

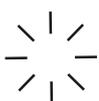
Reforming Climate Finance: Adaptation Finance in Africa

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This briefing was written in partnership with [Africa Climate Insights](#)

Key points

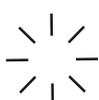
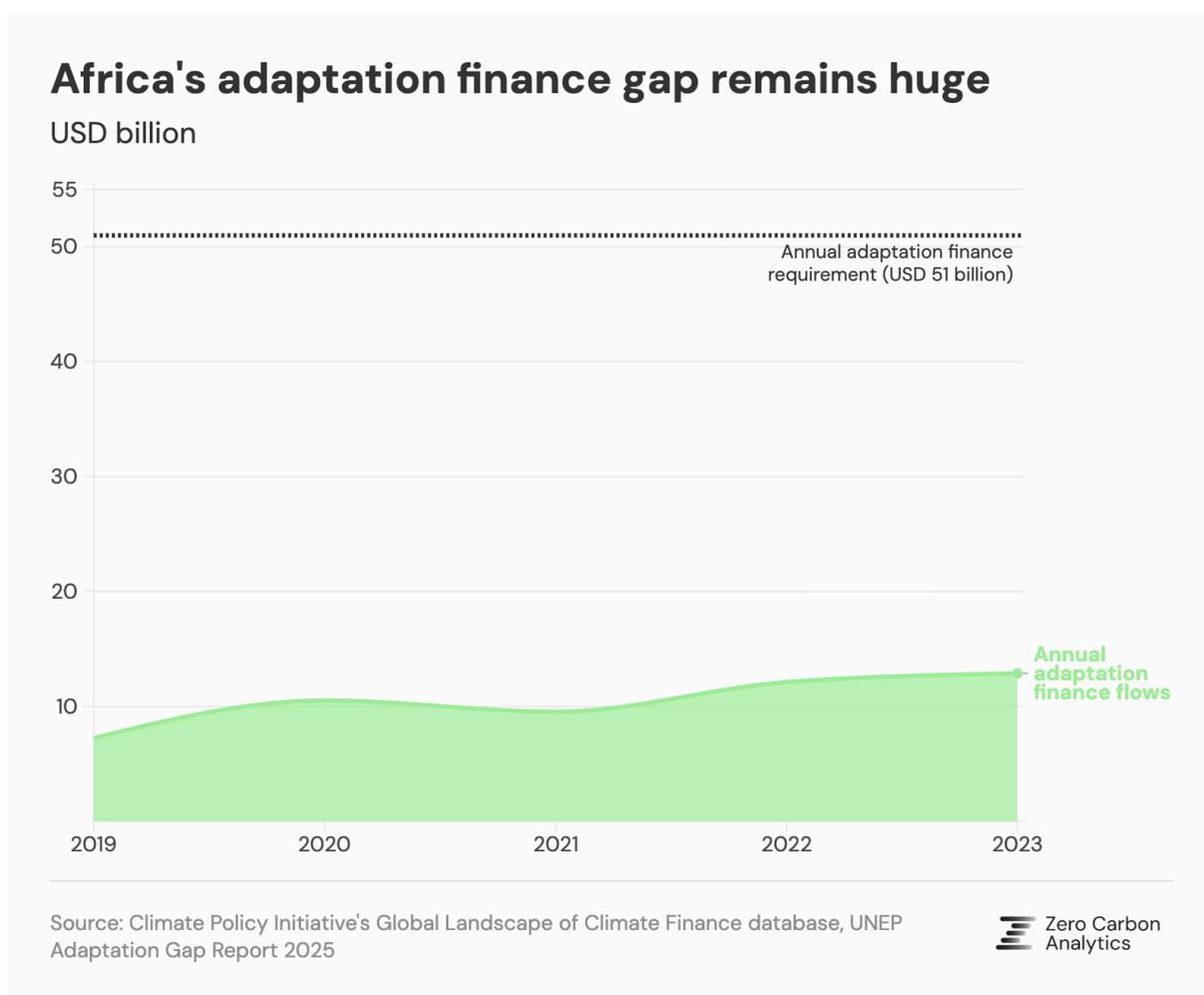
- Adaptation finance remains far below needs. The goal of doubling funding to USD 40 billion by 2025 will not be met “unless trends in adaptation financing turn around,” according to UNEP. Latest figures show that international public adaptation finance flows from developed to developing countries fell from USD 28 billion in 2022 to USD 26 billion in 2023.
- COP30 aims to finalise the Global Goal on Adaptation, with around 100 adaptation indicators to be discussed and finalised. The President of COP30 has said that adaptation and climate resilience will strengthen fiscal stability, reduce investment risk and enhance productivity.
- Public finance remains the backbone of adaptation efforts. In Africa, 95% of all adaptation funding in 2023 came from public sources. Given that 57% of Africa’s population live in countries that spend more on debt interest than health or education, non-debt and concessional instruments are essential.
- Adaptation is harder to finance than mitigation. Projects tend to be smaller, localised, long-term and without standard metrics or predictable returns. Their benefits are often indirect – avoided losses, social stability and ecosystem protection – making them ‘less bankable’ for private investors. Even with reforms, private finance should play a supporting, not substitutive, role in adaptation.
- Structural barriers prevent adaptation plans from becoming executable projects and require reform. Less than half of committed adaptation funds in Africa were actually disbursed between 2014 and 2018 due to insufficient institutional capacity, coordination challenges and complex international funding procedures.



The amount of adaptation financing mobilised annually for Africa and other developing markets remains far below what is needed, despite progress in recent years.

At the same time, it is likely the world will fall short on progress towards the goal of limiting global heating to 1.5°C. UN Secretary General António Guterres has said it is now “inevitable” the 2015 Paris Agreement target will be missed. Global temperature rises, intensifying impacts and insufficient climate ambition mean efforts to limit the overshoot are now crucial if we are to avoid [“devastating consequences”](#).

Against this backdrop, work is underway to strengthen national adaptation planning and implementation, and to demonstrate the value of adaptation finance and investment in climate resilience.



The growing finance gap

Global efforts to shore up adaptation finance are failing, according to the [Adaptation Gap Report 2025: Running on Empty](#). The United Nations Environment Programme (UNEP) report is its latest on international adaptation finance flows from developed to developing countries.

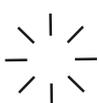
UNEP's findings suggest the goal to double adaptation finance to USD 40 billion by 2025 as part of the Glasgow Climate Pact will not be met "unless trends in adaptation financing turn around". Instead, the report found that international public adaptation finance flows fell from USD 28 billion in 2022 to USD 26 billion in 2023.

The report also warns of a growing funding shortfall. The updated cost of adaptation finance needed by developing countries is between USD 310 billion and USD 365 billion per year by 2035. Sub-Saharan Africa, for example, already requires USD 51 billion in adaptation finance per year, yet data collated by the Climate Policy Initiative shows that flows to the region [reached just USD 12.9 billion](#) in 2023.

According to UNEP, in addition to public funding, there is scope for the private sector to boost its adaptation finance to developing countries from USD 5 billion per year today to [USD 50 billion](#). Reaching this goal will require targeted policies and blended finance solutions involving concessionary public finance to de-risk and scale up private investment.

UNEP's report further states that concessional and non-debt instruments like grants will be essential to adaptation finance flows given the risk of over-indebtedness. This increases the vulnerability of developing countries and makes it harder to invest in adaptation planning and implementation. UNCTAD data for 2022, for example, show that rising debt outpaced [GDP growth in Africa since 2010](#).

Ahead of COP30, UNEP is calling on both public and private finance to "step up to increase adaptation". However, even with a successful rise in private sector funding to USD 50 billion per year, the vast majority of adaptation finance will still need to come from public sources to meet the annual USD 310 billion to USD 365 billion required by developing countries by 2035.



Prior progress but continued shortfall

The Glasgow Climate Pact to double international public adaptation financing signed by nations at COP26 recognised that support for mitigation activities dwarfed funding for adaptation action. Adaptation projects accounted for [only 20–25% of committed concessional climate finance](#) across all sources, the 2021 agreement noted.

The COP26 text urged developed nations to address the imbalance with a twofold increase of adaptation financing to [USD 40 billion by 2025](#). This helped establish “a clear way forward” on the Paris Agreement’s adaptation target – the Global Goal on Adaptation (GGA) – COP26 President Alok Sharma said at the time.

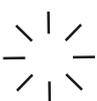
The GGA is the [central framework for addressing adaptation](#) within international climate negotiations. It aims to develop adaptation targets and define how progress is measured and reported. Approximately 100 draft adaptation indicators will be discussed at the upcoming COP30 in Belém, as nations work to finalise and advance the GGA framework.

The new climate finance goal and an adaptation COP

Three years after Glasgow, at COP29 in Baku, nations agreed on the new collective quantified goal (NCQG) on climate finance. At least USD 300 billion annually by 2035 was pledged to support developing countries’ climate action, with the text also urging all actors to work towards mobilising [USD 1.3 trillion in international climate finance](#) by the same year.

While the USD 300 billion remains the core obligation of developed countries, and covers both mitigation and adaptation efforts, the far bigger USD 1.3 trillion target is closer to the amount needed by developing countries – illustrated by the fact UNEP’s updated cost of adaptation finance alone exceeds the core benchmark.

Brazil’s COP30 presidency has collaborated with the COP29 presidency on a [Baku to Belém Roadmap](#) that outlines what needs to be done to achieve the USD 1.3 trillion figure. Part of this collaborative workstream sought [input on strategies](#) “to enhance and scale up public and private financing mechanisms for climate adaptation, especially in vulnerable regions”.



The COP30 President, André Corrêa do Lago, has urged that the upcoming conference “[must be the COP of adaptation](#)”. Adaptation can strengthen fiscal stability, reduce investment risk, and enhance productivity, as every resilience-building action “pays back in avoided losses,” he said.

The Independent High-Level Expert Group on Climate Finance (IHLEG) finds in [this year’s report](#) that adaptation and resilience as a sector has [grown as a share](#) of total investment needed.

Structural blocks to adaptation funding

Yet, for adaptation finance to meet agreed targets, reach the most vulnerable and return its benefits, structural obstacles need to be overcome. [Less than half](#) of committed adaptation funds in Africa were disbursed between 2014 and 2018, for example, due to procedural blocks such as the effort to coordinate across [fragmented government ministries](#).

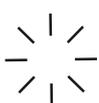
From the donor perspective, climate finance architecture also disadvantages Africa, preventing funds from reaching vital projects. Accessing international public financing like the Green Climate Fund (GCF), for instance, involves complex processes favouring countries with stronger bureaucracies.

Adaptation funding overall – both public and private – remains fragmented, conditional and short-term. At the same time, reliance on imported technology and knowledge limits local ownership and lasting impact.

Unique characteristics of adaptation

[Climate adaptation](#) is action taken to build resilience to climate impacts by adjusting social, economic and ecological systems. Unlike climate mitigation, it is more qualitative and not as easy to quantify for investment decisions.

Adaptation projects tend to be localised and therefore are often deemed ‘[not bankable](#)’ due to high-uncertainty risk and limited measurable outcomes. This means multilateral development banks [struggle to mobilise private sector investment](#) for adaptation projects.



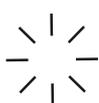
The table below compares selected investment metrics for climate adaptation versus mitigation.

Key metrics for investors	Adaptation	Mitigation
Time horizon	Long term	Short or long term
Metrics	Not standardised and often qualitative – progress on adaptation is wide-ranging, diverse and regionally varied	Standardised and quantifiable, e.g. greenhouse gas emissions avoided
Return profile	Less predictable, with indirect benefits – avoided losses and economic benefits, social and environmental benefits	Predictable and stable cash flows and low risk profile
Scale	Mostly small-medium scale to address localised vulnerabilities	Large infrastructure projects, e.g. solar farms

As climate impacts increase and worsen, the need for international adaptation finance is more urgent. Providing adaptation finance to developing countries supports global supply chains, which is in the interest of investors in developed economies. For instance, prolonged droughts in West Africa in 2023 drove up global cocoa prices as the region produces around two-thirds [of the world's cocoa](#). Funding for drought resilience could have reduced the shock.

Given the importance of adaptation financing for both recipient and donor countries, combined with the shortage of investment-grade projects for many African countries, public finance remains the most appropriate mechanism to rapidly scale adaptation finance.

Grants and concessional loans will be key to advancing adaptation. Debt distress can quickly turn non-concessional adaptation funding into a fiscal burden for receiving countries. Already [751 million people in Africa, around 57%](#) of Africa's population, live in countries that spend more on debt interest than on health or education.

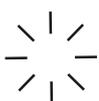


Columbia University's Climate and Finance Vulnerability index highlights low-income African economies such as Malawi and South Sudan that face [high climate risk exposure, narrow fiscal space and limited reserves](#). Grants and concessional public finance should therefore focus on these regions.

The majority of Africa's adaptation finance comes from public sources

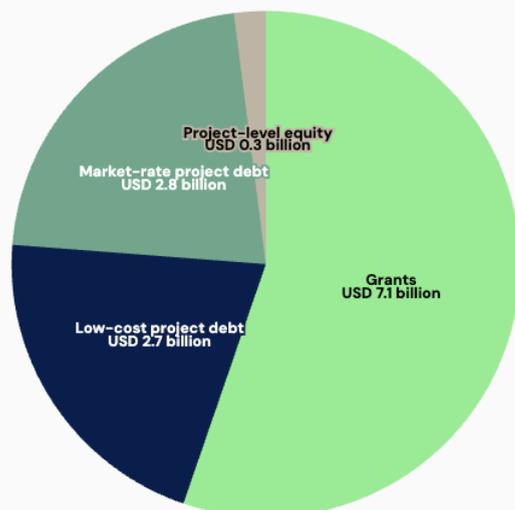
Africa's adaptation financing mix is dominated by public sources of funding. Grants from foreign governments, development finance institutions (DFIs) and multilateral climate funds accounted for approximately half of all adaptation finance flows into Sub-Saharan Africa in 2023, according to the [Climate Policy Initiative](#). Together with concessional and market-rate project debt from public institutions, 95% of all adaptation funding in 2023 came from public sources.

While contributions from the private sector more than quadrupled in the four years to 2023, from USD 144 million to USD 654 million, this segment accounted for just 5% of the region's adaptation funding at last count. Philanthropic grants comprised the vast majority of private sector funding in 2023, with non-philanthropic private debt and equity making up just 0.3% of the total adaptation funding mix.



Grants dominate adaptation finance in Sub-Saharan Africa

Adaptation finance mix in 2023, by instrument type



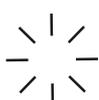
Source: Climate Policy Initiative's Global Landscape of Climate Finance database

Zero Carbon Analytics

Adaptation as private sector risk management

Lack of adaptation poses real material risks to businesses worldwide. Shipping and manufacturing companies were left stranded by low water levels in the Rhine, Danube and Vistula in 2022, for instance, with cargoes left to operate at [30-40% capacity](#), disrupting an [USD 80 billion trade artery](#). The Panama Canal drought in 2024 bottlenecked one of the world's most important trade routes, forcing authorities to [cut ship crossings by over a third](#) and delay [billions worth of cargo](#).

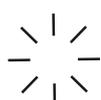
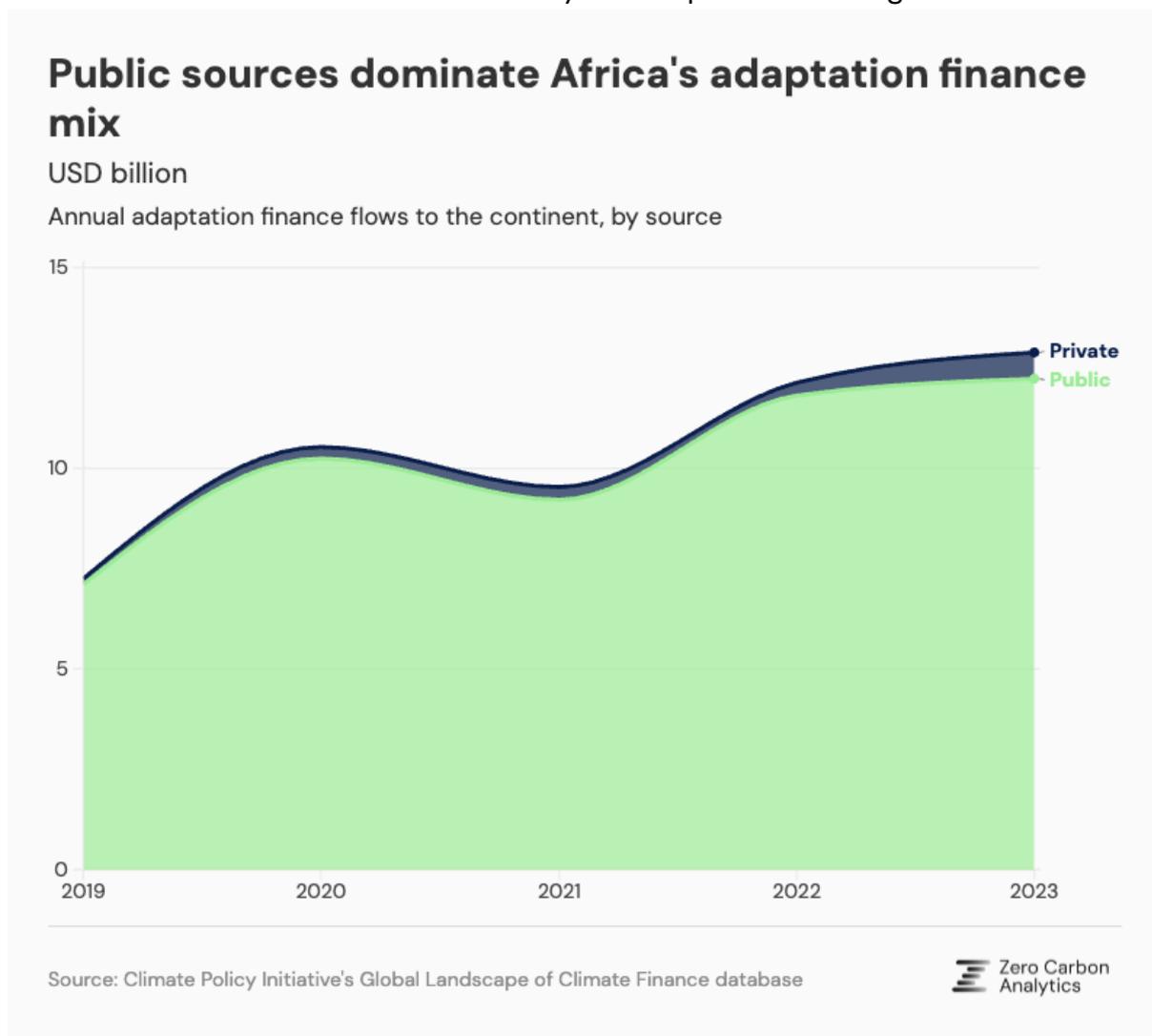
Despite this, businesses need [financial regulation](#) that incorporates climate risk exposure to incentivise investment. Adaptation benefits are in many cases [non-rival and non-exclusive](#) – when one person benefits, others can enjoy the benefits equally and no-one can be excluded, making them public goods and services. Current finance standards incorporating physical climate risks mostly remain voluntary such as the Physical Climate Risk Appraisal Methodology ([PCRAM](#)). Reforms introducing mandatory requirements are needed to scale climate conscious private investment.



Another option would involve institutional mechanisms, [like compensation or market models](#), to facilitate the flow of capital or rewards from adaptation benefits back to private finance providers. [Standardised adaptation metrics are essential](#) to support instruments like adaptation bonds that could facilitate this type of approach.

Private sector adaptation finance is vital to de-risking business, securing supply chains and supporting international channels of collaboration and influence in an increasingly volatile global trade environment, but it is not a silver bullet. The structural changes in climate finance regulation, incentives and mechanisms required to leverage private participation will take too long to meet today's urgent adaptation needs.

Public finance must remain the mainstay for adaptation funding.



Tracking adaptation finance in Africa

Adaptation needs in Sub-Saharan Africa are estimated at [USD 51 billion](#) per year (2023 prices).¹ Tracking adaptation finance is crucial to ensure concessional funds are effectively allocated, impacts are measured, additional funding mobilised and policy design informed. The main channels by which adaptation finance is currently tracked are:

- UNEP's Adaptation Gap Report ([2023](#), [2024](#), [2025](#))
- Climate Policy Initiative's [Global Landscape of Climate Finance](#) (2024)
- OECD's [Scaling up Adaptation Finance in Developing Countries](#) (2023)

Barriers to tracking adaptation finance

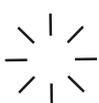
There are several key obstacles to tracking adaptation finance that exacerbate the difficulty of getting funds to where they are most needed to build climate resilience in Africa and worldwide.

- **Dual use cases:** [nearly half of adaptation investments](#) have both adaptation and mitigation benefits, complicating attributions. Multilateral development banks only agreed [the definition of adaptation co-benefits](#) in 2016. The 2024 UNEP Adaptation Gap Report states that only [5% of reported mitigation co-benefits](#) came from Africa, highlighting data gaps in attribution.²
- **Geographical and timeline uncertainty:** adaptation projects are context-specific, making geographic boundaries hard to define, with impacts often emerging over long timescales. This complicates impact assessment timing.
- **Adaptation indicators:** the lack of standardised metrics to effectively measure social, economic and ecological adjustments to diverse climate impacts hinders adaptation tracking. COP30's plan for consensus-based indicators on adaptation marks progress towards standardisation.

Given the different nature of, and metrics for, evaluating adaptation finance, there is a nascent body of research on how to quantify the investment benefits of adaptation.

¹ Page 63, figure 4.2

² Page 39



A recent analysis suggests that climate and nature resilience could generate [280 million additional jobs](#) in emerging markets and developing economies over the next decade. By another measure, the benefit-to-cost ratio for adaptation investments is around 4:1 or higher, [meaning a potential USD 6 trillion in missed economic benefits](#) to Africa by 2035. Finally, GDP gains by 2050 could be up to [20% in Africa](#) relative to the current policy scenario.

Recommendations

Adaptation is not just a series of projects or an issue of assistance.

Adaptation finance scale-up benefits developing countries and emerging markets while offering indirect benefits to international donors and investors. It should be treated as a design problem for the international community, requiring new models of financing and governance.

For example, mandatory employment of local workers on adaptation projects would retain technical expertise and know-how in developing countries worldwide, while financing climate resilience would help secure food supply chains for international markets.

In Africa, private finance can complement public leadership in climate resilience investment, but should not be thought of as a substitute. Given that 95% of Africa's adaptation action in 2023 was publicly funded, this should continue to be the foundational driver for adaptation finance.

The investment characteristics of adaptation combined with growing over-indebtedness associated with non-concessional finance cannot be ignored. Brazil's upcoming "COP of adaptation" must therefore address the multiple structural barriers that stop vital adaptation finance reaching the places it is most needed.

