Report on the workshop on the means of implementation for enhanced adaptation action

Bonn, Germany, 2 to 4 March 2015

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. According to the workplan, representatives of the Technology Executive Committee (TEC), the Standing Committee on Finance (SCF), the Green Climate Fund (GCF) Board, the Adaptation Fund Board and the Global Environment Facility (GEF) were also to be invited.

2. At its sixth meeting, the AC decided to narrow the scope of the workshop and agreed on the following overarching topic: *Understanding adaptation finance: how has adaptation finance resulted or not resulted in effective and concrete action,* and to explore the following five topics: access to finance; national-level institutional arrangements and mobilization of finance in developing countries; the importance of integrating adaptation into development; the role of the private sector; and the NAP process.

3. Planning of the workshop was informed by a scoping paper[1] that was considered at the sixth meeting of the AC. A synthesis paper,[2] based on submissions and other relevant information on adaptation finance was provided as background in advance of the workshop.

4. The workshop was organized around the five issues mentioned above. Guiding questions served to further structure the discussions. Those questions centred around three main themes: effectiveness of adaptation finance; required institutional arrangements; and long-term context of adaptation planning, particularly the national adaptation plan (NAP) process.

5. The information contained in this report can be used in various areas/activities, including: the workshop on experiences, good practices, lessons learned, gaps and needs on the process to formulate and implement national adaptation plans, organized by the AC and the LEG from 16 to 17 April 2015; in-session workshop on long-term finance during SBI 42 in June 2015; the AC overview report; financial support for the process to formulate and implement NAPs; and further work of the AC on means of implementation and other related activities.

2. Proceedings

6. The workshop was held for 2.5 days from 2 to 4 March 2015 in Bonn, Germany. It was organized by the secretariat under the guidance of the AC and chaired by a Co-Chair of the AC, Mr. Juan Hoffmaister. The agenda, presentations held during the workshop and other background information are available on the dedicated web page for the workshop.[3]

7. Forty-four participants attended:[4] seven members of the AC, one representative each of the TEC, the Least Developed Countries Expert Group (LEG), the GEF, the GCF secretariat and the Adaptation Fund Board secretariat, six representatives of multilateral agencies, two representatives of regional and four representatives of bilateral agencies, eight representatives of development agencies at the country level, three representatives of the private sector and three resource persons. The participants from development agencies at the country level represented countries that have accessed diverse sources of adaptation finance through different channels, such as the Adaptation Fund, through a national implementing entity (NIE);[5] the Least Developed Countries Fund (LDCF); the Pilot Programme for

[1] See <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/ac_6_scoping_paper_moi_workshop_26_sept_2014.pdf>.
[2] See <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/ac7_moi.pdf>.
[3] <unfccc.int/8860>.
[4] See <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/moi_lop.pdf>.
[5] Information on NIEs under the Adaptation Fund is available at <https://www.adaptation-fund.org/page/implementing-entities>.

Climate Resilience of the Climate Investment Funds; bilateral development agencies; and through the establishment of a national climate change fund. Some participants had also been involved in the NAP process of their respective country.

8. The workshop was divided into seven sessions (see annex for the agenda), and included five breakout groups for in-depth discussion on the five topics mentioned in paragraph 2 above. Each session or breakout group was led by an introductory presentation(s), which was then followed by discussion based on the respective guiding questions.

3. Summary of trends and lessons learned addressed at the workshop

9. This section summarizes the key issues that were addressed at the workshop, focusing on the five issues that the AC had identified as being important to enhance the understanding of adaptation finance.

3.1 Current landscape of adaptation finance including successes and trends

3.1.1 Introductory presentations and guiding questions

10. The session was initiated with presentations on: *Latest landscape of adaptation finance - key actors and trends* by a representative of the Climate Policy Initiative;[6] *Challenges and gaps in adaptation finance - Findings of the 2014 Biennial Assessment and Overview of Climate Finance Flows Report* by a representative of the Oversees Development Institute;[7] and *Risk management and adaptation finance by the private sector* by a representative of the International Finance Corporation.[8]

11. This session was guided by the following questions:

- *What is the landscape of adaptation finance – key actors and trends?*
- *How are institutional arrangements being developed to facilitate access to finance as well as to enable the planning and implementation of adaptation action?*
- *What are the challenges faced by developing countries in accessing available resources?*
- *How is "leveraging" and "co-financing" for adaptation working?*
- *How is the private sector financing risk management and adaptation?*

12. Presentations and discussions revealed that although the total amount of public adaptation finance has increased over the years, it represents only between 11 and 24 per cent of total climate finance.[9] The presenters underlined that existing funds for adaptation are not able to match the demand of countries, especially in terms of implementing national adaptation programmes of action (NAPAs) and the NAP process. They concurred that the private sector is likely investing important amounts into building resilience to the adverse impacts of climate change without explicitly referring to it as adaptation. Presenters identified a clear need to strengthen reporting and tracking systems and to make associated methodologies more consistent in order to clearly differentiate between domestic and private sources of adaptation finance and make this information available. Participants further recognized the need to continue improving alignment of finance with country needs and priorities.

3.1.2 Trends and lessons learned

13. Participants made the following further observations during the subsequent discussion:

[6] See <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/20150302_stadelmann.pdf>.
[7] See <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/20150302_nakhooda.pdf>.
[8] See <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/20150302_stenek.pdf>.
[9] UNFCCC Standing Committee on Finance (2014) 2014 Biennial Assessment and Overview of Climate Finance Flows Report. Available at <http://unfccc.int/6877>

a) Important information gaps exist on domestic and private sources of adaptation finance. This is due to the fact that it is mostly public funding flows from developed to developing countries that are tracked and reported on. A distinction between adaptation and business-as-usual investment is often hard to make;

b) Success in adaptation finance is not only reflected in the fact that the overall amount has increased, but also in other positive developments including the general alignment of funded adaptation activities with national priorities, their integration into development activities and their ability to be scaled up;

c) Challenges around adaptation finance include difficulties in distinguishing between adaptation and regular development activities, understanding the incentives and benefits of climate risk management in the private sector, and monitoring and evaluating adaptation effectiveness;

d) Trends in adaptation finance include moving towards faster access and a more integrated way of financing adaptation across various sectors, as well as increasing the size of projects and programmes;

e) There is also a trend of moving from grants-based adaptation finance towards other financial instruments, such as insurance, including by working with the local financial sector. The demand for management for results is increasing;

f) Larger projects and programmes are now addressing more sectors in an integrated manner.

3.2 Access to adaptation finance

3.2.1 Introductory presentations and guiding questions

14. The session was opened by a presentation from a representative of Centre de Suivi Ecologique (CSE) in Senegal[10] on experience with direct access to the Adaptation Fund. The presenter highlighted that CSE was the first national implementing entity (NIE) to be accredited by the Adaptation Fund in 2010. It has implemented a project on *Adaptation to coastal erosion in vulnerable areas* through the direct access modality under the Adaptation Fund, and has also submitted a second project on *Reducing vulnerability and increasing resilience of coastal communities in the Saloum Islands (Dionewar)*. Some of the challenges that were mentioned include language barriers (the working language in Senegal is French, whereas accreditation documents and the process are in English), the need to formalize operational procedures/processes and the necessity to upgrade procurement procedures to meet the required standards. These challenges were in turn described as having become opportunities, since CSE has now upgraded its operations, which will be useful in the future beyond the Adaptation Fund context.

15. The discussion was guided by the following questions:

- *What does enhanced access to adaptation finance look like?*
- *How can it facilitate longer-term, wider-scale impact in terms of reducing vulnerability to climate change?*
- *What enabling environments serve to facilitate enhanced access?*

3.2.2 Trends and lessons learned

16. Participants agreed that the following enabling environments would serve to facilitate enhanced access to adaptation finance:

a) Scaled-up finance for adaptation;

b) Long-term capacity-building (human, institutional, systemic) at the national level – an NIE can increase a country's overall capacity at the national level by forging the creation of strengths in relevant areas for accessing adaptation finance;

c) Strong national leadership and coordination, including ownership;

[10] See <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/20150302_session4_ndiaye.pdf>.

d) Coordination and cooperation at multiple levels, from national, regional and international levels;

e) A strategic framework for accessing adaptation finance from multiple sources;

f) Ways, beyond having absorptive capacity, to attract climate finance.

17. It was further discussed that efforts to maximize the access to finance effectively do not only have to focus on the maximization of resources but should also take into account the importance of multiple scales and the diversity of actions and actors. Other parameters include the level to which support responds to the needs; as well as ownership and participation.

18. A related question was on how the limited financial resources that are channeled through the UNFCCC's financial mechanism can be spent most effectively and on how can they help to leverage other resources. Participants mentioned that resources should be used to enable policy makers and other stakeholders to make informed decisions, including through building the required institutions and developing financing strategies.

19. In terms of accessing funding from the GCF, reference was made to the strategic framework on financing as a way of identifying priority areas for engagement with the GCF. Participants indicated great interest in the Fund's readiness programme. It was noted that a total of USD 15 million had been allocated to the readiness programme by the GCF Board, allowing individual countries to access up to USD 1 million. Such resources are likely to increase in the near future.

3.3 Enabling environments

3.3.1 Introductory presentations and guiding questions

20. The session was introduced by a presentation from a representative of Fundecooperación in Costa Rica,[11] an NIE of the Adaptation Fund. The representative highlighted information on the entity's efforts to reduce vulnerability by focusing on critical sectors (agriculture, water resources and coastlines) in order to reduce the negative impacts of climate change and improve the resilience of these sectors.

21. The discussion was guided by the following two questions:

- *How can national institutional arrangements, in particular, facilitate longer-term, wider scale impact in terms of reducing vulnerability to climate change?*
- *How can they facilitate enhanced access to adaptation finance?*

3.3.2 Trends and lessons learned

22. Participants concurred that enabling environments at the national level are key in attracting and accessing adaptation finance. The following key issues were identified:

a) Important factors to create an enabling environment include the development of appropriate policies, regulatory and governance frameworks, access to information, good knowledge management and continued capacity building;

b) Developing regulatory and governance frameworks requires the combination of a top-down and a bottom-up approach, whereby the top-down approach uses the relevant national strategies to inform local action and the bottom up approach provides information on local needs based on the engagement with all relevant actors, including the private sector. This combination also reflects the need for a certain degree of flexibility in the arrangements as some sectors are coordinated primarily at the national level and others at the local level;

c) Further arrangements that contribute to an enabling environment include commissions and/or coordinating entities that are able to promote inter-ministerial coordination. High-level engagement can be required to select the most appropriate national entity for managing adaptation finance since this is often a complex and sometimes conflictive process;

d) The NAP process is playing an increasingly important role in establishing adequate enabling environments to address adaptation more strategically and in the longer-term.

[11] <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/20150302_session4_reyes.pdf>,

23. Participants agreed that that the effectiveness of arrangements can be enhanced by being attentive to different circumstances in different sectors and by undertaking needs assessments. Informing and engaging the public and creating social co-responsibility for risk mitigation can make interventions more accepted and enduring. This could further be supported by pursuing goals that can be replicated and scaled up, by appropriately addressing failures and by tracking and reporting on indicators to assess outcomes and further needs.

24. Participants also noted that in order to make these arrangements sustainable in the long-term and to integrate adaptation into the national economic development planning process, there is the need to involve the ministry of finance, the chamber of commerce and similar institutions. It was suggested that setting up respective laws and transformational processes would be helpful to support continuous implementation independent of political cycles. Participants underlined the need for involving the local level to implement action. This could be achieved by involving the local level in decision-making, fulfilling needs at the local level to create demand for continued action and establishing national policies on funds/financial mechanisms that trigger interest from the sub-national levels.

25. The important role of the NAP process as a suitable platform for the development of such enabling environments was emphasized at the workshop. Participants underlined that the set-up of arrangements and the provision of finance should go hand in hand in a process of learning by doing. It was emphasized that the availability of finance serves as an incentive to develop and set up such arrangements, so there is no need to wait for setting up a *perfect* institution first to enable the financial flow.

3.4 Integrating adaptation into development

3.4.1 Introductory presentations and guiding questions

26. Discussion on integrating adaptation into sustainable development was kicked off by a presentation from a representative of the South African National Biodiversity Institute[12] on insights from South Africa's NIE to the Adaptation Fund.

27. The follow-up discussion was guided by the following questions:

- *How do you assess and adjust for climate risks in your development planning, programs and investments?*
- *How do you find and access the support that is needed to do this assessment and adjustment?*

3.4.2 Trends and lessons learned

28. Participants discussed the following points in the context of how to assess and adjust for climate risks in development planning, programs and investments :

a) It is important to locate adaptation interventions within development interventions. In order to achieve this, there is a need to generate interest at the national level for integrating adaptation into development planning. Countries could consider the use of persons that are influential at the national level on the national development agenda and climate change, as well as organizations at the national level that have political weight. The likelihood of adaptation to be successful is highest if it is integrated into ongoing programmes at the national level, including through integrating risk management into planning;

b) It is essential to provide good, simple and relevant climate information to different stakeholders to enable them to make informed decisions. This entails translating information into knowledge and to communicate this in a way that different stakeholders can understand. In this context participants also discussed the approach of combining traditional knowledge with the latest science;

c) It is important to promote coordinated and coherent cross-sectoral adaptation actions. This would involve engaging the right partners as early as possible through, for example, cross-sectoral steering committees. Participants concurred that cross-sectoral approaches could promote the integration of

[12] <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/20150302_session4_barnett.pdf>.

adaptation into development planning. Adaptation has to be undertaken by a wide range of government departments, including, but not limited to, environment departments;

d) Achieving an effective process can take time, and requires a comprehensive consultative process that involves incremental capacity building is important;

e) Pre-implementation grants can be helpful. An effective communication campaign is also critical to ensure the buy-in of key stakeholders. This participatory approach should be taken into account in the planning process from the very beginning;

f) In assessing and adjusting to the risks in the development planning, it is essential to take into account changing contexts, such as political terms. Having sustainable institutional arrangements on the ground, as well as establishing institutional relationships and plans that can last through the changes is critical in this regard;

g) Assessing risk and potential losses to make the case for adaptation, for example in terms of percentage of GDP, could motivate the need for integrating adaptation/risk reduction into development. Assessment of risks and potential losses could be coupled with an economic growth strategy that is climate resilient;

h) Regional approaches to integrating adaptation into development are important, as many impacts are cross-boundary.

29. On the issue of how to access the support needed to integrate adaptation into development, the participants made the following points:

a) In the context of the GCF, a general uncertainty of how to move ahead to access the GCF was noted, as well as an uncertainty of funding under the AF/GEF vis-à-vis the GCF. The potential funding gap was identified as a critical problem for the near future.

b) Political buy-in is key, with acts of parliament and laws that could assist in this respect;

c) It is also essential to explore different channels of finance. While international (private and public) and domestic (private and public) finance channels are all important, there are vast challenges to engage the domestic private sector, particularly in LDCs. However, innovative finance and new mechanisms from the private sector should be explored. Insurance mechanisms could also be part of this, where relevant. Participants noted, though, that the sustainability of insurance needs to be considered;

d) A stable domestic enabling environment is important to leveraging further finance;

e) The timing of project cycles can be very strict, and these need to be taken into account. There is oftentimes a tension between a push to access funding quickly and taking time to design a robust project. In this context, participants noted that pre-project inception grants are useful.

f) In relation to the political context, it can be challenging to bring different ministries together and getting them to share information and funding. Further challenges are the frequently changing political terms and elections, which can deprioritize adaptation;

g) Demand is increasing for effective monitoring and evaluation of adaptation systems, but at the same time for flexibility and learning.

3.5 The role of the private sector

3.5.1 Introductory presentations and guiding questions

30. Similar to the previous sessions, the discussion was kicked off by two presentations from representatives of the private sector. The first presentation was made by a representative of the International Finance Corporation[13] and it pointed out the three overarching roles of the private sector: making its business resilient to climate change risks; providing adaptation products and services, such as infrastructure solutions or climate services; and providing finance for adaptation and resilience, e.g.

[13] <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/20150302_stenek.pdf>.

through project finance. It also described the factors that contribute to an enabling environment that facilitates private sector engagement, such as appropriate data and information, institutional arrangements, policies (consistent standards, rules and regulations), economic incentives and communication, technology and knowledge.

31. A second presentation was made by a representative of the African Risk Capacity (ARC).[14] It revealed that current private sector engagement in the ARC is limited to providing services in risk pooling and insurance functions, meaning that the ARC does currently not benefit from additional private investment. However, additional private investment is expected in the future, once the ARC proves its effectiveness and financial viability.

32. The discussion was guided by the following questions:

- *What enabling environment is needed to facilitate private sector investment in adaptation/climate resilience?*
- *How is the private sector responding to incentives for adaptation?*
- *How can/is the private sector in developing countries assessing and adjusting for climate risks in their investments? How is it finding the resources to do so?*

3.5.2 Trends and lessons learned

33. The presenters made participants aware of the importance of distinguishing different types of private sector actors, from local businesses to large, international corporations or financial investors, who all have different interests and needs when it comes to adaptation and resilience-building and thus require different support and incentives in order to act.

34. Overall, private sector representatives emphasized that the integration of adaptation into business-as-usual will only happen if it is compelling and makes financial sense. Using standard metrics (e.g. creating resilience to an event with a return period of 200 years), index-based approaches and regulations, such as in the insurance industry, have already proven to be viable options.

35. A large part of the discussions on the role of the private sector focused on the way the public sector can support and incentivize its engagement, and how the two sectors can cooperate and complement each other.

36. Participants underlined the value of this type of piloting by the public sector that would attract the interest and engagement of the private sector in the longer-term, once effectiveness, risk mitigation and financial viability can be demonstrated. They mentioned development banks, other publicly-run financial institutions, as well as the private sector facility of the GCF as good candidates to run these pilots and help countries to establish the required enabling environment for private sector engagement. Developing and implementing effective measures to keep insurance and other costs at a viable level needs to be taken into account.

37. Other effective ways to incentivize resilience-building by the private sector which were discussed included the following:

a) The important role and potential of the private sector is increasingly realized, as the public sector will not be able to meet the high demand of adaptation finance that is expected for the future;

b) Encouraging and supporting the assessment and reporting of supply chain risks to provide robust evidence of climate risks;

c) Taking into account climate change risks as part of an index to financially rate a company without necessarily addressing them as *climate change* risks but as risks that are commonly used in business language;

d) In general, changing terminology from *adaptation* to *risks* that need to be incorporated in a business strategy in order to make the business viable in the long-term;

e) Talking about opportunities to increase competitiveness, rather than costs of adaptation;

[14] <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/20150203_session5_mpanu-mpanu.pdf>.

f) Providing appropriate information, such as national risk atlases, in local languages;

g) Making information relevant to shorter private sector planning cycles while outlining a longer-term investment horizon by communicating long-term goals;

h) Developing pricing strategies that encourage investment in resilient activities;

i) Providing attractive financial instruments, such as commercial lending, green bonds or structured funds that help businesses to diversify their portfolios or to invest in new, resilient businesses.

38. A general question was raised on how the private sector could benefit from increased adaptation funding that is expected in the future. The private sector facility (PSF) of the GCF was mentioned as one important channel through which private sector engagement can be further encouraged. However, participants underlined that it needs to be clarified whether the PSF will act as a catalyst for leveraging private sector funding, or provide means to support and involve the domestic private sector in developing countries. It was suggested that one way to engage the private sector could be to offer risk sharing instruments.

39. Participants suggested that the AC could serve as the body to promote private sector engagement under the Convention and to support the public sector in identifying areas in which the private sector could get involved, both in the short- and long-term.

3.6 The NAP process – what is needed to finance long-term adaptation

3.6.1 Introductory presentations and guiding questions

40. The discussion on the topic was informed by a presentation by a representative from Nepal on experience in financing long-term adaptation.[15] The presentation included some of the positive experiences in planning and implementation in Nepal, including the level of awareness and understanding of climate change adaptation generated by the national adaptation programme of action and the local adaptation plans. It also highlighted the national climate change policy which provides for channeling 80 percent of the climate finance to field-level activities and an economic assessment study that provided evidence that 2 per cent of GDP is lost each year due to the impacts of climate change. The Nepalese example also mentioned experiences in accessing funding through the LDCF, Climate Investment Funds as well as bilateral support; the establishment of a climate change budget code; engagement of the civil society awareness and capacity building; and stocktaking of the NAP process. Further needs identified in the experience from Nepal included common understanding to distinguish climate and development finance; further capacity-building on direct access, effective delivery and utilization of finance, and the tracking climate finance.

41. The subsequent discussion was guided by following questions:

- *How can countries build a finance strategy for long-term adaptation?*
- *What is the experience with institutional arrangements for long-term adaptation?*
- *What is the role of the private sector in financing long-term adaptation?*

3.6.2 Trends and lessons learned

42. Participants suggested that the following considerations are important for the development of a finance strategy for long-term adaptation:

a) Addressing the means of implementation for climate change adaptation goes beyond questions of financing only, but involves robust national institutional arrangements, both for coordination and technical purposes;

b) The NAP process will need increasing support in the future, involving a wide range of stakeholders, particularly those experienced in implementing adaptation activities.

[15] <http://unfccc.int/files/adaptation/cancun_adaptation_framework/adaptation_committee/application/pdf/20150203_session5_uprety.pdf>.

c) The process of developing a long-term finance strategy needs to be guided by national adaptation needs and priorities;

d) It is important to estimate costs for the medium- and long-term adaptation goals;

e) Financing needs for adaptation are inseparable from financing needs for sustainable development;

f) The strategy needs to cut across the entire NAP process;

g) Beyond the strategy, a clear financing process that addresses financing needs for adaptation in appropriate planning cycles (annual, 5 years, 20 years, etc.) is needed. This would be an iterative process that takes into account medium- and long-term vulnerabilities;

h) Sources of financing need to be identified, including public and private sources;

i) Setting up a domestic fund to coordinate funding of activities can be a useful practice in enhancing the capacity for domestic climate change governance;

j) Parties suggested that countries could make use of the readiness and preparatory support under the GCF to develop a finance strategy for long-term adaptation.

43. Participants also reiterated the importance of the following considerations regarding effective institutional arrangements for long-term adaptation:

a) Climate change adaptation concerns a broad spectrum of stakeholders, and hence it is critical to reach beyond environment or climate change ministries/agencies;

b) Use of existing planning and coordination structures is very important to lead to an effective integration of adaptation into development planning;

c) Different actors need to recognize that countries have different institutional arrangements and set-ups for coordinating climate change adaptation, as well as climate finance;

d) The NAP process has all means to be responsive to national circumstances;

e) In some cases the ministry of finance has authority over the management of climate finance, and the implementation of actions is undertaken by technical partners. This can, at times, pose challenges in coordination.

44. Participants highlighted the importance of engagement of the private sector in financing the NAP process and suggested the following incentives:

a) Enterprises could be sensitized with regard to their exposure to climate change risks, including those associated with delayed action. Capacity building for small and medium enterprises could be enhanced to integrate climate change risks into their operations;

b) Private sector entities could be included in a national coordination mechanism, which could make their engagement in supporting adaptation actions more attractive;

c) The engagement of those private sector entities could be prioritized whose assets have already been impacted by climate change. Such entities might be ready to engage in climate change adaptation and can, in turn, become agents to influence others.

d) There was a perception that adaptation could be turned into a business opportunity and adaptation activities could thus be made commercially viable. Participants also noted the importance of tailoring engagement to the size of the private sector entities: Large multinational cooperations could be engaged differently than small and medium enterprises.

4. Challenges and recommendations

45. The following is a summary of challenges in adaptation finance as discussed during the workshop:

a) Adaptation versus business-as-usual development finance: the distinction is often artificial and integration of adaptation into development is widely accepted as the practice on the ground. The question that needs to be addressed then is how to access adaptation finance when adaptation is fully integrated;

b) Political will and support for addressing adaptation as a national priority. This often gets to be a greater challenge due to frequently changing political terms and elections, which can deprioritize adaptation;

c) Coordination of adaptation finance at the national level between the ministries of finance and other relevant ministries responsible for implementing adaptation projects;

d) Understanding the incentives and benefits of climate risk management in the private sector;

e) Engagement of the domestic private sector, particularly in LDCs;

f) Current uncertainty and/or declining levels of funding under the LDCF, the SCCF and the Adaptation Fund, also given the shifting of focus towards the GCF. Although a game changer in adaptation finance is needed, the momentum of successful adaptation finance needs to be kept and continuity ensured;

g) The difficulty of navigating the current landscape of adaptation finance and understanding the various players within the private sector and their different interests and needs when it comes to their involvement in adaptation and adaptation finance;

h) Monitoring and evaluating adaptation effectiveness.

46. Participants suggested the following recommendations on the means to incentivize the implementation of enhanced adaptation action in the long-term through effective finance:

a) Developing longer-term, strategic frameworks that identify means of finance and investment priorities that match the planned adaptation actions. This requires:

    a. Strong national leadership and coordination of all required stakeholders (including at different levels and from the private sector, e.g. chambers of commerce, business associations, etc.);

    b. Conducting financial needs assessments;

    c. Effectively navigating the finance landscape, involving all potential actors, including the private sector;

    d. Generating and providing adequate data and information that will allow for risk assessments by all involved;

    e. Developing the required capacity (human, institutional, systemic) and arrangements that allow for benefitting from, and mobilizing, all types of adaptation finance (this could enhance and specify the role of the NAP process).

b) Emphasizing risk management, particularly when involving the private sector, and ensuring coherence with other international processes, such as the post-2015 disaster risk reduction framework and development agenda;

c) Over time, clarifying the roles of the different operating entities under the Convention and other funding entities for a more strategic approach to accessing finance;

d) The GCF is only now becoming operational and there might be need to give it time to determine its comparative advantage;

e) Enhancing reporting at all levels in order to enable monitoring and evaluation;

f) Setting up laws and transformational adaptation processes that will support continuous implementation, taking into account different planning cycles and political cycles;

g) Pursuing various access modalities, including direct access to multilateral funds, may be instrumental for a long-term process to create and strengthen the necessary institutional arrangements and ownership at the national level (though requiring time and effort);

h) Enhancing readiness programmes, including under the GCF, and linking them to the NAP process;

i) Maintaining momentum for NAPA implementation and paying close attention to the link between NAPs and intended nationally determined contributions in the context of the new agreement;

j) The NAP process provides an important platform for linking the adaptation process in a country with adaptation finance and vice versa through the development of respective strategies, arrangements and capacity.

Annex

Agenda of the workshop

DAY 1, Monday 2 March 2015

8:30	**Registration**
9:30	**Session 1: Opening and introduction** Chair: *Juan Hoffmaister, Adaptation Committee*
	Welcome and introduction of the work of the Adaptation Committee Focus and expectations for the workshop Introduction of participants
10:30	**Coffee break**
10:45	**Session 2: Current landscape of adaptation finance** Facilitator: *Clifford Mahlung, Adaptation Committee*
	Latest landscape of adaptation finance – key actors and trends – *Martin Stadelmann, Climate Policy Initiative* Challenges and gaps in adaptation finance - Findings of the 2014 Biennial Assessment and Overview of Climate Finance Flows Report – *Smita Nakhooda, Oversees Development Institute* Risk management and adaptation finance by the private sector – *Vladimir Stenek, International Finance Corporation* Q&A
12:00	**Lunch**
13:30	**Session 3: Successes, challenges, and trends in adaptation finance** Facilitator: *Richard Klein, Stockholm Environment Institute*
	Perspectives from multilateral, regional, bilateral and national institutions and the private sector *Roland Sundstrom, Global Environment Facility* *María Carolina Torres, Development Bank of Latin America* *Jochen Harnisch, KfW Development Bank* *Alejandro Rivera Becerra, Ministry of Foreign Affairs, Mexico* *Olivia Gray, Global Analytics, Willis Group* Q&A
15:00	**Coffee break**
15:30	**Session 4: Enhancing adaptation action – what has worked and what is needed in adaptation finance** **Parallel working groups – set 1**
	Group 1: Accessing adaptation finance – remaining barriers and ways to overcome them *Facilitator: Sumaya Zakieldeen, Adaptation Committee* *Input: Déthié Soumaré NDIAYE, Centre de Suivi Ecologique, Senegal: Senegal's experience with direct access to adaptation finance*

	Group 2: Enabling environments – national institutional arrangements for effective deployment of adaptation finance *Facilitator: Mikko Ollikainen, Adaptation Fund Board secretariat* *Input: Carolina Reyes, Fundecooperacion in Costa Rica: Experience from an Adaptation Fund national implementing entity* **Group 3**: Integrating adaptation into development – what does it mean and what does it take in terms of adaptation finance? *Facilitator: Alexis Robert, Organisation for Economic Co-operation and Development* *Input: Mandy Barnett, South African National Biodiversity Institute, South Africa: Lessons from integrating adaptation into development planning in South Africa*
18:00	**End of day 1**

DAY 2, Tuesday 3 March 2015

9:00	**Reporting back of parallel working groups** Facilitator*: Klaus Radunsky, Adaptation Committee*
	Each group will report back on key issues, challenges and recommendations followed by discussion
10:30	**Coffee break**
11:00	**Session 5: Enhancing adaptation action – what has worked and what is needed in adaptation finance** **Parallel working groups – set 2**
	Group 1: The role of the private sector - how can private finance incentivize resilience building? *Facilitator: Vladimir Stenek, International Finance Corporation* *Input: Tosi Mpanu-Mpanu, Governing Board of the African Risk Capacity: Lessons from the African Risk Capacity* **Group 2**: The NAP process - what is needed to finance long-term adaptation? *Facilitator: Nele Bünner, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)* *Input: Batu Uprety, Climate Change Council, Nepal: Nepal's experience in financing long-term adaptation*
12:30	**Lunch**
14:00	**Session 5: Enhancing adaptation action – what has worked and what is needed in adaptation finance** **Parallel working groups – set 2**
	Continuation of parallel working groups
15:00	**Coffee break**
15:30	**Reporting back of parallel working groups** Facilitator*: Fred Kossam, Adaptation Committee*
	Each group will report back on key issues, challenges and recommendations followed by discussion
17:00	**End of day 2**

DAY 3, Wednesday 4 March 2015

9:00	**Session 6: Reflections on key issues and trends** Facilitator*: Juan Hoffmaister, Adaptation Committee*
	Tao Wang, Green Climate Fund *Farhan Akhtar, US Department of State* *Claire Bernard, Planning Institute of Jamaica* *Michael Schneider, Responsible Investments, Deutsche Bank* General reflections by all participants
10:30	**Coffee break**
11:00	**Session 7: Conclusions: findings and recommendations from the workshop** Chair: *Juan Hoffmaister, Adaptation Committee*
	1. Summary of challenges in the current landscape of adaptation finance 2. Trends in adaptation finance that could enhance effectiveness 3. Recommendations: means to incentivize the implementation of enhanced adaptation action through effective finance
13:00	**Closure of the workshop**