AC/2015/9

Adaptation Committee

18 February 2015
Agenda item 10 (b)

Seventh meeting of the Adaptation Committee
Bonn, Germany, 24-27 February 2015

Synthesis paper

Synthesis paper on the means of implementation

Recommended action by the Adaptation Committee

The AC may wish to consider this synthesis paper as background information for the workshop on means of implementation and for conducting informed discussions on how to further promote the implementation of enhanced action in a coherent manner under the Convention.

Contents

1. Introduction

1. In its three-year workplan the Adaptation Committee (AC) agreed to convene a workshop, in the first quarter of 2015, with the relevant bilateral, regional and multilateral institutions facilitating the means of implementation (finance, technology and capacity-building), as well as with development agencies at the country level, to discuss how to further promote the implementation of enhanced action in a coherent manner under the Convention.

2. The AC also agreed to prepare a synthesis paper for the workshop considering submissions and other information available to enable the AC to conduct informed discussions on how to further engage in this activity. According to the AC's workplan, the synthesis paper as well as a scoping paper, which has already been prepared for AC 6 to inform the planning of the workshop[1], were to take into account the following two types of information from submissions:

a) The information paper on the roles of regional institutions and United Nations agencies in supporting work on adaptation, including in relation to capacity building, including of national institutions.[2]

b) Information from an additional call for submissions from developed country Parties and bilateral, regional and other multilateral channels on current experience, including criteria, priorities and other relevant information, and on means to incentivize the implementation of adaptation actions, including finance, technology and capacity-building and other ways to enable climate-resilient development and reduce vulnerability.

3. However, based on the information contained in a background paper prepared for its fifth meeting[3], the AC agreed that existing and forthcoming information from sources like the biennial reports by Annex I Parties, or that provided through other reporting channels like the Creditor Reporting System of the OECD could serve as valuable input to both papers, rendering the need for an additional call for submissions redundant.

4. At its sixth meeting, the AC decided that the focus of the workshop will be the following: "Understanding adaptation finance: how has adaptation finance resulted or not resulted in effective and concrete action?" and that the following issues would be explored: national-level institutional arrangements and mobilization of finance in developing countries; the role of the private sector; the NAP process; the importance of integrating adaptation into development; and issues related to access to finance.

5. This synthesis paper has thus been prepared to provide a basis for the discussions at the workshop, taking into account the information from the sources listed in the background paper for AC5 as well as other sources.

2. Scope of the paper

6. Building on the background paper (AC/2014/9) and the scoping paper (AC/2014/27) prepared for the fifth and sixth meeting of the AC, respectively, this paper synthesizes information from the sources listed in section 1 in the context of the focus of the workshop on means of implementation that has been agreed by the AC at its sixth meeting.

7. It is structured around the following two main elements that are intended to contribute to furthering the understanding of adaptation finance:

a) Overview of the current landscape of adaptation finance;

b) Early lessons on adaptation finance effectiveness.

[1] AC/2014/27.
[2] AC/2014/7.
[3] AC/2014/9.

3. Understanding adaptation finance

8. Aiming to understand adaptation finance requires tracking its flows: where they originate, who the intermediaries and ultimate recipients are, in which form they are disbursed and what they are used for. A comprehensive overview of global adaptation finance is only possible if various actors along the tracking path provide regular, consistent and accurate information on their provision and use of adaptation finance. These include the public and private sectors as the sources of the funds; governments, finance institutions, UN and other organizations and funds as the intermediaries; governments, NGOs and other implementing agencies as the recipients and representatives of the beneficiaries.

9. However, despite some progress made during recent years, reporting on adaptation finance is far from being consistent and complete, impeding accurate tracking. The two main reasons are the lack of a consistent definition of adaptation and the often additional nature of adaptation finance as part of larger development investments. This has led to important constraints and challenges around reporting and analyzing data, some of which include

a) Important providers of adaptation finance, particularly the private sector, do not report on it since they do not classify their investments as adaptation albeit their contribution towards resilience;

b) The classification of adaptation projects still relies on expert judgment or on an organization's own interpretation of an adaptation project;

c) Public providers of adaptation finance, particularly governments, take different approaches in either including or excluding adaptation-related official development assistance (ODA) in adaptation finance (e.g. many members of the OECD Development Assistance Committee (DAC), when reporting towards their quantified UNFCCC goals, draw on their climate-related development finance, as reported to the DAC, but only count a share of this, others include ODA in its entirety);

d) Only a few countries distinguish between allocated and actually disbursed funds;

e) When reporting on adaptation interventions that do not have adaptation as their principal objective, some intermediaries report the entire investment costs as adaptation finance whereas others report only a share of it;

f) Developing country governments, whether acting as providers or recipients of adaptation finance, do not regularly report on adaptation finance flows (e.g. non-Annex I Parties under the UNFCCC are not required to report on adaptation finance received neither in their national communications nor in their biennial update reports) inhibiting a comparison between reports from developed and developing countries on finance provided and received and leaving important gaps in the knowledge about domestic adaptation finance in developing countries as well as its effectiveness and further needs.[4]

10. These constraints and inconsistencies lead to differences in the numbers of adaptation finance that are provided and aggregated and leave important gaps in the tracking path, rendering a comprehensive picture of the climate finance landscape currently impossible. Therefore, the numbers presented in this paper shall be considered as a gross reference based on what is currently available. Beyond the tracking of numbers, the sharing of experience and lessons on how finance is used to achieve adaptation objectives and make investments resilient may be of equal importance in furthering the understanding of its effectiveness.

3.1 The current landscape of adaptation finance

11. Despite the challenges described above this section provides an overview of the current landscape of adaptation finance with the acknowledgement of important shortcomings. It describes the sources of the funds, the institutions managing them, the nature of the financial instruments, the recipients of the funds and their geographical and sectoral allocation.

[4] UNFCCC Standing Committee on Finance (2014) 2014 Biennial Assessment and Overview of Climate Finance Flows Report. Available at <http://unfccc.int/6877>; Buchner B. et al (2014) The global landscape of climate finance 2014. Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>; OECD-DAC (2014) Climate-related development finance in 2014. Improving the statistical picture. Available at <http://www.oecd.org/dac/stats/climate-change.htm>.

3.1.1 Sources of adaptation finance including current and estimated future amounts

12. As with all financial resources, two types of sources of adaptation finance generally exist: the public and the private sector.

13. Existing reports on adaptation finance, such as the 2014 Biennial Assessment and Overview of Climate Finance Flows report by the Standing Committee on Finance or the annual global landscapes of climate finance published by the Climate Policy Initiative, coherently state that it is currently not possible to track adaptation finance provided and invested by the private sector.[5] Reasons include the absence of consistent definitions of adaptation and its additional nature as part of larger investments, as mentioned above, as well as in some cases confidentiality aspects. Reports also agree that information about private investment in adaptation remains one of the most important gaps in the climate finance landscape since the financial potential of private actors is considered substantial.

14. Information on domestic public sources of adaptation finance in developed and developing countries is equally scarce, further increasing the gap between available numbers and assumed actual global investments in adaptation.

15. These shortcomings practically reduce the available information on adaptation finance to public flows from developed to developing countries, mainly reported through biennial reports that Annex II Parties have started to submit to the UNFCCC secretariat in 2014[6] and the OECD-Development Assistance Committee (DAC)'s Creditor Reporting System that tracks bilateral external development finance of OECD member countries that contributes either "principally" or "significantly" to adaptation.[7] The amounts of adaptation finance reported through these two channels are summarized in the following table. Differences in the numbers are due to different groups of countries reporting under each channel as well as discrepancies in the reporting itself as outlined above.

Table 1: Adaptation finance flows from developed to developing countries as reported through biennial reports and the OECD DAC Creditor Reporting System (in million USD)

Reporting channel	2010	2011	2012	2013
Annex II Parties' biennial reports[8]	**n/a**	**3, 085**	**2,440**	**n/a**
OECD DAC Creditor Reporting System[9]	**9,000**	**8,500**	**10,300**	**9,600**

16. In addition to these two reporting channels developed countries have also provided information on adaptation finance through their fast-start finance reports that were used to demonstrate that developed countries fulfilled their pledge to provide USD 30 billion dollars of climate finance during the period 2010 to 2012.[10] However, no common reporting scheme had been developed for these reports so that the information provided makes it difficult to estimate concrete numbers on the adaptation share of fast-start finance. Different analytical papers conclude that overall adaptation finance has likely increased during

[5] UNFCCC Standing Committee on Finance (2014) 2014 Biennial Assessment and Overview of Climate Finance Flows Report. Available at <http://unfccc.int/6877>; Buchner B. et al (2014) The global landscape of climate finance 2014. Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>.

[6] More information on biennial reports as well as submitted reports are available under the following link <http://unfccc.int/7534>.

[7] More information on the OECD-DAC CRS is available at <http://www.oecd.org/dac/stats/rioconventions.htm>.

[8] As summarized in UNFCCC Standing Committee on Finance (2014) 2014 Biennial Assessment and Overview of Climate Finance Flows Report. Available at <http://unfccc.int/6877>.

[9] As recorded in OECD DAC statistics; OECD-DAC (2014) Climate-related development finance in 2014. Improving the statistical picture. Available at <http://www.oecd.org/dac/stats/climate-change.htm>.

[10] The fast start finance commitment was announced during COP 15 and recognized by the COP in decision 1/CP.16, paragraph 95.

the fast-start period, particularly climate-related Official Development Assistance (ODA), although the announced balanced allocation of funds between mitigation and adaptation has not been achieved.[11]

17. Going beyond public adaptation finance that is provided from developed to developing countries, the Climate Policy Initiative, in its global landscape of climate finance in 2014 estimates that the total amount of public adaptation finance in 2013 accrued to 25 billion USD, an increase of 3 billion USD (or 12 per cent) compared to 2011/2012 and of 11 billion USD (or 44 per cent) compared to 2010/2011.[12] Of the 25 billion USD, 22 billion (90 per cent) was invested in developing (non-OECD) countries of which 8 billion came from developed countries.[13] The remainder of the 22 billion USD invested in developing countries was almost exclusively mobilized by national development banks that form part of the International Finance Development Club (IDFC).[14]

18. It is estimated that, if better information on such domestic public as well as on private adaptation investment was available, it would increase the total global adaptation finance substantially.[15]

19. In addition to public finance provided exclusively to address adaptation, additional finance has been provided by developed countries for measures that address mitigation and adaptation jointly. In their biennial reports, Annex II Parties reported that they had provided public resources for such activities in the amount of 2.9 billion USD in 2011 and of 3 billion USD in 2012.[16] According to the OECD-DAC, 4.8 billion USD of ODA was provided for joint measures in 2013[17] and the Multilateral Development Banks (MDBs) reported that they had spent a total of 49.7 million USD for such measures (table 2).[18]

Table 2: MDB finance with dual adaptation and mitigation benefit in 2013 (million USD)

MDB	MDB Resources			External Resources			Total
	Investments and technical assistance		Policy-based instruments	Investments and technical assistance		Policy-based instruments	
	Public	Private		Public	Private		
ADB	2.1	0.0	0.0	14.1	0.0	0.0	16.2
EBRD	16.1	15.3	0.0	0.0	0.0	0.0	31.3
IDB	0.2	0.8	0.0	1.3	0.0	0.0	2.2
TOTAL	34.4		0.0	15.3		0.0	49.7

20. Recent developments that provide some indication on the possible near- to long-term future development of adaptation finance include the following:

a) The newly completed sixth replenishment of the GEF Trust Fund (**GEF-6**) (2014-18) together with the dedicated climate adaptation funds, will enable the GEF to make close to US$3 billion available for climate finance during the coming four years, with an expected US$30 billion being leveraged

[11] See reports by the Overseas Development Institute (ODI), World Resources Institute (WRI) and Open Climate Network (OCN), available at Climate Funds Update <http://www.climatefundsupdate.org/about-climate-fund/fast-start-finance> and Buchner B. et al. (2013) The Global Landscape of Climate Finance 2013. Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2013/>.

[12] Earlier landscape reports are not taken into account as methodologies for tracking adaptation finance, such as by the OECD Creditor Reporting System, had not been sufficiently developed.

[13] Climate Policy Initiative (2014) A closer look at public adaptation finance. Available at < http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>.

[14] The IDFC, formed in 2011, is a group of twenty international, national, and regional development banks that share a similar vision of the potential for development finance to support sustainable development while playing an increasing role in tackling global climate change challenges. More information on the IDFC including its members is available <https://www.idfc.org/Default.aspx>.

[15] UNFCCC Standing Committee on Finance (2014) 2014 Biennial Assessment and Overview of Climate Finance Flows Report. Available at <http://unfccc.int/6877>.

[16] UNFCCC Standing Committee on Finance (2014) 2014 Biennial Assessment and Overview of Climate Finance Flows Report. Available at <http://unfccc.int/6877>.

[17] As recorded in OECD DAC statistics; OECD-DAC (2014) Climate-related development finance in 2014. Improving the statistical picture. Available at <http://www.oecd.org/dac/stats/climate-change.htm>.

[18] AfDB et al. (2014) Joint report on MDB climate finance 2013. Available at <www.ebrd.com/downloads/news/mdb-climate-finance-2013.pdf>.

from other sources. In addition, the GEF expects to program up to US$1.4 billion towards enhanced resilience, adaptation and disaster risk reduction.[19]

b) Germany has pledges 50 million EUR to the Adaptation Fund during COP 20 in Lima which contributed towards the 80 million USD fundraising target of the AF in 2014;[20]

c) The International Development Association's **(IDA) 17th replenishment** (2014-17) includes a special commitment to foster climate and disaster resilient development, e.g. by mainstreaming climate and disaster risk management in IDA countries' strategies, policies and investments through the following activities:

   a. All IDA country partnership frameworks incorporate climate and disaster risk considerations into the analysis of the country's development challenges and priorities and, when agreed with the country, incorporate such considerations in the content of the programs and results framework;

   b. Screen all new IDA operations for short- and long-term climate change and disaster risks and, where risks exist, integrate appropriate resilience measures;

   c. Scale up support to IDA countries to develop and implement country-led, multi-sectoral plans and investments for managing climate and disaster risk in development in at least 25 additional IDA countries.

d) The Board of the **Green Climate Fund** (GCF), at its sixth meeting, has decided to aim for a 50:50 balance between mitigation and adaptation over time and for a floor of fifty per cent of the adaptation allocation for particularly vulnerable countries, including least developed countries (LDCs), small island developing States (SIDS) and African States (decision B.06/06). Current pledges to the GCF amount to 10.2 billion USD (as at December 2014);

e) Seven developed country Parties provided information in their **biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020** (mandated through decision 3/CP.19, paragraph 10)[21]. The submissions included information on actions and plans to mobilize additional finance and on how Parties are ensuring the balance between adaptation and mitigation, among others.

Relevant general aspects include the following:

21. A variety of sources will be drawn upon to scale up climate finance. These include additional resources from the public sector, especially for the most vulnerable countries including LDCs. But all Parties emphasized the crucial role that the private sector will need to play in scaling up climate finance and the need for all national governments to create the respective incentives;

22. Parallel development of enabling environments at the national level for effective deployment of climate finance is considered essential, including domestic climate strategies, policies, instruments and mechanisms, and conducive regulatory frameworks, particularly to attract the private sector;

23. Mainstreaming climate policy into public and private investment and linking development and climate finance are crucial;

24. The development of a robust and harmonized MRV framework and the development of clear definitions to ensure the necessary transparency and trust are very important;

25. Operationalizing the GCF with a business model and principles that is conducive and complementary to these aspects is considered vital (e.g. supporting country-ownership, application of an effective results-based approach; maximizing the engagement with the private sector through the Private Sector Facility).

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[19] Website of the Global Environment Facility <http://www.thegef.org/gef/climate_change> (accessed on 3 February 2015).

[20] <http://www.germanclimatefinance.de/2014/12/12/small-steps-climate-finance-lima-new-pledges-adaptation-fund-gcf/>.

[21] Submissions have been received from the European Union, Japan, Canada, Norway, the United States, Switzerland, and New Zealand. All submissions can be accessed under the following link: <http://www4.unfccc.int/submissions/SitePages/sessions.aspx?showOnlyCurrentCalls=1&populateData=1&expectedsubmissionfrom=Parties&focalBodies=COP>.

Relevant specific aspects include the following:

26. The EU plans to substantially increase grant funding from the EU budget for climate relevant projects in the period 2014-2015, amounting to approximately 1.7 billion Euros, with an increased focus on the poorest and most vulnerable countreis. This forms part of its objective of committing at least 20 per cent of the EU's external assistance budget to climate relevant actions during the period 2014-2020. The EU has not established specific sub-targets for adaptation and mitigation finance, but aims at reaching balanced levels based on the needs expressed by partner countries when programming the specific support;

27. Japan will strive to scale up climate finance for adaptation, utilizing a new scheme of concessional loan and the insurance mechanism of private companies;

28. Norway states that adaptation to climate change is still an area which receives too little financial support. It expects the new agreement to recognize the importance of adaptation finance. In 2013, it provided 112 million USD of adaptation finance. For 2014, the figures are still uncertain, but are expected to increase further;

29. From fiscal year (FY) 2010 to FY2013, the United States has provided roughly 1.8 billion USD in adaptation assistance to developing countries. They aim to continue to increase their support for dedicated adaptation funding, since such funding is critical to managing the risks posed by climate change in vulnerable countries.

3.1.2 Institutions managing adaptation finance

30. Of the total of 25 billion USD of public adaptation finance estimated by CPI for the year 2013, 22 billion USD or 88 per cent was contributed by Development Finance Institutions (DFIs) including multilateral development banks (e.g. World Bank, regional development banks) (see table 3), bilateral finance institutions (e.g. French Development Agency, German Development Bank (KfW)), and national and sub-regional development banks (e.g. Development Bank of Latin America (CAF)) (see figure 1).[22] Of these, national DFIs invested about 50 per cent of the funds, underlining the significant domestic efforts.[23] Government bodies beyond DFIs (e.g. ministries and development agencies) facilitated 9 per cent and international and national climate funds 2 per cent (see tables 4 and 5). Similar numbers have been derived for previous years whereby DFIs' contributions increased by USD 5 billion from 2012.[24]

[22] For a list of DFIs see Buchner B. et al. (2013) The Global Landscape of Climate Finance 2013. Climate Policy Initiative. Annex A. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2013/>.

[23] Climate Policy Initiative (2014) A closer look at public adaptation finance. Available at < http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>.

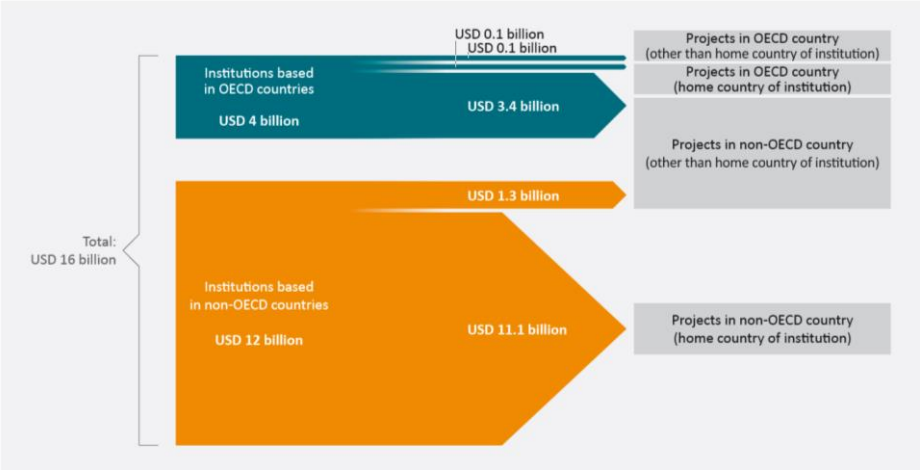
[24] Buchner B. et al (2014) The global landscape of climate finance 2014. Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>.

Table 3: Adaptation finance provided or intermediated by Multilateral Development Banks in 2013 (million USD)

MDB	MDB Resources			External Resources			TOTAL
	Investments and technical assistance		Policy-based instruments	Investments and technical assistance		Policy-based instruments	
	Public	Private		Public	Private		
AfDB	386	-	-	51	-	-	437
ADB	879	-	-	101	-	-	980
EBRD	104	51	-	32	-	-	187
EIB	166	-	-	-	-	-	166
IDB	104	2	6	7	2	-	121
IFC	-	8	-	-	-	-	USD 8
WB	2,251	-	481	195	-	-	2,927
Sub -Total	3,890	61		386	2		
TOTAL	3,951		487	388		-	4,826

(*Source:* **Joint report on MDB climate finance 2013**[25])[26]

Figure 1: Adaptation finance provided or intermediated by regional or national development banks that are members of the International Development Finance Club (IDFC) in 2013



Source: **IDFC Green Finance Mapping Report for 2013**[27]

Table 4: Adaptation finance provided by multilateral climate funds in million USD until August 2014

Name	Focus	Administrator	Year Operational	Funds Pledged	Funds Deposited	Funds Approved	Funds Disbursed
Adaptation Funds							
AF*	Adaptation	AFB	2009	416	395	226	92
LDCF*	Adaptation	GEF	2002	907	832	726	133
Pilot Program for Climate Resilience**	Adaptation	CIF AU	2008	1,160	973	772	41
SCCF*	Adaptation	GEF	2002	344	299	242	216
Adaptation Total				2,827	2,499	1,965	483

Source: **2014 Biennial Assessment based on Climate Funds Update**

[25] AfDB et al. (2014) Joint report on MDB climate finance 2013. Available at <www.ebrd.com/downloads/news/mdb-climate-finance-2013.pdf>.

[26] Note that policy-based instruments are defined by the MDBs as fast-disbursing financing instruments provided to the national budget in the form of loans or grants together with associated policy dialogue and economic and sector work in support of nationally driven policy and institutional reforms.

[27] IDFC (2014) IDFC Green Finance Mapping Report for 2013. Available at <https://www.idfc.org/Press-And-Publications/publications.aspx>.

Table 5: Cumulative pledges and approvals together with estimated annual approvals for 2011 through 2013 for seven national climate funds in million USD

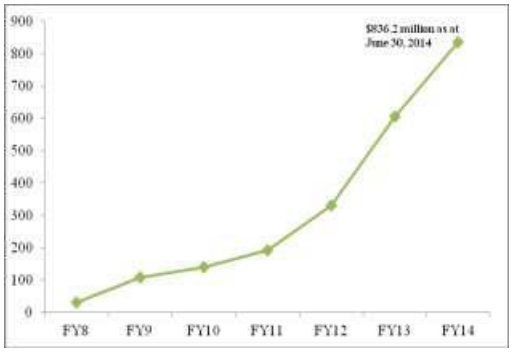
	Pledged (cumulative)	Approvals (cumulative)	Approvals	Adaptation	Mitigation
Amazon Fund, Brazil	1,033	412	27	89	89
Bangladesh, Climate Change Resilience Fund			NE	54	50
Bangladesh, Climate Change Trust Fund	188	122	NE	66	33
Guyana REDD Investment Fund	250	40	0.4	12	21
Indonesia, Climate Change Trust Fund	21	10			3
Philippines People's Survival Trust	24				
Rwanda National Climate and Environment Fund		22			

Sources: ODI for cumulative pledges and approvals and CPI for annual approval.

Source: **2014 Biennial Assessment**

31. These numbers demonstrate that DFIs with their array of financial instruments and specialized knowledge, are a cornerstone of efforts to manage and distribute global resources for low-carbon and climate-resilient development.[28] They also channel a significant share of the funding provided by international climate funds. In contrast, international and national climate funds only contribute a minor portion of adaptation finance underlining the need for these funds to spend their resources strategically through complementing others and emphasizing leverage potential. However, their share has slightly increased since 2012 mainly due to the increase in commitments by the Least Developed Countries Fund (see figure 2).[29]

Figure 2: Cumulative funding approvals under the LDCF as at June 30, 2014 (million USD)



Source: **GEF report to COP 20[30]**

3.1.3 Instruments through which adaptation finance is disbursed

32. In general terms, adaptation interventions tend to be financed with grants and low-cost loans due to the generally higher incremental cost component.[31] According to CPI, in 2013 adaptation activities were mainly financed through low-cost loans, which accounted for 52 per cent of the total ($12.9 bn) and were the main instrument used by DFIs. Grants represented 16 per cent of the total ($3.9 bn) and made up the

[28] Buchner B. et al. (2013) The Global Landscape of Climate Finance 2013. Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2013/>.

[29] Buchner B. et al (2014) The global landscape of climate finance 2014. Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>.

[30] Global Environment Facility (2014) Report of the Global Environment Facility to the Twentieth Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change. Available at <http://www.thegef.org/gef/reports_UNFCCC>.

[31] Buchner B. et al. (2013) The Global Landscape of Climate Finance 2013. Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2013/>. The report defines the incremental cost component as the difference in investment cost between cheaper, less resilient options and costlier, more resilient ones.

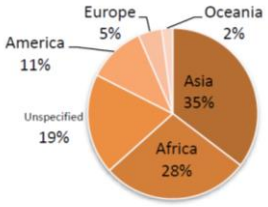
majority of governments' aid and Climate Funds' commitments.[32] However, these figures change when only looking at public finance provided through bilateral or multilateral channels and excluding those funds provided by national and regional development banks. According to the OECD-DAC, in 2012, grants comprised 69 per cent of all adaptation-related bilateral aid commitments, in contrast to mitigation-related aid commitments, of which 58 per cent are loans.[33]

33. As a special type of low-cost loans or grants, MDBs have reported that they also use policy-based instruments for disbursing adaptation finance. These are defined as fast-disbursing financing instruments provided to the national budget together with associated policy dialogue and economic and sector work in support of nationally driven policy and institutional reforms.[34]

3.1.4 Geographic and sectoral allocation of adaptation finance

34. In terms of geographic allocation of adaptation finance and if considering absolute numbers, most resources between 2010-12 have been provided to Asia and Africa, making up about two thirds of adaptation-related aid as reported under the OECD-DAC (see figure 3). [35]

Figure 3: Geographic allocation of adaptation finance as reported through OECD-DAC CRS, 2010-12



35. MDB reporting reflects similar distributions as shown in table 6. In general, this distribution is also reflected in the submissions received by the Adaptation Committee from regional institutions and United Nations agencies supporting work on adaptation in response to a call for submissions in February 2014 to communicate their current support for adaptation in developing countries, including in relation to capacity building, including of national institutions.[36] In terms of regional distribution of their support, 72 per cent of the organizations are supporting adaptation work in Africa, 68 per cent in Asia, 56 per cent in the Americas, 43 per cent in Oceania and 33 per cent in Eastern Europe. Most organizations spread their portfolios across all regions of the world. This distribution, however, does not indicate the actual type and scope of support provided but simply describes the percentage of organizations that are active in each region.

[32] Climate Policy Initiative (2014) A closer look at public adaptation finance. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>.
[33] OECD-DAC Statistics (2014) Aid to climate change adaptation. Available at <http://www.oecd.org/dac/stats/climate-change.htm>.
[34] AfDB et al. (2014) Joint report on MDB climate finance 2013. Available at <www.ebrd.com/downloads/news/mdb-climate-finance-2013.pdf>.
[35] OECD-DAC Statistics (2014) Aid to climate change adaptation. Available at <http://www.oecd.org/dac/stats/climate-change.htm>.
[36] A detailed analysis of the information provided in the submissions is contained in document AC/2014/7.

Table 6: MDB Adaptation Finance by region, 2013 (in million USD)

REGION	MDB Resources			External Resources			TOTAL
	Investments and technical assistance		Policy-based instruments	Investments and technical assistance		Policy-based instruments	
	Public	Private		Public	Private		
SOUTH ASIA	847	-	50	110	-	-	1,008
EAST ASIA AND THE PACIFIC	978	-	35	60	-	-	1,072
MIDDLE EAST AND NORTH AFRICA	0	8	67	10	-	-	85
SUB-SAHARAN AFRICA	786	-	57	109	-	-	952
LATIN AMERICA AND THE CARIBBEAN	178	0	278	16	0	-	473
EU 13	75	4	-	27	-	-	106
NON-EU EUROPE AND CENTRAL ASIA	214	46	-	42	-	-	301
REGIONAL	812	3	-	13	2	-	829
Sub -Total	3,890	61		386	2		
TOTAL	3,951		487	388		-	4,826

Source: **Joint report on MDB climate finance 2013**

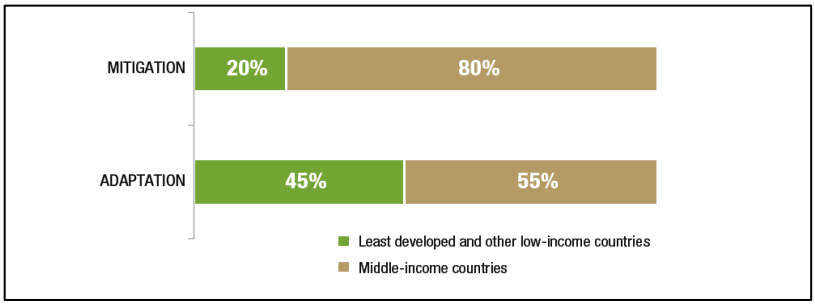
36. At the country level, the top ten recipients currently are India, Vietnam, Philippines, Indonesia, Kenya, Bangladesh, Ethiopia, Iraq, Morocco and Peru. Together these countries receive 30 per cent of total adaptation-related aid.[37]

37. Almost a fifth of all bilateral adaptation-related aid is not specifically targeting a country or region directly but allocated to specific funds and programs managed by international organizations, which in turn channel aid to specific countries, or other recipients working on adaptation issues in partnership with developing countries (see figure 3).

38. In relative terms and considering per capita disbursements, Small Island Developing States (SIDS) and countries in Far East Asia receive the most adaptation-related aid. In SIDS adaptation-related aid accounts for up to 45 per cent of total bilateral ODA received in the 2010-12 period and the funding received per capita is at least 27 times higher than the average across other recipient countries.

39. Although middle-income countries receive the most adaptation-related aid in absolute terms, adaptation-related ODA received per capita is highest in LDCs.[38]

Figure 4: Climate-related development finance commitments by objective and income group in 2013 reported through OECD-DAC



(*Source:* OECD-DAC: Climate-related development finance in 2014)[39]

40. In terms of sectoral distribution most sources report that the water sector currently receives the majority of adaptation finance. According to the 2014 CPI climate finance landscape, in 2013 14 billion USD (58 per cent), went to activities related to water supply and management, followed by 3 billion USD (14 per cent) for other climate-resilient infrastructure and coastal protection, and 2 billion USD (8-9 per

[37] OECD-DAC (2014) Climate-related development finance in 2014. Improving the statistical picture. Available at <http://www.oecd.org/dac/stats/climate-change.htm>.
[38] OECD-DAC (2014) Climate-related development finance in 2014. Improving the statistical picture. Available at <http://www.oecd.org/dac/stats/climate-change.htm>.
[39] OECD-DAC (2014) Climate-related development finance in 2014. Improving the statistical picture. Available at <http://www.oecd.org/dac/stats/climate-change.htm>.

cent) each for disaster risk reduction and agriculture, forestry, land use and natural resource management (see figures 5 and 6).

Figure 5: Sectoral distribution of adaptation finance according to CPI Global landscape of climate finance 2014

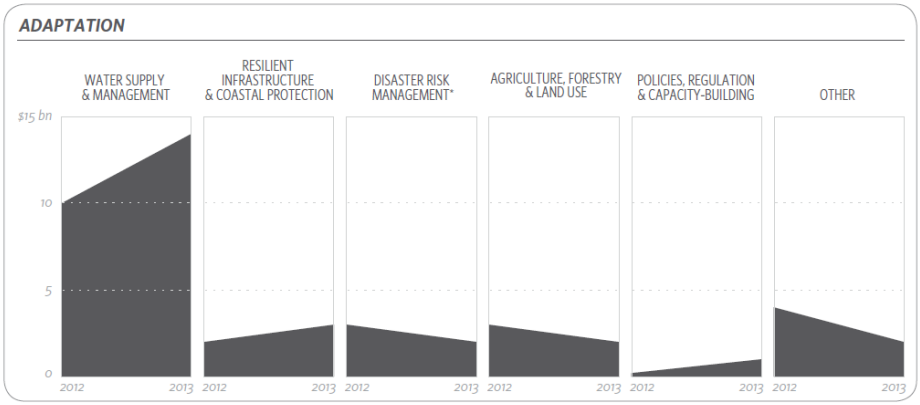
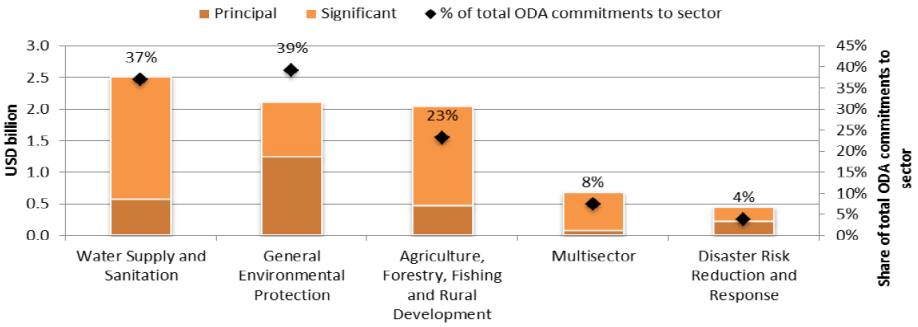


Figure 6: Top 5 sectors receiving 83 per cent of adaptation-related aid as reported through OECD-DAC (average 2010 -12; bilateral commitments, billion USD)



(*Source:* OECD-DAC Statistics (2014) Aid to climate change adaptation)[40]

41. According to the OECD, countries and donors place special importance to adaptation-related policy formulation, research and education, and capacity-building whereby the emphasis on capacity-building is reinforced by sector-specific adaptation aid flowing to policy, management, research and education in key economic infrastructure sectors, e.g. water and energy, and to the natural resource sectors including agriculture, forestry and fishing.[41]

42. MDBs also place great importance to adequate policy development for adaptation across all sectors. Most of their adaptation funding flows into energy, transport and other built environment and infrastructure, followed by coastal and riverine infrastructure and water and wastewater systems. The emphasis of infrastructural measures is owed to the specific nature of MDB finance instruments.

[40] General Environmental Protection includes support to environmental research, education, policy and administration management; Multi-sector projects include urban development and management, and multi-sector education, training and research.

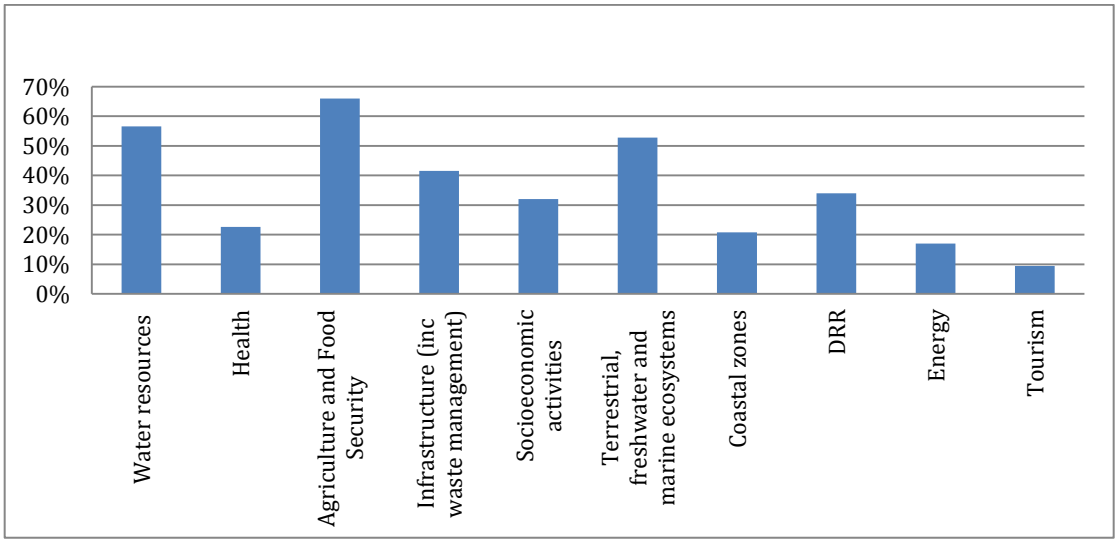
[41] OECD-DAC (2014) Climate-related development finance in 2014. Improving the statistical picture. Available at <http://www.oecd.org/dac/stats/climate-change.htm>.

Table 7: MDB adaptation finance by sectors, 2013 (million USD)

SECTOR	MDB Resources			External Resources			TOTAL
	Investments and technical assistance		Policy-based instruments	Investments and technical assistance		Policy-based instruments	
	Public	Private		Public	Private		
Water & wastewater systems	683	8	-	97	-	-	788
Agricultural & ecological resources	721	33	119	112	-	-	986
Industry, Extractive industries, Manufacturing & Trade	64	5	45	0	-	-	114
Coastal & riverine infrastructure (including built flood protection infrastructure)	929	-	34	84	-	-	1,047
Energy, transport, and other built environment and Infrastructure	1,305	8	43	66	-	-	1,422
Institutional Capacity	133	2	220	16	2	-	372
Cross sectors & other	56	5	27	10	0	-	98
Sub -Total	3,890	61		386	2		
TOTAL	3,951		487	388		-	4,826

43. The overall sectoral distribution of adaptation finance is also reflected in the submissions received by the Adaptation Committee in response to its call for submissions in February 2014. Figure 7 provides an overview of which sectors were mainly addressed by the support of the organizations that responded to the call. Sectors are categorized according to those listed in the Cancun Adaptation Framework, paragraph 14(a)[42], plus three additional ones – disaster risk reduction (DRR), energy and tourism.

Figure 7: Percentage of organizations providing adaptation support to different sectors



3.2 Effectiveness of adaptation finance

3.2.1 The importance of understanding adaptation finance flows to increase effectiveness

44. Effectiveness of adaptation finance means using scarce, mostly public funds in a way that ensures resilient development in the best possible way. It is thus an issue of urgency for both the climate change and development communities and particularly important in a time of restricted public budgets and competing demands on donor governments.[43]

45. In order to evaluate the effectiveness of adaptation finance it is not only important to improve the coverage, transparency and consistency of reporting by those who provide adaptation finance but it is equally important to obtain information from recipient countries along the entire flow of adaptation finance including mobilization, access, deployment or intermediation, and the impact of its final use.

[42] FCCC/CP/2010/7/Add.1.
[43] <http://www.climatefundsupdate.org/effectiveness>.

46. To date, only a few sources exist in a selected number of developing countries through which information on adaptation finance flows is available. These include estimates of climate change expenditures using the CPEIR (Climate Public Expenditure and Institutional Review) methodology, estimates of climate change expenditures by national development banks, and expenditures by national climate funds. The general absence of reporting mechanisms in developing countries not only limits the opportunity for cross-checking between reports on climate finance by developed and developing countries but also constrains the ability of decision-makers in developing countries to identify finance needs, improve coordination and management, raise and allocate funds for climate adaptation in line with national development priorities and draw lessons from the use of different financial instruments. In addition, the absence of appropriate methodologies for assessing the impact of adaptation finance so far inhibits the generation of a clear understanding of its effectiveness towards resilience-building.[44]

47. In this context, the Climate Policy Initiative, in its 2014 global landscape report suggests that there is a need for better and more consistently applied methodological approaches across sectors to track adaptation finance, for more transparency at the project level and for comparable estimates of trends in "business-as-usual" finance to assess whether progress towards a climate-resilient future is made. It states that data gaps need to be filled and experience shared in order to improve the understanding of effective adaptation finance.[45]

48. Despite the described limitations, the following sections summarize experience with regard to the effectiveness of overall climate finance and some early lessons from specific adaptation finance.

3.2.2 Experience with regard to the effectiveness of overall climate finance

49. Experience with and lessons on the effectiveness of overall climate finance have been shared by developed countries through their biennial reports,[46] biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020[47] and the fast-start finance reports[48], among others. Developed countries almost coherently report that there are certain key aspects that contribute to climate finance effectiveness, whether used for mitigation or for adaptation purposes. These key aspects are summarized in table 8, based on a submission from New Zealand on its updated strategy and approach for scaling up climate finance from 2014 to 2020.

Table 8: Important aspects of climate finance effectiveness as shared by developed countries

Ownership	• Encourage and support Parties to set their own strategies and priorities for responding to the challenge of climate change. • This helps create policy certainty, reducing risk and enabling private sector investment.
Alignment	• If countries have set their own strategies and priorities for sustainable, low-carbon and climate resilient development, it makes sense that finance providers align behind those. • This achieves an effective balance between finance for mitigation and adaptation: alignment behind national strategies that prioritise adaptation will help build sustainable, climate resilient communities
Coherence, Coordination, and Communication	• Donors coordinate and cooperate to simplify climate finance flows. This can avoid duplication of effort, and improve effective delivery and implementation in-country • Communication is important for tracking finance flows from source to destination • Helps make sure finance is getting to the right place and achieving the outcomes intended for it

[44] UNFCCC Standing Committee on Finance (2014) 2014 Biennial Assessment and Overview of Climate Finance Flows Report. Available at http://unfccc.int/6877.

[45] Buchner B. et al (2014) The global landscape of climate finance 2014. Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>.

[46] Biennial reports by Annex I Parties are available at <http://unfccc.int/7550.php>.

[47] Available at <http://unfccc.int/7420>.

[48] Available at <http://unfccc.int/5646.php>.

Focus on outcomes	• Finance should deliver mitigation and adaptation results that are able to be tracked and reported • This should be a natural consequence of ownership and alignment, and will reassure the private sector that their investments are part of a results-focused environment
Enabling private sector engagement	• Private sector finance and investment is not a replacement for public finance commitments, but directing even a small proportion of private sector resources to low-carbon and climate resilient will be critical for keeping the world on a 2 °C pathway. • There is a clear need for grant-based and concessional public finance (e.g. to reduce risk, or where revenue streams to repay loans are uncertain or inappropriate), but there are circumstances where investments for climate-change outcomes can take place without subsidy: public finance should not displace private-sector investment taking place on commercial terms • Private sector finance and investment should be guided by effectiveness

Source: **New Zealand's biennial submission on its updated strategy and approach for scaling up climate finance from 2014 to 2020**

50. Further aspects that contribute towards climate finance effectiveness include its cost-effectiveness (achieving climate impacts at the lowest reasonable cost), its predictability (contributing to effective long-term planning by public and private actors) and its potential for transformation (ensuring demonstration effects and promoting deployment of best available technologies to help relevant sectors become sustainable without subsidy over the long run). Finally, leveraging a donor's unique expertise is important particularly in times of a crowded climate finance landscape.

51. In general, it is a common view of developed countries that enabling policy frameworks and credible long-term planning in developing countries are a critical "pull-factor" for the mobilization of and access to climate finance. This includes the development and implementation of effective multisectoral climate change policies and the stimulation of investment through appropriate national policies and framework conditions.

3.2.3 Early lessons from adaptation finance

52. In addition to experience with overall climate finance effectiveness, some countries have shared more specific lessons on the effectiveness of adaptation finance. These lessons are structured along the adaptation finance flow, from its mobilization to its end use.

Mobilizing and accessing adaptation finance

53. Many developed countries share that there are two ways of effectively mobilizing adaptation finance: creating dedicated funding windows for adaptation and incorporating adaptation considerations into international investment and development.[49] The latter is often done by mainstreaming climate action into development cooperation budgets, e.g. by setting dedicated spending targets for adaptation.

54. Regarding separated windows for mitigation and adaptation a few developed countries report that strictly separating budgets for each provides challenges as both are often closely related in practice.

55. Developed country Parties also reported that public finance will play a critical role towards the 100 billion USD goal starting in 2020, particularly for adaptation. At the same time they pointed to the need of targeting public sources more towards leveraging additional funds from the private sector, e.g. through combining a finite core of public money with policies targeted towards substantially increasing the flow of private funds into adaptation investments. In this context, the importance of exploiting existing synergies and complementarities and of efficient use of available funding was mentioned in addition to the need for domestic efforts with regard to enabling environments. These would particularly include comprehensive,

[49] Biennial submissions from developed country Parties on their updated strategies and approaches for scaling up climate finance from 2014 to 2020, including any available information on quantitative and qualitative elements of a pathway, available at <http://unfccc.int/7420>.

long-term and nationally appropriate adaptation plans which are considered crucial for mobilizing finance from developed countries.[50]

56. In general, the importance of enabling environments at the national level is underlined by all recent reports. The 2014 global landscape report mentions that almost three-quarters of total climate finance flows in 2013 were invested in their country of origin and that especially private actors had made 90 per cent of their investments in their own country. This demonstrates that investment environments that are more familiar and perceived to be less risky are key to investment decisions, highlighting the importance of domestic policy frameworks and other aspects of enabling environments in unlocking scaled up climate finance flows.[51]

57. Regarding the access to adaptation finance the Adaptation Committee has recently developed a policy discussion document which summarizes information on how developing countries have so far accessed adaptation funding with a view to facilitating access to finance for the national adaptation plan (NAP) process. It includes information from submissions and technical reports as well as from reviews of the financial mechanism and the Adaptation Fund and reports from the GEF, GCF, AF, the Pilot programme for Climate Resilience, among others. This information provides a preliminary indication of whether or not the access has been effective and what challenges developing countries face in accessing funding for the NAP process.[52]

Involving the private sector in the provision and implementation of adaptation finance

58. The critical importance of domestic enabling environments, such as incentives and regulatory frameworks that reduce risk or increase returns, to unlock the large potential of private sector finance for adaptation has been mentioned in section 3.1.

59. Experience in mobilizing adaptation finance from the private sector and using it effectively has so far been limited and is rarely reported on. However, a few developed countries have shared their experience in mobilizing such resources through their biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020.[53]

60. Such countries report that there are generally two ways in which private sector finance for adaptation can be mobilized: first by using specific financial instruments that create an incentive for the private sector to invest and second by supporting developing countries in designing, implementing and financing enabling environments for private investments in adaptation measures.

The financial instruments that have been used for incentivizing private investment include climate insurance systems, risk pooling and mitigation measures, export credit guarantees, concessional lending and grant support. Thereby, grant support is usually used where affordable market-based financing is not available, such as for many adaptation projects in the poorest and most vulnerable countries or for early stages of technology demonstration. Non-grant financing, including concessional lending, is used when affordable market-based financing is available but constrained by factors such as market failures, capital availability, and perceived risks. In all cases, increasing the unsustainable debt burden of lower-income countries should be avoided and grants preferred where financing conditions do not allow other instruments.

61. An important condition for incentivizing private finance through public funds should be that regular activities by the private sector are not crowded out. This can be achieved by addressing market failures or using financial instruments where they reduce risk instead of directly subsidizing returns on investment. In the case of adaptation, these instruments primarily include insurance and other market-based approaches that can help address those adaptation risks that are financeable.

62. A "Global Innovation Lab for Climate Finance" has been launched in June 2014 that will identify, design, and support the piloting of new climate finance instruments with the aim of unlocking fresh

[50] FCCC/CP/2013/INF.1.
[51] Buchner B. et al (2014) The global landscape of climate finance 2014. Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2014/>.
[52] AC/2015/5.
[53] These submissions are available at <http://unfccc.int/7420>.

private investment for climate change mitigation and adaptation in developing countries. It is a global public-private initiative, developed by the UK, U.S. and Germany in partnership with several climate finance donor countries (Denmark, France, Japan, the Netherlands, Norway) and key private sector representatives. The lab is driven by the aim to accelerate the development of promising climate finance instruments which are ready to implement by quickly developing project-ready solutions.[54]

63. Some developed countries finance facilities at multilateral institutions that target the mobilization of private-sector investment in low-carbon and climate resilient development activities. These facilities achieve an incremental benefit by providing support to projects with measurable, positive climate impacts that require some financing on concessional terms to be viable.

64. In terms of effectively involving the private sector in adaptation activities from the developing country perspective, the Climate Policy Initiative's San Giorgio Group has undertaken an analysis of Nepal's efforts in the context of its Pilot Programme for Climate Resilience (PPCR).[55] The PPCR has so far been the dedicated adaptation program for developing countries most targeted toward private sector involvement. The project in Nepal deploys public resources with the aim of promoting climate resilience in the agricultural sector by engaging and developing the capacity of agribusiness firms and local commercial banks to transfer skills and resources to farmers, empowering them to adapt. As Nepal is the first country under the PPCR to attract the engagement and interest of private sector participants, the lessons from its efforts provide a good indication of how private sector involvement may work at the country level. The analysis report concludes that particularly three ingredients have helped to convince not only the Nepalese government, but also the local agribusiness firms and commercial banks in jointly engaging in the activity. These are: (i) Extensive and early consultations, including awareness raising on climate risks, supported by in-depth analyses of existing constraints by the involved actors; (ii) Tailored knowledge and capacity building measures and (iii) Innovative financing instruments, particularly risk sharing and coverage.

National institutional arrangements for deploying and managing adaptation finance

65. In their final fast-start reports several developed countries made reference to the importance of enabling environments and readiness, within developing countries, for maximum impact of the different funds and instruments provided. Examples for national institutional arrangements that contributed to enabling environments for adaptation finance include:

a) Effective multisectoral climate change policies;

b) National policies and framework conditions that stimulate investment;

c) Strong national public financial systems;

d) Catalytic infrastructure, including information and communication technologies;

e) Dialogues between the public and private sectors.

66. One country also reported that the experience of existing institutions and national governmental and non-governmental implementing agencies in delivering aid to developing countries is essential for adaptation finance to be effective.

67. This experience has played a vital role for those national implementing entities that have been accredited to directly access the Adaptation Fund. In order to receive accreditation they had to demonstrate compliance with strict fiduciary standards that are internationally recognized as well as with certain environmental and social principles that include, but are not limited to:

a) Fiduciary standards:

    a. Financial management and integrity;

    b. Institutional capacity;

    c. Transparency, self-investigative powers, anti-corruption measures.

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[54] More information on the Global Innovation Lab for Climate Finance is available at <http://climatefinancelab.org/>.

[55] Trabacchi C. and M. Stadelmann (2013) Making Adaptation a Private Sector Business: Insights from the Pilot Program for Climate Resilience in Nepal. San Giorgio Group case study of the Climate Policy Initiative. Available at <http://climatepolicyinitiative.org/sgg/publications/>.

b) Environmental and social principles:

   a. Marginalized and vulnerable groups;

   b. Protection of natural habitats;

   c. Human rights;

   d. Core labor rights.[56]

68. The experience has shown that those national entities that have been accredited and, to some extent already implemented projects or programmes, have gained important benefits that will help them implement effective adaptation projects or programmes in the future. These include: (i) strengthened readiness for accessing adaptation finance in general (e.g. through the establishment of long-term institutional capacity and unlocking of domestic resources); (ii) increased ownership at the country level (involvement of stakeholders, alignment of adaptation with development priorities, strengthening or reforming associated policies); (iii) increased transparency along the full cycle of project or programme implementation. In general this has created the legacy that these institutions represent strong national institutions that can plan effective adaptation and channel more funds since they have elevated adaptation from the intervention level to national planning at scale.[57]

69. Regardless of these benefits, it is important to acknowledge that national implementing entities need also to have the required capacity at a given point in time to focus on project and programme preparation and implementation as well as the management of high expectations from project beneficiaries in addition to a wide range of other responsibilities and workload.[58]

70. Some developing countries have also set up national climate funds to deploy adaptation and other climate finance. However, as mentioned further above, the share of adaptation finance that they has been disbursed by these funds has been limited and thus, experience with their effectiveness is hardly available. One developed country shared in its fast-start finance report that newer channels, such as those national climate funds, take time to establish their operational procedures and management tools and have therefore not yet contributed to substantial disbursements for the implementation of adaptation activities.

71. The important role of development finance institutions (DFIs), including those at the national level, has been summarized in section 3.1.2.

End use of adaptation finance

72. The fast-start finance reports by developed country Parties provide a good overview of the areas in which adaptation finance has been invested and what contributed to that finance's effectiveness.

73. Fast start finance resulted in a broad range of adaptation activities from increasing the understanding and use of climate information for adaptation planning to concrete measures such as the strengthening of specific infrastructure to resist floods and storm surges. This range of activities is exemplified by the following list of activities that have been supported through fast-start adaptation finance:

a) Improvement of the understanding of climate change science and use of climate projections for adaptation planning;

b) Upgrade of roads and bridges vulnerable to floods and storm surges;

c) Construction of dry stone walls, coral farming, drought resistant crops, protecting marine areas, and mangrove rehabilitation for the protection of frequently inundated coastal areas;

d) Rain water harvesting, improvements to the water reticulation system, building seawalls and planting mangroves to improve water security;

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[56] More information on the Adaptation Fund's accreditation requirements is available in the Board's operational policies and guidelines and at <https://www.adaptation-fund.org/page/implementing-entities>.

[57] Presentation by the Adaptation Fund Board at the fifth meeting of the Adaptation Committee. Available at <http://unfccc.int/8012.php>.

[58] Bugler W and Rivard B (2012). Direct Access to the Adaptation Fund: Lessons from Accrediting NIEs in Jamaica and Senegal. Available at <http://cdkn.org/wp-content/uploads/2012/09/NIE_Jamaica-Senegal_InsideStory_final_WEB.pdf>.

e) Comprehensive disaster risk assessments;

f) Advanced weather systems to help build climate resilience in developing countries;

g) Reduction of the vulnerability of the agricultural sector to climate-induced changes in water resources;

h) Infrastructure rehabilitation projects for typhoon damage.

74. As to what has made adaptation finance investments effective the following factors were mentioned in the fast-start reports:

a) Developing holistic adaptation responses to identify climate risks and build local and national capacity to help address these risks;

b) Assisting developing countries to establish institutional and technical capacity to enable them to take action and incorporate climate change into long-term development planning;

c) Fostering regional harmonization and knowledge-sharing;

d) Focusing strongly on achieving climate change and development results.

75. Particularly regarding the need to strengthen in-country capacity, an important lesson from fast-start finance has been shared by one country: the fast-start finance commitments fostered the expectation that large quantities of funds would be disbursed in a short period of time. This resulted in the tendency to use specialist third parties for project implementation, such as multilateral institutions, or reinforcing existing initiatives, sometimes on the expense of building in-country capacity or using new and innovative approaches. Thus, taking a longer-term view and incorporating capacity-building will ultimately improve the effectiveness and sustainability of adaptation investments.

76. Lessons from the investment in adaptation have also been shared by regional institutions and United Nations agencies that have provided information to the Adaptation Committee in response to its call for submissions on current support for adaptation in developing countries. These lessons have been summarized in an information paper, some of which are included in the following exemplary list:[59]

77. The World Bank's has shared the following lessons, among others, which are important in regard to the effectiveness of adaptation investments:

a) Integrated multi-stakeholder and multi-sectoral activities may entail slow initial disbursements but generally result in stronger buy-in from relevant stakeholders and more sustainable outcomes;

b) Lead institutions must have the authority to coordinate powerful sectoral ministries;

c) Adequate, predictable and long-term financing is needed to bring about transformative change towards climate resilient development;

d) Getting the institutions and incentives right is often the single most important issue in climate and disaster resilient development, with a flexible, learning-by-doing approach and incorporating into strategic sectoral programs and budgets, with adaptation in effect becoming part of the core work program of participating stakeholders;

e) Using a learning-by-doing approach and engaging early-career committed professionals help develop expertise and knowledge, support local solutions, and provide incentives for capacity maintenance and expertise retention.

78. The WTO Standards and Trade Development Facility (STDF) identified the following important aspects:

a) ensuring national ownership;

b) considering the country's context and absorptive capacity;

c) carefully assessing and prioritizing needs;

d) ensuring activities are transparent, connected and in sequence;

e) adopting a value chain approach to maximize trade impact;

[59] AC/2014/7.

f) encouraging public and private sector participation;

g) being flexible during implementation;

h) linking the development of skills to practice;

i) strengthening management capacity and managing for results;

j) avoiding market distortions;

k) rigorously evaluating impacts.

79. An overview of what concrete activities have so far been undertaken under the national adaptation plan (NAP) process, the support provided and early lessons from these activities are available in two information papers published by the Least Developed Countries Expert Group and the Adaptation Committee.[60]

[60] FCCC/SBI/2014/INF.25; FCCC/SBI/2014/INF.14.