	Y	Y	Y	Y	Y	15.3	670	Low
Mauritania	Y	Y	Y	Y	Y	Y	Y	3.9	1060	Lower - Middle
Mozambique	Y	Y	Y	Y	Y	Y	Y	25.8	590	Low
Niger	Y	Y	Y	Y	Y	Y	Y	17.8	410	Low
Papua New Guinea			Y	Y	Y	Y	Y	7.3	2010	Lower - Middle
Republic of Congo		Y	Y	Y	Y	Y	Y	4.4	2660	Lower - Middle
Rwanda	Y	Y	Y	Y	Y	Y	Y	11.8	620	Low
Senegal	Y	Y	Y	Y	Y	Y	Y	14.1	1070	Lower - Middle
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	6.1	680	Low
Solomon Islands	Y	Y	Y	Y	Y	Y	Y	0.56	1200	Lower - Middle
Somalia	Y	Y	Y	Y	Y	Y	Y	10.5	248	Low
South Sudan	Y	Y	Y	Y	Y	Y	Y	11.3	1120	Lower - Middle
Sudan	Y	Y	Y	Y	Y	Y	Y	38	1130	Lower - Middle
Swaziland		Y	Y	Y	Y	Y	Y	1.2	3080	Lower - Middle
Tanzania	Y	Y	Y	Y	Y	Y	Y	49	630	Low
Timor Leste	Y	Y	Y	Y	Y	Y	Y	1.2	3580	Lower - Middle
Togo	Y	Y	Y	Y	Y	Y	Y	6.8	530	Low
Uganda	Y	Y	Y	Y	Y	Y	Y	37.6	510	Low
Vanuatu	Y	Y	Y	Y	Y	Y	Y	0.25	3130	Lower - Middle



# Annex B: Data on climate finance, debt, aid and safety net coverage (poorest counties listed first)

Country	Climate finance data			Debt data		Aid data			Safety net	
	Estimated Adaptation finance disbursements (= commitments spread over 5 years)	Adaptation finance disbursement per year per person (USD)	PPCR country	Public debt service, \$ mn pa 2013	Public debt service per person	Country Programmable Aid \$m pa (average 2013-2015)	Humanitarian aid \$m pa (average 2012-2014)	Total aid \$m pa	Total aid \$ per person pa	Social Safety Net coverage, % of extreme poor, DI
Somalia	0.53	0.05		1	0.1	549	531	1080	103	26
Malawi	2.86	0.17		44	3	386	29	415	25	27
Burundi	1.55	0.15		33	3	460	48	508	50	5
Central African Republic	0.16	0.03		5	1	118	56	174	38	12
Democratic Republic of Congo	1.92	0.03		325	5	1846	430	2276	34	2
Liberia	3.82	0.89		6	1	321	66	387	90	28
Niger	25.36	1.42	Yes	45	3	467	204	671	38	2
Madagascar	3.91	0.17		65	3	478	21	499	22	2
Guinea	0.64	0.05		59	5	289	9	298	25	8
Ethiopia	9.80	0.10		427	5	3303	551	3854	41	26
Eritrea	1.30	0.21		87	14	123	14	137	22	5
<b>total</b>	<b>183</b>			<b>5,359</b>				<b>42,238</b>		
<b>median</b>	<b>3.1</b>	<b>0.17</b>			<b>5.0</b>	<b>481</b>	<b>24</b>		<b>64</b>	<b>19</b>
<b>average</b>		<b>0.23</b>			<b>6.7</b>				<b>53</b>	

Country	Climate finance data			PPCR country	Debt data		Aid data			Safety net	
	Estimated Adaptation finance disbursements (= commitments spread over 5 years)	Adaptation finance disbursement per year per person (USD)	Public debt service, \$ mn pa 2013		Public debt service per person	Country Programmable Aid \$m pa (average 2013-2015)	Humanitarian aid \$m pa (average 2012-2014)	Total aid \$m pa	Total aid \$ per person pa	Social Safety Net coverage, % of extreme poor, DI	
Gambia	10.62	5.90	27	15	120	1	121	67	57		
Uganda	5.19	0.14	82	2	1748	69	1817	48	3		
Guinea-Bissau	0.84	0.49	2	1	76	2	78	46	12		
Togo	1.06	0.16	39	6	201	4	205	30	2		
Mozambique	23.81	0.92	129	5	1617	23	1640	64	4		
Rwanda	5.34	0.45	26	2	909	21	930	79	8		
Tanzania	3.22	0.07	123	2	3,072	41	3113	63	5		
Burkina Faso	2.89	0.17	76	4	992	49	1041	62	27		
Mali	4.28	0.28	96	6	998	93	1091	71	8		
Sierra Leone	1.59	0.26	24	4	374	14	388	64	32		
Afghanistan	1.38	0.05	25	1	4526	608	5134	168	44		
Benin	3.95	0.38	87	8	599	6	605	59	27		
Haiti	3.76	0.37	9	1	924	776	1700	165	44		
Bangladesh	27.20	0.17	1,624	10	2948	99	3047	19	18		
Kenya	4.00	0.09	581	13	3027	369	3396	76	22		
Chad	1.00	0.08	106	8	272	255	527	41	20		
Mauritania	2.82	0.72	163	42	1161	25	1186	304	26		
Senegal	3.55	0.25	213	15	893	22	915	65	64		
South Sudan	0.10	0.01	-	-	803	636	1439	127	30		
<b>total</b>	<b>183</b>		<b>5,359</b>				<b>42,238</b>				
<b>median</b>	<b>3.1</b>	<b>0.17</b>		<b>5.0</b>	<b>481</b>	<b>24</b>		<b>64</b>	<b>19</b>		
<b>average</b>		<b>0.23</b>		<b>6.7</b>				<b>53</b>			

Country	Climate finance data		Debt data		Aid data		Safety net			
	Estimated Adaptation finance disbursements (= commitments spread over 5 years)	Adaptation finance disbursement per year per person (USD)	PPCR country	Public debt service, \$ mn pa 2013	Public debt service per person	Country Programmable Aid \$m pa (average 2013-2015)	Humanitarian aid \$m pa (average 2012-2014)	Total aid \$m pa	Total aid \$ per person pa	Social Safety Net coverage, % of extreme poor, DI
Sudan	5.22	0.14		292	8	484	468	952	25	72
Solomon Islands	4.02	7.18		8	14	246	4	250	447	0
Djibouti	3.59	4.13		40	46	84	15	99	114	84
Lao PDR	1.00	0.15		153	23	550	12	562	83	9
Lesotho	3.49	1.66		40	19	422	6	428	204	52
Papua New Guinea	1.39	0.19	Yes	87	12	654	15	669	92	0
Republic of Congo	0.00	0.00		175	40	131	11	142	32	14
Swaziland	0.34	0.28		30	25	126	2	128	107	64
Vanuatu	0.03	0.12		5	20	87	3	89	357	0
Timor Leste	4.99	4.16		-	-	235	11	246	205	75
<b>total</b>	<b>183</b>			<b>5,359</b>		<b>481</b>	<b>24</b>	<b>42,238</b>	<b>64</b>	<b>19</b>
<b>median</b>	<b>3.1</b>	<b>0.17</b>			<b>5.0</b>				<b>64</b>	<b>19</b>
<b>average</b>		<b>0.23</b>			<b>6.7</b>				<b>53</b>	

Updated figures for Guinea Bissau and Republic of Congo adaptation finance not available and based on earlier estimates.

Sources: Climate finance: ODI; Debt: World Bank; Aid: OECD/DAC; Safety nets: Development Initiatives (drawing on World Bank data)



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