



UNACCOUNTABLE ADAPTATION

The Asian Development Bank's overstated claims
on climate adaptation finance

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Despite positioning itself as the ‘climate bank of Asia and the Pacific’, it is difficult to ascertain the Asian Development Bank’s claims of climate adaptation finance.

Oxfam analysed the bank’s 2019–2023 climate finance portfolio and conducted a detailed assessment of 15 climate adaptation projects, comprising 43% of reported adaptation finance for FY 2021 and 2022. Oxfam found that the Asian Development Bank (ADB) hugely overstates the reported amounts with potential over-reporting of 44% in average for the assessed projects.

This briefing paper calls for a transformative shift in the ADB’s adaptation finance strategies. The ADB must improve the accuracy and transparency of climate finance reporting and realign financial flows with the needs of the region’s most vulnerable communities.

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This paper was written by Sunil Acharya (Oxfam), Rasmus Bo Sørensen and Hans Peter Dejgaard (INKA Consult). Analysis of ADB project documents was conducted by Rasmus Bo Sørensen, Tallulah Cherry-Virdee and David Oldcorn (INKA Consult). Oxfam acknowledges the assistance of Mustafa Talpur, Jiayong Mei, Flora Lee, Himanshi Matta, Sara Khan, Lorenzo Urbinati, Myrah Nerine Butt, Rapatsa Trirath, Bertram Zagema, Christian Donaldson, Jason Farr, Josie Lee, Mateo Adarve Zuluaga, Fausto Belo Ximenes and Nick Henry in its production. This paper was edited by Kathryn O’Neill. From the Asian Development Bank, we thank Noelle Obrien and the members of the climate change team for their comments. It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

For further information on the issues raised in this paper please email advocacy@oxfaminternational.org

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Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

Cover photo: A temporary shelter built on a canal bank in Baluchistan after the 2022 Pakistan floods. Credit: Ingenious Captures/Oxfam.

SUMMARY

This briefing paper scrutinizes the Asian Development Bank's (ADB) climate adaptation finance within one of the world's most vulnerable regions. Oxfam has examined the ADB's financial commitments for climate change adaptation, and the key finding is revealing: the reported amounts are hugely overstated due to inconsistencies in the reporting to support justification of the adaptation relevance of the project activities.

Transparent and accurate reporting is crucial for tracking progress toward global climate finance goals and informing international discussions and negotiations such as those surrounding the New Collective Quantified Goal on Climate Finance (NCQG), set to be discussed at the 29th Conference of the Parties (COP29) in Baku, Azerbaijan, in November 2024. Oxfam's analysis aims to ensure that climate finance reaches those most in need. To achieve this aim, the briefing paper presents recommendations for strategic improvements by the ADB and its shareholders.

1. FINANCIAL COMMITMENTS VERSUS ACTUAL ALLOCATIONS

The ADB aims to deliver \$100bn in climate finance from 2019 to 2030, with \$34bn dedicated to adaptation. Oxfam's analysis of funding patterns over the period of 2019–2023 shows that while 34% of the \$31bn committed went to adaptation, trying to mirror the set ambition, this is far less than the internationally agreed 50:50 balance of adaptation and mitigation funding.

To meet its own goals, the ADB must increase its annual climate finance from an average of \$6.2bn to \$11.5bn, and adaptation finance from \$2.1bn to \$3.9bn through 2030.

This scenario is not unique to the ADB. It illustrates a wider trend observed in global climate finance, where adaptation has traditionally received a smaller share – only 33% of public climate finance globally is dedicated to such efforts. This underscores an urgent need for a strategic shift towards more balanced and adequate funding for adaptation.

In 2021, COP26 in Glasgow, Scotland, committed to doubling adaptation finance. The agreement aimed to elevate funding from the \$20bn recorded in 2019 to \$40bn by 2025. Yet, despite these commitments, the subsequent trajectory of adaptation finance has not aligned with the set ambitions. Data from the OECD reveals a concerning decrease in adaptation finance, which fell to \$24.6bn in 2021 from \$28.6bn in 2020. This downturn, amid growing impacts of climate change leading to increased losses and damages, highlights the complexities and challenges in meeting international finance targets. It serves as a reminder of the pressing need to not only commit to increased adaptation finance but also to implement mechanisms that ensure these commitments translate into tangible support for the communities that are most vulnerable to climate change.

2. ASSESSING ADAPTATION RELEVANCE

Oxfam's analysis of 15 ADB projects from 2021–2022, with large amounts of claimed adaptation finance, reveals potential over-reporting of 44%.

Oxfam's calculation shows, adaptation finance amounts to \$0.9bn – much less than the reported \$1.7bn. This reduction includes \$0.5bn adjusted following the ADB's three-step assessment process, which evaluates the context of vulnerability, the project's intent to address this vulnerability, and the link between the intent and actual activities. Another \$0.4bn reduction results from re-evaluating the adaptation relevance of the reported activities.

Oxfam also finds that **of the \$10.5bn reported in adaptation finance from 2019 to 2023, only \$0.6bn (6%) was provided as grants, whereas \$9.8bn (93%) was provided as loans.** Of the loans in the period, only 27% was provided in concessional terms.

This over-reliance on non-concessional loans, coupled with over-reporting of amounts, places an undue burden on vulnerable recipient countries and means that the reported adaptation finance is less beneficial to recipients than claimed. Countries in Asia are already spending 16 times more on debt servicing than on adaptation. This emphasizes the urgency for grant-based and highly concessional financing mechanisms to alleviate financial pressures on the most vulnerable nations and increase resilience to climate change impacts.

3. ADAPTATION GRANT EQUIVALENT

Further dissecting the financial mechanisms, **the adaptation grant equivalent value (a more accurate measure of the present value of finance to recipients than the face value) stands at only \$0.3bn of the total \$1.7bn** for the 15 projects assessed by Oxfam.

However, if accounting for increases in interest rates – from almost 0% at the time of loan agreements (in some cases) to more than 5% in present market conditions – the adaptation grant equivalent figure decreases further to just \$0.2bn. This reflects that the increased interest rates have substantially increased loan recipients' repayments to ADB (for the 15 projects), increasing total repayments from \$6.9bn (at interest rates at the time of the loan agreement) to \$8.5bn at present rates – an increase of 24%!

This marked discrepancy, and the financial strain it represents, underscore an urgent call for the ADB to advocate for MDB reform. This should aim to escalate grant-based, highly concessional adaptation finance, particularly directed towards least developed countries (LDCs) and other nations vulnerable to climate change. A shift towards a financing approach that favours more concessional finance would not only correct the disparity in reported figures but also ensure that climate adaptation support is genuinely accessible and impactful for those in direst need.

4. SECTORAL INSIGHTS AND GEOGRAPHIC EQUITY

This report identifies a favouring of infrastructure projects over projects that address socio-economic vulnerabilities: for overall climate finance, projects in the transport sector (37%), energy (25%) and agriculture (13%) lead the allocations. For adaptation finance, projects in the agriculture sector received 29% of finance, transport sector projects received 20%, and water sector projects received 17% of finance. Moreover, geographic analysis indicates a disproportionate allocation towards upper middle-income countries (UMICs), leaving LDCs and Small Island Developing States (SIDS) comparatively under-served. **Of the total climate finance reported for 2019 to 2023 by the ADB, just 16% was allocated to LDCs and 2% to SIDS. Within the adaptation finance reported for the same period, 25% was allocated to LDCs and 3% to SIDS.**

5. BRIDGING THE INCLUSIVITY GAP: GENDER, LOCALLY LED ADAPTATION AND POVERTY

Oxfam's analysis of the 15 projects (detailed in sections 4 and 5) reveals an initial commitment to addressing gender issues, evidenced by an average gender responsiveness score of 40.9 out of 60. Although this indicates a responsive stance towards gender disparities, the projects often stop short of being transformative. **The projects tend to overlook deeper engagement with gender-specific needs and lack an intersectional approach that considers how overlapping identities affect individuals' experiences of climate change.** To truly impact gender relations and enhance inclusivity and effectiveness, projects need to go beyond being responsive to being actively transformative, challenging and changing the structures that perpetuate gender inequality.

In terms of locally led adaptation (LLA) principles, the average score across the 15 projects was 41.9 out of 80, indicating a top-down approach with limited local stakeholder involvement and input into decision-making. **For adaptation and resilience efforts to be truly effective, finance and decision-making powers must be devolved to the local level.** Empowering local communities ensures that adaptation strategies are grounded in local knowledge and realities, enhancing their relevance and sustainability.

Regarding poverty alleviation, the projects scored (on average) 20.5 out of 30, as they frequently failed to conduct comprehensive analyses of poverty and vulnerability. This shortfall underscores a need to address the structural inequalities that underpin poverty. **Effective interventions must tackle the root causes of poverty, ensuring that adaptation finance contributes to long-term, structural changes that uplift the most vulnerable populations.** By integrating a deeper understanding of structural inequalities into project design, the ADB can enhance the long-term impact of its climate adaptation efforts.

6. AVAILABILITY AND TRANSPARENCY OF ADB PROJECT DOCUMENTATION

The ADB sets a worthy standard in climate finance transparency by providing open access to extensive project documentation, including project reports, gender action plans, and climate change assessments for almost all projects. This enables detailed scrutiny of ADB's climate adaptation finance efforts but also promotes a deeper understanding of its strategic alignment with sustainability goals.

Although the availability of such detailed documentation is invaluable, the volume and complexity of information present challenges in accessibility and interpretation and can be challenging for stakeholders. It is imperative to streamline this wealth of data to make it more user-friendly, and to encourage informed participation and collaboration in the pursuit of global climate resilience. However, our review has identified gaps in the availability and depth of climate change assessments across ADB projects. **Despite project documentation being available, the inconsistency in comprehensive adaptation finance justifications undermines the effectiveness of adaptation strategies and stakeholders' ability to assess the bank's climate resilience efforts accurately.** Enhancing the completeness and rigour of climate change assessments for all projects would bolster the ADB's adaptation initiatives, ensuring more robust and informed climate resilience planning.

In addition, **the ADB does not publish internal guidance on how it calculates adaptation-relevant finance, which makes it difficult to independently verify its claims.**

7. THE ADB METHODOLOGY FOR ESTIMATING ADAPTATION FINANCE

The ADB approach to estimate adaptation finance, outlined in the *2023 Update on Counting Climate Finance at ADB*, employs a method of project categorization and guiding principles. In addition, in 2023, ADB issued a Guidance Note on Developing Projects that Support Climate Adaptation and Resilience Outcomes. The methods outlined in these guidelines align with the joint multilateral development bank (MDB) methodology and the World Bank's *Reference Guide on Adaptation Co-Benefits*. However, the reliance on subjective assumptions for estimating costs highlights a need for greater methodological rigour. **The subjectivity within the process, particularly in defining incremental and proportional costs, lead to potential over-reporting and inconsistency in adaptation finance figures.**

To enhance its methodological rigour, the ADB should adopt more data-driven approaches and standardized criteria for climate risk assessments and finance estimations. Implementing clearer guidelines for baseline scenario determination and adaptation activity categorization would minimize arbitrariness, improving the accuracy and transparency of

reporting. This should be accompanied by engagement with recipient countries to identify the most critical adaptation needs and using it as the basis to direct finance. This refinement is crucial for directing funds more effectively towards high-impact climate resilience projects.

In comparing the ADB's adaptation finance methodology with that of the World Bank, some notable differences emerge, particularly in project categorization and finance estimates. Despite both organizations following the joint MDB framework, the ADB's approach reflects its unique operational priorities but also highlights the challenge of aligning global climate finance reporting standards. Achieving methodological coherence between major financial institutions is crucial for a unified global climate adaptation effort.

RECOMMENDATIONS

Based on the analysis of the ADB's climate finance and its reporting practices for adaptation, we propose the following recommendations to the ADB and its shareholders. These should be urgently taken forward if the ADB is serious about being the 'climate bank of Asia and the Pacific'.

RECOMMENDATION NO. 1: IMPROVE CLIMATE FINANCE REPORTING

- a. **Enhance accuracy of reporting on adaptation finance** by improving the methodologies for estimating and categorizing adaptation budgets. This should include clear documentation of the rationale behind categorizations and the financial valuation of adaptation components from incremental costs.
- b. **Report grant equivalence** by estimating and showing, at project level, the grant equivalent values of ADB adaptation financing, to clearly show the value for recipient countries and the public.
- c. **Introduce a concessionality system** like the OECD Development Assistance Committee's (DAC) reporting directive from 2016, to differentiate concessional from non-concessional loans.
- d. **Clearly identify target groups and improve vulnerability analysis** to focus more on involving and empowering target groups and communities in consultations and decision-making.
- e. **Disclose internal guidance** used for calculating climate finance (for both adaptation and mitigation). Detailed descriptions of the method used should be made public.

RECOMMENDATION NO. 2: INCREASE THE AMOUNT OF GRANT-BASED AND HIGHLY CONCESSIONAL FINANCE TO LDCS AND VULNERABLE COUNTRIES

- a. **Increase the amount of grants and concessional finance and the concessionality level.** This would make loans less sensitive to increases in interest rates, which only bring higher debt burdens for already indebted and vulnerable countries.
- b. **Contribute to international efforts to reform MDBs** including for increasing mobilization of more grants to adaptation and resilience in LDCs and climate vulnerable countries.

RECOMMENDATION NO. 3: STRENGTHEN PROJECT INDICATORS

- a. **Strengthen project indicators for adaptation and resilience**, as well as the processes for involving and empowering target groups and communities in project preparation and planning.
- b. **Strengthen the results framework**, including more robust mechanisms as part of project planning.

RECOMMENDATION NO. 4: PROMOTE GENDER EQUALITY AND SOCIAL INCLUSION

- a. **Ensure that all adaptation projects undergo thorough gender analysis** to address the specific needs and vulnerabilities of women and marginalized groups.
- b. **Implement a gender continuum to assess and guide the gender sensitivity of projects**, ranging from harmful to transformative.
- c. **Engage women at all stages of the project life cycle** to ensure that their perspectives shape climate projects, and ultimately deliver more effective and inclusive outcomes.
- d. **Commit to transparency** by regularly publishing how gender-responsive approaches are integrated into ADB projects.

RECOMMENDATION NO. 5: ADVANCE LOCALLY LED ADAPTATION

- a. **Empower local communities by devolving decision-making to the lowest appropriate level.** Support local governance structures to decide and manage direct adaptation efforts, particularly through community service delivery on adaptation and resilience-building.
- b. **Adhere to LLA principles to help ensure that local communities and local governments are empowered** to lead sustainable and effective adaptation to climate change.

RECOMMENDATION NO. 6: SUPPORT POLICY AND CAPACITY BUILDING

- a. **Support the integration of climate adaptation into national and local policies and planning processes.** Provide technical assistance and capacity-building efforts to help partner countries and regions develop and implement effective adaptation policies and strategies.
- b. **Implement a continuum system to guide the development of adaptation projects,** ranging from those that may be inadvertently harmful, to those that actively contribute to resilience and transformation.

1. A DEEPENING CLIMATE FINANCE GAP AND THE OUTSIZED ROLE OF MULTILATERAL DEVELOPMENT BANKS

1.1. THE WORRYING STATE OF CLIMATE FINANCE

For people in Asia and around the world, the climate crisis is a harsh everyday reality they are dealing with, mostly without help. As climate change becomes more severe and the providers of international climate finance continue to break their promises, the needs of countries and communities to mitigate, adapt, and deal with losses and damages are escalating.

According to Oxfam's estimates, low-income countries (LICs) and middle-income countries (MICs) need about \$18.9 trillion (tn) to tackle climate change from 2023 to 2030. This includes \$13.7tn for mitigation, \$2.4tn for adaptation and \$2.8tn for loss and damage.¹ Oxfam's 2022 briefing, *Climate Finance in Asia: Assessing the State of Climate Finance in one of the World's Most Climate Vulnerable Regions*, showed that the Asian countries' needed need stands at \$1.3tn a year until 2030.²

There is a huge and deepening gap between the amount of climate finance provided compared to the amount needed of people and countries globally.

Agreed originally in 2009 at the 15th Conference of the Parties (COP) and reconfirmed in the Paris Agreement in 2015 (COP21), the year 2020 was when the \$100bn-a-year climate finance goal should have been met.³ However, the OECD estimates that climate finance amounted to \$83.3bn.⁴ The official COP28 outcome of the first global stocktake:⁵ 'Notes with deep regret that the goal of developed country Parties to mobilize jointly USD 100 bn per year by 2020 in the context of meaningful mitigation actions and transparency on implementation was not met in 2021.'

The trend for adaptation finance, which is vital for communities to help them deal with increasing climate impacts, is particularly dismal. In contrast to mitigation, adaptation projects only rarely present a business case to attract investors other than public and philanthropic sources.

Even if the \$100bn goal had been met, the United Nations Environment Programme's (UNEP) *Adaptation Gap Report 2023* estimates that the adaptation finance needs of developing countries are 10–18 times international public climate finance flows.⁶

COP26 in Glasgow, Scotland, agreed to double the collective provision of adaptation finance, which implies an increase from the \$20bn provided and mobilized in 2019 to \$40bn by 2025. However, data from the OECD shows a decrease in climate finance for adaptation in 2021 (\$24.6bn) relative to 2020 (\$28.6 bn), with a parallel increase in the level of cross-cutting finance, which partly supports adaptation activities.

To close the gap, those contributing climate finance should aim for adaptation finance to comprise at least 50% of overall climate finance.

The accuracy of reported climate finance is also an issue of concern. Oxfam estimates that the real value of financial support for climate action in 2020 from bilateral and multilateral sources was between \$21bn and \$24.5bn – much less than the reported \$83.3bn.⁷

The Oxfam Shadow Report in 2023 calculated that of the total public climate finance reported for 2019–20, only 26% was provided as grants, 31% was provided as concessional loans, and a staggering 42% was provided through non-concessional loans on terms not generous enough to qualify as official development assistance (ODA). This means that most climate finance continues to be provided as loans that recipient countries will ultimately have to pay back but can ill afford.

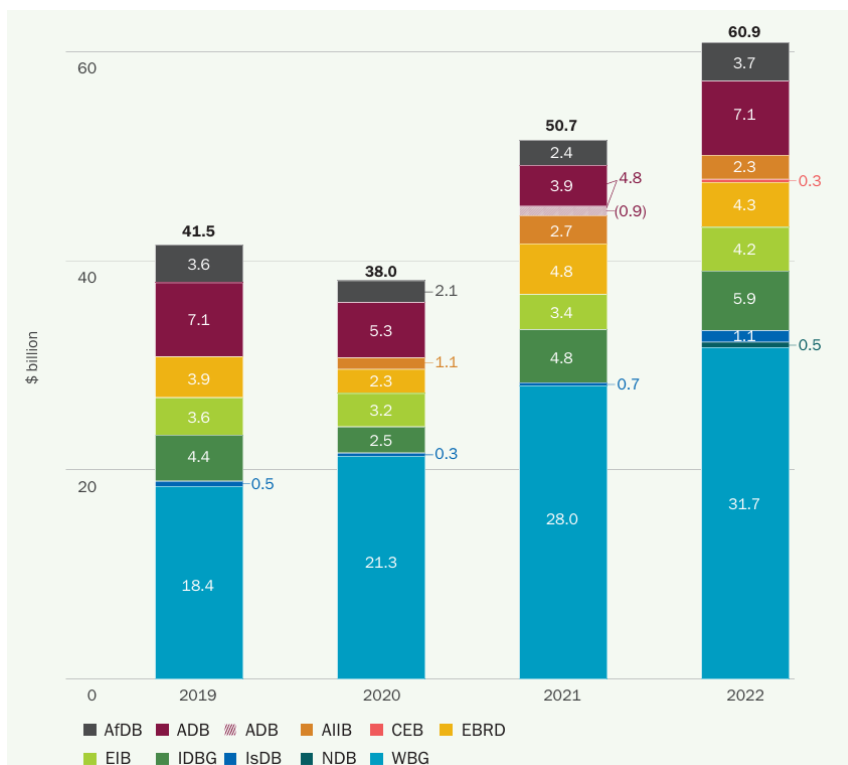
1.2. MULTILATERAL DEVELOPMENT BANKS – THE PREFERRED DELIVERY CHANNELS FOR RICH COUNTRIES

Multilateral development banks (MDBs) such as the World Bank and the Asian Development Bank (ADB) play an increasingly important role in delivering climate finance. The ADB provided around 50% of international climate finance to the Asia region from 2013 to 2020.⁸

Since 2011, the MDBs have released joint reports on their climate finance flows and in 2022 claimed to have committed \$60.9bn for low-income and middle-income economies.⁹ Responsible for a large share of all climate finance provided globally, MDBs are also often used as a channel through which donor countries deliver climate finance. The practices of MDBs therefore have important implications for the level and quality of climate finance.

According to the 2022 *Joint Report on Multilateral Development Banks' Climate Finance*,¹⁰ the ADB is the second largest contributor of climate finance of all MDBs, second only to the World Bank Group. Figure 1 shows climate finance from MDBs to low- and middle-income countries. In Asia, the ADB is the largest single multilateral provider of climate finance.¹¹

Figure 1: MDB climate finance to low- and middle-income countries



Source: *Joint Report on Multilateral Development Banks' Climate Finance 2022*.¹²

Notes: Amounts given in US\$. Commitments of climate finance given from the MDBs' own accounts (not including MDB-managed external resources).

The MDBs provide much of their finance as non-concessional loans. Servicing this debt reduces the fiscal space available to governments to spend on vital public services, as well as on adapting to climate change and recovering from losses and damages. These practices risk adding to the debt burdens of vulnerable countries and exacerbating inequalities and run counter to the 'polluter pays' principle.

In fact, Oxfam's 2022 Asia Commitment to Reducing Inequality (CRI) briefing showed that across the region, debt servicing was double the amount spent on education, triple the amount spent on health, five times the amount spent on social protection, and 16 times the amount spent on climate adaptation.¹³

Transparency in the reporting and accounting practices of MDBs is essential for public understanding and accountability of climate finance. It would not only allow independent audits and verification of reported figures – such as Oxfam's attempt to scrutinize the World Bank's climate finance figures in the *Unaccountable Accounting* (2022) briefing paper¹⁴, which suggested potential discrepancies as high as \$7bn – but would also ensure that climate finance projects adhere to environmental, social, and human rights safeguards.

The need for clear disclosure practices extends beyond accountability; it is vital for monitoring the impact of projects on climate-impacted communities, for preventing unintended harms, and for ensuring that climate finance does not exacerbate debt burdens in recipient countries.

2. NAVIGATING THE ADB'S COMPLEX CLIMATE FINANCE MAZE

2.1. LARGE INCREASE IN ADB'S CLAIMED CLIMATE FINANCE

The ADB is one of the main contributors of development finance in Asia and the Pacific. It positions itself as the region's climate bank¹⁵ and is the principal multilateral climate finance contributor in the region.

In 2015 the ADB committed to double its climate investments to \$6bn annually by 2020. In 2022, the bank set a new goal to deliver \$100bn in cumulative climate finance from its own resources to developing countries from 2019 to 2030, \$34bn of which is earmarked for climate adaptation and resilience.¹⁶

The ADB has further committed to fully align its operations with the goals of the Paris Agreement which aims to keep the rise in global temperatures to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.¹⁷ The ADB's 'Climate Change Action Plan 2023 – 2030 outlines how it aims to deliver on its commitment.¹⁸

The ADB publishes publicly available figures on projects supporting climate change mitigation and adaptation, broken down by country, financial instrument, region, and sector.¹⁹

Recently, it reported climate finance commitments from its own resources of \$9.9bn for 2023, up from \$6.7bn in 2022 and \$3.6bn in 2021. Figures for the preceding years were \$4.3bn (2020) and \$6.6bn (2019) (see Table 1).

Table 1: ADB climate finance commitments (2019 to 2023)

	2019	2020	2021	2022	2023	2019–2023 average
ADB resources	\$6.67bn	\$4.29bn	\$3.55bn	\$6.72bn	\$9.86bn	\$6.20bn
External resources	\$0.47bn	\$0.73bn	\$1.21bn	\$0.39bn	\$0.67bn	\$0.69bn
Total	\$7.04bn	\$5.02bn	\$4.77bn	\$7.11bn	\$10.53bn	\$6.89bn

Source: ADB (2024). Oxfam calculations. Link: <https://data.adb.org/dashboard/climate-change-financing-adb>

Notes: Amounts given in US\$ billion. Values may not add up to total because of rounding.

2.2. MITIGATION STILL FAVOURED OVER ADAPTATION

The Paris Agreement emphasizes the importance of financing projects aimed at reducing emissions as well as those focused on building resilience and adapting to the impacts of climate change, aiming for a balance between mitigation and adaptation.²⁰ However, to date, adaptation finance has been consistently underfunded and remains well below estimated levels of global financial needs.²¹ Globally, Oxfam estimates that of \$66.3bn reported as public climate finance in 2019–2020, just 33% was allocated to adaptation.

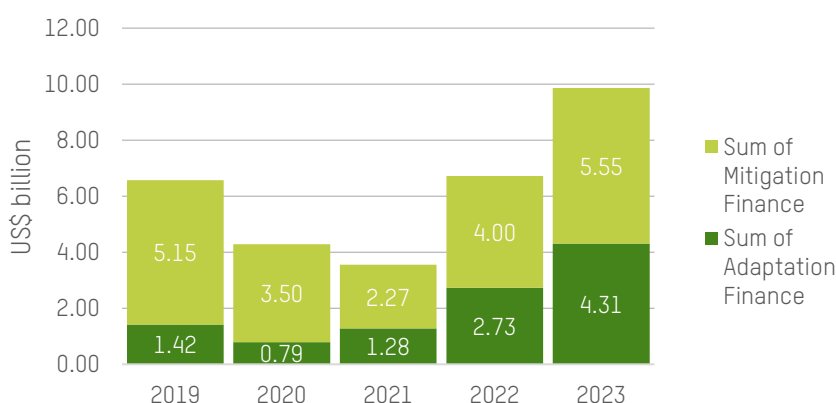
Adaptation is vitally important for low- and middle-income countries in Asia, which continue to face increasingly frequent climate disasters. However, adaptation finance comprised just one-third of total climate finance in the region between 2013 and 2020.²²

Despite significant and growing adaptation needs in the Asia-Pacific region, the ADB continues to disburse most of the climate finance to mitigation projects. Figure 2 shows the amounts of climate finance committed by the ADB between 2019 and 2023 that were allocated to adaptation and mitigation.

In 2019, ADB committed \$6.6bn in total climate finance from own resources with 78% of those allocated to mitigation (\$5.2bn) and 22% to adaptation (\$1.4bn). The total amount decreased to \$3.6bn in 2021 but increased to \$9.9bn in 2023, of which 44% was allocated to adaptation-relevant projects. In total, between 2019 and 2023, the ADB committed \$31bn in climate finance, with \$10.5bn (34% of the total) allocated to adaptation.

The ADB has pledged to contribute \$100bn in climate finance between 2019 and 2030 (\$34bn of which would be for adaptation), but in 2023, the bank had committed 31% of the pledge for climate finance and 31% of the pledge to adaptation. To fulfil the target of \$100bn by 2030, the bank must increase commitments to an average of \$11.5bn in total climate finance each year until 2030, \$3.9bn of which should be for adaptation finance.

Figure 2: Historical ADB own resources climate finance from 2019 to 2023 based on commitments



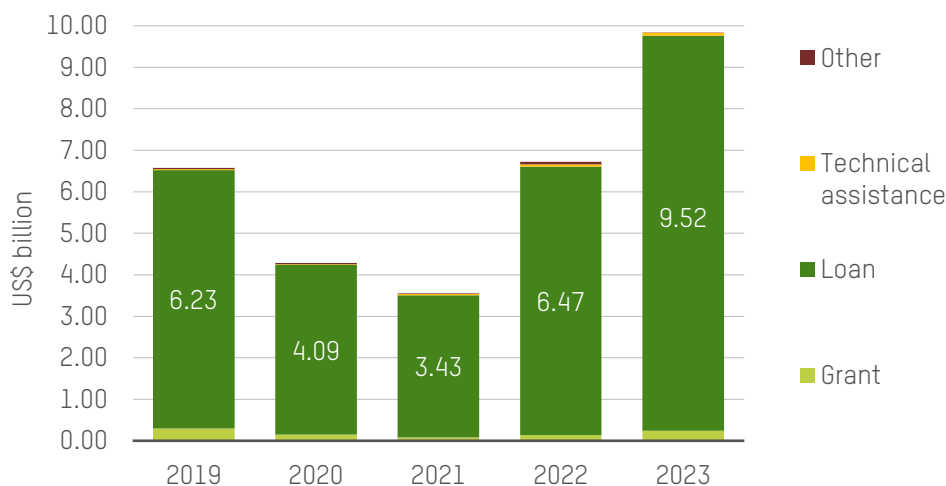
Source: ADB (2024). Oxfam calculations.

2.3. ADB'S CLIMATE FINANCE FURTHER ENTRENCHES DEBT CRISIS

Despite positioning itself as 'Asia and the Pacific's climate bank', as an MDB, the ADB disburses almost all its climate finance in the form of loans.

Of the \$31bn the ADB reports to have committed from own resources in climate finance from 2019 to 2023, Oxfam calculates that only \$0.9bn (3%) was provided as grants; \$29.7bn (96%) was provided as loans; \$0.2bn (1%) was provided as technical assistance; and \$0.1bn (1%) was provided through other instruments such as credit enhancement, debt security, equity investment and loan guarantees (Figure 3). Of the loans for the period, only 13% (\$3.8bn) were provided as concessional loans.

Figure 3: Reported ADB total climate finance by financial instrument (2019 to 2023)



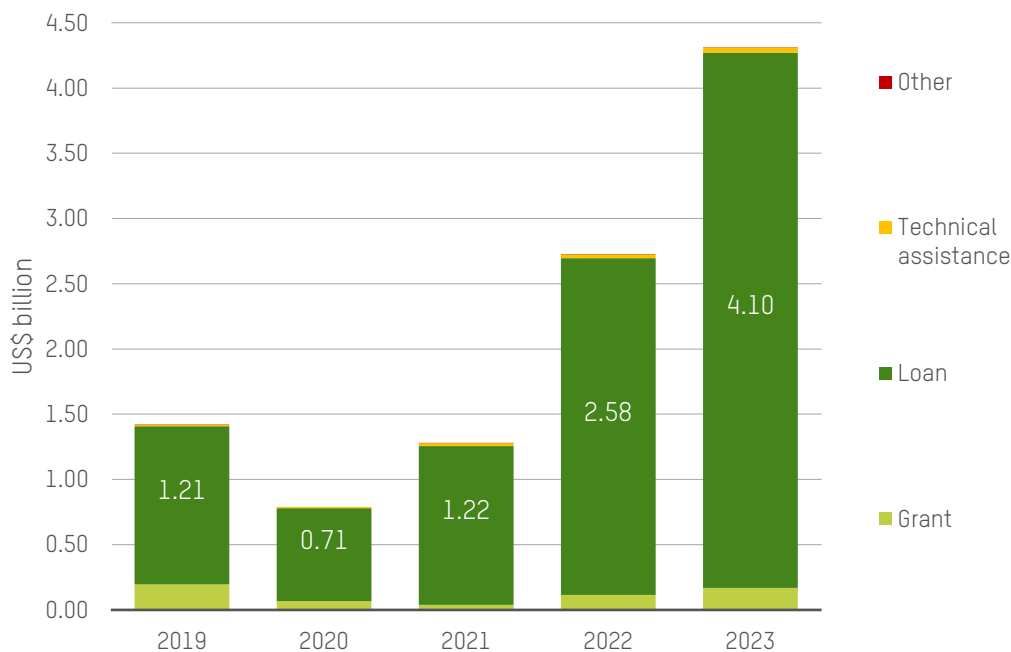
Source: ADB (2024). Oxfam calculation.

Notes: Climate finance commitments based on the ADB's own resources only. The figure shows loan values of the total climate finance for each year in the part of the columns that represent loans.

Of the \$10.5bn reported in adaptation finance from 2019 to 2023, \$0.6bn (6%) was provided as grants; \$9.8bn (93%) was provided as loans; \$0.1m (1%) was provided as technical assistance; and \$0.006bn (0%) was provided through other instruments (See Figure 4 for year-by-year breakdown). Of the loans, 27% (\$2.6bn) was provided as concessional loans.

However, for many adaptation objectives such as disaster preparedness, food, and strengthening resilience, grant-based – or at least highly concessional – financing is the most suitable instrument. Taking on loans for adaptation projects places a significant financial burden on countries. Paying to service debt can divert public finance away from adaptation measures as well as from basic public services, potentially exacerbating existing vulnerabilities, and increasing the risk of debt distress in recipient nations. Alternatively, grants for adaptation projects ensure that vulnerable communities who have contributed the least to climate change but are disproportionately affected by its impacts can access the resources they need without incurring further debt burden.

Figure 4: Reported ADB adaptation finance by financial instrument (2019 to 2023)



Source: ADB (2024). Oxfam calculation.

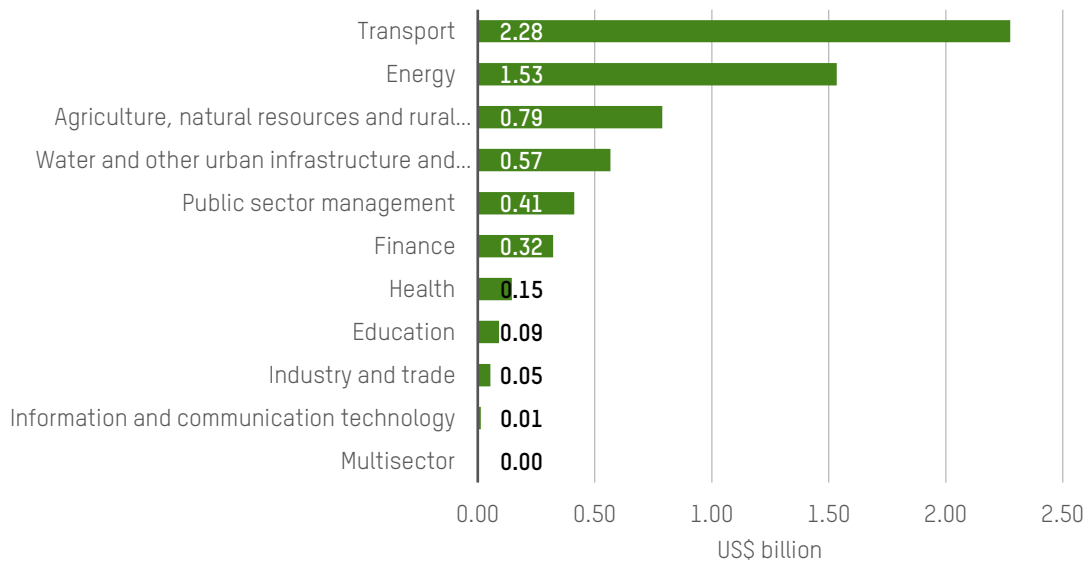
Notes: Commitments of adaptation finance based on the ADB’s own resources only. The figure shows the loan values of total adaptation finance for each year in the part of the columns that represents loans.

It is particularly worrying that the vast majority of ADB loans are provided on non-concessional terms and require repayment at market interest rates, though recipients do benefit from the bank’s AAA rating on capital markets. Unfortunately, the ADB does not include details of the loan terms or grant equivalent values in its climate finance datasets, making it difficult to assess the value of financing for the recipients.

2.4. ADB CLIMATE FINANCE FOCUS ON LARGE INFRASTRUCTURE

The largest recipient sector of the ADB’s climate finance is transport, which received 37% of reported climate finance from 2019 to 2023 (annual average). This is followed by the energy sector, at 25%. These two sectors together account for 62% of all climate finance that the ADB reports to have committed (Figure 5).

Figure 5: ADB climate finance by sector (2019 to 2023 annual average)

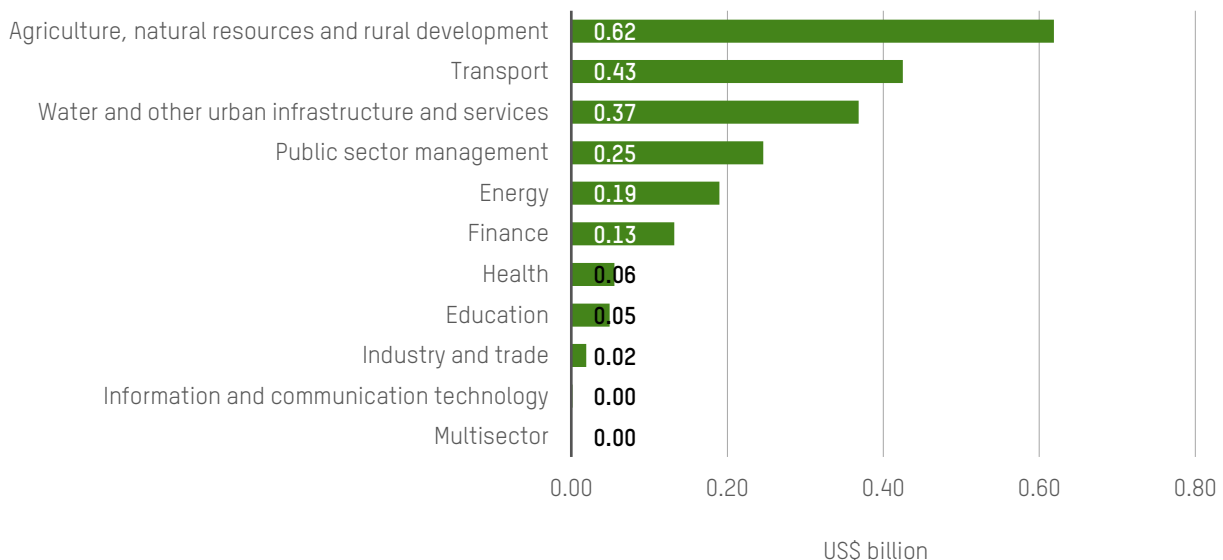


Source: ADB (2024). Oxfam calculation.

Notes: Commitments of climate finance based on the ADB’s own resources only. The figure shows the values of total climate finance for each sector.

The ADB’s adaptation finance is more evenly split across sectors, though agriculture, natural resources and rural development accounts for the largest share, at 29% (2019 to 2023 annual average) (Figure 6). This is followed by transport (20%), water and other urban infrastructure and services (17%), and public sector management (12%).

Figure 6: ADB adaptation finance by sector (2019 to 2023 annual average)



Source: ADB (2024). Oxfam calculation.

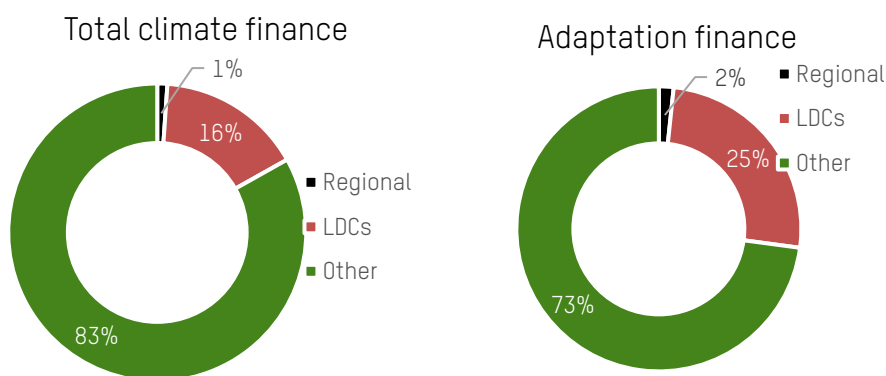
Notes: Commitments of adaptation finance based on the ADB’s own resources only. The figure shows the values of the total adaptation finance for each sector.

2.5. ADB CLIMATE FINANCE FAILING LEAST-DEVELOPED AND CLIMATE-VULNERABLE COUNTRIES

Least-developed countries (LDCs) and Small Island Developing States (SIDS) are particularly vulnerable to the impacts of the climate crisis though they have contributed little to its causes. A combination of factors – including high poverty levels, limited adaptive capacity, and dependence on climate-sensitive sectors – contribute to this vulnerability. Yet the resources these countries receive to cope with increasing climate impacts fail to meet their adaptation needs.

From 2019 to 2023, just 16% of the total climate finance reported by the ADB was allocated to LDCs and 2% to SIDS.^{23, 24} Of the total adaptation finance reported over the same period, 25% was allocated to LDCs and 3% to SIDS (see Figure 7 for allocations to LDCs, Figure 8 for allocations to SIDS).

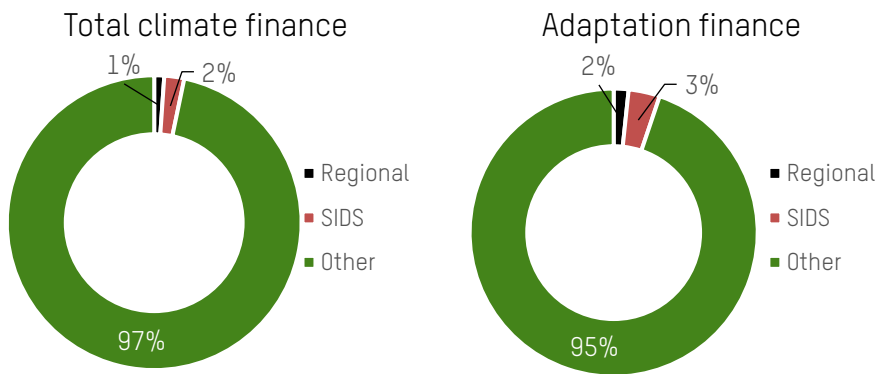
Figure 7: Reported regional and LDC ADB climate and adaptation finance by recipient country group (2019 to 2023 annual average)



Source: ADB (2024), Oxfam calculations and graphs.

Notes: Commitments of adaptation finance based on the ADB’s own resources only. LDC classification based on United Nations (2024). For regional projects, if all countries listed are LDCs then the finance is attributed to LDCs. For all other regional projects, the finance is not allocated to either category but is reported as ‘Regional’ in our analysis.

Figure 8: Reported regional and SIDS ADB climate and adaptation finance by recipient country group (2019 to 2023 annual average)



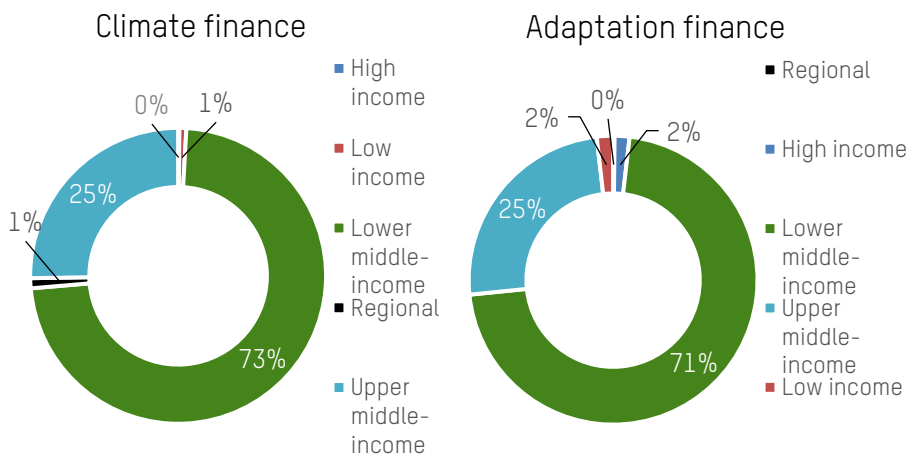
Source: ADB (2024), Oxfam calculations and graphs.

Notes: Commitments of adaptation finance based on the ADB’s own resources only. SIDS classification based on Alliance of Small Island States (2024). For regional projects, if all countries listed are AOSIS members then the finance is attributed to SIDS. For all other regional projects, the finance is not allocated to either category but is reported as ‘Regional’ in our analysis.

Similarly, when analysing allocations based on the income classifications used by the World Bank, most climate finance (2019 to 2023) was allocated to LMICs (73%), with 25% going to upper middle-income countries. Allocations to LICs such as Afghanistan were minimal, at just 1%.

Of the total adaptation finance reported over the same period, 71% was allocated to LMICs and 25% to UMICs. Low-income countries were allocated a mere 2% (Figure 9).

Figure 9: Reported ADB climate and adaptation finance by recipient country group (2019 to 2023 annual average)



Source: ADB (2024), Oxfam calculations and graphs.

Notes: Commitments of adaptation finance based on the ADB’s own resources only. Income group based on World Bank (2024).

3. UNDERSTANDING THE PROCESS BEHIND THE ADB'S ADAPTATION FINANCE REPORTING

The ADB's method for estimating adaptation finance is based on and adapted from the joint MDB methodology (see Box 1 for a comparison of the two methods). Using the 2023 Guidance Note on Developing Projects that Support Climate Adaptation and Resilience Outcomes and the 2023 Update on Counting Climate Finance at ADB,²⁵ the bank categorizes projects into two main types (see Box 1)

Based on the joint MDB approach, the ADB uses the three-step methodology as the basis of adaptation finance estimations: establishing the adaptation context; statement of intent to address the identified risks; and linking activities to the identified risks (see Annex 1 for full details).

Box 1: How the ADB methodology for adaptation finance estimations compares with the joint MDB and World Bank methodology

Although the ADB and MDB methodologies both aim to enhance climate adaptation and resilience, there are subtle differences in how they approach the process of categorizing and estimating adaptation finance and activities.

The joint MDB methodology divides adaptation activities into three categories: basic climate risk management (Type 1); shared objectives of adaptation and development (Type 2); and activities enabling adaptation (Type 3). The ADB's categorization mirrors this, with two main types: climate-proofing projects (Type 1); and projects that aim to reduce vulnerability and enhance resilience (Type 2). Type 2 is further divided into projects that steer development towards resilience (Type 2A), and those primarily enabling adaptation (Type 2B).

In essence, the ADB Guidance is specifically tailored for its operational framework, detailing how staff can design, implement, and monitor projects across its portfolio to enhance climate adaptation and resilience outcomes. Meanwhile, the joint MDB methodology serves as a unified framework among MDBs to estimate and report adaptation finance, aiming for harmonization and comparability across different institutions, without delving into the operational specifics of project design and implementation.

The World Bank's application of the joint MDB methodology incorporates a detailed, multi-stage process to estimate adaptation finance, emphasizing the direct linkage of finances to adaptation activities and the importance of documenting the estimation process for transparency. Similarly, the ADB's approach, though more concise, highlights the need for granularity and suggests using the proportion of indicators by output when direct allocation is not feasible, reflecting a broader estimation method while maintaining adherence to foundational steps. Both methodologies emphasize structured approaches for accurate adaptation finance tracking, offering varying levels of detail and strategies for estimation to ensure integrity and accountability.

Oxfam sought to replicate the ADB's adaptation finance figures by following its methodology and using the documentation accessible through its website. Although the documentation is comprehensive, it was not possible to replicate the ADB's claimed adaptation finance figures fully.

To address this, Oxfam built on the methodology previously used for Oxfam's audit of World Bank projects²⁶. The resulting methodology not only leverages the joint MDB approach for estimating adaptation finance but also assesses the quality of the three steps: understanding the vulnerability context; statement of intent to address identified risks; and linkages between that intent and the project activities. The shortcomings, the method aims to capture, are detailed in Box 2. The discrepancy between the ADB's claimed adaptation finance and Oxfam's estimates indicates potential over-reporting by the ADB (see Section 4).

Determining the extent of issues in the ADB's reporting required establishing a detailed method to track instances of inadequate reporting. This approach, further detailed in Annex 1, employs a series of assumptions activated each time the ADB's reporting was found lacking. These assumptions lead to discrepancies between Oxfam's calculations of some projects' adaptation finance and the ADB's official figures. Generally, poorer project document planning necessitated more frequent use of these assumptions, widening the gap between Oxfam's estimates and the ADB's official data. This gap is viewed as possible over-reporting, quantified as a percentage of each ADB project's budget.

The Oxfam method was applied to 15 ADB projects that were among the largest contributions to adaptation finance in the fiscal years 2021 and 2022; these comprised 10 projects from 2022 and 5 from 2021.²⁷ It should be noted here that as the selection was not random, the study cannot claim representativeness of ADB financing, though the selection of the largest adaptation projects does cover 43% of the total ADB reported adaptation finance for the two years. As well as selecting projects based only on the extent of reported adaptation, we have selected adaptation-relevant projects in LDCs and China to generate broader insights. This resulted in omission of three projects in India and one in Bangladesh, in selecting projects purely based on the amount of adaptation finance. The selection of projects facilitates comprehensive insights into the ADB adaptation reporting, which is explained further in section 4.

Box 2: Shortcomings of ADB methodology

The necessity to assess adaptation finance, alongside considerations of vulnerability, gender, poverty, and locally led adaptation (LLA), stems from an understanding that climate change impacts are not uniform. They intersect with and exacerbate existing societal inequalities. Within the ADB's three-step methodology, the first step – which focuses on establishing the climate risk context – carries the bulk of analytical weight. However, to truly address the multifaceted nature of climate impacts, an explicit and systematic approach to intersectionality is crucial. Intersectionality considers how climate change intersects with factors such as poverty, discrimination, and local empowerment, acknowledging that these dynamics can amplify vulnerability. The lack of direct reference to target groups and intersectionality in the ADB's

process may miss nuances in how different communities experience and respond to climate change, potentially leading to less effective adaptation strategies.

The pragmatic approach of relying on assumptions for incremental and proportional costs, while necessary for practical reasons, introduces a layer of abstraction from actual conditions. This method uses a hypothetical baseline to determine what additional costs are attributable to adaptation efforts. While this allows for flexibility in accounting for adaptation finance, it inherently lacks precision and can lead to arbitrary allocations. The challenge lies in the subjective determination of a baseline scenario against which the costs of adaptation measures are considered 'incremental'. This subjectivity can result in widely varying estimates, not only between projects but also between evaluators, leading to inconsistencies that may undermine the accuracy of adaptation finance reporting and effectiveness of funding allocation.

The methodology also faces limitations in quantifying adaptation benefits that do not incur additional costs, such as operational adjustments and strategic asset locations. This limitation could result in an over- or under-estimation of the project's overall contribution to climate resilience. The process stipulates the inclusion of adaptation and resilience indicators but may lack a standardized framework for their implementation across projects. This absence of uniformity can challenge the measurement of project impacts and outcomes.

The absence of explicit consideration of intersectionality in the ADB process means there is a missed opportunity to fully understand and address the complex web of factors that determine vulnerability to climate change. This includes recognizing how social, economic, and environmental factors intersect to create unique challenges for specific groups. For instance, women, indigenous communities, and people living in poverty may face compounded risks from climate change due to existing inequalities and marginalization. By not explicitly identifying and considering target groups and the intersectional aspects of climate vulnerability, adaptation projects risk overlooking critical dimensions of resilience, which may mean they are failing to allocate resources where they are most needed.

To overcome the limitations of reliance on assumptions and hypothetical baselines, the ADB could benefit from developing more robust and transparent methodologies. This could include creating standardized criteria for determining baselines, incorporating comprehensive community engagement to understand local contexts and vulnerabilities, and using conservative and data-driven approaches to estimate the incremental costs of adaptation more accurately. Enhancing methodological precision and consistency not only improves the credibility of adaptation finance estimates but also ensures that adaptation efforts are effectively targeted and aligned with the actual needs of the most vulnerable communities.

The next section will show that this all comes down to how methodologies are applied: while the three-step methodology for estimating adaptation finance aims to ensure that projects address climate risks effectively, its application can be too generic, potentially overlooking specific local and sectoral vulnerabilities. This approach may lead to gaps in tailoring adaptation interventions to the unique needs of different communities and ecosystems.

4. ANALYSIS OF THE SELECTED ADB PROJECTS

4.1. OVERVIEW

Documentation from the ADB is accessible through its website, including the Report and Recommendation of the President (RRP), which is the main project document among a variety of disclosed documents. This wide-ranging availability and depth of information enabled Oxfam to examine the ADB's method for assessing adaptation finance by analysing 15 projects with significant adaptation finance contribution (the applied method was described in detail in the previous section). Table 2 provides an overview of the 15 projects analysed.

Table 2: Project name, sector(s), country and income group, financing, and overall results of Oxfam's analysis

Project name	Sector(s)	Country and income group	Sum of ADB project financing amount (\$bn)	Sum of ADB adaptation finance (\$bn)	Assessed adaptation finance (\$bn)	Potential over-reporting (%)
1. Building Resilience with Active Countercyclical Expenditures Programme (BRACE)	Public sector management	Pakistan, LMIC	1.5	0.27	0.05	83%
2. Emergency Flood Assistance Project	Agriculture, Natural resources and rural development, and Transport	Pakistan, LMIC	0.53	0.24	0.08	65%
3. Coastal Towns Climate Resilience Project	Transport, and Water and other urban infrastructure and services	Bangladesh, LDC	0.25	0.27	0.2	10%
4. Climate Change Action Programme, Subprogramme 1	Agriculture, Natural resources and rural development, Energy, and Finance	Philippines, LMIC	0.25	0.13	0.1	30%
5. Build Universal Health Care Programme (Subprogramme 1)	Health	Philippines, LMIC	0.6	0.11	0.05	49%
6. Second Power Transmission Enhancement Investment Programme (Tranche 4)	Energy	Pakistan, LMIC	0.19	0.1	0.05	48%
7. Microenterprise Financing and Credit Enhancement Project	Finance	Bangladesh, LDC	0.2	0.09	0.03	68%

Project name	Sector(s)	Country and income group	Sum of ADB project financing amount (\$bn)	Sum of ADB adaptation finance (\$bn)	Assessed adaptation finance (\$bn)	Potential over-reporting (%)
8. Connecting Economic Clusters for Inclusive Growth in Maharashtra	Transport	India, LMIC	0.35	0.09	0.05	46%
9. Integrated Urban Flood Management for the Chennai-Kosasthalaiyar Basin Project	Water and other urban infrastructure and services	India, LMIC	0.25	0.087	0.07	15%
10. Maharashtra Rural Connectivity Improvement Project – Additional Financing	Natural resources and rural development, and Agriculture	India, LMIC	0.3	0.08	0.06	20%
11. South Asia Subregional Economic Cooperation Dhaka–Sylhet Corridor Road Investment Project – Tranche 1	Transport	Bangladesh, LDC	0.4	0.06	0.05	25%
12. Promoting Innovative Financial Inclusion Programme (Sub-programme 2)	Finance	Indonesia, LMIC	0.5	0.08	0.03	61%
13. Sustainable Highlands Highway Investment Programme – Tranche 2	Transport	Papua New Guinea, LMIC	0.33	0.07	0.03	59%
14. Sustainable Coastal and Marine Fisheries Project	Agriculture, and Natural resources and rural development	Cambodia, LDC	0.06	0.04	0.04	15%
15. Shandong West Jining Water Supply and Drainage Integration Programme	Agriculture, Natural resources and rural development, Public sector management, and Water and other urban infrastructure and services	People's Republic of China, UMIC	0.1	0.06	0.02	68%
Average	-	-	0.39	0.12	0.06	44%
Total	-	-	5.81	1.73	0.91	-

Note: Amounts given in US\$ billion. Where total figures do not equate to the sum of separate figures, this is due to rounding.

Oxfam uses over-reporting to denominate the relative difference between the adaptation finance as reported by the ADB and the assessed adaptation finance by Oxfam, which is 1 minus assessed adaptation finance divided by reported adaptation finance.

4.2. SHORTCOMINGS IN THE ADB FINANCE REPORTING

For Oxfam, adequate reporting of adaptation finance requires that project documentation comprehensively sets out the three steps in the ADB's methodology: vulnerability context of the project; a clear statement of intent to bolster resilience; and how project activities, components or outputs systematically address that intent. Project activities, components or outputs should be described with sufficient detail on the specific costs of activities that qualify for adaptation finance, as well as evidence supporting the finance claims based on achieved goals or objectives.

In most cases, ADB reporting provides overviews of adaptation activities within the projects in the important climate change assessment annex to the main project document, enabling public inspection of the adequacy of the claimed adaptation finance. In some cases, Oxfam found the project planning and documentation to be robust. For example, in the Coastal Towns Climate Resilience Project in Bangladesh, documentation outlines comprehensive assessments of climate change impacts and vulnerabilities in the project area, using robust tools and data sources. The measures are not only focused on infrastructure but also on improving the socio-economic conditions of the target communities and building institutional capacities, highlighting a comprehensive approach to climate change adaptation that integrates environmental, social, and economic considerations. Additionally, though incremental costs for the project's adaptation activities are not explicitly referenced, all activities are clearly adaptation relevant and adequately justified as such.

However, in some of the other projects, justifications for the adaptation relevance of activities as well as reporting on the vulnerabilities addressed were not always adequately concrete or might not have included incremental costs. For example, climate change assessment is missing for the Building Resilience with Active Countercyclical Expenditures Program in Pakistan. Similarly, Sustainable Highlands Highway Investment Program (SHHIP), Tranche 2 in Papua New Guinea, climate change vulnerability assessment is conducted for overall SHHIP but there is no available CRVA specifically for Tranche 2 through the web site despite the Periodic Financing Request Report referring to a CCA in the annex.

To address these reporting gaps, Oxfam's methodology employs assumptions wherever details are missing (see Box 3). For instance, if a sub-component's total cost is provided without specific allocations for each activity, Oxfam evenly distributes the cost across all activities, counting only those that qualify for climate finance towards its estimate. This approach was applied across all projects that had insufficient reporting to derive Oxfam's climate finance figures (see Annex 1 for full details on this methodology).

Box 3: Assigning a coefficient when project documentation is inadequate

The Connecting Economic Clusters for Inclusive Growth in Maharashtra project in India has nine adaptation activities split over two outputs, and two additional outputs. Two of the activities explicitly refer to incremental costs, but the information for the remaining seven activities does not. Nor do the descriptions contain sufficient information to justify that costs are incremental. As a result, these activities are assigned a coefficient of 0.5, and the reported adaptation finance for the project is adjusted downwards from \$90m to \$58m. Further, based on the three-step methodology, the project is rated 34 out of a possible score of 40, resulting in a further adjustment from \$58m to \$49m.

Without detailed cost breakdowns for activities, Oxfam had to assume equal cost distribution among activities, adjusting for the ADB's share of finance and identifying a portion as adaptation finance based on how activities aligned with project goals. This process inevitably introduces potential inaccuracies in estimating the ADB's reported adaptation finance; however, Oxfam had to make these assumptions because of the lack of detailed reporting.

Oxfam's method highlights the broader challenge of assessing adaptation finance reporting amid a lack of detailed information. The three-step methodology is designed to evaluate the ADB's adaptation finance, examining both the broader scope and the finer details. The thoroughness of the reporting significantly influences the accuracy and extent of these estimates. With more comprehensive reports, fewer assumptions would be needed, and there would be a smaller adjustment for insufficient details regarding the vulnerability context, the intention to address it, and the link to project activities. This precision in reporting would minimize the discrepancies between figures produced by Oxfam and the ADB on adaptation finance.

4.3. ASSESSED ADAPTATION FINANCE AND GRANT EQUIVALENCE

This report presents Oxfam's assessment of the ADB's reported adaptation finance and our calculation of the grant equivalence of the financing of the selected 15 projects, which gives a better reflection of the value of the finance from the recipient country's perspective than the face value of a loan.

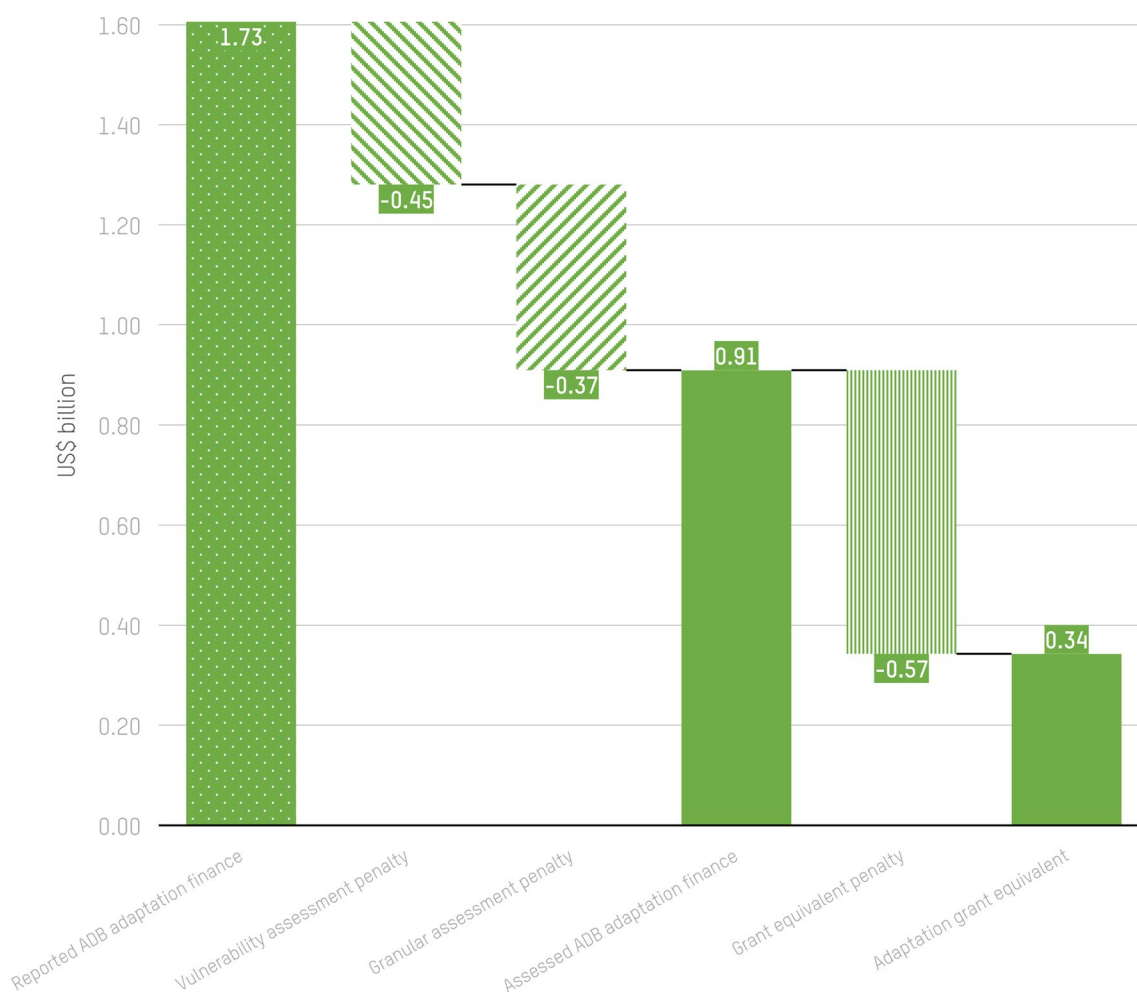
Figure 10 shows these adjustments and the resulting adaptation finance figures. First, Oxfam finds that adjusting the ADB adaptation finance figures for the reductions from the three-step and granular assessments decreases the total from \$1.7bn to \$0.9bn. Of this decrease, the three-step assessment accounts for \$0.5bn, and \$0.4bn is the reduction from the assessment of adaptation relevance of the reported adaptation activities. As such, Oxfam finds that the ADB's potential over-reporting of adaptation finance in the assessed adaptation projects is 44%.²⁸

The total adjusted figure of adaptation finance calculated by Oxfam for the 15 ADB projects amounts to \$0.9bn significantly less than reported adaptation finance of \$1.7bn.

The adaptation grant-equivalent value amounts to only \$0.3bn out of \$1.7bn reported adaptation finance by ADB.

The availability of information on the loans financing the 15 projects has allowed Oxfam to estimate the grant equivalence figures. As well as showing the difference between reported ADB adaptation finance and Oxfam’s adjusted figures, Figure 10 also shows the adaptation grant equivalent (total) of the projects. Accounting for the present value of the loans provided across the projects results in an adaptation grant equivalent figure of \$343m (see Box 4). Oxfam considers this estimate to better reflect the value of the finance for the recipients. In addition to the effect of changing interest rates, changing currency rates also affect the value of the repayments from recipients. Box 5 shows an example of this effect.

Figure 10: Reported and assessed adaptation finance and calculated grant equivalence



Notes: The columns show the reduction to the reported adaptation finance following the different steps of the analysis. The patterned columns show the reductions in adaptation finance resulting from the findings of the assessments. Chart: Oxfam.

Box 4: Calculating the adaptation grant equivalence

Since the ADB discloses loan and grant agreements, the Oxfam calculated grant equivalence figures for all 15 projects, as this is considered a better reflection of the finance value for recipient countries than the face value of the loan.

Concessionality, as operationalized through the concept of grant equivalence and grant element, is essential to development and climate assistance. The grant equivalence concept reflects the value received by the recipient and relies on the net present value of the financing, which in turn relies on the interest rate, discount rate, grace period, maturity, and face value of a given loan.

With information on duration of loan, interest rate and grace period, as well as an appropriate discount rate, a figure for the present value of a loan can be computed. For example, the Connecting Economic Clusters for Inclusive Growth in Maharashtra (India) project features a 20-year loan of \$350m with a grace period of five years and a flexible interest rate equal to the sum of the Secured Overnight Financing Rate (SOFR) of 0.05%, an additional 0.6%, a maturity premium of 0.1%, less a credit of 0.1%, giving a total interest rate of 0.65% at the time of the loan agreement (30 December 2022). At the time of writing, the SOFR had increased to 5.3%,²⁹ which means that the total interest rate at that time was 5.9%. This increase of rates reflects the substantial increase in the United States (US) and European Union (EU) central bank interest rates. In addition to the interest rate, the loan features a commitment charge of 0.15% on the full amount of the loan, less the amount withdrawn at a given time.

When applying a discount rate of 7%,³⁰ the loan terms result in total repayments of \$0.55bn in future terms, a grant equivalent of \$0.08bn, and a grant element of 23%. This is interpreted such that a grant element of 23% means that the borrower receives a value of 23% of the face value of the loan (in this case \$0.08bn), while repaying the remainder. The discount value adjusts future cash flows for the lesser value of money for both the provider and recipient, resulting in the value of future repayments and disbursements being worth less over time.

At the time of the loan agreement, however, the SOFR was only 0.05%. Using SOFR instead results in an interest rate of 0.65%. Computing repayments with this figure instead leads to future repayments of \$373m, a grant equivalence of \$0.17m, and a grant element of 47%! Due to the recent increases in market rates, the future repayments for the loan have increased by \$0.18m, equivalent to an increase of 47%, while the grant element has been reduced by 24 percentage points due to considerable increases in interest rates. Annex 1 explains the calculations of grant equivalence and elements further.

Box 5: Example of the effect of changing currency rates for adaptation finance

For currencies of the recipient countries, the conversion rate from US\$ has not been constant throughout the period from the loan agreement until now. Nor have they been constant before the loan agreements, and it is likely that they will not be constant in the future either, as project costs are paid in local currencies, while loan disbursements and repayments are provided and repaid in US\$. Oxfam has calculated the effect of changing currency rates for the Connecting Economic Clusters for Inclusive Growth in Maharashtra (India) project, to provide some indication of the effect of changing currencies to the financing of the projects.

Twenty years prior to the time of writing, the conversion rate for Indian rupees (INR) to the US\$ was 45.28 INR/US\$.³¹ This rate has steadily increased to 83.02 INR/US\$ at the time of writing. Performing simple linear regression on the development of the rate results in an annual increase of 2.2 INR/US\$.

Whereas the budget for the loan in the project using the current conversion rate equals INR 5.6bn of total repayments, a grant equivalent of INR 6.7bn, and a grant element of 23%, assuming the conversion rate to increase by INR 2.2 per US\$ annually results in a predicted total repayment of INR 62.3bn, a grant equivalent of INR \$1.8bn, and a grant element of 6%.³² Including the effect of increasing conversion rates thus increases the total repayments by 37%, decreases the grant equivalent by 73%, and the grant element by 17 percentage points!

This is due to the increasing currency rates over time: the debtor will have to pay an increasing amount of local currency (INR) to buy the same amount of foreign currency (US\$) and hence, the value repaid will increase relative to the value received by the recipient. As disbursements are mostly made early in the loan period while repayments are made for the duration of the loan, repayments will be more affected than disbursements by changing conversion rates.

4.4. OBSERVATIONS FROM THE ADB PROJECT DOCUMENTATION

In addition to the quantitative insights detailed in the previous sections, Oxfam's methodology has generated a range of qualitative insights on trends, strengths, and weaknesses of the ADB's reporting on adaptation finance. Overall, these insights fall into five areas: a focus on infrastructure and socio-economic factors; broad specifications of target groups; a focus on gender but not necessarily using an intersectional lens; general alignment with national adaptation strategies; and often absent information on approaches to identifying and preventing maladaptation.

Throughout all 15 projects analysed, infrastructure is foundational. The recurring theme takes many shapes distinct to the sector(s) addressed by each project – for example, fishing and nature-based infrastructure in the Sustainable Coastal and Marine Fisheries Project in Cambodia, or transport infrastructure in both the Maharashtra Rural Connectivity Improvement Project – Additional Financing, and the Coastal Towns Climate Resilience Project in Bangladesh. The term 'infrastructure' can be used to describe a

wide range of civic and administrative activities; but given that it seems to be a common theme for the ADB in identifying projects, it also suggests that the ADB perceives the value of infrastructure projects to societies to be higher, or that these projects are easier to invest in. See Box 6 for expansion of this finding.

The ADB approach to identifying and preparing adaptation projects is also reflected in the focused consideration on the socio-economic impacts of climate change, especially on marginalized groups such as small-scale farmers and women. Although socio-economic factors such as employment, poverty and education are incorporated, Oxfam recognizes the need for a deeper integration of cultural and local economic contexts to enhance adaptive capacities.

In general, target groups of the projects tend to be broadly identified, based on robust data collection and socio-economic data. However, in many of the 15 projects analysed by Oxfam, there is no qualitative data collection through interviews, focus groups, surveys, or participatory research, indicating the need for a more detailed understanding of social vulnerabilities using an intersectional lens to tailor interventions more effectively. The ADB vulnerability analyses conducted across the 15 projects could benefit from greater understanding of how various identity factors compound climate vulnerabilities and the situation of different target groups, tailoring adaptation measures to be inclusive and equitable.

Box 6: Socio-economic focus of ADB projects

The Coastal Towns Climate Resilience Project (Bangladesh) exemplifies the general approach of the ADB in structuring the socio-economic focus of projects. Recognizing that vulnerability is influenced by socio-economic factors, the demographic and socio-economic context in the project area is outlined in terms of population growth, population density, poverty levels, employment, and the local economy, including dependency on climate-sensitive livelihoods such as agriculture and fishing, gendered economic activities, and access to education infrastructure. Vulnerability between target groups is identified particularly as it relates to the differences between men and women: *'with women typically facing higher levels of vulnerability because of preexisting gender norms; engagement in the formal economy; and limited access to productive assets, finance, skills and awareness'*³³.

Gendered livelihood and economic activities in the project areas are discussed in the project documentation regarding gender-based restrictions, freedom of movement, access to land and assets, and perceptions of what work it is acceptable for women to do. However, this understanding of vulnerability would have been well supported by primary data collection through interviews, focus groups, surveys, or participatory research to build an understanding of vulnerability that is formed through a combination of scientific, local, and generational knowledge. Additionally, the Climate Risk and Adaptation Assessment recognizes the interplay of (for example) poverty and gender in analysis of vulnerability. However, a more direct intersectional approach that seeks to understand the interlinked factors that determine vulnerability to climate change across a range of identities (including gender, class, age, disability, ethnicity, and indigeneity) would also be welcomed.

In general, the projects are aligned to national adaptation strategies, whether they be National Adaptation Plans (NAPs), National Determined Contributions (NDCs), National Framework Strategies on Climate Change, or similar frameworks. This approach from the ADB is commendable, showing how the bank interacts with other institutions and providers of adaptation finance to streamline adaptation efforts.

The top-down approach, however, at times seems to come at the cost of lacking clear connections between project benefits and local vulnerabilities, underscoring the need for more precise and context-relevant indicators and clearer project definitions. There are gaps in addressing how adaptation measures support livelihood activities and in systematically identifying and mitigating maladaptation risks. There is also limited information on monitoring and evaluating the long-term effectiveness of adaptation interventions. Projects could also be improved by more explicitly linking strategic directions and intents with specific activities, budgets, and operational strategies.

5. THE INCLUSIVITY GAP: GENDER, POVERTY AND LOCALLY LED ADAPTATION

To complement Oxfam’s analysis of ADB adaptation finance for the 15 assessed projects based on the joint MDB methodology, this section scrutinizes more closely how the projects address three important aspects of adaptation interventions: gender equality; poverty alleviation; and adherence to principles for establishing locally led adaptation (LLA).

5.1 GENDER MAINSTREAMING

Oxfam created a gender assessment method using CARE's Gender Marker³⁴ tool, incorporating four questions to examine a project’s gender considerations, plus an additional question to allow for rating the project according to CARE's Inner Spaces, Outer Faces Initiative (ISOFI) Gender Continuum³⁵, which has five stages, ranging from harmful to transformative. The questions assess whether a project:

1. is informed by gender analysis;
2. includes sex- and age-specific data collection and analysis;
3. plans activities that cater to distinct gender needs;
4. ensures meaningful gender participation in key areas; and
5. corresponds to a stage of the Gender Continuum.

Each question is scored from 0 to 10 (see Annex 2, Section 2.6, for more details).

Table 3: Overview of ratings of gender aspects based on Oxfam’s assessment of the 15 projects

Project name	Q1	Q2	Q3	Q4	Q5	Total (0–60)
1. Building Resilience with Active Countercyclical Expenditures Programme (BRACE)	7	5	5	6	12	35
2. Emergency Flood Assistance Project	9	8	7	3	16	43
3. Coastal Towns Climate Resilience Project	7	8	8	7	16	46
4. Climate Change Action Programme, Subprogramme 1	3	3	5	4	12	27
5. Build Universal Health Care Programme (Subprogramme 1)	9	4	9	4	16	42
6. Second Power Transmission Enhancement Investment Programme (Tranche 4)	7	5	5	4	12	33

Project name	Q1	Q2	Q3	Q4	Q5	Total (0-60)
7. Microenterprise Financing and Credit Enhancement Project	9	10	10	9	20	58
8. Connecting Economic Clusters for Inclusive Growth in Maharashtra	7	5	5	4	16	37
9. Integrated Urban Flood Management for the Chennai-Kosasthalaiyar Basin Project	3	7	7	8	12	37
10. Maharashtra Rural Connectivity Improvement Project – Additional Financing	3	7	6	8	12	36
11. South Asia Subregional Economic Cooperation Dhaka–Sylhet Corridor Road Investment Project – Tranche 1	6	10	8	9	16	49
12. Promoting Innovative Financial Inclusion Programme (Subprogramme 2)	8	8	9	7	16	48
13. Sustainable Highlands Highway Investment Programme – Tranche 2	7	6	6	7	12	38
14. Sustainable Coastal and Marine Fisheries Project	8	7	8	4	16	43
15. Shandong West Jining Water Supply and Drainage Integration Programme	8	7	7	8	12	42
AVERAGE (0-10), (0-60)	6.7	6.7	7.0	6.1	14.4	40.9
AVERAGES WEIGHTED BY PROJECT SIZE (0-10), (0-60)	6.7	6.5	6.8	6.2	14.2	40.4

Table 3 summarizes the assessments of gender aspects in the 15 projects Oxfam analysed. On average, the projects receive a relatively low score of 40.9 out of a possible 60. The average ratings of the first four individual guiding questions are distributed around 6.5, while the average for the rating on the Gender Continuum is 14.4, corresponding to between 'gender sensitive' and 'gender transformative'. Box 7 shows examples of assessments of the orientation towards gender issues in two ADB projects.

Box 7: Case study: Effective gender-focused strategies in Bangladesh's microfinance sector

The Microenterprise Financing and Credit Enhancement Project in Bangladesh is rated very highly, with a total of 58 out of 60. An annex to the Report and Recommendations of the President (RRP) for this project includes a Gender Action Plan. The project effectively identifies the challenges facing rural women, as key microfinance beneficiaries, including biases and Covid-19 impacts. Although it could delve deeper into rural Bangladeshi women's lives, the action plan sets out clear gender goals, promoting women's participation and empowerment in microfinance with the support of microfinance institutions (MFIs). Local MFIs' collaboration with women highlights a participatory design, with performance monitoring and surveys to track progress. The aim is transformative change, advancing equitable gender norms.

In contrast, the Philippine Climate Change Action Programme, Subprogramme

1, was rated 27 out of 60, and there is no Gender Action Plan in the annexes to the project documentation. Although it emphasizes women's vulnerabilities in climate-affected agriculture, it could go further to assess vulnerabilities of men, boys, and girls, for greater inclusivity. Although it plans to use sex-disaggregated data to tailor its approach, the lack of detail makes it hard to assess the full impact, and reporting is focused on socio-economic variables. Activities are designed to support women's needs in climate resilience, yet broader gender roles and contributions are underexplored. The programme aims to engage women in decision making and climate action, which puts it at Stage 3 (gender-sensitive)³⁶ on the Gender Continuum; the project aims to improve women's access to resources but does not significantly challenge deeper gender inequities or power imbalances.

In most of the 15 ADB adaptation finance projects assessed by Oxfam, gender action plans and poverty and social analyses are included as annexes to the main project document, the Report and Recommendations of the President. These most often contain gender indicators and activities or outputs in addition to those in the main document. For example, the Coastal Towns Climate Resilience Project in Bangladesh has 18 activities, most of which are relevant to gender issues, and there are 30 indicators, all of which are gender relevant. This level of detail is commendable.

All 15 projects demonstrate an understanding of gender issues and a commitment to gender responsiveness, yet the documentation often lacks comprehensive details on planning for all gender and age groups. Although there are structures to ensure women's participation and capacity building, more evidence is needed on the planning of the projects' broader societal impact, particularly in changing entrenched gender norms. To move from gender-sensitive to gender-transformative practices, projects need to explicitly incorporate all genders in their design and implementation and aim for deep-rooted changes in gender relations. Additionally, for a holistic understanding of gender dynamics, the integration of age-disaggregated data and an intersectional approach considering other social determinants (such as class or ethnicity) would significantly strengthen the projects' inclusivity and effectiveness.

5.2. LOCALLY LED ADAPTATION

The Global Commission on Adaptation, launched in 2018, has developed a set of eight principles for locally led adaptation (LLA)³⁷ to help ensure that local communities are empowered to lead sustainable and effective adaptation to climate change. More than 100 bilateral organizations and civil society organizations (CSOs) have endorsed these principles. Oxfam has assessed the orientation of the 15 ADB projects' orientation towards LLA is assessed based on these eight principles:

1. Devolving decision making to the lowest appropriate level.
2. Addressing structural inequalities faced by women, youth, children, people with disabilities, people who are displaced, indigenous peoples, and marginalized ethnic groups.
3. Providing patient and predictable funding that can be accessed more

easily.

4. Investing in local capabilities to leave an institutional legacy.
5. Building a robust understanding of climate risk and uncertainty.
6. Flexible programming and learning.
7. Ensuring transparency and accountability.
8. Collaborative action and investment.

All questions are scored on a rating between 0 and 10. Annex 2 (Section 2.7) outlines the method in more detail.

Table 4: Ratings for orientation towards locally led adaptation principles based on Oxfam’s assessment of the 15 projects

Project name	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total (0–80)
1. Building Resilience with Active Countercyclical Expenditures Programme (BRACE)	4	4	3	3	2	2	4	4	26
2. Emergency Flood Assistance Project	4	6	8	5	3	6	5	7	44
3. Coastal Towns Climate Resilience Project	6	7	6	8	2	5	7	5	46
4. Climate Change Action Programme, Subprogramme 1	6	4	3	4	1	4	4	4	30
5. Build Universal Health Care Programme (Subprogramme 1)	3	9	8	8	2	6	4	7	47
6. Second Power Transmission Enhancement Investment Programme (Tranche 4)	3	4	3	3	2	4	4	4	27
7. Microenterprise Financing and Credit Enhancement Project	8	9	8	7	4	7	7	7	57
8. Connecting Economic Clusters for Inclusive Growth in Maharashtra	6	8	3	5	2	4	4	6	38
9. Integrated Urban Flood Management for the Chennai-Kosasthalaiyar Basin Project	6	7	3	7	2	4	5	5	39
10. Maharashtra Rural Connectivity Improvement Project – Additional Financing	5	5	3	2	7	5	7	4	38
11. South Asia Subregional Economic Cooperation Dhaka–Sylhet Corridor Road Investment Project – Tranche 1	7	7	7	7	4	8	9	5	54
12. Promoting Innovative Financial Inclusion Programme (Subprogramme 2)	6	7	6	6	5	5	5	6	46
13. Sustainable Highlands Highway Investment Programme – Tranche 2	5	5	5	6	4	4	6	4	39

Project name	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total (0–80)
14. Sustainable Coastal and Marine Fisheries Project	6	7	6	7	3	5	4	7	45
15. Shandong West Jining Water Supply and Drainage Integration Programme	7	6	7	7	5	6	7	8	53
AVERAGE (0–10), (0–80)	5.5	6.3	5.3	5.7	3.2	5.0	5.5	5.5	41.9
AVERAGES WEIGHTED BY PROJECT SIZE (0–10), (0–80)	5.2	6.1	5.0	5.3	3.1	4.7	5.4	5.2	40.0

Table 4 provides an overview of the projects’ orientation towards LLA principles, based on Oxfam’s assessments. On average, they score just 41.9 out of 80. The individual scores range from 5.0 to 6.3, except for the question on the project’s intention to build robust understanding of climate risks (question 5), which is rated 3.2 on average. Box 8 provides an example of assessment for one of the projects assessed.

Box 8: Integrated Urban Flood Management for the Chennai-Kosasthalaiyar Basin Project, India

This project in India incorporates consultative mechanisms with affected persons and key stakeholders, suggesting an attempt to include local actors in the decision-making process, though it does not fully devolve decision-making power for defining and implementing adaptation activities. While acknowledging socio-economic and gender-based inequalities, it lacks a deeper exploration of how intersecting identities affect vulnerability to climate change.

The project’s timeline runs from October 2021 to June 2027, but documentation provides limited insight into long-term support for local governance development. It intends to build local capacity, particularly through training, implying an institutional legacy, yet there is a need for more targeted efforts to enable local management of adaptation initiatives. The integration of diverse knowledge systems to inform adaptation remains vague. While demonstrating transparency in public disclosures, the project does not provide clear adaptive management strategies or detailed collaborative activities to ensure efficiencies and avoid duplication across sectors.

In total, this project scores 39 from a possible rating of 80, but only 3 for patient and predictable funding (question 3), and 2 for the lack of inclusion of diverse knowledge systems (question 5).

Oxfam’s assessment of the ADB projects’ orientation towards LLA principles suggests that while there is an acknowledgment of the need to involve local communities (such as civil society groups and women’s organizations), the approach remains largely top-down, with limited devolution of decision-making power. The projects recognize the importance of addressing gender-based and socio-economic inequalities and aim to provide long-term institutional support, but they often lack a detailed analysis of the complexities within vulnerable populations and how intersecting identities affect vulnerability to climate change impacts.

Financial support for local governance structures is implied through alignment with national frameworks, but explicit details on patient and predictable funding are scant. Although there is intent to build local capabilities, the measures to leave behind an institutional legacy are not always clear, and the use of local knowledge systems in adaptation strategies is rarely mentioned.

Projects demonstrate attempts at transparency through public disclosures and grievance mechanisms, but accessibility for all local communities is not guaranteed. Efforts towards collaborative activities are evident, with some coordination between communities and sectors, but comprehensive strategies to ensure efficiency and avoid duplication are not thoroughly outlined. Overall, the projects show partial alignment with LLA principles, but there is scope for a more devolved approach and stronger integration of local perspectives in planning and implementation.

While the ADB has an ambition to work with local communities for LLA, it lacks the capacity as a bank to do so. Therefore, it matters who the bank partners with. Local CSOs are uniquely positioned to fill the gaps around effective community engagement within LLA but there is as yet only limited engagement between the bank and these organizations.

5.3. POVERTY ALLEVIATION

Oxfam's analysis of poverty alleviation builds on experience from a CARE report published in 2021, *Climate Adaptation Finance: Fact or Fiction?*,³⁸ and augments the methodology with key principles of the Human Rights Based Approach (HRBA). The analysis consists of guiding questions scored to determine the poverty orientation and prioritization of disadvantaged communities, such as poor communities, ethnic minorities, and impoverished regions, in project design. This includes verifying through poverty mapping and surveys.

The guiding questions for assessing the orientation towards poverty issues of the projects address whether the project:

- a. incorporates a poverty focus in its design;
- b. targets vulnerable groups such as poor communities, ethnic groups, or poor regions;
- c. adopts a Human Rights Based Approach to support the rights and policy changes for poor people;
 1. ensures active and meaningful participation of all stakeholders;
 2. identifies and provides accountability measures for duty-bearers;
 3. addresses non-discrimination and equality for marginalized groups;
 4. ensures transparency and access to information for all stakeholders.

Table 5 summarizes the results from Oxfam's assessment (for more details

of the methodology, see Annex 2, Section 2.8).

Table 5: Overview of ratings for poverty aspects based on Oxfam's assessment of the 15 projects

Project name	Q.a	Q.b	Q.c.1	Q.c.2	Q.c.3	Q.c.4	Total (0–30)
1. Building Resilience with Active Countercyclical Expenditures Programme (BRACE)	9	8	3	4	6	4	21.3
2. Emergency Flood Assistance Project	8	6	6	6	7	4	19.8
3. Coastal Towns Climate Resilience Project	10	9	7	7	7	7	26
4. Climate Change Action Programme, Subprogramme 1	7	5	4	1	6	4	15.8
5. Build Universal Health Care Programme (Subprogramme 1)	9	9	5	4	8	3	23
6. Second Power Transmission Enhancement Investment Programme (Tranche 4)	5	5	4	3	5	4	14
7. Microenterprise Financing and Credit Enhancement Project	8	8	8	7	7	7	23.3
8. Connecting Economic Clusters for Inclusive Growth in Maharashtra	10	9	8	6	7	6	25.8
9. Integrated Urban Flood Management for the Chennai-Kosasthalaiyar Basin Project	5	5	7	7	6	8	17
10. Maharashtra Rural Connectivity Improvement Project – Additional Financing	5	5	7	6	5	6	16
11. South Asia Subregional Economic Cooperation Dhaka–Sylhet Corridor Road Investment Project – Tranche 1	8	7	7	9	8	9	23.3
12. Promoting Innovative Financial Inclusion Programme (Subprogramme 2)	9	8	8	7	7	7	24.3
13. Sustainable Highlands Highway Investment Programme – Tranche 2	3	3	6	5	5	6	11.5
14. Sustainable Coastal and Marine Fisheries Project	8	8	7	5	7	5	22
15. Shandong West Jining Water Supply and Drainage Integration Programme	9	9	7	6	7	8	25
AVERAGE	7.5	6.9	6.3	5.5	6.5	5.9	20.5
AVERAGES WEIGHTED BY PROJECT SIZE	7.8	7.1	5.9	5.6	6.6	5.7	20.8

Notes: The questions for HRBA are averaged into the rating for question C.

On average, the projects score 20.5 out of 30, with individual question ratings ranging from an average of 5.5 to 7.5. The projects are, in general, planned to address poverty issues, but lag in terms of transparency and accountability measures. Box 9 provides an example of one project assessment of poverty orientation.

The analysis of various ADB projects reveals a concerted effort to align with

principles of poverty alleviation and LLA. Projects target poor communities, emphasizing infrastructure rehabilitation and capacity-building initiatives, particularly for women and girls in rural areas. Although projects integrate poverty and social analyses, environmental and social management frameworks, and gender action plans, they could be improved with more targeted strategies for the most vulnerable subgroups.

Consultation mechanisms are included, but the extent to which local communities are empowered to participate in decision making seems limited. Efforts towards transparency and accountability are evident in grievance mechanisms and public disclosures, but there are concerns about their accessibility for rural communities, especially women. While there is a general orientation toward improving conditions for poor communities, the approach lacks detailed poverty mapping and targeted interventions. Projects display an understanding of gender disparities and engage with civil society to some extent, but the overall approach appears top-down and lacks an intersectional analysis of vulnerability.

Box 9: The Coastal Towns Climate Resilience Project in Bangladesh

This ADB project is notably poverty-focused, aiming to improve conditions for impoverished communities through infrastructure, livelihood enhancements, and governance reforms. Municipal infrastructure upgrades, although not directly poverty-targeted, aim to benefit disadvantaged populations by bolstering climate disaster resilience and living standards. Explicitly, the project addresses poverty by empowering vulnerable households, particularly women, with tailored interventions like technical training for economic upliftment. Governance and capacity-building efforts, including Gender Equality and Social Inclusion-responsive training, also contribute indirectly to poverty alleviation.

The project includes participatory elements and grievance redress mechanisms to incorporate feedback from, and ensure accountability to, affected communities, although the degree to which community participation influences outcomes remains unclear. Although these strategies display an awareness of non-discrimination and the promotion of economic empowerment, a deeper analysis, and a more defined strategy to address structural inequalities and ensure accessible, inclusive participation, would strengthen the project's poverty alleviation impact.

This warrants the project's high rating of 26 out of 30.

6. CONCLUSIONS AND RECOMMENDATIONS

In synthesizing the findings of this report on the ADB's adaptation finance, we highlight both the progress made and the challenges that remain. The ADB's ambitious financial commitments reflect its aim to position itself as a leader in climate adaptation finance within the Asia and the Pacific region. However, a closer examination of the numbers reveals critical areas for strategic improvement to ensure that funds are both effectively and equitably allocated.

The ADB's efforts to be transparent – as demonstrated through the accessibility of main project documents and annexes, including gender action plans and climate change assessments via its website – sets a noteworthy standard. In certain instances, these climate change assessments provide detailed information and justifications for the calculations of adaptation finance. This level of openness is in stark contrast with other adaptation finance providers, such as the World Bank, and represents a significant stride towards greater accountability and local engagement in climate finance. Ensuring such transparency across all aspects of adaptation finance reporting and project documentation is crucial for building trust, enhancing project efficacy, and fostering more inclusive and informed local community participation in the climate resilience-building process.

Oxfam's analysis uncovers that despite the ADB's significant commitment to climate finance – with the goal to deliver \$100bn in cumulative climate finance from 2019 to 2030 – there is an imbalance between mitigation and adaptation efforts, which needs to be addressed. In 2021, adaptation finance constituted 36% (\$1.3bn) of total climate finance, with a modest increase in 2022 to 41% (\$2.7bn). This indicates a growing recognition of the importance of adaptation but also underscores the need to accelerate the increase in adaptation finance in response to the COP26 decision in Glasgow to double adaptation finance to developing countries by 2025.

Crucially, the composition of adaptation finance raises concerns. Between 2019 and 2023, a disproportionate share was provided as loans (93% or \$9.8bn), with grants comprising only 6% (\$0.6bn). Of the loans, only 27% were concessional with the remaining loan figures of \$7.2bn affected by increasing interest rates. This places a significant repayment burden on recipient countries, many of which are grappling with the compounded challenges of development and climate vulnerability. Oxfam's analysis finds a striking discrepancy in reported versus adjusted adaptation finance figures.

The ADB's reported \$1.7bn in adaptation finance for the 15 projects analysed by Oxfam (for 2021 and 2022). However, in Oxfam's assessment that accounted for the relevance and impact of financed activities, this figure came down to \$0.9bn. This substantial potential over-reporting on

the part of the ADB highlights the critical need for improved financial reporting practices.

Moreover, our analysis reveals that the adaptation grant equivalent (a metric that better reflects the true value received by recipient countries than the ADB reported face values) stands at a mere \$0.3bn – a reduction of 80% from the reported face value of adaptation finance across the 15 projects. This stark difference needs to prompt a re-evaluation of how adaptation finance is structured to ensure that it offers genuine support to those most in need.

The impacts of interest rate rises should be part of ongoing international efforts to reform MDBs. Oxfam is advocating for considerably more grants to adaptation and resilience in poorer countries that have not contributed to the climate crisis.

Finally, Oxfam's analysis of the ADB adaptation finance reveals critical gaps in gender inclusivity, LLA, and poverty alleviation efforts. The ADB could improve its impact in these key areas by: developing more comprehensive, actionable strategies to address the vulnerabilities of women and marginalized groups; making greater efforts to devolve decision-making power to local communities; and delivering more targeted interventions to effectively support the poorest and most vulnerable target groups.

RECOMMENDATIONS

Based on the analysis of the ADB's climate finance and its reporting practices for adaptation, we propose the following recommendations to the ADB and its shareholders. These should be urgently taken forward if the ADB is serious about being the 'climate bank of Asia and the Pacific'.

RECOMMENDATION NO. 1: IMPROVE CLIMATE FINANCE REPORTING

- a. **Improve the accuracy of reporting on adaptation finance** by improving methodologies for estimating and categorizing adaptation budgets. This should include clear documentation of the rationale behind categorizations and the financial valuation of adaptation components from incremental costs.
- b. **Estimate and publish (at project level) the grant equivalent values of financing** to show the real value for recipient countries and the public.
- c. **Introduce a concessionality system similar to the OECD DAC reporting directive from 2016**, differentiating concessional from non-concessional loans. This system defines calculation of the grant element of a climate loan, where a concessional loan must have a grant element of at least 45% (in the case of loans to LDCs and other LICs), 15% for loans to LMICs, and 10% for loans to UMICs. Loans below these thresholds are referred to as 'non-concessional'.

Such a system would also make it easier for the ADB's shareholders to increase the priority of concessional finance for adaptation in LDCs and climate vulnerable countries.

- d. **Clearly identify target groups and improve vulnerability analysis**, focusing more on involving and empowering target groups and communities in consultations and decision making. The ADB should promote increasing space for civil society organisation involvement in relation to ADB-supported projects.
- e. **Disclose internal guidance and the methodology used to calculate climate finance** (for adaptation and mitigation), making this information public.

RECOMMENDATION NO. 2: INCREASE THE AMOUNT OF GRANT-BASED AND HIGHLY CONCESSIONAL FINANCE TO LDCS AND CLIMATE VULNERABLE COUNTRIES

- a. **Increase the concessionality level and the amount of grants and highly concessional finance to adaptation and resilience-strengthening projects** in LDCs and climate vulnerable countries. This would decrease repayment levels and make adaptation loans less sensitive to increases in interest rates on the international capital market.
- b. **Contribute to international efforts to reform MDBs**, including supporting more grants for adaptation and resilience in LDCs and climate vulnerable countries. Oxfam also calls on the ADB and shareholders to provide more concessional financing rather than non-concessional loans, which are affected by increases in interest rates, in turn further indebting already indebted and vulnerable countries.

RECOMMENDATION NO. 3: STRENGTHEN PROJECT INDICATORS

- a. **Strengthen project indicators for adaptation and resilience**, and for involving and empowering target groups and communities in project preparation and planning. This includes seeking Free, Prior and Informed Consent from Indigenous Peoples.
- b. **Strengthen results frameworks with more clearly planned outcomes and measurable indicators** of climate resilience and adaptation results.

RECOMMENDATION NO. 4: PROMOTE GENDER EQUALITY AND SOCIAL INCLUSION

- a. **All adaptation projects should undergo thorough gender analyses** to address the specific needs and vulnerabilities of women and marginalized groups. Projects should include mechanisms for risk

prevention and evaluation, and grievance redress.

- b. **Implement a gender continuum** to assess and guide the gender sensitivity of projects, aiming for the gold standard of being gender transformative. This framework helps ensure that projects move from being 'gender unaware', and reinforcing gender stereotypes, to promoting gender equality and shifting societal norms.
- c. **Engage women at all stages of the project cycle**, from planning through to implementation, ensuring that their perspectives shape climate projects for more effective and inclusive outcomes.
- d. **Commit to transparency by regularly publishing how gender-responsive approaches are integrated into ADB projects**, making these details accessible and promoting accountability and continuous improvement in gender mainstreaming.

RECOMMENDATION NO. 5: ADVANCING LOCALLY LED ADAPTATION

- a. **Empower local communities by devolving decision making to the lowest appropriate level**, ensuring that local communities and stakeholders have a significant say in the adaptation projects that affect them. This includes supporting local governance structures to decide and manage direct adaptation efforts, particularly through community service delivery on adaptation and resilience-building. Empowering communities to manage these services means they can tailor solutions to their specific environmental and socio-economic context, enhancing the effectiveness and sustainability of adaptation strategies.
- b. **Adhere to the eight principles for locally led adaptation** to help ensure that local communities and local governments are empowered to lead sustainable and effective adaptation locally.

RECOMMENDATION NO. 6: SUPPORT POLICY AND CAPACITY BUILDING

- a. **Support the integration of climate adaptation into national and local policies and planning processes** and provide technical assistance and capacity-building efforts to help partner countries and regions develop and implement effective adaptation policies and strategies.
- b. **Implement a continuum system to guide the development of adaptation projects**, to avoid those that may be inadvertently harmful to those that actively contribute to resilience and transformation. At one end of the spectrum, projects might be 'climate damaging' or 'climate unaware,' where they either negatively impact the environment or lack consideration of climate effects. The goal is to evolve these projects towards 'climate responsiveness,' where they begin to actively consider and address

climate impacts, and ultimately to reach the 'climate transformative' stage, where they not only respond to climate challenges but also drive positive changes in climate resilience practices. This continuum approach will help with planning and designing interventions that progressively enhance their climate action outcomes.

ANNEX 1: METHODOLOGY

1. THE ADB'S METHODOLOGY FOR ESTIMATING ADAPTATION FINANCE

The ADB's methodology for estimating climate finance (including adaptation finance) shares similarities with the joint MDB methodology. However, the ADB introduces slight differences in terminology and categorizes adaptation activities differently. The ADB methodology involves a process to integrate climate change considerations from project conceptualization through to implementation.^{39,40}

1.1. KEY PRINCIPLES FOR CLIMATE FINANCE CALCULATIONS

The ADB's methodology adheres to principles designed to ensure accuracy, conservativeness, and alignment with broader sustainability goals, based on the joint MDB methodology. It covers the broad scope of climate change mitigation and adaptation activities, including projects, policy actions, and various financial instruments such as loans and grants.

Financial commitments are reported at the point of board approval, with a focus on preventing double-counting and avoiding post-approval revisions that could affect climate finance estimates. A conservative approach is prioritized, where under-reporting is favoured over over-reporting in cases of data uncertainty, to maintain report integrity. Activities are disaggregated for clarity between climate and unrelated activities, utilizing qualitative assessments when direct disaggregation is not possible. The methodology intends that climate finance supports the Sustainable Development Goals (SDGs) and excludes activities that significantly rely on fossil fuels, except under stringent conditions to avoid endorsing carbon-intensive projects.

1.2. DETERMINATION OF ELIGIBLE ACTIVITIES

Within the ADB framework, climate finance is categorized into two distinct types – mitigation finance and adaptation finance – each guided by its respective set of criteria and methodologies. Mitigation finance focuses on projects aimed at reducing greenhouse gas (GHG) emissions or enhancing carbon sequestration, with activities selected based on their direct GHG reduction potential. This includes investments in renewable energy, energy efficiency, cleaner transportation, and similar technologies, with finance quantified based on the portion of the project contributing to mitigation objectives.

Adaptation finance targets projects designed to lessen people's vulnerability and bolster resilience against the impacts of climate change. This facet of climate finance is more complex than mitigation, due to the diverse impacts of climate change across regions and sectors. The ADB's methodology for calculating adaptation finance involves identifying projects or components that directly tackle climate risks and vulnerabilities, acknowledging the highly specific nature of adaptation needs based on geographic and sectoral differences.

1.3. THE THREE-STEP METHODOLOGY FOR ADAPTATION FINANCE

Based on the joint MDB approach, the ADB uses the three-step methodology to estimate adaptation finance, albeit with slight differences for types of projects and modalities. For Type 1 projects, the focus is on integrating climate risk management measures to safeguard project objectives. Type 2A projects, which aim to simultaneously address climate risks and development goals, adjust the methodology to reflect their dual focus, ensuring that activities are designed to enhance resilience and support development objectives within the climate risk context. Type 2B projects, dedicated to systemic adaptation efforts, prioritize understanding and addressing the underlying causes of vulnerability, with a clear emphasis on adaptation as the project's primary goal. The three steps are described below.

STEP 1: ESTABLISHING THE CLIMATE RISK CONTEXT

This step involves a detailed assessment of a project's climate risk context by:

- Conducting a climate risk and adaptation assessment (CRA) that forms the basis for understanding the specific climate risks and impacts (current and anticipated) that a project might face.
- Identifying how climate change could affect the project's location, its physical and functional components, and the vulnerability of these components to changes in climatic conditions.
- Utilizing credible scientific sources and, where available, project-specific studies to establish a robust evidence base for the climate risk context.

STEP 2: STATEMENT OF INTENT

Having established the climate risk context, the project documentation should articulate an explicit intention in its objectives to address these identified risks through specific activities. This includes:

- Ensuring that the project does not exacerbate vulnerabilities beyond its immediate scope and aligns with the recipient country's relevant adaptation strategies and plans.
- Incorporating the intent to mitigate identified climate risks in key project documents, such as the project concept paper, Report and Recommendation of the President (RRP), and others as applicable.

STEP 3: LINKING ACTIVITIES TO IDENTIFIED CLIMATE RISKS

The final step should demonstrate how the proposed activities logically and directly address the established climate risk context. For each adaptation activity or project component, there should be:

- A direct connection between the financed activities and the identified climate risks and impacts.
- Details in project appraisal documents, such as technical due diligence sections of the RRP, that clearly outline the adaptation activities and their expected outcomes in addressing climate risks.

1.4. GENERAL APPROACH FOR ESTIMATING ADAPTATION FINANCE

The ADB's estimations of adaptation finance are guided by principles that allow for both incremental and proportional approaches, depending on the nature of the project and the clarity of the adaptation benefits. Key considerations include:

- *Incremental cost approach:* Estimating the additional costs associated with making a project climate-resilient compared to a baseline scenario where these adaptation measures are not included. This approach is used when specific adaptation enhancements can be distinctly identified and costed.
- *Proportional approach:* When direct costs of adaptation measures cannot easily be separated out, this method estimates a proportion of the project's total finance that can be attributed to adaptation based on an assessment of the project's overall contribution to reducing climate vulnerability.

1.5. OTHER CONSIDERATIONS

Several other overarching aspects are considered to estimate adaptation finance. These include:

- The need for clear documentation and justification for the estimated adaptation finance, especially when using proportional methods.
- The importance of alignment with broader development goals and ensuring that adaptation finance contributes constructively to sustainable development outcomes.

The methodology acknowledges, it might not fully reflect the entire value of finance contributing to climate resilience. For example, a detailed approach captures financing for specific features like enhanced drainage for a road to cope with extreme weather, contributing to overall resilience. However, this approach may not account for total project value that increases resilience through specific adaptation activities within it. Also, certain activities that improve resilience but do not have extra costs (such as operational adjustments for business continuity or strategically locating assets to avoid

future climate risks) might not be quantified in these estimates. This shortcoming is accepted in line with the principle of conservativeness.⁴¹

2. OXFAM'S METHODOLOGY FOR CALCULATING ADAPTATION FINANCE

2.1. INTRODUCTION

Oxfam's methodology for calculating climate finance is based on the three-step joint methodology of the MDBs but adds important considerations to reflect a more detailed understanding of what information that project documentation should include.

The overall structure of the methodology is as follows:

- Description of the vulnerability assessment: the three steps.
- Assessment of the three steps:
 - Vulnerability context and target groups.
 - Intent to address the vulnerability.
 - Link between intent and vulnerability context.
- Granular assessment of adaptation finance.
- Analysis of results frame with indicators.
- Assessment of gender aspects.
- Assessment of LLA orientation.
- Assessment of poverty aspects.
- Assessment of grant equivalence.
- Assessment of climate-specific net assistance (CSNA).

In assessing the three steps, as well as gender and poverty aspects, and orientation towards LLA principles, several questions guide Oxfam's assessments. Based on the answers to these questions, the projects were holistically rather than granularly rated on a scale of 0–10 for each key topic, producing an aggregate figure that was used to quantify the extent to which each project addressed these aspects.

For the granular assessment of adaptation finance, the projects were assessed on the lowest possible level of granularity – i.e., if the project is divided into components and further into subcomponents, each of the subcomponents was assessed. For this part of the analysis, a coefficient rating system was used with penalties if the granular parts were not (or were only partly) adaptation-relevant, if there was no reference to incremental costs, or if the project document was so weak as to create doubt about its adaptation relevance.

Each of these parts of the methodology is explained below.

2.2. DESCRIPTION OF THE VULNERABILITY AND ADAPTATION FINANCE ASSESSMENT

Oxfam's assessment methodology begins with the first of the three steps, the vulnerability context assessment, which has more weight than in the OECD's Rio Markers⁴². Each of the three steps is assigned a rating for the quality of how the documentation describes the information required of that step. This part of the assessment is crucial as it adjusts the assessed adaptation finance based on the quality of the descriptions of vulnerability, of the project's intent to address the risks identified, and the links between that intent and project activities.

Similar to the ADB methodology, Oxfam's methodology accounts for different project modalities – for example, project loans within sectors and policy-based loans – recognizing that these should be assessed using different criteria. (For example, for policy-based loans, the ADB methodology addresses the country's vulnerability context rather than the local vulnerability context of target groups.)

Following the evaluation of the vulnerability aspects, Oxfam carried out a detailed compliance assessment against specific vulnerability criteria for each component/subcomponent of each project. This process involved assigning coefficients to reflect the extent to which each project component (or subcomponent) addressed climate change vulnerabilities.

The use of coefficients is described further in Section 2.4 below, informed by the World Bank's *Reference Guide on Adaptation Co-Benefits*.⁴³ The coefficients range from a complete 1 for components fully relevant to adaptation, to 0 for those with no discernible motivation to address vulnerabilities. Where explicit incremental costs of addressing vulnerabilities are stated, these are directly factored in. In cases where a comprehensive list of measures to address vulnerabilities exists, finance was evenly split among these measures. A coefficient of 0.5 was applied when such lists were not clear or comprehensive.

Further, if a list of motivations for addressing vulnerability was present but not all items were relevant to climate adaptation, finance was allocated according to the proportion of the list that was relevant. In instances where the activities, aims and objectives were only partially linked to addressing the identified vulnerabilities, or when the reporting was so weak as to create significant uncertainty (about both the adaptation relevance and the supporting finance), additional coefficients of 0.5 (or even down to 0.25 or 0.125 in total) were applied. This application of coefficients aimed to adhere to the principle of conservativeness – a core tenet of the joint MDB, ADB and Oxfam methodologies – ensuring that in cases of uncertainty, adaptation finance is under-reported rather than over-reported.

Oxfam's methodology aimed to precisely quantify the portion of finance provided by the ADB that was attributable to addressing climate vulnerabilities. This considered the granularity of financial reporting, applying the determined ratios of ADB-provided finance across all levels of project reporting. For instance, if an overall project budget indicated a specific ratio of ADB to non-ADB finance without further detail, this ratio

was assumed to apply throughout the project's components.

Using project or programme appraisal documents as the primary source for assessment, Oxfam's methodology sought to ensure that where reporting was sufficiently detailed to identify the cost of each activity qualifying for climate finance, the estimated value aligned closely with the ADB's own reporting. Where reporting lacked detail, the use of standard assumptions, informed by the ADB method, allowed Oxfam's estimate to deviate, capturing a more conservative estimation of adaptation finance.

In the end, an estimate of adaptation finance is produced based on the ratings from the assessment of:

- I. vulnerability context (section 2.3);
- II. intent (section 2.3);
- III. link between intent and project activities (section 2.3);
- IV. the adaptation relevance of project indicators (section 2.4);

and of the granular assessment of project components/subcomponents based on coefficients multiplied by component/subcomponent budgets (section 2.5).

The estimate of adaptation finance comes out to

$$\frac{\text{sum of ratings of assessments of I.IV. (0 – 40)}}{\text{maximum possible rating (40)}} \times \text{sum of (coefficients} \times \text{component/subcomponent budgets)} = \text{assessed adaptation finance}$$

The following sections, 2.3-2.5, will detail the assessments of each of these constituents.

2.3. ASSESSMENT OF THE THREE STEPS: VULNERABILITY, INTENT, AND LINK BETWEEN INTENT AND PROJECT ACTIVITIES

This section explains the guiding questions used to assess the vulnerability context, the intent to address that vulnerability context, and link between that intent and the project activities.

In recognition of the purpose of the study - to assess the adequacy of the reported adaptation finance - a fourth step has been added to account for the adaptation relevancy of the indicators of the project. This addition attempts to acknowledge the importance of indicators in shaping the development, implementation, and results of the projects, highlighting the importance of the planned result frame in the project document. The fourth step is detailed in the next subsection, 2.4.

STEP 1: VULNERABILITY CONTEXT

- Does the documentation describe the project's climate change vulnerability context?
- Does the documentation identify other vulnerability assessment studies already completed in the same country covering the same general area

or livelihood group?

- Is the context of climate vulnerability clearly set out using a robust evidence base for a project to be considered as one that contributes to adaptation?
- Guiding questions to consider:
 1. How well does the project set out the local context in the area for project interventions?
 2. Does the project clearly identify a particular target group(s)?
 3. How well does the project document understand vulnerabilities as well as capacities of the given target group for a particular intervention?
 4. How well does the project set out the context of risks, vulnerabilities and impacts related to climate variability and climate change?
- Guiding questions to consider for policy-based lending (PBL) operations:
 1. Does the documentation describe how the PBL is consistent with the country's Nationally Determined Contributions (NDC) and National Adaptation Plan (NAP)?
 2. Is the policy action designed according to the country's vulnerability context, considering relevant country systems and institutional capacity?
 3. Are potential unintended adverse effects from the PBL identified, managed, and mitigated to reduce risks from climate hazards to an acceptable level?
 4. If the PBL reform programme does not address the risks of climate hazards, are other policy actions or measures outside the PBL operation referenced? For example, technical assistance or investment projects by the MDB or other development partners.

STEP 2: INTENT

- Does the documentation articulate an intent to address the vulnerability context?
- Is the intent/objective of the project to address the identified risks, vulnerabilities and impacts related to climate variability and climate change?
- Guiding questions to consider:
 1. Is climate change adaptation or resilience a fundamental driver of the project's objectives?
 2. Does the project documentation relate the project's objectives and main strategy to the government's adaptation strategy/policy?

STEP 3: LINK BETWEEN INTENT AND PROJECT

- Does the documentation establish a link between that intent and project activities and budgets? (Overall, not component-specific)
- Is there a demonstrated direct link between the identified risk,

vulnerabilities and impacts, and the financed activities?

- Guiding questions exclusive to sector development programmes:
 1. How will the interventions help to improve the situation of target groups related to adaptation?
- Guiding questions exclusive to policy-based lending (PBL) operations:
 1. How is the project intended to strengthen institutional capacities in relation to adaptation?
 2. Are potential unintended adverse effects from the PBL identified, managed and mitigated to reduce risks from climate hazards to an acceptable level? For example, through strengthening institutional capacity.
 3. If the PBL reform programme does not address the risks of climate hazards, are other policy actions or measures outside the PBL operation referenced? For example, technical assistance or investment projects by the MDB or other development partners.

2.4. ANALYSIS OF RESULTS FRAME WITH INDICATORS

Oxfam's expectation is that ADB project documents contain robust results frameworks that include planned outcomes and indicators for measuring climate change impacts. We are inspired by the OECD toolkit, *Impact by Design: Effective Results Frameworks for Sustainable Development*⁴⁴, which provides an in-depth understanding of an effective results framework.

ANALYSIS OF THE RESULTS FRAME, PARTICULARLY HOW INDICATORS ESTABLISH A LINK TO CLIMATE CHANGE INTERVENTION AND PLANNED OUTCOMES

- Guiding questions:
 1. Count the number of adaptation-relevant indicators in the main document as well as the total number of indicators. In some projects, counting outcomes could also be relevant.
 2. Calculate the share of adaptation-relevant indicators within the total number of indicators.
 3. Compare the ratio of adaptation-relevant indicators to total indicators with the ratio of the reported adaptation finance relative to the total budget.
 4. Produce a ratio between 0 and 10 corresponding to the ratio produced by comparing the adaptation finance and adaptation-relevant indicators.
 5. If the ratio produced is greater than 1 (i.e., the share of adaptation finance within the total budget is greater than the share of adaptation-relevant indicators), the rating assigned is 10.
 6. For example, for a project with 5 adaptation-relevant indicators out of a total of 12, the share of adaptation-relevant indicators is $5/12=41.67\%$. The same illustrative project has an adaptation relevancy share of the total budget of 62%. Comparing the two shares, $\frac{0.4167}{0.62} = 0.6721 \approx 7/10$, i.e., the rating should be 7.

2.5. GRANULAR ASSESSMENT OF ADAPTATION FINANCE

Oxfam's methodology for assessing adaptation finance is based on the World Bank's *Reference Guide on Adaptation Co-Benefits*⁴⁵. The method has been adapted slightly to fit the purpose of this study. The method includes the following steps for each of the lowest levels of granularity (i.e., component or subcomponent), assigning a coefficient such that:

- a coefficient of 1 is given if the component/subcomponent is entirely relevant to adaptation
- a coefficient of 0 is given if no motivation to address vulnerability is found
- incremental costs of addressing the vulnerabilities are used if these are stated explicitly
- an even split of finance is used if a comprehensive list of measures to address vulnerability is available
- a coefficient of 0.5 is given if such a list is not comprehensible
- if there is a comprehensible list of motivations to address the vulnerability, but not all motivations are relevant for climate adaptation, an amount of finance is assigned that is equal to the proportion of the list that is relevant
- a coefficient of 0.5 is given if such a list is not comprehensible.
- if, in any of the cases above, the activities, aims and objectives are only partially related to addressing the vulnerability context, a further coefficient of 0.5 (or 0.25 in total) is assigned
- if, in any of the cases above, reporting is so weak as to create significant uncertainty regarding both the adaptation-relevance of a given activity, aim, objective or motivation as well as what funding supports it, a further coefficient of 0.5 is assigned to attempt to adhere to the principle of conservativeness (or a potential total of 0.125).

The assessment of the vulnerability aspects of the project adjusts the granular assessment of adaptation relevance, resulting in a combined figure, which is then compared to the reported adaptation figure, to allow a finding about the level of over- or under-reporting of the project's adaptation relevance.

As well as assessing the 15 projects' vulnerability aspects and adaptation finance reporting, Oxfam developed a methodology for assessing their gender and poverty aspects, and orientation towards principles for locally led adaptation. The inclusion of these additional assessments is rooted in the acknowledgement that vulnerabilities to climate change are affected by both the climate change-specific conditions in a given context, and the capacities and resilience of the target groups. The method for each of these assessments is elaborated below.

2.6. ASSESSING GENDER ASPECTS

Oxfam developed a method to assess the gender aspects of the 15 ADB projects, based on CARE's Gender Marker tool.⁴⁶ The method involves four questions, with an additional question to allow for rating the project according to CARE's ISOFI (Inner Spaces, Outer Faces Initiative) Gender Continuum, a five-point scale ranging from harmful to transformative.⁴⁷ Each question has a rating of 0 to 10.

1. Is this project/programme document informed by some analysis of the gender differences of women, men, boys and girls?
2. Is the project/programme planned with indicators that imply the collection and analysis of both sex- and age-disaggregated data?
3. Are project activities planned to meet the distinct needs of women, men, boys and girls?
4. Does the project intervention ensure the meaningful participation of women, men, boys and girls in at least one of the following: transparent information sharing; decision making; responsive feedback mechanisms?
5. What stage of the Gender Continuum does the project documentation indicate?

2.7. ASSESSING LOCALLY LED ADAPTATION ORIENTATION

Oxfam used the eight principles of locally led adaptation (LLA) as guiding questions to assess the 15 ADB projects' orientation towards LLA:

1. Does the project devolve decision making to the lowest appropriate level to give local institutions and communities more direct access to finance and decision-making power over how adaptation actions are defined, prioritized, designed and implemented, how progress is monitored, and how success is evaluated?
2. Does the project address structural inequalities, acknowledging that gender-based, economic and political inequalities are root causes of vulnerability?
3. Is the project provided with patient and predictable funding to support long-term development of local governance processes, capacity and institutions?
4. Is the project set up to invest in local capabilities to leave an institutional legacy by improving the capabilities of local institutions to ensure they can understand climate risks and uncertainties, generate solutions, and facilitate and manage adaptation initiatives over the long term without being dependent on project-based donor funding?
5. Is the project intended to build a robust understanding of climate risk and uncertainty to inform adaptation decisions through a combination of local, traditional, Indigenous, generational and scientific knowledge

that can enable resilience under a range of future climate scenarios?

6. Does the project support flexible programming and learning to enable adaptive management to address the inherent uncertainty in adaptation, especially through robust monitoring and learning systems and flexible finance and programming?
7. Does the project ensure transparency and accountability to make processes of financing, designing and delivering programmes more transparent and accountable downward to local stakeholders?
8. Does the project facilitate collaborative action and investment to secure collaboration across sectors, initiatives and levels to ensure that different initiatives and different sources of funding (humanitarian assistance, development, disaster risk reduction, green recovery funds, etc.) support each other, and their activities avoid duplication to enhance efficiencies and good practice?

2.8. ASSESSING POVERTY ASPECTS

To assess the orientation of the 15 ADB projects towards poverty aspects, Oxfam adapted the methodology from *Climate Adaptation Finance: Fact or Fiction?* and supplemented it with steps to assess alignment with the Human Rights Based Approach.⁴⁸ The guiding questions are scored and include the following.

- a. To what extent is poverty orientation to poor communities included in the project design?
- b. To what extent is the project prioritizing poor communities /ethnic groups /poor regions? (e.g. as confirmed through existing poverty mapping, household surveys and other data)
- c. Is the project applying a Human Rights Based approach? (Addressing the rights of poor people and advocating for policy changes in this respect) (Average of c.1.-c.1.4.)
 1. *Participation*: Do all relevant stakeholders engage actively, in a way that allows rights-holders to contribute meaningfully and influence outcomes?
 2. *Accountability*: Are duty-bearers at different levels identified and do they have sufficient capacity and interest to be accountable to rights-holders? Are there mechanisms for participation and complaints in place for rights-holders, civil society, and other stakeholders to hold the duty-bearers to account?
 3. *Non-discrimination and equality*: Are rights-holders and the root causes of the non-realization of their human rights identified and taken into account, particularly those most subject to discrimination and marginalization?
 4. *Transparency*: Are measures put in place to ensure that all

stakeholders can access relevant information and knowledge regarding the intervention?

2.9. ASSESSING GRANT EQUIVALENCE

To calculate the present value of the adaptation finance to the recipient, Oxfam has included estimations of the grant equivalents and grant elements (see below for explanations of these terms) for the 15 projects analysed, using the same criteria for discount rates and grant elements for given income groups as used by the OECD Development Assistance Committee (DAC).⁴⁹ DAC statistics require certain levels of grant element for financing to be considered concessional:

- For loans to the official sector of least developed countries (LDCs), grant elements of 45% are required, calculated at a 9% discount rate.
- For loans to the official sector of lower middle-income countries (LMICs), grant elements of 15% are required, calculated at a 7% discount rate.
- For loans to upper middle-income countries (UMICs), grant elements of 10% are required, calculated at a 6% discount rate.

Whereas grant equivalents express the absolute present value of financing for the recipient, grant elements express the relative value. As such, the **grant equivalent** is the total discounted amount extended minus the total discounted repayments:

$$\begin{aligned} \textit{Grant equivalent} \\ &= \textit{total discounted amount extended} \\ &- \textit{total discounted amount repaid} \end{aligned} \quad (1)$$

The **grant element**, in turn, equals the grant equivalent divided by the loan value:

$$\textit{Grant element} = \frac{\textit{grant equivalent}}{\textit{loan value}} \quad (2)$$

To arrive at the total discounted amount extended and total discounted amount repaid, the sum of discounted disbursements and repayments is calculated:

$$PV_x = \sum_{t=0}^N \frac{\textit{Cash flow}_t}{(1 + \textit{discount rate})^t} \quad (3)$$

This formula translates to summing the discounted cash flows at each time period or year, t , over the length of the loan, N , from the date of the loan agreement, $t = 0$, to a total of the discounted cash flows, $PV_x = \textit{Total Present Value of either disbursements or repayments}$. Ultimately, this means that the value of given future cash flow, either disbursement or repayment, is less than the present value, given a positive discount rate. From the above information, we know that discount rates between 5% and 9% are used in the OECD DAC context for concessionality.

Therefore, the grant equivalence and grant element reflect that finance from a donor to a project provider is influenced by the timing of cash flows,

the magnitude of which is decided by interest rate and face value, the discount rate, the length of the loan, and potential grace periods in which repayments are postponed.

For this study, only ADB financing for a project is included, even if government counterpart financing or co-finance from other institutions was administered by the ADB.

In the ADB projects included in our study, the interest rates of the loans are flexible and follow the Secured Overnight Financing Rate (SOFR),⁵⁰ to which there are often ADB-specific additions of maturity premiums, credits, and commitment charges. In some cases, the interest rate was initially determined by the London Interbank Offered Rate (LIBOR), but given its recent discontinuation,⁵¹ the SOFR has become the standard reference for the ADB's interest rate.

To estimate grant equivalence, it is necessary to make assumptions about future interest rates to calculate the present value of cash flows. This analysis has relied on a recent SOFR of 5.3% (the rate as of 20th of February 2024). To account for the flexible nature of most of the loans, sensitivity tests were conducted for the interest rates for the date of the loan effectiveness⁵² as well as an increase in the recent SOFR by 2 percentage points.

Similarly, sensitivity tests were conducted for the effect of the discount rates. In general, with disbursements near the present and loan repayments long continuing, a decrease (increase) in the discount rate decreases (increases) the grant equivalence of the loan, as the weight of future repayments increases (decreases).

Though not captured directly by the grant equivalent estimations, it is possible to also account for the sensitivity of repayments to changes in currency rates. Although accounting for this is beyond the scope of this study, Box 4 in the main body of the report illustrates the impact of changing currency rates on the debt burden of recipient countries.

2.10. ASSESSING ADAPTATION GRANT EQUIVALENCE

Having described how Oxfam calculated grant equivalence and grant elements, we are now able to explain how we calculated adaptation grant equivalence as employed in the Oxfam Shadow Report series through the Climate-Specific Net Assistance (CSNA) figures.⁵³ In contrast to the Shadow Report, this report focuses solely on adaptation finance and excludes mitigation finance. So, in this report, the figure for the CSNA will only reflect the adaptation-specific net assistance, the adaptation grant equivalent.

The adaptation grant equivalent is calculated by adjusting assessed adaptation finance for the grant element of project finance:

$$\begin{aligned} \textit{Adaptation grant equivalent}_x \\ = \textit{assessed adaptation finance}_x \times \textit{grant element}_x \end{aligned}$$

Where the x -subscript denotes a given project. When evaluating the overall

impact and effectiveness of reporting methods used by contributors to climate finance, Oxfam believes that the adaptation grant equivalent offers a more accurate representation of both the contributor's effort and the net benefit gained by the recipient.

NOTES

- ¹ Oxfam. (2023). 'False Economy: Financial wizardry won't pay the bill for a fair and sustainable future'. Oxfam International Media Briefing, 10 April. <https://oi-files-d8-prod.s3.eu-west-2.amazonaws.com/s3fs-public/2023-04/Report%20%28English%29.pdf>
- ² Roy, C., Hattle, A., Dejgaard, H.P., & Acharya, S. (2022). *Climate Finance in Asia*.
- ³ Copenhagen Accord. (2009). United Nations Framework Convention on Climate Change.
- ⁴ OECD. (2023). *Climate Finance Provided and Mobilised by Developed Countries in 2013-2021: Aggregate Trends and Opportunities for Scaling Up Adaptation and Mobilised Private Finance*, Climate Finance and the USD 100 Bn Goal. Paris: OECD Publishing <https://doi.org/10.1787/e20d2bc7-en>
- ⁵ First global stocktake, Proposal by the President, Draft decision -/CMA.5, Outcome of the first global stocktake, Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, Fifth session, United Arab Emirates, 30 November to 12 December 2023, Agenda item 4.
- ⁶ UNEP. (2023). *Adaptation Gap Report 2023*. <https://www.unep.org/resources/adaptation-gap-report-2023>
- ⁷ Carty, T., & Kowalzig, J. (2022). *Climate Finance Short-Changed: The real value of the \$100 bn commitment in 2019-2020*. Oxfam. <https://policy-practice.oxfam.org/resources/climate-finance-short-changed-the-real-value-of-the-100-bn-commitment-in-2-621426>
- ⁸ Roy, C., Hattle, A., Dejgaard, H.P., & Acharya, S. (2022). *Climate Finance in Asia: Assessing the state of climate finance in one of the world's most climate vulnerable regions*. Oxford: Oxfam International <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621445/bp-climate-finance-in-asia-011122-en.pdf?sequence=4>
- ⁹ European Investment Bank. (2023). *2022 Joint Report on Multilateral Development Banks' Climate Finance*. <https://www.eib.org/en/publications/20230128-2022-joint-report-on-multilateral-development-banks-climate-finance>
- ¹⁰ European Investment Bank (2023). *2022 Joint Report on Multilateral Development Banks' Climate Finance*.
- ¹¹ Roy, C., Hattle, A., Dejgaard, H.P., & Acharya, S. (2022). *Climate Finance in Asia*.
- ¹² European Investment Bank. (2023). *2022 Joint Report on Multilateral Development Banks' Climate Finance*. MDBs contains the following: ADB (Asian Development Bank), AfDB (African Development Bank), AIIB (Asian Infrastructure Investment Bank), CEB (Council of Europe Development Bank), EBRD (European Bank for Reconstruction and Development), EIB (European Investment Bank), IDBG (Inter-American Development Bank Group), composed of the IDB, IDB Lab and IDB Invest, IsDB (Islamic Development Bank), NDB (New Development Bank) and WBG (World Bank Group), composed of the IDA (International Development Association), IBRD (International Bank for Reconstruction and Development), IFC (International Finance Corporation) and MIGA (Multilateral Investment Guarantee Agency).
- ¹³ Oxfam. (2022) *Asia's Extreme Inequality Crisis: Building back fairer after Covid-19*. Commitment to Reducing Inequality Index Asia briefing. Development Finance International and Oxfam International <https://oxfamilibrary.openrepository.com/bitstream/10546/621442/1/bp-asias-extreme-inequality-crisis-260922-en.pdf>
- ¹⁴ Farr, J., Morrissey, J, & Donaldson, C. (2022). *Unaccountable Accounting: The World Bank's Unreliable Climate Finance Reporting*. Oxfam: Oxfam International.
- ¹⁵ Asian Development Bank (2023). CLIMATE CHANGE ACTION PLAN 2023-2030
- ¹⁶ Asian Development Bank. (2024). Climate Change and Disaster Risk Management. ADB website <https://www.adb.org/what-we-do/topics/climate-change>
- ¹⁷ Asian Development Bank. (2021). ADB Commits to Full Alignment with Paris Agreement. News release, 8 July <https://www.adb.org/news/adb-commits-full-alignment-paris-agreement>
- ¹⁸ Asian Development Bank. (2023). Climate Change Action Plan, 2023 -2030. <https://www.adb.org/documents/climate-change-action-plan-2023-2030>

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- ²¹ UNEP. (2023). *Adaptation Gap Report 2023*. <https://www.unep.org/resources/adaptation-gap-report-2023>
- ²² Roy, C., Hattle, A., Dejjgaard, H.P., & Acharya, S. (2022). *Climate Finance in Asia*.
- ²³ For the calculations on ADB climate finance, no adjustments were made directly to the ADB dataset other than to correct the region for project 56051-001 to East Asia.
- ²⁴ The income groupings only include income as criterion for the status of lower, lower middle, upper middle-, or high-income country, while the LDC status is based on a range of 20 criteria such as health and education indices, under-5 mortality, literacy rate, and income, among others. As such, a country can be in the lower middle-income group and also have LDC status. Bangladesh is an example of just this (both LMIC and LDC).
- ²⁵ The *2023 Guidance Note on Developing Projects that Support Climate Adaptation and Resilience Outcomes* and the *2023 Update on Counting Climate Finance at ADB* were both finalized after the 15 projects included in the assessment were issued in 2021 and 2022. The adjustments to previous methodologies might not have fully been incorporated in the projects assessed here, but while the new guidelines could facilitate improvements for subsequent projects, the insights from the 2021 and 2022 projects are still valid as adaptation finance was claimed for these projects.
- ²⁶ Farr, J., Morrissey, J, & Donaldson, C. (2022). *Unaccountable Accounting: The World Bank's Unreliable Climate Finance Reporting*. Oxfam: Oxfam International
- ²⁷ At the time of undertaking assessments, only datasets on projects up to 2022 were available.
- ²⁸ Oxfam uses over-reporting to denominate the relative difference between the adaptation finance as reported by the ADB and the assessed adaptation finance by Oxfam, which is 1 minus assessed adaptation finance divided by reported adaptation finance.
- ²⁹ Dated 20 February 2024. The SOFR is a generalized measure of the costs of borrowing cash overnight collateralized by US Treasury securities, reflecting the market terms at a given time.
- ³⁰ The OECD applies a discount rate of 5% plus 2 percentage points for an LMIC. See Annex 1 for a detailed explanation.
- ³¹ Federal Reserve Economic Data for 17 February 2004. Economic Research Division, Federal Reserve Bank of St. Louis. Retrieved from <https://fred.stlouisfed.org>
- ³² Part of this increase in repayments can be offset by contingencies to the loan.
- ³³ ADB. (2022). Reports and Recommendations of the President for the Bangladesh Coastal Towns Climate Resilience Project.
- ³⁴ CARE International. (2021). Gender Marker Guidance. https://www.care.org/wp-content/uploads/2023/03/CARE_Gender-Marker-Guidance_English_2021.pdf
- ³⁵ CARE and International Center for Research on Women. (2006). *Walking the Talk: Inner Spaces, Outer Faces. A Gender and Sexuality Initiative*. ISOFI Gender Equity Continuum. <https://genderinpractice.care.org/core-concepts/gender-analysis-framework/good-practices-framework-on-gender-analysis/programmatic-design/progress-along-the-gender-continuum>
- ³⁶ Stage 3 activities are sensitive to gender and sexuality, enhancing access to services for women or men, but they do not address deeper societal gender inequities or power imbalances. See Annex 2, Section 2.6, for more on the Gender Continuum.
- ³⁷ Global Commission on Adaptation. (2022). *Principles for Locally Led Adaptation - Statement of Endorsement*. https://gca.org/wp-content/uploads/2022/04/Locally_Led_Adaptation_Principles_-_Endorsement_Version.pdf
- ³⁸ Hattle, A. (2021). Climate Adaptation Finance: Fact or Fiction? CARE Denmark and CARE Netherlands.
- ³⁹ ADB. (2023). Guidance Note on Developing Projects that Support Climate Adaptation and Resilience Outcomes
- ⁴⁰ ADB. (2023). Guidance Note on Counting Climate Finance at ADB: An Update.
- ⁴¹ European Investment Bank. (2022). *Joint Methodology for Tracking: Climate Change Adaptation Finance. Extract of 2021 Joint Multilateral Development Banks' Climate Finance*.

- ⁴² The Rio Markers here refer to OECD-DAC's statistical markers on climate change mitigation and adaptation. For more see: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/48785310.pdf>
- ⁴³ Shenvi, A., Weigum, N., & Gu, S. (2022). *Reference Guide on Adaptation Co-Benefits: A Comprehensive Guide to Capturing Climate Change Adaptation Co-Benefits Generated by World Bank Projects*. The World Bank Group.
- ⁴⁴ OECD. (2023). *Impact by Design - Effective Results Frameworks for Sustainable Development*. [https://one.oecd.org/document/DCD\(2023\)17/en/pdf](https://one.oecd.org/document/DCD(2023)17/en/pdf)
- ⁴⁵ Shenvi, A., Weigum, N., & Gu, S. (2022). *Reference Guide on Adaptation Co-Benefits: A Comprehensive Guide to Capturing Climate Change Adaptation Co-Benefits Generated by World Bank Projects*. The World Bank Group.
- ⁴⁶ CARE International. (2021). Gender Marker Guidance. https://www.care.org/wp-content/uploads/2023/03/CARE_Gender-Marker-Guidance_English_2021.pdf
- ⁴⁷ CARE and International Center for Research on Women. (2006). *Walking the Talk: Inner Spaces, Outer Faces. A Gender and Sexuality Initiative*. ISOFI Gender Equity Continuum. <https://genderinpractice.care.org/core-concepts/gender-analysis-framework/good-practices-framework-on-gender-analysis/programmatic-design/progress-along-the-gender-continuum>
- ⁴⁸ European Commission. (2021). *Applying the Human Rights Based Approach to International Partnerships: An Updated Toolbox for Placing Rights-Holders at the Centre of EU's Neighbourhood, Development and International Cooperation*.
- ⁴⁹ OECD DAC. (2023). *Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire, Chapters 1-6*. DAC Working Party on Development Finance Statistics. [https://one.oecd.org/document/DCD/DAC/STAT\(2023\)9/FINAL/en/pdf](https://one.oecd.org/document/DCD/DAC/STAT(2023)9/FINAL/en/pdf)
- ⁵⁰ Federal Reserve Bank of New York. (n.d.). Secured Overnight Financing Rate Data. <https://www.newyorkfed.org/markets/reference-rates/sofr>
- ⁵¹ US Securities and Exchange Commission. (2023). What You Need to Know About the End of LIBOR – Investor Bulletin. 1 May. <https://www.sec.gov/oiea/investor-alerts-and-bulletins/what-you-need-know-about-end-libor-investor-bulletin>
- ⁵² Loan effectiveness refers to the point in time, where the loan agreement takes effect once all parties have signed it and after the borrower meets the conditions outlined in the applicable loan regulations and any additional terms specified in the agreement.
- ⁵³ Zagma, B., Kowalzig, J., Lindsay, W., Hattle, A., Roy, C., & Dejgaard, H.P., (2023). *Climate Finance Shadow Report 2023: Assessing the Delivery of the \$100 Billion Commitment*. Oxford: Oxfam International. <https://policy-practice.oxfam.org/resources/climate-finance-shadow-report-2023-621500/>

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