CENTER FOR GLOBAL DEVELOPMENT

CGD NOTE 379 | SEPTEMBER 2024

MDB Strategies in the Most Climate-Vulnerable Countries

Is Adaptation a Priority?

Nancy Lee, Samuel Matthews, and Bekir Armutlu

Africa, developing Asia excluding China, and Latin America have contributed less than 20 percent of cumulative global carbon emissions.[1] But they are on the receiving end of negative climate impacts on growth, poverty reduction, and human development. They disproportionately confront heat, droughts, floods, declining food production, and climate-related natural disasters. The World Bank estimates that climate change may push between 32 and 132 million people into extreme poverty by 2030.[2] 2.4 billion people are already food insecure,[3] with climate change and its impact on agricultural output and productivity a major driver. For the most vulnerable countries, climate-related priorities are adaptation and resilience. They look to multilateral development banks (MDBs) to help them address these increasingly urgent challenges.

MDBs have responded with commitments to increase finance for adaptation and resilience. Joint MDB reports show that the collective volume of MDB adaptation finance for emerging markets and developing economies (EMDEs) has indeed risen but significantly lags that of mitigation finance. In 2022, MDBs together committed $23 billion in adaptation finance to EMDEs, as compared to $38 billion in mitigation finance.[4]

1 Ritchie. (2023). Sub-Saharan Africa emits a tiny fraction of the world's CO_2. Energy for Growth Hub. Retrieved from https://energyforgrowth.org/article/sub-saharan-africa-emits-a-tiny-fraction-of-the-worlds-co2/.
2 Jafino et al. (2020). Revised Estimates of the Impact of Climate Change on Extreme Poverty by 20230. World Bank Group. Retrieved from https://openknowledge.worldbank.org/server/api/core/bitstreams/ad7eeab7-d3d8-567d-b804-59d620c3ab37/content.
3 FAO, IFAD, UNICEF, WFP and WHO. (2023). The State of Food Security and Nutrition in the World 2023. Retrieved from https://openknowledge.fao.org/server/api/core/bitstreams/1f66b67b-1e45-45d1-b003-86162fd35dab/content.
4 2022 Joint Report on Multilateral Development Banks' Climate Finance. (2023). Retrieved from https://www.eib.org/attachments/lucalli/20230128_mdbs_joint_report_2022_en.pdf.

At COP28, MDB heads pledged to increase volumes and shares of adaptation finance. World Bank President Ajay Banga has targeted a 50-50 allocation between adaptation and mitigation for combined IBRD and IDA commitments, in the context of an overall target of 45 percent for the share of climate-related finance in total World Bank Group (WBG) finance commitments.[5] Estimates of climate finance gaps point up the need for a much larger collective effort by MDBs and other public finance sources. The World Resources Institute (WRI) projects that the developing world will need $340 billion per year in adaptation finance by 2030.[6] The Climate Policy Institute estimated average annual public and private global adaptation finance flows for 2021 and 2022 at only $63 billion.[7] Absent sizable increases in adaptation financing, annual shortalls will exceed hundreds of billions of dollars.

*But the size of MDB adaptation finance is not all that ma*tters. MDBs are well placed to support diagnostics that identify countries' greatest climate risks and vulnerabilities and the most effective public spending, policies, new technologies and production techniques, and other innovations to lower risk and increase resilience. They can help countries grapple with temporal tradeoffs—how to set priorities for spending today rather than tomorrow—which are especially difficult for adaptation and resilience investments where benefits are stretched out over time and hard to project given uncertainties associated with extreme events. And they can help design public investments and policies able to meet multiple objectives: raising productivity, creating jobs, reducing inequality, preserving natural capital, reducing vulnerability and increasing resilience, and connecting to evolving global supply chains. More narrowly focused climate vertical funds, trust funds, or financial intermediary funds do not have that capacity.

Measuring MDB success in supporting adaptation therefore cannot be judged simply by tracking volumes of MDB adaptation finance. It must be assessed in the larger context of MDB country engagement, especially in vulnerable countries (i.e., the *quality* of the investments). *This note focuses on the central building block of MDB partner engagement: country strategies. It explores whether and how MDBs integrate adaptation goals into their country strategies for the most climate-vulnerable countries in the world.*

5 Banga. (2023). Remarks by World Bank President Ajay Banga at Transforming Climate Finance Event, COP28. World Bank Group. Retrieved from https://www.worldbank.org/en/news/speech/2023/12/01/remarks-by-world-bank-president-ajay-banga-at-transforming-climate-finance-event; World Bank Group. (2023). World Bank Group Doubles Down on Financial Ambition to Drive Climate Action and Build Resilience. Retrieved from https://www.worldbank.org/en/news/press-release/2023/12/01/world-bank-group-doubles-down-on-financial-ambition-to-drive-climate-action-and-build-resilience.

6 Tye et al. (2022). What the World Really Needs to Adapt Climate Change. World Resources Institute. Retrieved from https://www.wri.org/insights/climate-adaptation-priorities; Global Commission on Adaptation. (2019). Adapt Now: A Global Call for Leadership on Climate Resilience. Retrieved from https://www.wri.org/initiatives/global-commission-adaptation/adapt-now-report.

7 Buchner et al. (2023). Global Landscape of Climate Finance 2023. Climate Policy Initiative. Retrieved from https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/.

Analysis

We constructed a sample of 41 climate-vulnerable countries using the Notre Dame Global Adaptation Initiative (ND-GAIN) index, which assesses a country's adaptation status based on its vulnerability and its capacity to implement adaptation investments. The sample, shown below, was chosen to include different kinds of climate-vulnerable countries with active WBG, AfDB, or ADB strategies.

BOX 1. COUNTRIES IN SAMPLE

Sub-Saharan Africa (15)

Burkina Faso
Comoros*
Chad
Democratic Republic of the Congo
Eritrea
Ethiopia
Guinea-Bissau*
Liberia
Madagascar
Mali
Niger
Sierra Leone
Somalia
Sudan
Uganda

Asia (24)

Afghanistan
Bangladesh
Bhutan
Cambodia
Fiji*
India
Kiribati*, †
Lao PDR
Maldives*
Marshall Islands*, †
Micronesia*, †
Myanmar
Nauru*, †
Nepal
Pakistan
Palau*, †
Papua New Guinea*
Philippines
Samoa*, †
Timor-Leste
Tonga*, †
Tuvalu*, †
Vanuatu*, †
Viet Nam

Caribbean (2)

Dominican Republic*
Haiti*

Note: * indicates a small island developing state; † indicates a country grouped under the World Bank's Regional Partnership Framework for Pacific Islands.

Figure 1. Map of sample countries

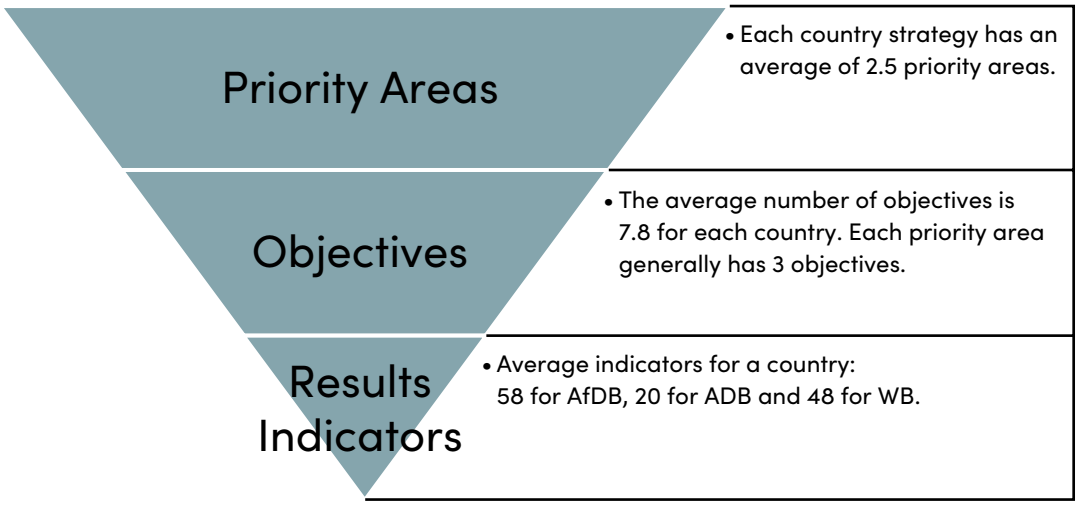
For this sample, we examined 47 MDB country strategies (over the period 2015 to 2024) from the WBG, African Development Bank (AfDB), and Asian Development Bank (ADB). These institutions were chosen because their clients include the most climate-vulnerable countries in the world.

For each strategy, we assessed the focus on adaptation at three levels: (1) *priority areas*, (2) *objectives*, and (3) *results indicators* for programs and projects supported. *The aim is to determine whether adaptation is well integrated throughout MDB country strategies, not only in the high-level descriptive language, but also in the objectives that drive the activities and in the way that performance is measured.*

Although terminologies differ, the MDBs in our sample use the same general three-tier hierarchy in the structure of their country strategies. What we term *priority areas* are broad country-level goals pursued in a strategy. An example is "inclusive growth". To make progress on these priority areas, the MDBs identify *objectives* that define sectors and reforms where investments and other interventions are needed. An example is an "improved business regulatory environment and access to finance." *Results indicators* are used to quantify the outputs and outcomes of MDB interventions targeting these objectives. They are the most concrete elements of the country strategy activities. An example might be setting a target for the number of days it takes to register and obtain a business license.

For these three tiers, we focused on elements that are related to adaptation. The WBG's FY2023–2027 Country Partnership Framework for Bangladesh includes many examples. One of its three priority areas is "Enhanced climate and environmental resilience." Beneath this high-level goal, more specific sectors and reforms are targeted by objectives like "Improved effectiveness of delta management to accelerate climate resilience building." The country's progress towards this outcome is tracked by quantifiable results indicators which include the number of people benefiting from enhanced resilience to riverbank erosion.

Figure 2. Structure of strategy papers



After constructing a list of the priority areas, objectives, and results indicators for all MDB strategies covering our sample of countries, we assessed whether each level was linked to climate adaptation. This was straightforward in some cases like the priority area "enhanced climate resilience". In others, the terminology was too broad or general, and we had to analyze the explanatory text for adaptation-relatedness. We looked for language related to climate adaptation, resilience, drought, flood, other extreme weather events, climate-related fragility, climate-related shocks, and climate vulnerabilities. If we did not find it, we did not designate that priority area as adaptation related.

For example, the ADB's 2021–2025 strategy for Bangladesh includes just a single reference to "sustainable and climate resilient" infrastructure development in its description of the priority area: "Boost competitiveness, employment, and private sector development". There was no adaptation-related objective or results indicator under this priority area. Thus, the priority was not counted as being adaptation related.

The analysis explores the following questions:

- Is adaptation an overall priority in country strategies for vulnerable countries? Is it a priority in strategic objectives and in results indicators?
- Are there differences across institutions?
- Has the focus on adaptation increased over time?
- Are there differences across country strategies for different country income groups?
- Does the focus on adaptation rise with country vulnerability?
- What sectors are targeted for measuring the results of adaptation activities?

One caveat is important for all of this analysis. The priorities, objectives, and results indicators for MDB country strategies are a joint product of discussions between country authorities and MDB staff. The outcomes of these discussions are shaped by supply factors on the MDB side—staff analysis, financial and non-financial product offerings, organizational priorities, and shareholder guidance--and demand factors from recipient country governments. Both countries and their MDB partners must prioritize adaptation if it is to be prioritized in country strategies. Certainly, adaptation will not be the only priority in vulnerable countries, as they tend to be low-income or lower middle-income with an array of challenges.

Findings: Adaptation in country strategies: priorities, objectives, and results metrics

Figure 3 compares the frequency of adaptation shares as it appears at different levels of country strategies across the three institutions. As one would expect, adaptation is a significant overall priority in a large share of country strategies for the most vulnerable countries, averaging 46 percent across the three institutions.

Interestingly, the adaptation shares are similar across the three institutions for the three different strategy levels: adaptation accounts for more than 40 percent of priorities; it drops to about 20 percent of objectives, and 10 percent or less of results indicators. This suggests similarities in vulnerable countries' engagement with different MDBs and similar MDB approaches in vulnerable countries.

Figure 3. Adaptation shares across strategy elements by MDB

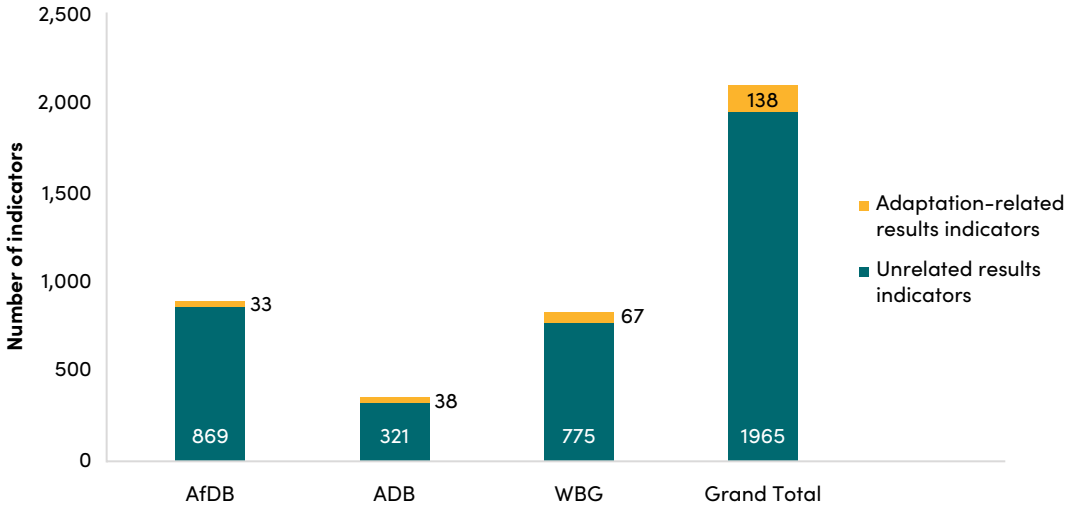
The sharp drop in adaptation shares in objectives and the even sharper drop in adaptation shares of results indicators are noteworthy. However, the three shares are not directly comparable as the denominators differ greatly. There are many more results indicators in country strategies than high-level priorities. We cannot assume that if adaptation accounts for 40 percent of strategy priorities, adaptation results indicators should also be 40 percent of total indicators.

Nevertheless, the fact that the results indicator shares range from only 3 to 11 percent does raise some questions about whether adaptation matters as much in interventions and results measurement as in strategy rhetoric. Figure 4 shows numbers of adaptation-related indicators relative to all results indicators in the three institutions.

It is hard to know what accounts for this pattern of low adaptation indicators shares. We know that it is difficult to measure adaptation outputs and outcomes effectively and in a standardized way, both conceptually and in practice—a problem that affects all three MDBs. The development of standardized metrics to measure adaptation results has lagged the focus on adaptation objectives.

At COP28, the Multilateral Development Banks (MDBs) agreed to develop a common approach for measuring climate results, recognizing that measuring climate finance does not measure the results of that finance. The MDBs have published a note, *MDB Common Approach to Measuring Climate Results*, which is the first common framework for defining and measuring climate results, including adaptation.[8]

Figure 4. Shares of adaptation-related indicators in MDB country strategies



8 A Common Approach to Measuring Climate Results. (2024). World Bank Group. Retrieved from https://www.worldbank.org/en/topic/climatechange/publication/common-approach-to-measuring-climate-results.

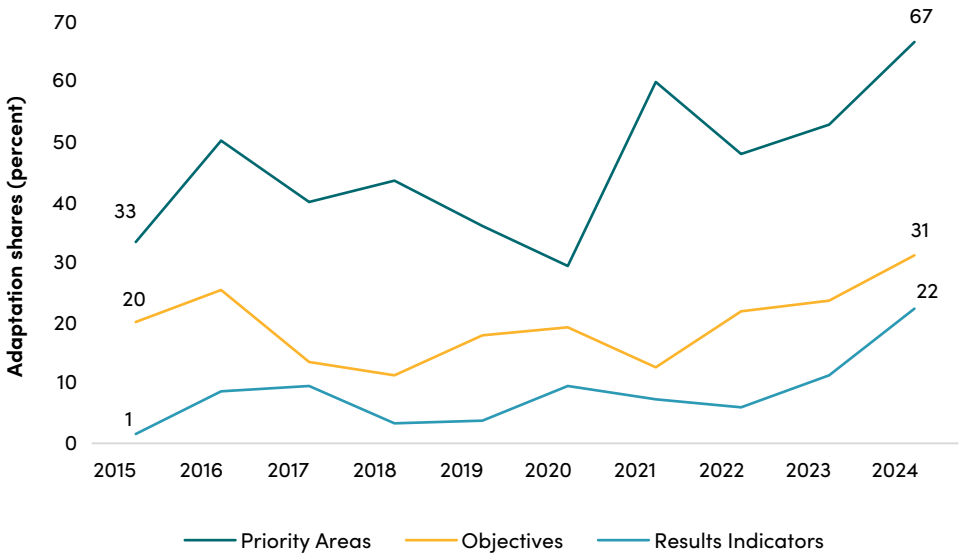
Another possibility is that country/MDB preferences as revealed in results frameworks show that other outputs and outcomes are valued more. One other possibility is that adaptation results are subsumed in indicators that are not explicitly tagged as adaptation: e.g., productivity metrics. In any case, to ensure that growing adaptation resources are well spent, it is clear that results measurement capabilities, including at the country level, must keep pace with the increasing focus on, and finance for, adaptation.

Trends over time

As climate change costs and risks multiply, we would expect the focus on adaptation to rise. Trends over time in the shares of adaptation in priorities, objectives, and results indicators are shown in Figure 5.

Figure 5 shows significant upward trends in all three. The exception for climate adaptation as a priority area in 2020 at the onset of the pandemic is not surprising. But the upward trend quickly resumed.

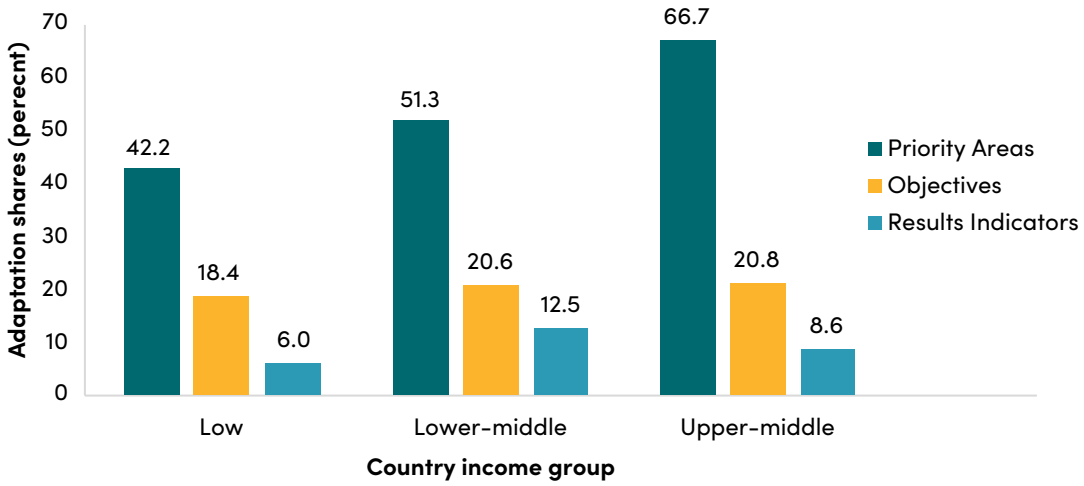
Figure 5. Adaptation shares in country strategies over time across MDBs



Patterns for country income groups

Figure 6 compares adaptation shares across country income groups to examine whether country strategies for poorer countries focus more or less on adaptation. The data show broadly the same pattern in low-income countries (LICs), lower-middle-income countries (LMICs), and upper-middle-income countries (UMICs). LICs have the lowest shares at all three strategy levels—not a surprising finding given the array of challenges confronting the poorest countries. Interestingly, UMICs have the highest share of adaptation priorities, indicating that UMICs, contrary to what is sometimes assumed, are focused on adaptation as well as mitigation.

Figure 6. Adaptation shares by country income level

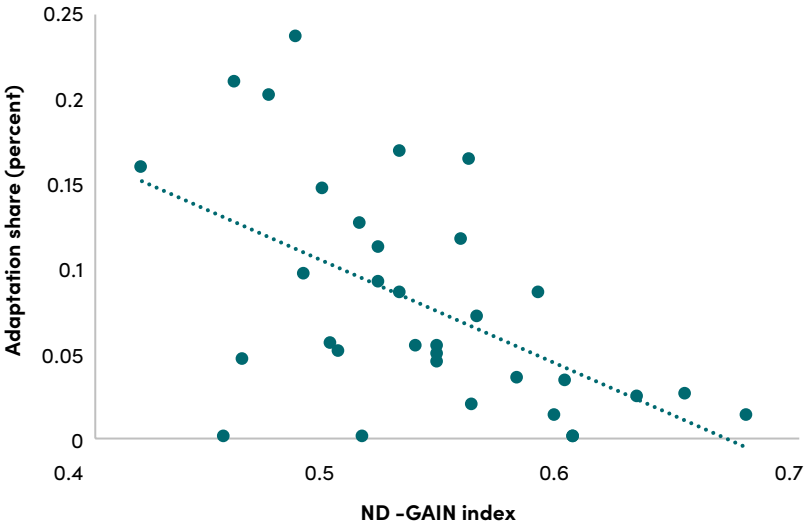


The relationship between vulnerability and adaptation focus in country strategies

One other way to look at whether there is enough focus in country strategies on adaptation results is to examine whether the adaptation share of results indicators is correlated with vulnerability. Greater vulnerability should be associated with more adaptation interventions and therefore more adaptation results indicators. Figure 7 does show that relationship.

The share of adaptation-related results indicators in country strategies declines as vulnerability declines. (ND-GAINs scores rise as countries become less vulnerable.) The correlation coefficient (-0.57) is significant at the 1 percent level.

Figure 7. The relationship between country ND-GAIN index scores and shares of adaptation-related results indicators across MDBs

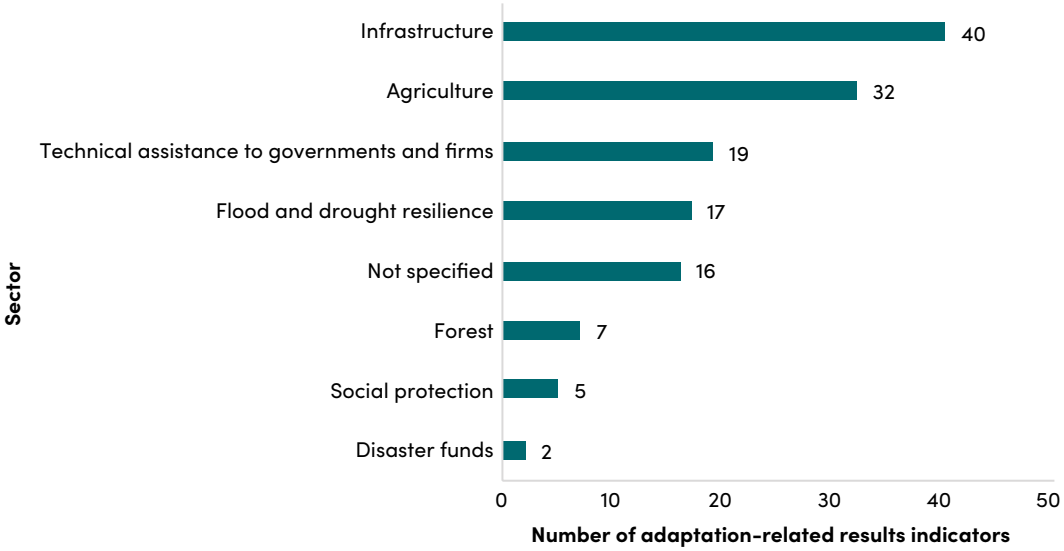


Note: For countries with strategies from more than one MDB, the average share of adaptation-related results indicators was taken.

What sectors do MDBs target for adaptation results?

We looked in detail at all adaptation-related indicators to identify the sectors where most MDB adaptation activities are concentrated. Figure 8 shows the distribution of adaptation-related results indicators by sector across all vulnerable countries and all three institutions.

Figure 8. Distribution of adaptation-related results indicators across sectors



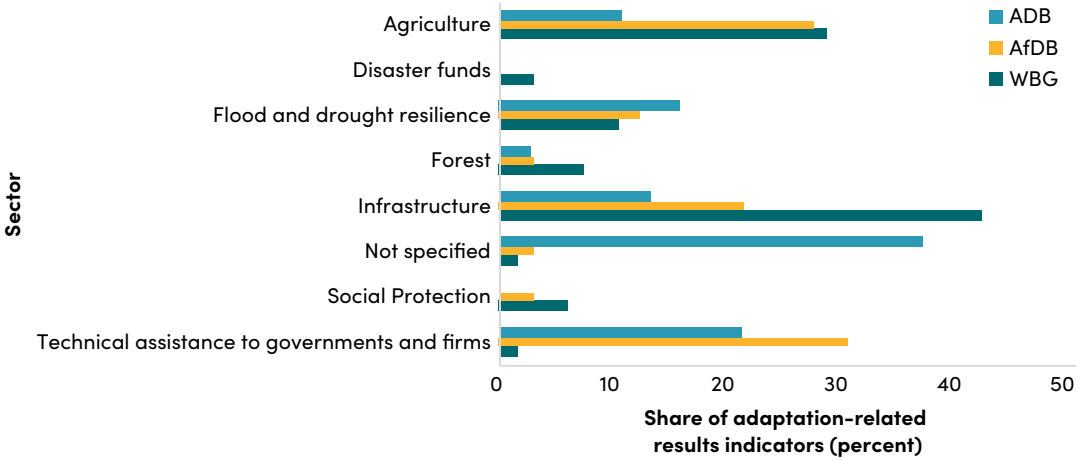
Over half of the indicators used to assess MDB adaptation interventions are concentrated in infrastructure and agriculture. Examples of adaptation results indicators in these sectors are kilometers of resilient roads built and land area covered by sustainable agriculture practices. The next most important category is technical assistance to governments and firms, followed by flood and drought resistance.

These results highlight the reality that most adaptation activities must be pursued through sectoral investments, which also address development objectives. This finding reinforces the importance of effectively and systematically integrating adaptation objectives into MDB country strategies.

We explored whether there are differences across institutions in the types of adaptation results measured.

Figure 9 does show some differences. WBG concentrates most on measuring the results of adaptation activities in infrastructure and agriculture. The regional banks have a larger share of results indicators than the WBG in technical assistance to governments and firms. Non-specific language in ADB results metrics makes many hard to classify by sector.

Figure 9. Distribution of adaptation-related results indicators across sectors by MDB



Conclusion

This analysis helps confirm the important and increasing role that MDBs are playing in supporting climate adaptation in climate-vulnerable countries. While this paper does not address the allocation of MDB adaptation finance (the subject of forthcoming analysis), we do see evidence that MDBs are integrating climate adaptation and resilience in their country strategies. We find that nearly half the priorities in the strategies of the WBG, AfDB, and ADB for climate vulnerable countries are related to adaptation. And roughly a fifth of the strategy objectives, which drive the activities and interventions, supported target adaptation.

The adaptation focus is growing over time. And the focus is stronger the more vulnerable the country. The largest share of MDB adaptation activities as defined in their country strategies are in the infrastructure and agriculture sectors, highlighting the interdependence between investments for adaptation and investments for development.

Belying fears that poorer countries have other priorities than adaptation, this evidence supports the proposition that vulnerable LICs and LMICs do prioritize and seek support for climate adaptation from the MDBs. UMICs do as well. It also suggests that if MDBs are given additional lending capacity, their integration of adaptation in country strategies positions them well to respond effectively to country demand for adaptation support.

The relatively low share of adaptation in results metrics suggests that, so far, the results indicators and measurement capabilities have lagged behind adaptation ambition. Nearly a fifth of the vulnerable country strategies examined lack any results indicator measuring adaptation progress in their results frameworks. This reinforces the importance and urgency of current joint MDB efforts to develop and deploy standardized adaptation metrics.

Adaptation, similar to poverty reduction, is a macroeconomic—as well as microeconomic—challenge. It is crucial that these results metrics not only facilitate objective tracking of adaptation progress at the project level, but also can be aggregated to assess adaptation performance, both successes and shortfalls, at the country level.

Bibliography

2022 Joint Report on Multilateral Development Banks' Climate Finance. (2023). Retrieved from https://www.eib.org/attachments/lucalli/20230128_mdbs_joint_report_2022_en.pdf.

Banga, A. (2023). Remarks by World Bank President Ajay Banga at Transforming Climate Finance Event, COP28. World Bank Group. Retrieved from https://www.worldbank.org/en/news/speech/2023/12/01/remarks-by-world-bank-president-ajay-banga-at-transforming-climate-finance-event.

Buchner, B. et al. (2023). Global Landscape of Climate Finance 2023. Climate Policy Initiative. Retrieved from https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/.

FAO, IFAD, UNICEF, WFP and WHO. (2023). The State of Food Security and Nutrition in the World 2023: Urbanization, Agrifood Systems Transformation and Healthy Diets Across the Rural-Urban Continuum. Retrieved from https://openknowledge.fao.org/server/api/core/bitstreams/1f66b67b-1e45-45d1-b003-86162fd35dab/content.

Global Commission on Adaptation. (2019). Adapt Now: A Global Call for Leadership on Climate Resilience. Retrieved from https://www.wri.org/initiatives/global-commission-adaptation/adapt-now-report.

Jafino, B. A., Walsh, B., Rozenberg, J., and Hallegatte, S. (2020). Revised Estimates of the Impact of Climate Change on Extreme Poverty by 20230. World Bank Group. Retrieved from https://openknowledge.worldbank.org/server/api/core/bitstreams/ad7eeab7-d3d8-567d-b804-59d620c3ab37/content.

Ritchie, H. (2023). Sub-Saharan Africa emits a tiny fraction of the world's CO2. Energy for Growth Hub. Retrieved from https://energyforgrowth.org/article/sub-saharan-africa-emits-a-tiny-fraction-of-the-worlds-co2/.

Tye, S. et al. (2022). What the World Really Needs to Adapt Climate Change. World Resources Institute. Retrieved from https://www.wri.org/insights/climate-adaptation-priorities.

World Bank Group. (2023). World Bank Group Doubles Down on Financial Ambition to Drive Climate Action and Build Resilience. Retrieved from https://www.worldbank.org/en/news/press-release/2023/12/01/world-bank-group-doubles-down-on-financial-ambition-to-drive-climate-action-and-build-resilience.

World Bank Group. A Common Approach to Measuring Climate Results. (2024). Retrieved from https://www.worldbank.org/en/topic/climatechange/publication/common-approach-to-measuring-climate-results.

NANCY LEE is a senior policy fellow and director for sustainable development finance at the Center for Global Development.

SAMUEL MATTHEWS is a research associate at the Center for Global Development.

BEKIR ARMUTLU is a master's student in the International Development Policy Program at Georgetown University McCourt Public Policy School.

Suggested citation:
Nancy Lee, Samuel Matthews, and Bekir Armutlu. 2024. "MDB Strategies in the Most Climate-Vulnerable Countries: Is Adaptation a Priority?" CGD Note 379. Washington, DC: Center for Global Development. https://www.cgdev.org/publication/mdb-strategies-most-climate-vulnerable-countries-adaptation-priority

CENTER FOR GLOBAL DEVELOPMENT

www.cgdev.org