

LDCF/SCCF Council Meeting
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Clarification on the Concept of Additional Costs of Adaptation to Climate Change

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I. Introduction

1. At its 17th session, the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), in decision 11/CP.17, requested the GEF, as an operating entity of the financial mechanism of the UNFCCC, to clarify the concept of additional costs as applied to different types of adaptation projects under the Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF) which seek to respond to climate change risks.¹

2. This follows on an earlier decision, 3/CP.11, in which the Conference of the Parties decided that full-cost funding would be provided by the Least Developed Countries Fund to meet the additional costs of activities to adapt to the adverse effects of climate change, as per the National Adaptation Programs of Action.² The decision explains that for its purposes, the term “additional costs” means the costs imposed on vulnerable countries to meet their immediate adaptation needs. This also follows on a UNFCCC COP Decision 5/CP.9 which provides that the SCCF should serve as a catalyst to leverage additional resources from bilateral and other multilaterals sources.³

II. Additional Cost of Adaptation

3. The LDCF and SCCF are primarily aimed at financing the full cost of adaptation. In particular, the LDCF it finances urgent and immediate adaptation actions that reduce vulnerability and increase adaptive capacity to the impacts of climate change. Yet, adaptation and development are closely linked. LDCF/SCCF programming papers and COP decisions have captured this with the following terms and concepts.

4. The full adaptation cost translates into the term “additional cost” in COP decisions and LDCF/SCCF programming papers. This concept is used to explain how the costs of adaptation are added to costs of Business-as-Usual (BAU) development. BAU refers to activities that would be implemented also in absence of climate change. The full costs of adaptation are fully paid by the LDCF or SCCF.

5. The rationale behind this concept is to use the LDCF and SCCF funds to integrate adaptation to climate change in the context of a development intervention. In this case, BAU

¹ FCCC/CP/2011/9/Add.2

² FCCC/CP/2005/5/Add.1

³ FCCC/CP/2003/6/Add.1

development financing – that can include development assistance (bilateral or multilateral), government budget lines, and NGO and community groups contributions, in cash/grant, loan, soft-loan, or in-kind form – can be topped up with LDCF and SCCF financing to mainstream adaptation into investment projects. This approach has the potential of having a greater impact, taking advantage of synergies and achieving the benefits of the economies of scale.

6. As the LDCF and SCCF fund the full cost of adaptation, they can also fund standalone projects, provided that what is being financed are shown to be exclusively adaptation interventions, which are not linked to BAU development.

7. In summary, the concept of additional cost, in the context of LDCF and SCCF, is the amount of funding necessary to implement adaptation measures that would not be necessary in absence of climate change.

III. Key Considerations

8. Adaptation financed by the LDCF and SCCF has covered a wide variety of development sectors and cross-cutting themes, including Agriculture, Water, Coastal Zone Management, Ecosystem Management, Disaster Risk Management and Early Warning Systems, Health, Technology Transfer for Adaptation, and others.

9. Given the wide range of sectors and the diversity of interventions even within sectors, and the diversity of on-ground conditions of LDCF and SCCF funded projects' geographic area, essentially making each intervention unique, there is currently no typology of LDCF and SCCF projects, and at this time it would be highly impractical to develop one. However, the additional cost saliently remains as the amount necessary to implement a resilience measure that would not be necessary in absence of climate change. In rare cases is there a standalone development measure that is only necessitated by climate change, and is disconnected entirely from other BAU development measures.

10. Currently, the majority of both portfolios consist of projects in Agriculture, Water, and Coastal Management sectors and themes. In order to respond to COP 17, decision 11/CP.17 guidance, the following three examples, each taken from the three dominant sectors and themes, are presented in Table A.

Table A.

<i>Sector/Theme</i>	<i>Business-as-Usual</i>	<i>With Climate Change</i>	<i>Additional Cost</i>
Agriculture	The introduction of post-harvest processing and food storage techniques based on a review and enhancement of traditional practices	Resilience of crop production will be pursued through identifying and introducing climate change resilient crop varieties and suitable crop cultivation techniques.	<p>The cost of introducing climate change resilient crop varieties and crop cultivation techniques can be considered an additional cost.</p> <p>The existing post-harvest processing and food storage project should be modified so that it is suitable for climate change resilient crop varieties, and future climatic conditions generally. If there is a cost to this modification, it can be considered as additional cost.</p>
Water	Improving water supply for domestic use, irrigation and livestock.	An analysis of future availability of water given climate change is performed and additional or modified measures for improving water supply are devised.	<p>Analytical work that is necessary for including climate change considerations can be considered as additional cost.</p> <p>Modifications in the design, infrastructure investments, and technical assistance (such that climate change considerations are included) associated with the BAU project can be considered as additional cost.</p>
Coastal Management	Flood plain zoning, land use plan, preparedness	Analysis of the emerging climate change risks and	Analyses of climate change risks and necessary modifications to the BAU

	and post flood and drought recovery processes, supported with adjusted regulations.	their impacts on flood hazard, and flood plain zoning, land use plan, preparedness and post flood and drought recovery processes in light of the analysis may need to be modified, as well as the relevant regulations.	project can be considered as additional cost.
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