

# Adaptation Committee

## Least Developed Countries Expert Group

3 March 2017

### Draft options for the Adaptation Committee and the Least Developed Countries Expert Group to address decision 1/CP.21, paragraphs 41 and 45

#### Recommended action by the Adaptation Committee and the Least Developed Countries Expert Group

The AC and the LEG may wish to consider the options/draft recommendations contained in this document and agree on next steps to agree on/further refine the recommendations, as appropriate.

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## 1. Introduction

1. The LEG, at its 30th meeting and the AC, at its 10th meeting, agreed to request the secretariat to prepare, under the guidance of a joint AC-LEG working group, a paper, which was to include for each joint mandate (sections 3-5): a general consideration of the mandate as well as a list of initial options of the modalities and methodologies, as appropriate, and their respective strengths and limitations. The paper was to reflect:

- a) Discussions by the AC and the LEG so far;
- b) A desk review undertaken by the secretariat;<sup>1</sup>
- c) Submissions received from Parties<sup>2</sup> and other stakeholders, including the SCF,<sup>3</sup> on these mandates, as well as;
- d) Submissions received on related mandates,<sup>4</sup> as appropriate.

2. A draft was produced in time to inform the joint AC-LEG side event at COP 22, following which the joint working group agreed to update the paper reflecting additional submissions and the outcomes of the discussions and feedback from Parties and non-Party stakeholders at COP 22.

3. The revised paper has further narrowed the initial options for consideration by the AC and LEG at their joint meeting in March 2017.

## 2. Next steps

4. The AC and the LEG may consider the options/draft recommendations contained in this document and agree on next steps to agree on/further refine the recommendations, as appropriate.

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<sup>1</sup> <[http://unfccc.int/files/adaptation/groups\\_committees/adaptation\\_committee/application/pdf/ac-leg2\\_mandates.pdf](http://unfccc.int/files/adaptation/groups_committees/adaptation_committee/application/pdf/ac-leg2_mandates.pdf)>.

<sup>2</sup> Argentina, Brazil and Uruguay; the Democratic Republic of the Congo on behalf of the Least Developed Countries; Guatemala on behalf of AILAC; the Maldives on behalf of the Alliance of Small Island States; the Republic of Mali on behalf of the African Group of Negotiators; Slovakia and the European Commission on behalf of the European Union and its member States; Turkey and the United States of America.

<sup>3</sup> Action on Climate Today, Climate-KIC, the International Institute for Environment and Development, the Network of Regional Governments for Sustainable Development (nrg4SD), Notre Dame Global Adaptation Initiative (ND-GAIN), SeaTrust Institute, Standing Committee on Finance, United Nations Office of Disaster Risk Reduction, World Resources Institute, and the World Water Council.

<sup>4</sup> Submissions on this mandate are available from Parties at <<http://www4.unfccc.int/submissions/SitePages/sessions.aspx?showOnlyCurrentCalls=1&populateData=1&expectedsubmissionfrom=Parties&focalBodies=Constituted%20bodies>> and from other stakeholders at <[unfccc.int/9784](http://unfccc.int/9784)>.

### 3. Modalities to recognize the adaptation efforts of developing countries

#### 3.1. Mandate

5. COP 21 requested the AC and the LEG to jointly develop modalities to recognize the adaptation efforts of developing country Parties, as referred to in Article 7, paragraph 3, of the Paris Agreement, and make recommendations for consideration and adoption by CMA 1 (decision 1/CP.21, paragraph 41). According to Article 7, paragraph 3 of the Paris Agreement, the adaptation efforts of developing country Parties shall be recognized, in accordance with the modalities to be adopted by CMA 1.

6. This section first provides some general considerations and then elaborates on five possible modalities for recognizing the adaptation efforts of developing countries.

#### 3.2. General considerations

7. In developing possible modalities for recognizing adaptation efforts, the AC and the LEG considered **adaptation efforts to include:**

- a) **Financial investments**, especially those made by the developing countries themselves in policies, projects and programmes aimed at addressing adaptation to climate change;
- b) **Processes and systems** to enable/facilitate effective adaptation planning and implementation at national level, including institutional arrangements, governance systems, access to science and analysis for decision-making;
- c) **Outputs**, including the national adaptation plan, strategy or policy documents, with relevant policies, projects and programmes on concrete adaptation activities;
- d) **Outcomes or demonstrable results** (from the implementation of the policies, projects and programmes) in strengthening resilience, enhancing adaptive capacity and reducing vulnerability to climate change, integration of adaptation in development planning, and where feasible, to include, autonomous adaptation outcomes (i.e. those that are not directly due to a project or programme).

8. They would cover national, subnational and community level actions, including those by non-Party stakeholders.

9. The recognition of the adaptation efforts of developing countries may **serve multiple purposes**, including the following:

- a) To enhance the profile of adaptation, both domestically and internationally;
- b) To provide visibility and recognition of each country's adaptation actions, efforts undertaken, investments on adaptation, and achievements to date;
- c) To create an opportunity for developing countries to receive credit on their adaptation efforts, as appropriate, based on which countries would also be able to provide outreach at national level on the recognition of their efforts;
- d) To create an opportunity for developing countries to mobilize additional financial resources for their adaptation efforts;
- e) To enhance the understanding of progress made, challenges, gaps and needs;

- f) To facilitate cooperation and promote coherence between the adaptation efforts of developing countries and incoming support from international partners;
  - g) To inform Parties on how to prioritize, focus and continuously strengthen their collective efforts and cooperation, including support;
  - h) To enhance linkages to other processes, in particular with the Sustainable Development Goals (SDGs) and the Sendai Framework for Disaster Risk Reduction (DRR);
  - i) To be considered and taken up by relevant processes and bodies under the Convention, informing any subsequent recommendations and actions;
  - j) To serve as a function of the global stocktake with the aim of building a shared understanding of the state of implementation of adaptation, the progress and investments made, including in achieving the global goal on adaptation, and of the challenges ahead.<sup>5</sup>
10. Information on adaptation efforts from national adaptation monitoring and evaluation systems and the corresponding monitoring and progress reports can be used in various UNFCCC instruments such as the adaptation communications, the transparency framework, and will feed into the global stocktake.
11. The modalities may be guided by the following **principles**:
- a) Not being seen as a competition, or a way to review and assess countries' efforts;
  - b) Minimizing additional burden on the most vulnerable countries with the least capacities;
  - c) Avoiding duplication of existing efforts;
  - d) Leaving the choice of the type of information and vehicle of communication to the discretion of Parties.
12. Information on adaptation efforts of developing countries could be drawn from, inter alia, the adaptation communications referred to in Article 7, paragraphs 10 and 11, of the Paris Agreement, and the reports referred to in Article 13, paragraph 8, of the Agreement (decision 1/CP.21, paragraph 99).
13. According to Article 7, paragraphs 10 and 11, of the Paris Agreement: "each Party should, as appropriate, submit and update periodically an adaptation communication, which may include its priorities, implementation and support needs, plans and actions, without creating any additional burden for developing country Parties", and "The adaptation communication ... shall be, as appropriate, submitted and updated periodically, as a component of or in conjunction with other communications or documents, including a national adaptation plan, a nationally determined contribution as referred to in Article 4, paragraph 2, and/or a national communication".

### 3.3. Modalities to recognize the adaptation efforts of developing country Parties

14. Table 1 below presents five possible options for modalities that could be considered by the AC and the LEG in responding to the mandate referred to in paragraph 5 above, noting that these options could also be considered in the context of Article 7, paragraph 14(a). The options are not mutually exclusive and can complement each other. For each option a set of strengths and limitations are provided.

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<sup>5</sup> According to Article 7, paragraph 14, of the Paris Agreement, the global stocktake referred to in Article 14 shall, inter alia, recognize adaptation efforts of developing country Parties. The modalities of the global stocktake itself will be developed by the Ad Hoc Working Group on the Paris Agreement (APA) in accordance with decision 1/CP.21, paragraph 101.

15. The AC and LEG may wish to consider which of these five option(s) or any additional ones they wish to recommend to CMA for its consideration and adoption.

**Table 1. Possible modalities to recognize the adaptation efforts of developing country Parties**

<b>Modalities</b>	<b>Description</b>	<b>Strengths</b>	<b>Limitations</b>
<b>1. The global stocktake (GST) to create a space for developing countries to showcase their adaptation efforts</b> (such as a multilateral event)	<p><i>General</i></p> <ul style="list-style-type: none"> <li>To be conducted under the GST</li> <li>To serve as a neutral platform for developing countries to share their adaptation efforts</li> <li>Does not necessarily involve a critical review of the information presented</li> </ul> <p><i>Timing</i></p> <ul style="list-style-type: none"> <li>During the GST (exact timing to be clarified once modalities for the stocktake are in place)</li> </ul> <p><i>Output</i></p> <ul style="list-style-type: none"> <li>Enhanced visibility of efforts</li> <li>A relevant summary to be included in the report on the global stocktake</li> </ul>	<ul style="list-style-type: none"> <li>High political visibility of adaptation efforts</li> <li>Parties may get feedback that will help them to improve on their efforts</li> </ul>	<ul style="list-style-type: none"> <li>Only a limited number of Parties may present their efforts at one particular session</li> </ul>
<b>2. High-level annual event at the CMA</b> to spotlight the adaptation efforts of developing countries	<p><i>General</i></p> <ul style="list-style-type: none"> <li>To be conducted under the CMA</li> <li>High level representatives or adaptation practitioners of the developing country Parties to present on their efforts</li> </ul> <p><i>Timing</i></p> <ul style="list-style-type: none"> <li>Annually at the CMA</li> </ul> <p><i>Output</i></p> <ul style="list-style-type: none"> <li>Enhanced visibility of efforts</li> </ul>	<ul style="list-style-type: none"> <li>Offers an opportunity for developing countries to highlight their good adaptation practices in front of a global audience, thereby raising the profile of adaptation both at home and abroad</li> </ul>	<ul style="list-style-type: none"> <li>To host selected number of countries</li> <li>Requires development of criteria for selecting the countries that would present</li> </ul>
<b>3. The CMA to review compilation and synthesis of adaptation efforts</b> of the developing countries with a view to make reflections in decisions	<p><i>General</i></p> <ul style="list-style-type: none"> <li>Secretariat to prepare periodic compilation and synthesis of adaptation efforts of the developing countries for consideration by the CMA</li> <li>The CMA to review the compilation and synthesis of the adaptation efforts and make reflections, as appropriate</li> <li>The efforts to be captured from NDCs, adaptation</li> </ul>	<ul style="list-style-type: none"> <li>High political visibility of adaptation efforts</li> <li>Can easily be carried out by the secretariat</li> <li>There already is a solid base of information sources: NAP Central, the upcoming</li> </ul>	<ul style="list-style-type: none"> <li>Activities that are part of government-funded development programmes that contribute towards adaptation efforts are not usually adequately</li> </ul>

Modalities	Description	Strengths	Limitations
and/or conclusions	<p>communications, thematic, overview or annual reports of constituted bodies, and other sources</p> <p><i>Timing</i></p> <ul style="list-style-type: none"> <li>• As part of the CMA sessions</li> </ul> <p><i>Output</i></p> <ul style="list-style-type: none"> <li>• Decisions/conclusions with reflections that may include: appreciation of the efforts; guidance for enhancing coherence between the efforts and incoming support; feedback to enhance action, as appropriate</li> </ul>	adaptation registry, and official country reports	<p>captured or documented, and are rarely reported in readily available reports</p> <ul style="list-style-type: none"> <li>• Diversity of sources could pose a challenge of synthesizing the information in a meaningful way</li> <li>• To focus on selected countries, possibly using a methodology that would need to be developed</li> </ul>
<p><b>4. Ongoing process of a series of opportunities created during major adaptation events</b> such as Adaptation Forum and NAP Expo for developing countries to showcase their adaptation efforts, feeding into a compilation and synthesis to be considered under the GST</p>	<p><i>General</i></p> <ul style="list-style-type: none"> <li>• Specific space allocated for developing countries at the events to showcase their adaptation efforts through presentations, posters and other means</li> <li>• Information shared by the developing countries to be compiled and synthesized for consideration under the global stocktake</li> </ul> <p><i>Timing</i></p> <ul style="list-style-type: none"> <li>• Ongoing and flexible - based on the schedule of the events</li> </ul> <p><i>Output</i></p> <ul style="list-style-type: none"> <li>• Compilation and synthesis report, prepared on time for the next global stocktake</li> </ul>	<ul style="list-style-type: none"> <li>• Will increase portfolio of best practices and lessons learned at the events</li> </ul>	<ul style="list-style-type: none"> <li>• Not all Parties are invited to these events</li> <li>• There will need to be division of time between core business of the events and the recognition of efforts</li> </ul>
<p><b>5. The GST to take note of quantified information on</b></p>	<p><i>General</i></p> <ul style="list-style-type: none"> <li>• Developing countries to include quantified information of their</li> </ul>	<ul style="list-style-type: none"> <li>• Quantified information could better inform the overall collective</li> </ul>	<ul style="list-style-type: none"> <li>• Limited capacity and resources</li> </ul>

Modalities	Description	Strengths	Limitations
<p><b>the adaptation efforts of developing countries</b></p>	<p>adaptation efforts in their communications</p> <ul style="list-style-type: none"> <li>• These could be reflected as a percentage of GDP or absolute economic figures</li> <li>• The information could be recorded in the adaptation registry for a period leading up to the next global stocktake</li> <li>• The GST to consider the information and make reflections as appropriate</li> </ul> <p><i>Timing</i></p> <ul style="list-style-type: none"> <li>• Ongoing</li> </ul> <p><i>Output</i></p> <ul style="list-style-type: none"> <li>• Specific database under the adaptation registry</li> </ul>	<p>assessment of ambition and progress</p>	<ul style="list-style-type: none"> <li>• No common metrics for adaptation and support</li> <li>• Not all adaptation efforts can be evaluated in economic terms</li> <li>• There is not much experience available about domestic tracking of adaptation finance and about defining adaptation finance</li> <li>• Challenges in documenting all efforts by all stakeholders at national level, given also in some instances activities that may be adaptation are not labelled as such</li> </ul>

#### **4. Taking the necessary steps to facilitate the mobilization of support for adaptation in developing countries in the context of the limit to global average temperature increase referred to in Article 2 of the Paris Agreement**

##### **4.1. Mandate**

16. COP 21 requested the AC and the LEG, in collaboration with the SCF and other relevant institutions, to develop methodologies, and make recommendations for consideration and adoption by CMA 1 on taking the necessary steps to facilitate the mobilization of support for adaptation in

developing countries in the context of the limit to global average temperature increase referred to in Article 2 of the Paris Agreement (decision 1/CP.21, paragraph 45 (a)).

17. This section first provides an overview of existing methodologies drawn from the submissions and a previous desk review and then proposes draft recommendations. It concludes with a synthesis of submissions.

## 4.2. Methodologies

18. Methodologies in the context of mobilization of support are understood to be tools, vehicles and instruments. Developing country Parties could select those tools, vehicles and instruments with the highest potential of addressing their identified support gaps.

19. Taking into account the submissions and the desk review, the following necessary steps have been identified to facilitate the mobilization of support. Note that financial, technology and capacity-building support would be needed for each step:

- e) Step 1: Creating an enabling environment;
- f) Step 2: Adaptation planning, implementation and M&E, including:
  - i) Assessing and formulating adaptation support needs, including review of existing support, undertaking a gap analysis between existing support and estimated/projected needs, communication of support needs;
  - ii) Addressing adaptation needs through implementing adaptation projects and programmes;
  - iii) Tracking and review of adaptation support, including monitoring and evaluating how adaptation support needs are being addressed.

20. A variety of methodologies exist for each step as elaborated in section 4.4 which would eventually result in the mobilization of support for adaptation in developing countries.

## 4.3. Draft recommendations

21. The AC and the LEG may wish to recommend the following to CMA:

- a) CMA to note that steps to facilitate the mobilization of support should reflect principles of country drivenness, equity, common but differentiated responsibilities and respective capabilities;
- b) CMA to also note that effective mobilization of support, in particular financial support, for adaptation in developing countries involves a multitude of complementary approaches, including international bilateral and multilateral public support, domestic public support and private sector support;
- c) CMA to invite Parties to make use of the variety of available methodologies on taking the necessary steps to facilitate the mobilization of support for adaptation in developing countries and to report on support provided and received through their adaptation communications and other reporting mechanisms under the Convention and the Paris Agreement.



## 4.4. Synthesis of submissions

### 4.4.1. General considerations

22. In the **context of the temperature goal**, Article 7, paragraph 4 is recalled in which Parties recognize that the current need for adaptation is significant and that greater levels of mitigation can reduce the need for additional adaptation efforts, and that greater adaptation needs can involve greater adaptation costs.

23. The facilitation of mobilization of support, according to some Parties, is a task related to budget processes and therefore a short-term measure. They emphasize that differences of temperature pathways and related impact risk scenarios will, according to the fifth assessment report of the Intergovernmental Panel on Climate Change (IPCC AR 5), only come into effect after 2030 and are highly dependent on mitigation efforts still to be undertaken until then.

24. For other Parties, the context of the temperature goal is essential as adaptation actions - both current and potential - should be contrasted considering temperature scenarios, and future adaptation actions should be tailored to the levels of mitigation reported in the nationally determined contributions (NDCs) as a vehicle for climate change action.

25. Parties and non-Party stakeholders in their submissions have emphasized that the methodologies should be developed in line with the **principles of country drivenness and reflect equity, common but differentiated responsibilities and respective capabilities**. In this regard, it is important to look at both aspects, the provision and receiving of support, which is understood to encompass finance, technology and capacity-building.

26. Many also point out that effective mobilization of support, in particular financial support, for adaptation in developing countries involves a **multitude of complementary approaches** (see table 2 below for a summary of tools and instruments, respective strengths and limitations), including:

- a) **International bilateral and multilateral public support**, including with enhanced and streamlined access modalities and integration of adaptation and development. Many developing countries have been calling for the provision of predictable, grant-based, long-term and new international support, over and above existing ODA commitments;
- b) **Domestic public support**, including through streamlining resilience and climate risk considerations into all planning and budget activities at national, sub-national, municipal and local levels;
- c) **Private sector support**, including through public-private-partnerships and involvement of micro- and small enterprises.

27. Many Parties highlight the importance of existing financial arrangements under the Convention, the need for adequate replenishment and for improved access, monitoring and disbursement of adaptation finance. According to some, a process should be set up at the global stocktake to regularly assess costs for adaptation action in relation to the adequacy of mitigation efforts. This should include the assessment of support provided and action achieved on the ground to address vulnerability and risk to climate change.

28. **Coherence and complementarity** among the different sources of finance is also required. Public funding can be an effective way of leveraging finance from the private sector to support adaptation. While assessment and planning may rely primarily on public international or domestic resources, implementation of programmes and projects could be supported through private sector investments.

Some Parties suggested that providing counterpart contributions of national budget to address adaptation efforts and needs helps to ensure national commitment and ownership that facilitates implementation and continuity of different projects

29. In addition to existing sources of support for adaptation, several other and in part **innovative sources and instruments for the mobilization of resources** have been proposed in the context of the developed countries' goal of jointly mobilizing USD 100 billion per year of climate finance starting in 2020. The Secretary-General's High-level Advisory Group on Climate Change Financing<sup>6</sup> and the subsequent paper "Mobilizing climate finance" prepared by the World Bank and partners at the request of G20 Finance Ministers provides more information in this regard.

30. To better match adaptation needs with respective technology and capacity building needs was deemed important by some Parties, including by exploring synergies between the Technology Mechanism and the Financial Mechanism of the Convention. The needs encompass the transfer, and especially the endogenous development of technology, covering the entire technological cycle. Currently, developing countries experience difficulties in identifying the needs for adaptation technologies that can be addressed by the Technology Mechanism, which could be responded to by enhancing the communication and dissemination of verifiable results and lessons learned in the process of accessing adaptation projects under the Climate Technology Centre and Network (CTCN).

31. With regard to capacity building, some suggest for each country to develop its own process of identifying capacity building needs, quantifying them, and communicating them, in particular related to building national capacities to directly access and manage climate finance, and to strengthening national institutions at all stages of the adaptation cycle.

#### 4.4.2. Methodologies

32. The following necessary steps are being considered to facilitate the mobilization of support. Note that financial, technology and capacity-building support would be needed for each step:

- a) Step 1: Creating an enabling environment;
- b) Step 2: Adaptation planning, implementation and M&E, including:
  - i) Assessing and formulating adaptation support needs, including review of existing support, gap analysis between existing support and estimated/projected needs and communication of support needs;
  - ii) Addressing adaptation needs through implementing adaptation projects and programmes;
  - iii) Tracking and review of adaptation support, including monitoring and evaluating how adaptation support needs are being addressed.

##### 4.4.2.1. Possible methodologies for step 1. Creating an enabling environment and institutional support structures

33. The creation of enabling environments and ensuring good governance, according to many, is crucial to encourage the integration of climate risk and resilience considerations into all sectoral development and planning activities, improve access to funding and increase investor confidence and private sector support.

34. Such enabling environments may be created through the development of policies and regulations, including the adoption of building codes, land tenure laws and public-private partnership legislation,

<sup>6</sup> AGF (2010) Report of the Secretary-General's High-level Advisory Group on Climate Change Financing.

tax incentives and associated capacity-building. In addition, existing laws and policies, including their application, could be examined to identify and subsequently remove perverse incentives for making non-resilient or maladaptive investments and planning decisions.

35. The mobilization of resources (institutional, human, technical, financial) should happen across different fora and across all sectors of the global economy. In this context, awareness raising, knowledge exchange, guidance tools and methods are critical elements.

36. In addition, many Parties emphasize the need for strengthening policy frameworks and institutions, for example by showcasing political leadership, enacting national climate legislation or setting up inter-institutional coordination structures and encouraging national dialogues at the technical and political levels with a broad range of stakeholders, including civil society and the private sector, to identify priorities and define minimum criteria for accessing financial resources.

37. Developing Climate Change Financing Frameworks (CCFFs) was proposed by one submission as they provide an operational framework for prioritising adaptation actions, mobilising resources for adaptation and monitoring progress over time in a way that is integrated with a government's internal budgetary processes.

38. Establishing national implementing entities to help in building capacities and knowledge for the country and for future related activities or projects was also suggested along with nominating national project focal points and permanent adaptation teams that are continuously articulating adaptation activities with the national priorities and goals that address identified needs.

#### **4.4.2.2. Possible methodologies for step 2: Adaptation planning, implementation, tracking and M&E**

##### Assessing and formulating adaptation support needs

39. Developing countries could determine their adaptation and support needs<sup>7</sup> through a nationally-determined assessment process taking into account different temperature scenarios, associated impacts and adaptation costs in line with Article 2 of the Paris Agreement and the global goal on adaptation. Such an assessment could look at different sectors, territories, subnational entities and engage a wide range of stakeholders. Indeed, some Parties have highlighted that the biggest challenge in terms of mobilization of financial resources for adaptation is in fact to have an assessment of priorities and needs and translating these into high-quality projects ready to be funded.

40. The **NAPAs and the NAPs have been highlighted as good practices** in this regard as these processes have ownership and agreement from Government, business and civil society. Such processes provide a clear framework against which development partners can make investments or developing countries can seek funding from international climate finance.

41. When assessing support needs and planning adaptation, those investments and expenditures, from all sources, should be prioritized that take climate risk and resilience for both the near- and medium-to-long-terms into account, including in relation to future temperature scenarios. Some Parties also suggest to quantify economic impacts of climate change to provide a more accurate idea of the costs of inaction.

42. A methodology proposed to assess how climate change affects the net benefits of a programme is climate-sensitive appraisal or climate change impact analysis (CCIA). It compares the net benefits of a

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<sup>7</sup> Note that the AC has also been requested to consider methodologies for assessing adaptation needs with a view to assisting developing country Parties, without placing an undue burden on them and to prepare recommendations for consideration and adoption by CMA1. See document AC/2017/4.

programme without taking climate change into account with the net benefits when climate change is considered. The difference between the two comes either from adaptation or mitigation benefits. CCIA can assist in identifying and refining the adaptation element of a programme thus helping implementers make the case for financing programme.

43. If methodological constraints could be overcome; those support needs could be aggregated to arrive at the collective support needs of developing country Parties. The development and implementation of risk assessment tools and the climate risk screening of national policies and programmes could also provide valuable input to the development of comprehensive adaptation policies according to some Parties. Proposed methodologies include the Vulnerability Sourcebook or the PROVIA Guidance on Assessing Vulnerabilities, Impacts and Adaptation.

44. Such bottom-up methodologies could be complemented by methodologies representing a top-down approach, whereby support needs would be assessed globally, taking into account the temperature goal and the impacts of mitigation scenarios on adaptation needs, which could be informed by the UNEP Gap Report or the IPCC Special report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways.

45. Regarding the **formulation of adaptation interventions** addressing the identified needs, many Parties propose to move towards a more horizontal, cross-sector approach in order to shape investments in a low-carbon and climate-resilient way. At the same time, investment needs and opportunities need to be clearly formulated and translated into concrete actions. Opportunities for investments in adaptation initiatives as well as initiatives with adaptation – mitigation co-benefits need to be better highlighted in fora for the mobilization of support.

46. Many Parties highlight that once projects are based on sound information and include social and environmental safeguards they have better chances of being funded from different sources, including private investments and multilateral funds.

47. Following the assessment and formulation of needs, developing countries could review their current sources of support for adaptation. Based on the projected support needs, countries could undertake a gap analysis, to determine whether additional support is needed and, if so, what type of support (finance, technology or capacity building) and how much. The gap analysis could also reveal existing barriers to mobilizing support, including limitations in accessing support or the lack of an enabling environment to attract and absorb support.

48. In this regard, the LEG's ongoing work on capturing the gaps and needs of the LDCs in addressing adaptation in the LDCs, and the mandate to provide technical guidance and advice to the LDCs on the needs related to adaptation that may arise from the implementation of the Paris Agreement could be of relevance.

49. The perceived risk for investors is seen as a major challenge for mobilizing support to adaptation efforts by many Parties. For them, "readiness" is essential in the mobilization of support as it reduces the uncertainties for investors and builds trust. Furthermore, according to some, enhancing the use of public finance and policy interventions to create regulations and incentives to promote the mobilization of resources for adaptation action is critical, including through identifying co-benefits in public and private investment opportunities that deliver both adaptation and mitigation outcomes in strategic areas such as energy, land use, land-use change and forestry, as well as cities and major infrastructure projects; improving information disclosure in financial markets so risks can be priced and better managed and developing incentives for investments in adaptation action, i.e. financial incentives to develop certain crops that are more apt for specific territories (considering expected climate change impacts) than in others.

50. Finally, some Parties recommended that countries also assess the impacts of investments (including subsidies) on emissions and adaptive capacity/vulnerability prior to allocating financial resources so as to ensure that financing flows are consistent with a pathway toward low greenhouse gas emissions and climate-resilient development under the Convention.

51. Regarding the **communication of adaptation support needs**, developing countries should, as appropriate, submit and update periodically an adaptation communication, which may include its priorities, implementation and support needs, plans and actions, and which shall be, as appropriate, submitted and updated periodically, as a component of or in conjunction with other communications or documents, including a national adaptation plan, a nationally determined contribution as referred to in Article 4, paragraph 2, and/or a national communication (Article 7, paragraphs 10 and 11 of the Paris Agreement). Modalities for the adaptation communications are currently being negotiated under the APA. Negotiations are being informed by submissions from Parties.

#### Addressing adaptation needs

52. Following the communication of needs, developing countries may wish to **address their needs through implementing adaptation projects and programmes employing a variety of tools, vehicles and instruments to mobilize support** for these projects and programmes (see table 1 below).

53. While tools, vehicles and instruments for mobilizing public, international and domestic support are well-established, mobilizing private sector investments in adaptation is more challenging than for mitigation. While well-known methods to mobilize capital and transfer risk, such as guarantees and insurance can be used in some cases, according to some Parties, microfinance institutions (MFI) face challenges with regard to refinancing their portfolio and often cannot meet the loan demand without direct government support, including technical assistance and training on management information systems, proper loan assessments and loan product development.

#### Tracking and review of adaptation support

54. Finally, it is important to ensure that the flow of adaptation support - from providers to recipients - is **transparent and accountable**. The APA has a mandate to develop modalities, procedures and guidelines for reporting on support provided, and needed and received, as required by Articles 13.9 and 13.10 of the Paris Agreement.

55. Submissions point to a variety of ways to improve transparency. For example, providers of international adaptation finance could work closely with recipient countries to share information about planned and current adaptation activities, and publish project level finance data. Bilateral donors could make project documents (including contracts, review documents, and monitoring and evaluation reports) available online. Multilateral donors could provide project level financial information, and collaborate with recipients of finance to ensure transparency of the whole funding chain, including publication of financial information by recipients of on-lending or other sub-projects. Developing countries could track incoming finance, sources and expenditures related to adaptation in order to sustain addressing adaptation support needs.

56. The Capacity-building Initiative for Transparency (CBIT) under the Paris Agreement may be relevant in this regard, as it seeks to build capacity for countries to monitor resources received and therefore assist in identifying additional resources needed.<sup>8</sup>

57. Some Parties underline that some of the challenges faced for the monitoring and scaling-up of finance for adaptation could be overcome by agreeing on principles and general criteria regarding what

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<sup>8</sup> More information available at <[www.thegef.org/topics/capacity-building-initiative-transparency-cbit](http://www.thegef.org/topics/capacity-building-initiative-transparency-cbit)>.

counts as climate finance in the context of the enhanced transparency framework. The recommendations from the 2016 SCF's Second Biennial Assessment and Overview of Climate Finance Flows should be taken into account for the work ahead in this regard.

**Table 2. Summary of tools and instruments, respective strengths, limitations and financial potential**

	<b>Tools, vehicles, instruments</b>	<b>Examples</b>	<b>Strengths</b>	<b>Limitations</b>	<b>Financial potential</b>
<b>National level or sub-national level</b>	<ul style="list-style-type: none"> <li>• <b>Establishment of an enabling environment</b> through               <ul style="list-style-type: none"> <li>- Development of coherent national and subnational adaptation policies, strategies and plans</li> <li>- Predictable legal and regulatory frameworks</li> <li>- Effective institutions, M&amp;E systems, data provision and budget allocations</li> <li>- Promotion of multi-level governance</li> <li>- Making freely available climate and hydro-meteorological data</li> </ul> </li> <li>• <b>Domestic budget allocations and mainstreaming of climate risk, resilience and adaptation</b> across the domestic budget</li> <li>• Tax, levies, and charges, among others, including from capital markets</li> </ul>	<p>National climate funds such as the Bangladesh Climate Change Resilience Fund or Indonesia’s Climate Change Trust Fund</p>	<ul style="list-style-type: none"> <li>• Non climate -related co-benefits for the national economy</li> <li>• Domestic instruments increase developing countries’ ownership of mobilized finance and their development has important domestic co-benefits such as enhanced enabling environments and coordination among development partners</li> </ul>	<ul style="list-style-type: none"> <li>• Domestic budget allocations for adaptation can be volatile due to other prevailing development priorities</li> </ul>	<ul style="list-style-type: none"> <li>• No concrete estimate available, but the importance of an enabling environment for attracting international public and private resources has repeatedly been underlined</li> <li>• Information on domestic budget expenditures on adaptation in developing countries is only available for a selected set of countries (e.g. those using the CPEIR methodology)<sup>1</sup>. Sample expenditures include Bangladesh (USD 1.58 billion in 2013-14), Cambodia (USD 207 million in 2014), Philippines (USD 479 million in 2013), Thailand (USD 1.34 billion in 2011), Samoa (USD 35 million in 2012) and Vanuatu (USD 22 million in 2012)<sup>2</sup></li> </ul>

<sup>1</sup> For a description of the methodology and an overview of the budget expenditures of 11 countries, refer to the forthcoming Standing Committee on Finance (2016) 2016 Biennial Assessment and Overview of Climate Finance Flows Report.

<sup>2</sup> In some of the countries (e.g. Bangladesh and Samoa) foreign budget contributions covered over half of the climate spending.

	<ul style="list-style-type: none"> <li>• Policy-based or other concessional or non-concessional loans</li> <li>• Raising public awareness and developing communities' and citizen's ownership and engagement</li> </ul>				
<b>International level</b>	<ul style="list-style-type: none"> <li>•</li> </ul>				
<i>Multilateral</i>	<ul style="list-style-type: none"> <li>• Establishment of dedicated funds, allocations, mechanisms or programmes, including under the UNFCCC</li> </ul>	<ul style="list-style-type: none"> <li>• Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF) under the GEF</li> <li>• Adaptation Fund</li> <li>• Allocation of 50% of GCF resources for adaptation over time</li> <li>• Pilot Programme for Climate Resilience (PPCR) as part of the Climate Investment Funds</li> <li>• Technology Mechanism including the Climate Technology Centre and Network (CTCN)</li> </ul>	<ul style="list-style-type: none"> <li>• Allow for the development of a consolidated body of knowledge and expertise on best practice in adaptation, the development of global methods and tools to enhance effectiveness, opportunities for south-south learning. For UNFCCC, their governance through the COP ensures that the funds are directed towards needs as expressed by Parties.</li> </ul>	<ul style="list-style-type: none"> <li>• Most funds depend on voluntary and thus volatile contributions</li> <li>• Diversity and complexity of procedures and reporting requirements of the various channels can hamper access, leverage and further mobilization</li> <li>• Meeting co-financing requirements and thus mobilizing additional resources</li> <li>• Various focal points at country level for different funds can create coordination challenges in</li> </ul>	<ul style="list-style-type: none"> <li>• Around USD 2 billion for LDCF, SCCF and AF so far</li> <li>• USD 1.1 billion for PPCR</li> <li>• The PPCR has received cumulative pledges of USD 1.1 billion<sup>3</sup></li> </ul>

<sup>3</sup> Climate Funds Update, May 2016. Available at <[www.climatefundsupdate.org](http://www.climatefundsupdate.org)>.



			<ul style="list-style-type: none"> <li>• Resources provided through the various channels leverage additional public and private resources</li> <li>• Direct access has promoted country-ownership, enhanced institutional capacity to plan for and access resources.</li> </ul>	countries, also, the separate funding source for climate change can be a barrier to co-planning climate change and SDG objectives.	
<i>Regional</i>	<ul style="list-style-type: none"> <li>• Dedicated funds, allocations, mechanisms or programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Africa Adaptation Initiative, Great Green Wall Initiative</li> </ul>	<ul style="list-style-type: none"> <li>• Donors pool their resources for defined programmes delivered through intergovernmental organisations, facilities in regional development banks,</li> </ul>		
<i>Bilateral</i>	<ul style="list-style-type: none"> <li>• Dedicated funds, allocations, mechanisms or programmes</li> <li>• Mainstreaming of adaptation into bilateral support programmes as well as sector-wide and budget support</li> </ul>	<ul style="list-style-type: none"> <li>• European Union’s Global Climate Change Alliance</li> <li>• China’s Climate Change Fund</li> </ul>			
<b>Private sector</b>	<ul style="list-style-type: none"> <li>• Provision of public-private partnership opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Public funding to support integration of adaptation</li> </ul>	<ul style="list-style-type: none"> <li>• Can lead to desirable market transformation</li> </ul>	<ul style="list-style-type: none"> <li>• The success of all these instruments depends on their ability to make the</li> </ul>	<ul style="list-style-type: none"> <li>• Estimates for overall private adaptation finance flows are not available since these are</li> </ul>

	<ul style="list-style-type: none"> <li>• Raising awareness on adaptation and commissioning of climate-resilient projects to the private sector, in particular paying attention to micro and small enterprises</li> <li>• Grant instruments (e.g. direct cash, subsidies, in-kind contributions)</li> <li>• Leveraging resources from international capital markets through capital from public shareholders (governments) of DFIs or MDBs</li> <li>• De-risking instruments e.g. insurance, guarantees and derivative based products</li> <li>• Debt instruments</li> <li>• Equity instruments</li> <li>• Green bonds (market-linked debt instruments, the proceeds of which are</li> </ul>	<p>objectives into business plans</p> <ul style="list-style-type: none"> <li>• Risk pools such as the African Risk Capacity and the Caribbean Catastrophe Risk Insurance Facility that provide contingency funding in case of disasters for governments to implement contingency plans while involving private business in their financing schemes</li> <li>• Micro-finance in the form of grants, loans or equity to allow small businesses to invest in climate-resilient business and/or take adaptive measures</li> </ul>	<ul style="list-style-type: none"> <li>• Channelling public funding through instruments that catalyse additional international private investment in a given action yields greater benefits than using the public funding directly for the same type of action<sup>4</sup></li> </ul>	<p>desired target investment risk/return –wise at least as attractive to the private investor as another (in the case of domestic investors) and more attractive in the case of international investors since their opportunity costs are higher (e.g. similar opportunities in developed or less risky countries might be more attractive)<sup>5</sup></p> <ul style="list-style-type: none"> <li>• The failure of public policies to properly internalize the external value of climate benefits and other public goods constitutes an important barrier to</li> </ul>	<p>currently neither consistently monitored nor reported. Nevertheless, the financial potential of the private sector in the area of adaptation is estimated to be substantial</p> <ul style="list-style-type: none"> <li>• OECD estimate of mobilized global private co-finance for adaptation associated with developed countries’ bilateral and multilateral public climate finance in 2013-14 amounts to USD 1.5 billion<sup>78</sup></li> <li>• Green bonds issued by multilateral and bilateral development finance institutions have raised approximately USD 30 billion cumulatively since 2007, or approximately 43 % of the green bond market, growing from</li> </ul>
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<sup>4</sup> AGF work stream 7 (2010) Public interventions to stimulate private investment in adaptation and mitigation.

<sup>5</sup> Ibid.

<sup>7</sup> OECD, 2015, Climate Finance in 2013-14 and the USD 100 billion goal. A report by the OECD in collaboration with Climate Policy Initiative. Figure 1 for the amount of private co-finance mobilized and Figure 10 for the share directed to adaptation. Available at <[www.oecd.org/environment/cc/OECD-CPI-Climate-Finance-Report.pdf](http://www.oecd.org/environment/cc/OECD-CPI-Climate-Finance-Report.pdf)>.

<sup>8</sup> While OECD has attempted to capture best available data, these estimates should be considered as partial due to varying degrees of data coverage currently available across institutions and financial instruments. Private co-finance does not equal the mobilization of private finance through public adaptation finance as private co-finance is directly associated with public finance for specific investments or projects whereas mobilized private finance is also associated with indirect effects of public interventions (e.g. support to policy reforms, etc.).

	<p>earmarked for green projects that produce revenue streams, e.g. resilient transport in the case of adaptation)</p> <ul style="list-style-type: none"> <li>• Community-based microfinance practices, such as village savings and loans associations (VSLA)</li> </ul>			<p>private investment in adaptation<sup>6</sup></p>	<p>USD 4 billion in 2010 to USD 14 billion in 2014. Part of the money raised has been lent to projects in developing countries<sup>9</sup></p>
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<sup>6</sup> Ibid.

<sup>9</sup> CICERO & CPI (2015) Background Report on Long-term Climate Finance – prepared for the German G7 Presidency 2015.

## **5. Methodologies on reviewing the adequacy and effectiveness of adaptation and support**

### **5.1. Mandate**

58. COP 21 requested the AC and the LEG, in collaboration with the SCF and other relevant institutions, to develop methodologies, and make recommendations for consideration and adoption by the CMA 1 on reviewing the adequacy and effectiveness of adaptation and support referred to in Article 7, paragraph 14 (c) of the Paris Agreement (decision 1/CP.21, paragraph 45 (b)).

59. The sections below present possible methodologies proposed by the AC and the LEG for consideration and adoption by the CMA. In developing the methodologies, the AC and the LEG considered potential linkages with other processes including the global stocktake, and the review by the Subsidiary Body for Implementation of the progress made in the process to formulate National Adaptation Plans (NAPs).

### **5.2. Methodologies to review adequacy and effectiveness of adaptation and support**

60. Two options are presented below on possible methodologies for the review of adequacy and effectiveness of adaptation and support.

#### **5.2.1. Option 1**

61. The SBI and the SBSTA, the AC the LEG in collaboration with other bodies as appropriate, the secretariat, or any other body(ies) that may be designated by the CMA could organize periodic in-session meetings of experts, open to Parties and non-Party stakeholders, to prepare for the review of adequacy and effectiveness of adaptation and support in the context of the global stocktake.

62. The meetings could be aligned with the 5-year cycle of the global stocktake and organized well in advance of the subsequent review in that context, in order to allow for adequate time for the consideration of the relevant outcomes from the meetings to inform the stocktake.

63. The meetings could also be allocated sufficient amount of time to allow for adequate treatment of the review.

64. The secretariat, under the guidance of the appropriate body or bodies, could prepare a report on the in-session meetings referred to above, including on the results of the review and possible recommendations to feed into the global stocktake.

#### **5.2.2. Option 2**

65. The CMA could establish a technical team of experts<sup>8</sup> to review the adequacy and effectiveness of adaptation and support, and to prepare draft recommendations on the adequacy and effectiveness of adaptation and support to feed into the global stocktake.

66. The technical team of experts could be composed of technical experts to be nominated by Parties, taking into consideration the expertise needed to cover the areas of the review of adequacy and effectiveness of adaptation and support.

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<sup>8</sup> This could follow the example of the technical team of experts under the international consultation and analysis of BURs from non-Annex I Parties (see <unfccc.int/8621>).

67. The Adaptation Committee and the LEG could be mandated to develop and conduct training on a regular basis for the technical team of experts.

### 5.3. Possible questions to guide the review

68. With respect to **adequacy and effectiveness of adaptation**, the review could consider the following questions:

- a) What adaptation actions are required to achieve the global goal on adaptation?
- b) Where are we in undertaking those adaptation actions; are the set targets being achieved?
- c) Are the adaptation actions leading us towards achieving Article 2.1 of the Paris Agreement?
- d) Are key vulnerabilities being addressed/reduced?
- e) Has resilience been strengthened?
- f) Has adaptive capacity been strengthened?
- g) Are there key vulnerabilities in priority sectors or among vulnerable communities or populations that are not being addressed systematically and on an ongoing basis?
- h) Is progress towards implementation of adaptation actions monitored and reported?
- i) Are the adaptation actions adequately addressing the gaps, challenges, priorities and needs of developing countries?

69. With respect to **adequacy and effectiveness of support**, the review could consider the following questions:

- a) Is the support provided meeting the gaps and challenges, priorities and needs of developing countries?
- b) Do eligible countries have the absorptive capacity to manage the adaptation finance available to them?
- c) Is support well-coordinated among the various internal and external actors that engage in adaptation in a given country?
- d) Does the country engage in a national adaptation planning process - e.g. by integrating adaptation priorities into development planning?
- e) Is the private sector active in adaptation finance, for example, developing index insurance products?
- f) What is the support required for planned adaptation efforts?
- g) Are there processes and policies in place for the mobilization of support?
- h) What is the progress in mobilization of financial support for adaptation?
- i) How much of the support has been received?
- j) Is there a need to improve the provision, access and absorption of technical support?
- k) Are the investments leading us towards the achievement of the global goal on adaptation?
- l) Is finance for adaptation tracked in a systematic manner, so to ensure that all Ministries understand how much they are investing in adaptation, for what purposes, and whether they are getting value for their investments?

#### 5.4. Information to support the review

70. The review of adequacy and effectiveness of adaptation and support could be supported by relevant information from Parties and non-Party stakeholders. Possible sources could include:

- a) Reports of the Intergovernmental Panel on Climate Change (IPCC);
- b) Information provided by Parties through:
  - i) Adaptation communications, which are to be submitted as a component of, or in conjunction with, other communications or documents, including a NAP, a NDC and/or a national communication (Article 7.10 and 7.11);<sup>1</sup>
  - ii) Any other existing reports, documents and channels, such as NAPs, national communications, NAP Central etc.;
- c) The work of bodies and processes under the Convention: AC, LEG, NWP, SCF, TEC, CTCN, PCCB, etc.;
- d) Reports of the GCF, the GEF and the Adaptation Fund;
- e) Reports from the review of the Financial Mechanism and the review of the Adaptation Fund;
- f) Reports of UN agencies and other organizations;
- g) Reports of regional organizations.

71. The information could be compiled by the secretariat or the technical team of experts, analyzed and presented in a background document to inform the subsequent review of adequacy and effectiveness of adaptation and support. The information and hence the background paper could cover the following areas:

- a) **Processes and systems** to enable/facilitate effective adaptation planning and implementation at national level, including institutional arrangements, governance systems, access to science and analysis for decision-making;
- b) **Inputs** such as financial investments, especially those made by the developing countries themselves in policies, projects and programmes aimed at addressing adaptation to climate change;
- c) **Outputs**, including the national adaptation plan, strategy or policy documents, with relevant policies, projects and programmes on concrete adaptation activities;
- d) **Outcomes or demonstrable results** (from the implementation of the policies, projects and programmes) in strengthening resilience, enhancing adaptive capacity and reducing vulnerability to climate change, integration of adaptation in development planning, and, where feasible, to include autonomous adaptation outcomes (i.e. those that are not directly due to a project or programme)
- e) **Impacts or long-term societal, economic, or environmental consequences**. Examples include achievement of sustainable agricultural production in the face of a variable climate (changed growing season etc.) and the increase in public understanding of the impacts and consequences of climate change on sustainable development.

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<sup>1</sup> Please note that the modalities for adaptation communications are currently being negotiated under the APA.