Second forum of the Standing Committee on Finance
Montego Bay, Jamaica, 21–22 June 2014

Report

1. Mandate

a) The Conference of the Parties (COP), at its sixteenth session, established the Standing Committee on Finance (SCF) to assist the COP in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate change financing; rationalization of the financial mechanism; mobilization of financial resources; and measurement, reporting and verification of support provided to developing country Parties.

b) At its seventeenth session, the COP further defined the roles and functions of the SCF and requested the Committee to organize a forum for the communication and continued exchange of information among bodies and entities dealing with climate change finance, in order to promote linkages and coherence. Parties, at COP 18, mandated the SCF to report on the forums to the COP.[1]

c) The Parties, at COP 19, invited the SCF to consider focusing its second forum on mobilizing finance for adaptation from both public and private sectors.[2]

2. Forum design

4. As agreed by its members, the second forum of the SCF, took place from 21 to 22 June 2014 at the Montego Bay Convention Centre, Montego Bay, Jamaica. It was organized in collaboration with the Climate Investment Funds (CIF) Partnership Forum, through effective cooperation with the CIF Administrative Unit and the Inter-American Development Bank (IDB). The forum was also made possible by the co-operation of the Jamaican Government, the Saint James Parish, and the United Nations Development Programme in Jamaica.

5. The theme of the second forum of the SCF was “Mobilizing adaptation finance” with the objective of promoting the mobilization of adaptation finance through the sharing of experiences, best practices and innovative ideas. A detailed programme for the forum may be found in the annex to this document.

6. Given that the focus of the forum was on adaptation finance, there was collaboration between the SCF and the Adaptation Committee (AC). A representative of the AC made a presentation in the first session to set the scene and introduced the topic of “building coherence on finance” under the UNFCCC. He also served as facilitator during the forum. The two bodies also jointly prepared an information note[3] outlining adaptation finance under the UNFCCC. The latter is available on the website.

7. The website[4] and Virtual Forum[5] contain a range of information on, and emerging from, the forums of the SCF. Presentations and additional information are made available, as well as the biographies of the presenters.

8. The forum took the form of a mixture of panel discussions, presentations and interactive break-out group discussions; with emphasis given to questions and answers, and interaction from the floor. Special consideration was given to showcasing concrete practical experiences at the national and regional levels. The map in Figure 1 below maps out the 44 case studies that were discussed, by region.

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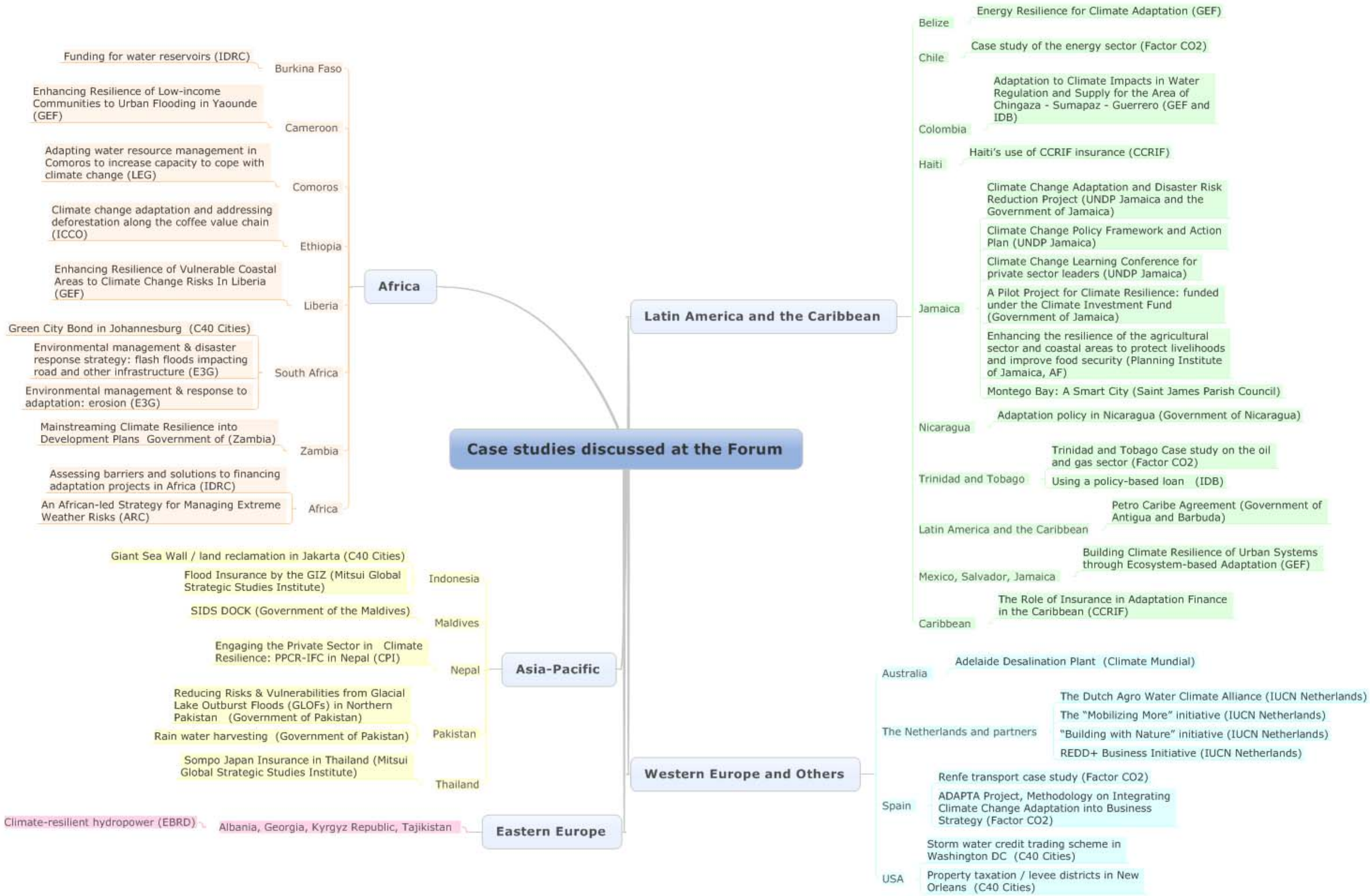
[1] An executive summary of this report is included in the SCF’s report to the COP, in document FCCC/CP/2014/5.
[2] Decision 7/CP.19, FCCC/CP/2013/10/Add.1.
[3] http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/publication3_v4.pdf
[4] http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/8138.php
[5] http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/7552.php

Figure 1: Map of the case studies presented at the second forum of the SCF



3. Participation

9. The forum brought together representatives from Parties, financial institutions, the private sector, civil society and academia. More than 140 people took part in the event.

10. Eleven members of the SCF also attended the event, and served as resource persons as well as facilitators of group discussions. The Co-Chairs of the SCF, Ms. Diann Black-Layne and Mr. Stefan Schwager, served as co-facilitators for the event as a whole.

11. Over 40 resource persons were engaged in the forum as panelists and facilitators. They included representatives of representatives of the SCF; the Adaptation Committee; the Least Developed Countries Expert Group (LEG); the Technology Executive Committee (TEC); governments; multilateral and national financial institutions; the private sector including the insurance sector; national, regional and international organizations; think tanks; and other relevant sectors.

4. Summary of proceedings

12. The opening plenary was held on Saturday 21 June 2014 at 9:00. Opening statements were made by the UNFCCC Executive Secretary, Ms. Christiana Figueres (by video), as well as by representatives of the Government of Jamaica, the UNDP and the Climate Investment Funds Administrative Unit. Hon. Ian Hayles, Minister of State of the Government of Jamaica, provided the closing statement.

13. The first day focused on national-level finance options. The initial session commenced with an examination of the landscape of adaptation finance, and lessons learned from concrete adaptation action. This led to a more focused look at, inter alia, the integration of adaptation into national planning processes, building resilience, and generating investor confidence. In this regard, the mainstreaming of climate resilience into development was discussed, and two case studies were presented: a regional example from the Caribbean, and a national example from Nicaragua.

14. Thereafter, the day focused on public and private sources of finance. An overview of public financial instruments for adaptation was presented at different levels: global, regional and national. The status of public finance related to national and bilateral funding for developing countries was discussed, followed by an example from Trinidad and Tobago on the use of a policy-based loan. A presentation was also made to highlight cooperation efforts and the opportunity they present to mobilize funding. The example of the European Investment Bank's (EIB's) cooperation with regional development banks to mobilize public finance for adaptation was highlighted.

15. Private finance options were then identified, looking at financial market instruments and innovative financing. Private investment opportunities were presented, followed by a model of how to bridge adaptation projects with private equity. The role of insurance was discussed, with two angles: the first from the Caribbean, looking at the Caribbean Catastrophe Risk Insurance Facility's (CCRIF's) experience with the role of insurance in adaptation finance, and the second from Africa: the African Risk Capacity's experience with an African-led strategy for managing extreme weather risks through insurance and reinsurance.

16. On the second day, the focus narrowed to look at mobilizing adaptation finance in different sectors. Parallel sessions were held, with two groups discussing different clusters of sectors. The first group looked at experiences in financing adaptation solutions in urban areas and settlements, and the work being undertaken by cities to adapt and remaining challenges. Case studies of financing resilience at the sub national level were presented.

17. In relation to water and health, presenters and participants discussed a number of examples from different countries. Mobilizing finance for water management and adaptation was discussed, as was support for adaptation in terms of water regulation and supply. The LEG discussed the particular vulnerability of the least developed countries (LDCs) and highlighted an example of adaptation in the water sector from the Comoros National Adaptation programme of Action (NAPA).

18. In the afternoon, one of the parallel groups discussed mobilizing private sector finance in the agricultural sector, as well as addressing deforestation through leveraging public and private networks. Enhancing resilience in the agricultural sector and coastal areas to protect livelihoods

and improve food security was also discussed, as was the work of the TEC related to finance and adaptation, with a particular focus on agricultural technologies.

19. The parallel group discussed energy, transport and industrial development in terms of the generation of financial resources for adaptation through the energy sector, mainstreaming climate adaptation into sectoral decision making, climate-resilient hydropower, and adaptation and mitigation co-benefits, looking at raising adaptation finance through the Clean Development Mechanism (CDM).

5. Summary of the discussions

20. The forum generated a multitude of new insights. Some of the key substantive outcomes are highlighted below.

(a) Mobilizing adaptation finance

21. Discussions during the forum highlighted the latest science from the Intergovernmental Panel on Climate Change (IPCC), namely that climate change is not a future event, it is already occurring, and it is caused by human activities. Thereafter, it was mentioned that finance must be a catalyst that mitigates the emissions that cause climate change, and must serve as a driving force behind efforts to build resilience and enable adaptation.

22. It was also highlighted that adaptation is not one homogeneous block, but rather is made up of a multitude of differentiated aspects depending on the level and place of impact.

23. With regard to the Green Climate Fund (GCF), participants noted the recent decision by the Board of the GCF to aim for a 50/50 balance between adaptation and mitigation over time, on a grant-equivalent basis. This was seen as a key factor in scaling up adaptation finance.

24. In relation to the urgent need for adaptation finance, the risks from climate change were noted, including how they have already threatened the foundation upon which growth is built. It was highlighted that action now, at sufficient scale and speed, minimizes risk and reduces the cost in the long-term. A holistic approach to climate risk assessment at an early stage of planning is essential in this regard. This requires a pragmatic approach to defining and positioning adaptation within, for instance, urban and network planning.

25. Participants noted that adaptation activities require capital, innovative financial mechanisms and long-term commitment, and the importance of public finance was highlighted. The need for sustainable and predictable adaptation finance was discussed during the forum, in conjunction with discussions on scaling-up. It was highlighted that certain adaptation actions have long project cycles, such as adaptation activities related to large-scale infrastructure, which can take a long time to adapt, and which can lead to complications in terms of guaranteeing sustainable financing over longer periods. In terms of predictability, clear allocation systems and direct access were mentioned as ways to assist countries in the longer term.

26. During the two days, participants emphasized that finance from a wide variety of sources is needed, including public, private and innovative finance. In this regard, participants mentioned that innovation and partnerships are drivers of finance, and can therefore help to promote participation of the different actors in adaptation.

27. Participants also discussed how to replicate and disseminate good practices for the delivery of adaptation finance in both the public and the private sectors in the future. A number of case studies from different sectors were shared, highlighting opportunities and barriers (see Figure 1 above). Many of the case studies mentioned adaptation investments in infrastructure development and cities. It was highlighted that action taken today, at a sufficient scale and speed, minimizes risk and reduces costs in the long term.

28. It was added that complementarity and synergy should exist between existing adaptation finance instruments. For scaled up adaptation finance, there is a concrete need to better link up existing source and donors who wish to support adaptation and subsidize climate action investments with grants; with the cities, regions, countries and businesses working on being more resilient. Participants also talked about how to address adaptation in the early stages of development planning in such a way as to reduce the demand for financial resources at a later stage.

29. Participants reinforced the view that solid assessments of risks, costs and benefits are important, so that the most suitable and cost-effective adaptation options can be identified. Some adaptation is low-cost, but has high returns. It was also mentioned that a nuanced approach to adaptation costing and finance is needed, so that low-cost adaptation can be undertaken first.

30. Many participants mentioned that it is important to get a range of data and information before making adaptation investment decisions and that cost-benefit analyses can be very useful. Some called for better matching of available public and private financing sources and mechanisms with the adaptation needs of developing countries. It was mentioned that aggregated data at the country level is needed and is not always available, and that there is a need to convert paper-based data to electronic formats, so that good investment decisions can be made based on sound information. There was also a discussion on national capital accounting, to put a value on perceived externalities related to climate change. This would form an environmental balance sheet of profit and loss for every year, and is something currently being developed by the International Union for Conservation of Nature (IUCN). It would give a dollar value to externalities, to assess risks and map impacts and opportunities, and identify monetary and environmental profits and losses.

31. Some participants recommended that resource mapping, like that utilized by the private sector, should be undertaken for adaptation, by a relevant organization to map opportunities and challenges for adaptation finance and investment. This would make it easier for investors to get involved, and to match needs with finance. Another participant mentioned that a tool should be developed which could map and match the available public and private financing sources and mechanisms with the needs, to scale up adaptation action. Innovative platforms were also suggested, for the sharing of innovative approaches, for example a “Dragons Den” approach, where open brainstorming could take place and entrepreneurs could be connected to investors.

(b) The landscape of adaptation finance flows

32. During the forum, the current state of adaptation finance was discussed in terms of mechanisms, amount of flows, practices, issues, challenges and opportunities.

33. Data and information from the World Bank and Climate Policy Initiative showed that annual international adaptation finance flows to developing countries reached USD 13 billion in 2011/2012,[6] with the World Bank estimating that the costs (between 2010 and 2050) of adapting to a world that is approximately 2 °C warmer by 2050 are USD 70–100 billion per year (estimate published in 2010).[7] Many participants at the forum mentioned that support for adaptation currently falls far short of the level of demand (See Figure 2).

34. Table 1 below was presented by the representative from the AC, and gives an overview of the active adaptation funds under the Convention and the Kyoto Protocol.

35. Development finance institutions, with the key support of governments and climate funds’ grants and concessional financing, channelled 67 per cent of the total adaptation finance. Furthermore, low-cost loans and grants made up 74 per cent of the total for that specific period. In total, 47 per cent of the total was used to support investments in the highly vulnerable water and agriculture sectors. Sub-Saharan Africa and South Asia were the key recipients, receiving 25 and 20 per cent of the total amount of adaptation finance, respectively (see Figure 3).[8]

36. The linkages between official development assistance (ODA) and adaptation were discussed. Data from the Organisation for Economic Co-operation and Development showed that the total ODA commitment in one year (2012) was approximately USD 132 billion and of this, about half is relevant to adaptation. The total adaptation-related ODA commitments amount to USD 9 billion, or 7 per cent of ODA, per annum. Grants comprise 69 per cent of all adaptation-related aid commitments. Furthermore,

6 <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/s1_barbara_scf_june_2014_bbuchner_final.pdf>.

7 <http://www.worldbank.org/en/news/feature/2011/06/06/economics-adaptation-climate-change>.

8 <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/s1_barbara_scf_june_2014_bbuchner_final.pdf>.

adaptation overlaps with other ODA objectives such as desertification, mitigation, biodiversity and the environment.[9]

37. It was noted that tracking private-sector finance for adaptation is not straightforward, partly due to the fact that adaptation action funded by private-sector entities may not be labeled as adaptation. Private-sector companies do not always report on their adaptation efforts. It is important for the public and private sectors to “speak the same language” in order for them to collaborate on adaptation.

38. In relation to further analyzing the adaptation finance landscape, climate public expenditure and institutional reviews (CPEIRs) were highlighted as a useful tool in examining who is spending funds on what type of climate expenditure. The CPEIRs can also reveal the reasons for these choices by linking policy development, institutional structure and financial management aspects. Such information can assist in the development of low-emission climate-resilient plans and policies like national adaptation plans (NAPs).

(c) Integrating adaptation into development planning

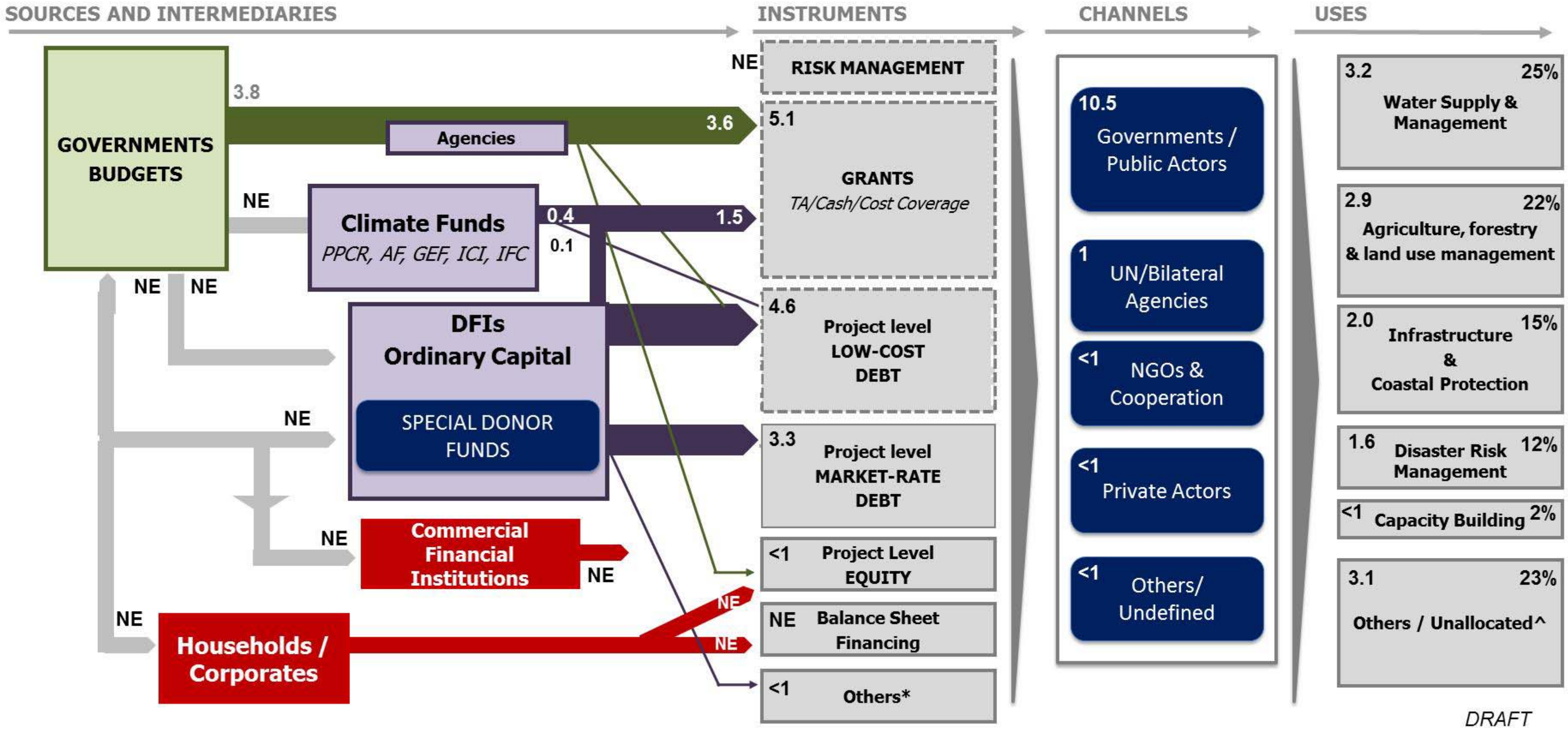
39. The forum discussed how adaptation finance is linked to development finance, and that resilience to climate change should be included in development planning. It was noted that integrating adaptation into development planning can increase access to finance and coherence.

40. The forum also highlighted how adaptation can be integrated at different levels, as illustrated by a number of case studies. Adaptation can be integrated into planning processes at the regional, sectoral, national and municipal/city levels. The integration of adaptation into long-term planning is a practical mechanism to scale up adaptation finance and can lead to mainstreamed resilience.

41. The second day of the forum featured examples of how to mobilize adaptation finance in specific sectors. It became clear that sectoral policies promoting climate resilience and the integration of adaptation into sectoral development plans are essential.

9 <http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/s3_2_stephanie_bilateral_finance_for_adaptation_final.pdf>.

Figure 2: The Landscape of Adaptation Finance in 2011/2012 (USD billion), taken from the presentation made by CPI



Notes: Values presented in the graph may not match because of data availability issues.

Instruments: (*) The category "other instruments" includes flows that could not be associated to other instruments.

Project-level equity refers to equity reported as ODA in (OECD, 2013); Risk management instruments are not counted against total commitments.
Uses: (**) The category "other/unallocated" adaptation includes e.g. activities such as prevention of groundwater salinity through improved waste water infrastructures and waste management or health-related products. Not estimated arrows have a default width.

Figure 3: Where adaptation finance is being channeled, taken from the presentation by CPI

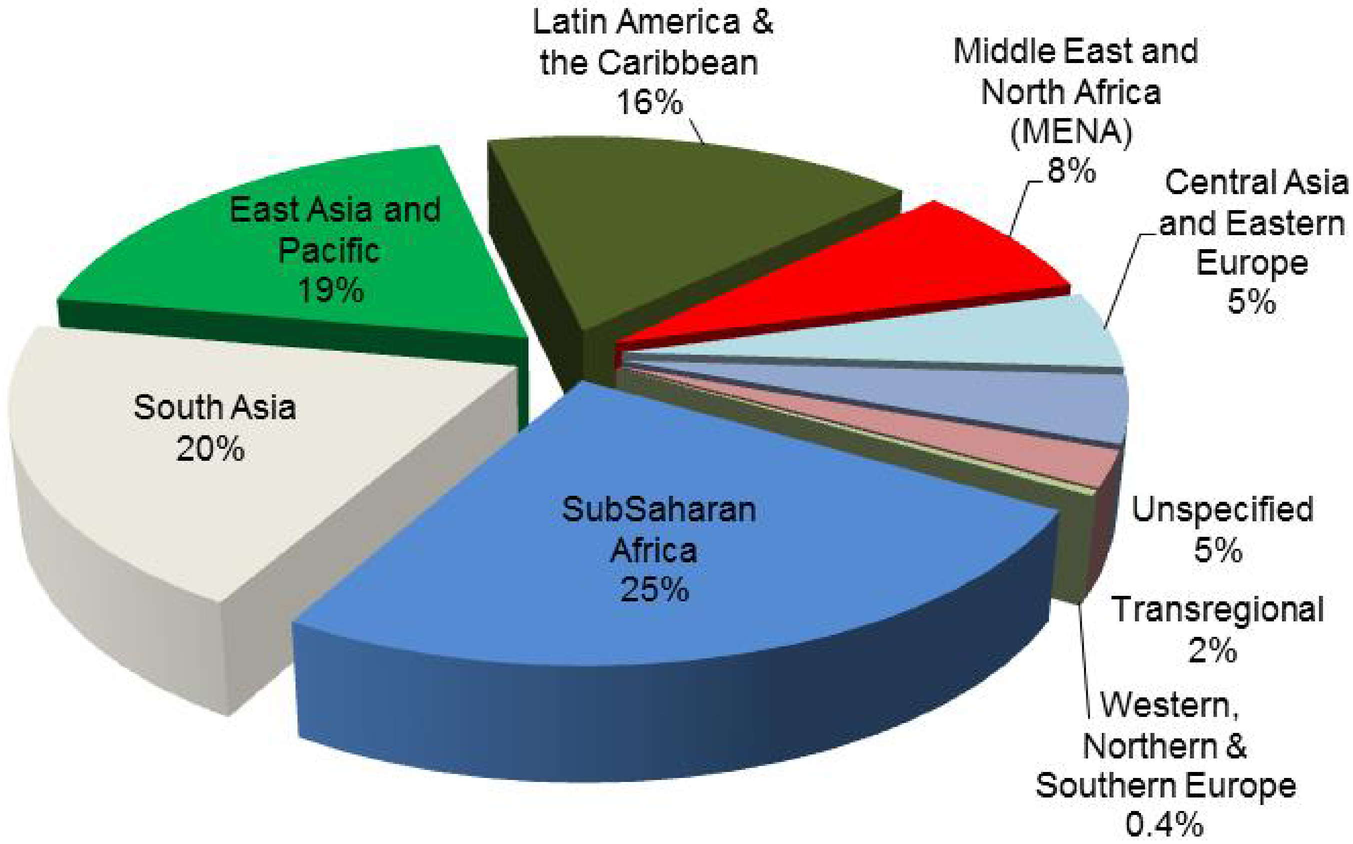


Table 1: Overview of the active adaptation funds under the Convention and the Kyoto Protocol, taken from the presentation by the AC

	LDCF	*SCCF Adaptation*	*Adaptation Fund*
In operation	Since 2002	Since 2004	Since 2009
Cumulative pledges (USD)	879 million (as of February 2014)	333 million (as of February 2014)	396 million, including 190 million from CER proceeds (as of March 2014)
Funding approved for projects (USD)	836 million, including 12 for NAPA preparation, 817 for NAPA implementation and 7 for NAP formulation (as of April 2014)	236 million (as of April 2014)	226 million (as of May 2014)
Number of projects	205 (199 national, 2 regional and 4 global) (as of April 2014)	56 (42 national, 11 regional and 3 global) (as of April 2014)	34 (34 national) (as of May 2014)
Number of benefitting countries	51 for NAPA preparation and 48 for NAPA implementation (as of April 2014)	75 (as of April 2014)	33 (as of May 2014)

(d) Public adaptation finance

42. A variety of public finance instruments for adaptation exist, including grants and concessional loans and investments. There are also a range of channels, with associated opportunities and barriers for developing countries.

43. Some barriers mentioned by participants included those related to the diversity and complexity of procedures, requirements and reporting requirements of multilateral funds. The project approach can also present barriers, as it does not necessarily catalyse the sustainability of adaptation projects and programmes in the longer term. Other barriers include the lack of national strategies/policy frameworks for adaptation; high transaction costs for small-scale projects; a lack of incentive of the public sector to engage the private sector; difficulties related to national ownership of adaptation projects and programmes when external consultants are hired or agencies are tasked with planning; and limited and unpredictable adaptation finance.

44. Opportunities were also discussed, including how programmatic funding can be a way to facilitate the integration of adaptation into development planning, retain national capacity and access scaled-up and predictable financial resources. Participants noted that as adaptation is a long-term commitment, any financial mechanism for adaptation should "be in it for the long haul". Furthermore, some participants pointed out that the transformation of economies is inherently programmatic, and should first begin with a measure to provide sufficient budget space for mitigation and adaptation. It was also discussed that a pipeline of projects is needed as an alternative to programmes, based on and mainstreamed into national plans and policies.

45. In terms of country-ownership and direct access to finance, the benefits of having National Implementing entities (NIEs) were mentioned during the forum, the Adaptation Fund (AF) was highlighted. Benefits mentioned included, inter alia, allowing developing countries to access adaptation finance directly without intermediaries, and preparing countries for accessing other funds directly, including the GCF. NIEs can also improve intra-governmental collaboration, amplify stakeholder voices, and improve the understanding of fiduciary standards. Under the Least Developed Countries Fund (LDCF), a good practice which was identified was the the equitable access modality.

46. The co-financing of climate investments was highlighted by some participants and identified as a means of leveraging additional funding and investments from a broad range of financial institutions, including multilateral development banks and international financial institutions. Others pointed out the challenges experienced by some developing countries in meeting co-financing requirements.

47. In addition, while planning and/or finance ministries and other government entities work on resilience, sometimes they do not realize the interconnectedness that their work has with climate change and adaptation. There is an opportunity to create a better narrative on adaptation, so that all understand it, and to better coordinate adaptation-relevant efforts and budgets across the national level.

48. It was mentioned that, related to the LDCF, the voluntary nature of contributing to the LDCF makes future availability of funding unpredictable, limiting the planning potential. Both limited national capacities and fund-related obstacles have so far prevented LDCs to directly access the LDCF.

(e) Private adaptation finance

49. The participants discussed private climate finance in terms of how private-sector companies can adapt their infrastructure and value chains to ensure sustainable productivity in a world affected by climate change, and by examining ways in which the private sector can fund adaptation as part of environmental and social responsibility efforts. It was noted that integrating adaptation objectives into business plans can be an effective way of leveraging adaptation finance from the private sector. Furthermore, public funding can help to leverage and promote private investment in adaptation and climate resilience.

50. In relation to adaption of the private sector, it was pointed out that public climate finance is also able to finance private sector companies to be more resilient to the impacts of climate change.

Climate vulnerability and risk assessments can also be supported for Micro Small and Medium enterprises (MSMEs). Furthermore, it was highlighted that companies can improve the quality of their products, and can utilize “green labels” to increase the sale value of their products, if they integrate adaptation into their production processes.

51. It was also mentioned that businesses prioritize profit, but also address social issues as part of their corporate social responsibility (CSR) portfolios. Participants noted that it was important to encourage businesses to engage in adaptation as a social issue. Many are already looking at win-win scenarios, where both commercial and community interests are taken into account. A multi-criteria approach is important when working with the private sector, because assigning funds to social issues can be difficult.

52. It was noted that the private sector is also affected by climate change, and is engaged in adaptation and mitigation. The sector is not only made up of big corporations, but also of households and farmers and that these different levels need to be considered. The latter can be “private sector entities” too, and can be integrated into adaptation by creating cooperatives, and by informing their consumer choices.

53. It was discussed that, considering that the amount of private finance available is greater than funding from the public sector in general, it is imperative to continuously mobilize private sector resources for adaptation. It was mentioned that public funding can be an effective way to leverage finance from the private sector to support adaptation, including through tax incentives. Many governments are engaging in this form of leveraging, and participants recognized that this type of engagement needs to remain iterative, to match the changing nature of businesses and the market. Private sector finance for adaptation can also be linked to development finance to enhance coherence at the national level.

54. Some pointed out that governments need support in accessing climate finance through public-private partnerships, as well as for making investments in adaptation. Good examples of such partnerships were highlighted, including the use of levies to finance adaptation.

55. Participants also mentioned the need for improved understanding of adaptation finance on the part of the private sector, and many voiced their view that the private sector would be a willing partner if companies could identify the risk to their operations posed by climate change. In general, the private sector finds investing in mitigation more straight forward than investing in adaptation. This is partly due to a lack of understanding of what adaptation is, and how it can benefit both companies and societies. A NAP can serve as a way to better market adaptation to the private sector.

56. Private finance options do already exist for adaptation activities including financial market instruments; innovative approaches; micro-finance; micro-insurance; and so forth (see section e). It was noted that the financial leverage and expertise of the private sector, as well as its capacity to innovate and produce new adaptation technology, could form an important part of a multi-sectoral partnership between governmental, non-governmental organizations, private and multilateral entities. It was also acknowledged that progressive companies and investors are already working on adaptation because it is smart business and because the potential returns are better. This trend needs to be accelerated and scaled up, to make financing adaptation the new normal, participants mentioned.

(f) Innovative adaptation finance options

57. The forum served as an open platform for the sharing of information on numerous options that have the potential for replication. A number of innovative options were discussed, many of which involve private and public finance.

58. One of the main forms of innovative finance that was discussed was insurance. Some participants mentioned that there is a need to promote the development of financial and risk-sharing mechanisms, particularly insurance and reinsurance. It was recognized that the use of risk transfer mechanisms is a form of pre-event planning that can, if well laid out, encompass a proactive, comprehensive and sustained approach to disaster management. It takes into account fiscal and debt sustainability, so as to safeguard growth prospects. One presenter emphasized that awareness should be created that risk can be more costly than the costs of insurance, and a number

of participants followed this up by mentioning the need for continued information exchange on costs and benefits as they relate to risk.

59. Sustainable insurance was held up as a good model, as it takes the form of a strategic approach. This entails that the insurance value chain, including interactions with stakeholders, is undertaken in a responsible and forward-looking way related to risks and opportunities associated with environmental, social and governance issues.

60. Risk pools and early response mechanisms, such as the African Risk Capacity (ARC) and CCRIF can provide cost-effective contingency funding so that governments affected by extreme weather events can implement contingency plans. They can combine early-warning, insurance and response strategies and measures. Some aspects can include multi-country risk-pooling providing short-term liquidity; risk diversification parametric insurance policies; catastrophe bonds and collateralized reinsurance; and micro-insurance. Index-based payments were highlighted as a practical option for providing insurance, because they can be part of a fair and objective payment system.

61. It was acknowledged that public acceptance is crucial for the implementation of the system, and a reliable local partner is always needed. Furthermore, traditionally, there has not been a culture of insurance in central nor local governments in most developing countries, so there is a need to communicate the potential of insurance in the area of adaptation, and the fact that risk pooling and competitive premiums can make economic sense for governments. Insurance can provide predictability through quick pay-out modalities. It was mentioned that better insurance and safety net protection is needed for Small Island Developing States (SIDS) and other vulnerable countries.

62. Other participants highlighted that there is a key role for micro-finance, particularly at the community level, where livelihood diversification could be further enabled, to lead to co-investments and increased resilience. This is in-line with the local nature that adaptation can take, and also assists women, who are often those most in need of micro-insurance for adaptation and economic diversification.

63. Parallel interventions in different sectors were also seen as an innovative way to finance adaptation. Some examples included adaptation in the tourism and water sectors.

64. One presentation illustrated how innovative agreements can also fund adaptation and mitigation, such as the Petro Caribe Agreement. They can create partnerships between governments and the private sector, to provide low-cost loans and also include programmes for poverty alleviation, renewable energy, energy efficiency and for infrastructure development.

65. The "Strategic Framework for Development and Climate Change" was discussed in relation to the World Bank as it can help to stimulate and coordinate public and private sector activity to combat climate change. The World Bank Green Bonds falls within this framework. The Bonds raise funds from fixed income investors to support World Bank lending for eligible projects that seek to adapt or mitigate. Since 2008, the World Bank has issued over USD 6 billion in Green Bonds through 67 transactions and 17 currencies.[10] Some voiced their views that green bonds should be seen as a fund-raising instrument that could be used by the GCF to attract private investments in developing countries where there is high-risk, especially where investors and households are risk-averse.

66. 'Green' bonds were also discussed, and one of the benefits mentioned was that the market for 'green' city bonds can assist cities to adapt and to enhance their credit worthiness. Furthermore, policy-based loans can introduce innovative mechanisms, such as hybrid loans that encompass an investment component.

67. Policy-based loans can introduce innovative mechanisms, such as hybrid loans that encompass an investment component. They are usually disbursed quickly, and facilitate coordination among development partners, while involving ministries of finance in climate change and improving institutional capacity. A potential disadvantage that was raised in this regard relates to the fact that funds go into the national budget, which can lead to a lack of incentive among the line ministries, and the set disbursement conditions can also be limiting.

[10] http://treasury.worldbank.org/cmd/htm/WorldBankGreenBonds.html

68. Some innovative features of financing under the Adaptation Fund were discussed, including the share of proceeds from certified emission reductions and the direct access modality.

(g) Enabling environments

69. Some participants mentioned the need to improve access to funding and investor confidence through well-articulated domestic enabling environments, which, in turn, require funds to achieve.

70. Capacity building is important to plan for, access, deliver, monitor, report and verify climate finance. Participants noted that sharing lessons and knowledge both nationally and internationally to build capacity and strengthen commitment is important. They acknowledged that capacity building and the creation of enabling environments is an important aspect for generating investor confidence, adding that developing well-articulated domestic enabling environments could accelerate investment in adaptation.

71. Moreover, presenters and participants discussed that effective access to climate financing requires specialized human, institutional and system-wide capacities in developing countries, particularly the LDCs and SIDS. There is also a need to strengthen capacity for undertaking climate risk and opportunity assessments, cost-benefit analyses, and other planning.

72. In relation to the policy framework, there was a discussion on how tax incentives and a good legal framework can be used to incentivize investment, as can the provision of information and a budget allocation for adaptation. Participants further discussed how climate change finance might be managed in a cross-cutting manner which would engage different ministries, including ministries of planning, finance and environment. It was mentioned that national adaptation plans (NAPs) are an important way of creating an enabling environment, and the NAP Global Support Programme[11] seeks to do this.

73. Numerous suggestions during the forum were made that encouraged adaptation at different levels in order to improve the effectiveness of adaptation interventions and increase further investment. Through the discussions on the second day, it emerged that within sectors, many of the same challenges and opportunities currently exist, but in different contexts. Furthermore, many of the same solutions can be replicated with some adjustments across different sectors.

74. It was emphasized that when projects involve a range of different stakeholders, there can be benefits for all involved, through building the awareness and capacity of governments, intermediaries, the private sector, and the beneficiaries. Adaptation efforts and investments that integrate the perspectives of women and indigenous people were seen as some of the most likely to succeed in the long-term. Some participants also pointed out that gender assessments and gender budgeting, when included as part of adaptation planning, could lead to better adaptation.

75. Numerous challenges were also pointed out relating to enabling environments, based on the experience of developing countries and finance institutions. Most of the challenges related to a lack of resources and capacity, as well as a lack of sustainability of technical support and country-drivenness.

(h) Co-benefits between adaptation and mitigation

76. Co-benefits between mitigation and adaptation were discussed as a way of scaling up adaptation finance. It was mentioned that without adequate adaptation, mitigation efforts would not achieve the desired results. Adaptation can increase the cost of development, but the resultant benefits are seen as outweighing the costs.

77. It was explained that CDM projects deliver multiple adaptation-related, as well as sustainable development-related co-benefits. Enhanced use of the CDM, with increasing CER prices, was discussed as one effective action to raise adaptation funding. The CDM has raised 188 million USD for the AF from the 2 per cent share of proceeds from issuance of certified emission reductions (CERs). At the moment, however, due to the collapse in CER prices, donations are currently the main source of funding for the AF. The potential of the CDM to raise additional funding for the AF was described. If CER prices increased to 1 USD, an additional 160 million USD would be made

[11] <http://www.undp-alm.org/projects/naps-ldcs/about>.

available from sales of CERs owned by the AF. If the price increased to a more reasonable 10 USD, that would raise 1.6 USD billion. If the price was 32 USD or more, identified by some studies to be the minimum price of carbon that would produce behavioral change in GHG emitters, that would raise several billion dollars.

78. The SIDS Dock[12] was another example of adaptation and mitigation co-benefits that was mentioned. SIDS that are engaged in the initiative generate financial resources for adaptation through the energy sector. It increases energy security which is a key underlying factor in building the resilience of health services, the water supply, communication etc.; reduces the expenditure of fossil fuel imports and reduces economic vulnerability; and ensures that monetary savings are used for adaptation.

79. In another example of co-benefits, low-carbon credit lines offered to farmers were discussed, which contain an adaptation component.

(i) Outreach and awareness-raising

80. Participants noted the importance of awareness-raising on adaptation in order to scale up finance. They discussed the importance of the dissemination of information on adaptation finance and how the forums of the SCF are a good means of doing so. Some suggestions to complement the existing modalities included the enhanced use of social media and webinars, while taking into account the fact that some countries do not have access to high bandwidths.

81. National governments have a role to play in terms of communicating the positive results of their work with others so that lessons can be learned and best practices can be shared. Both south-south and north south exchanges are important, bearing in mind that there is no “one size fits all” approach to disseminating best practices. Regional forums are a good platform for this, some added. It was pointed out that it is important to share good practices, but there is also the need to share information on practices that are not efficient or effective, so that others can learn from lessons and experience and avoid maladaptation.

82. It was emphasized that businesses need to be aware of how climate change will affect their profits, as an incentive to engage in adaptation efforts for themselves and the communities in which they operate. Furthermore, commercial banks and their clients should be made more aware of adaptation investment opportunities (see section d).

83. In terms of making adaptation more effective, conveying the science of climate change to different stakeholders in different ways and languages was also highlighted as important. Some communities understand climate change not though science, but rather through their experiences in dealing with extreme weather events. The importance of identifying audiences’ needs prior to communicating was discussed, for example the needs of indigenous peoples, and the private sector. Hazard-mapping including in 3D, can assist stakeholders to visualize climate risks, and can incentivize investment in adaptation and insurance.

6. Concluding comments

84. The forum generated new insights into the topic of adaptation finance and brought together a number of important stakeholders. Both opportunities and barriers exist in terms of mobilization and access to adaptation finance from different perspectives, including providers and recipients.

85. The integration of adaptation into development planning at different levels, including the regional, national, subnational, municipal and local levels, provides an opportunity to improve access to financing.

86. The current state of adaptation finance includes varied mechanisms, flows, practices, issues, challenges and opportunities. Complementarity and synergy between existing adaptation finance flows, and between adaptation and development finance can be improved. There are different requirements in order to access different funding sources. These requirements should be streamlined as much as possible, in order to assist developing countries to access much-needed funds for adaptation.

12 <http://www.google.de/url?sa=t&rct=j&q=&esrc=s&frm=1&source=web&cd=1&ved=0CCMQFjAA&url=http%3A%2F%2Fsidsdock.org%2F&ei=iEYgVNDhMIraasXmgpgE&usg=AFQjCNGGQotHVR6spoASKATCUxwzIY_Lfw&sig2=UI07rNYHT4qlYM-OjN6PzA&bvm=bv.75775273,d.d2s>

87. Finance from a wide variety of sources is needed, including public and private sources, and from a wide range of mechanisms, including innovative mechanisms. Coherence and complementarity among the different sources of finance is also required. Public funding can be an effective way of leveraging finance from the private sector to support adaptation.

88. Approaches to match available public and private financing sources and mechanisms with the adaptation needs of developing countries should be enhanced. In that respect, the forum served as a platform for networking, bringing together recipients and donors of climate finance.

89. Concrete actions to support cities/communities to access funds are important: this includes work on enhancing creditworthiness, lowering interest rates through cooperation with financial institutions, and the use of innovative mechanisms such as 'green' bonds.

90. Given that the amount of private climate finance available is greater than the amount of funding from the public sector, it is imperative to continuously mobilize private-sector finance.

91. Capacity-building is needed to assist developing countries to build their enabling environments in order to attract investments from a range of sources and build investor confidence.

92. Numerous co-benefits exist between mitigation and adaptation, including in the form of finance benefits. Information on such benefits should be shared through case studies.

7. The way forward

93. New financing schemes have been developed for adaptation. Awareness-raising of many of these innovative approaches is needed. The forum was a good way of helping to raise such awareness and place innovative financing options on the agenda; however, continued information exchanges are required. The SCF should take a role in further disseminating information about good practices in terms of financing for adaptation, beyond the annual forums.

94. The relevance of the SCF forums for the private sector needs to be more clearly communicated in the future. The SCF may wish to consider ways of further enhancing private-sector participation in the organization of future forums.

95. Logistical and administrative lessons can be learned from the first and second forums, which should be applied to future forums. Some of the modalities from the second forum should be repeated, such as using two or three focused guiding questions for each topic.

96. The interactive breakout groups, the two-day format, and a range of case studies from which to learn should also be repeated.

97. Further work between the SCF and the Adaptation Committee could assist in the mobilization of adaptation finance.

98. The outcomes of the forum on mobilizing adaptation finance, as well as of future SCF forums, can feed into other areas of work of the SCF, such as the biennial assessment and overview of climate finance flows.

99. The next SCF forum should be informed by a background paper, based on the discussions of the SCF on coherence and coordination of financing for forests.

Annex: Programme: Second Forum of the Standing Committee on Finance
"Mobilizing adaptation finance", 21–22 June 2014, Montego Bay Convention Centre, Exhibition Hall A

Day 1 (21 June 2014): National-level adaptation finance options			
Time	***Theme***	***Focus***	***Speakers***
08:00-09:00	REGISTRATION	Registration for participants that were not able to pre-register on 20 June	
09:00 – 09:40 Opening	Opening plenary	Welcoming the participants and opening the forum	Facilitators: Ms. Diann Black-Layne and Mr. Stefan Schwager, SCF Co-chairs
			Mr. Jeffery Spooner, Head of Agency, Meteorological Service, Ministry of Water, Land, Environment & Climate Change, Jamaica
			Ms. Christiana Figueres, UNFCCC Executive Secretary, video message
			Ms. Asha Bobb-Semple, on behalf of the UNDP Resident Representative
			Mr. Steven Shalita, Senior Communications Officer, Administrative Unit, Climate Investment Funds (CIF)
09:40 –10:20 Session 1	Setting the scene: overview of adaptation finance (SCF in collaboration with the AC)		Facilitators: Ms. Diann Black-Layne and Mr. Stefan Schwager, SCF co-chairs
		The UNFCCC Adaptation Committee: Building Coherence on Finance	Mr. Clifford Mahlung, Adaptation Committee representative
		The Landscape of Adaptation Finance	Ms. Barbara Buchner, Senior Director of Climate Policy Initiative and head of Climate Policy Initiative (CPI) Europe
		Concrete adaptation projects: what have we learned?	Mr. Mikko Ollikainen, Senior Climate Change Specialist, Adaptation Fund
10:20 – 11:30 Session 2: Adaptation planning and policies	Integrating adaptation into national planning processes, building resilience and generating investor confidence		Facilitator: Mr. Clifford Mahlung, Adaptation Committee representative
		Mainstreaming climate resilience into development plans	Mr. David Kaluba, Principal Economist (EMD)/National Coordinator (PPCR), Ministry of Finance, Government of Zambia
		Mobilizing adaptation finance: The Petro Caribe Agreement case study	Ms. Diann Black-Layne, Ambassador, Government of Antigua and Barbuda
		Adaptation policy in Nicaragua	Mr. Luis Fiallos, National Focal Point of Nicaragua to the UNFCCC
			Discussion
11:30 – 11:45 Coffee break			
11:45 – 13:00 Session 3: Mobilizing public finance for adaptation	Overview of public financial instruments at global, regional and national levels and their use to support adaptation activities		Facilitator: Mr. Hussein Alfa (Seyni) Nafo, SCF Member
		The status of public finance related to national funding for developing countries	Mr. Daniel Buckley, Climate Change Policy Analyst, UNDP
		The status of public finance related to bilateral finance	Ms. Stephanie Ockenden, Economist/Policy analyst, the Organization for Economic Co-operation and Development (OECD)
		The use of the Policy-Based loan in Trinidad and Tobago	Mr. Gerard Alleng, Climate Change Senior Specialist, Inter-American Development Bank (IDB)
		Mobilizing public finance for adaptation: EIB's cooperation with regional dev. banks	Ms. Nancy Saich, Managerial Adviser, European Investment Bank (EIB)
			Discussion
13:00-14:15 Lunch break			
Time	***Theme***	***Focus***	***Speakers***

14:15 – 15:30 Session 4: Mobilizing private finance for adaptation	Identifying private finance options for adaptation activities: Financial market instruments; innovative financing, micro-finance, micro-insurance etc.		Facilitator: Mr. Stefan Agne, SCF Member
		Adaptation finance by private funds for private investment	Mr. Takashi Hongo, Senior Fellow, Mitsui Global Strategic Studies Institute
		Developing a model of how to bridge adaptation projects with private equity (African case study)	Ms. Isabelle Proulx, Programme Manager, International Development Research Centre (IDRC)
		The role of insurance in adaptation finance in the Caribbean: the CCRIF experience	Mr. Isaac Anthony, Chief Executive Officer (CEO), Caribbean Catastrophe Risk Insurance Facility (CCRIF)
		African Risk Capacity: An African-led strategy for managing extreme weather risks	Ms. Joanna Syroka, Programme Director, African Risk Capacity
			Discussion
15:30-15:45 Coffee break			
15:45 – 17:30 Session 5: Discussion	Two break out groups	Generating a deeper understanding of how to replicate and disseminate good practices related to the delivery of adaptation finance in the public and private sectors in the future	Group 1 facilitator: Ms. Saliha Dobardzic, Senior Climate Change Specialist, GEF Group 2 facilitator: Ms. Suzanty Sitorus, SCF Member Group 3 facilitator: Ms. Edith Kateme- Kasajja, SCF Member Group 4 facilitator: Mr. Mikko Ollikainen, Senior Climate Change Specialist, Adaptation Fund
17:30 – 18:00 Session 6	Reporting back from breakout groups		Facilitators: Ms. Diann Black-Layne and Mr. Stefan Schwager, SCF co-chairs

Day 2 (22 June 2014): Mobilizing finance in specific sectors			
Time	***Theme***	***Focus***	***Speakers***
09:00 – 09:30 Session 7	Setting the stage		Facilitator: Ms. Diann Black-Layne and Mr. Stefan Schwager, SCF Co-chairs
		Montego Bay: Towards becoming a Smart City	Mr. Trevion Manning, Director of Planning, St. James Parish Council
09:30 – 12:00 Session 8 10:45 – 11:00 Coffee break	Parallel Group 1: Building and infrastructure, settlements, urban areas/cities		Facilitator: Mr. Stefan Agne, SCF Member
		The GEF's experience in financing adaptation solutions in urban areas and settlements	Ms. Saliha Dobardzic, Senior Climate Change Specialist, Global Environment Facility (GEF)
		Financing adaptation: the work of cities and remaining challenges	Mr. James Alexander, Head of the Finance and Economic Development Initiative, C40 Cities Climate Leadership Group
		Financing resilience in South Africa at the sub national level	Ms. Chantal Naidoo, Senior Associate of E3G's International Climate Finance Programme
		Case studies of climate resilience in urban areas and their funding	Mr. Daniel Rossetto, Managing Director, Climate Mundial
			Discussion
	Parallel group 2: Water management, human health		Facilitator: Mr. Zaheer Fakir, Chief Policy Adviser, International Relations and Governance, Department of Environmental Affairs, South Africa
		Water management and adaptation in Pakistan: mobilizing finance	Mr. Syed Mujtaba Hussein, Director General and Special Assistant to the Minister, Ministry of Planning, Development and Reforms, Government of Pakistan
		Adaptation to climate impacts in water regulation and supply for the Area of Chingaza-Sumapaz-Guerrero, Colombia	Mr. Alfred Grunwald, Climate Change Senior Specialist, Coordinator for PPCR Bolivia, Inter-American Development Bank (IDB)
		National adaptation in the LDCS: case study on the water sector	Mr. Batu Uprety, Chair of the LDC Expert Group
			Discussion

12:00 – 12:45 Session 9	Reporting back from parallel groups		Facilitators: Ms. Diann Black-Layne and Mr. Stefan Schwager, SCF co-chairs
12:45-13:45 Lunch break			
Time	**Theme**		**Speakers**
13:45 – 16:15: Session 10 15:00 – 15:15 Coffee break	Parallel group 3: Agriculture, land-use and sustainable forest management, ecosystems		Facilitator: Mr. Raymond Landveld, SCF Member
		Mobilizing private sector finance: the Dutch Agro Water Climate Alliance	Mr. Jan Willem den Besten, Senior Programme Officer, IUCN Netherlands
		Climate change adaptation and addressing deforestation in Ethiopia	Mr. Abiy Ashenafi, Program Coordinator Ethiopia, ICCO
		The Adaptation Fund: a case study from Jamaica on enhancing the resilience of the agricultural sector and coastal areas to protect livelihoods and improve food security	Ms. Claire Bernard, Deputy Director General, Sustainable Development and Regional Planning with the Planning Institute of Jamaica
		The work of the TEC related to finance and adaptation	Mr. Albert Binger, Member of the Technology Executive Committee (TEC)
			Discussion
	Parallel group 4: Energy, transport , industrial development		Facilitator: Mr. Syed Mujtaba Hussein, Director General and Special Assistant to the Minister, Ministry of Planning, Development and Reforms, Pakistan
		How SIDS generate financial resources for adaptation through the energy sector: a SIDS DOCK case study	Mr. Amjad Abdulla, Director-General, Department of Climate Change and Energy, Maldives
		Mainstreaming climate adaptation into sectoral decision making: case studies from energy and transport	Mr. Kepa Solaun, Partner and General Director, Factor CO2
		Climate resilient hydropower: experiences from the EBRD region	Ms. Sandy Ferguson, Knowledge and Policy Manager, Energy Efficiency and Climate Change, European Bank for Reconstruction and Development
		Adaptation through the CDM: finance and co-benefits	Mr. Miguel Naranjo Gonzales, Programme Officer, Sustainable Development Mechanisms, UNFCCC
			Discussion
16:15 – 17:00 Session 11	Reporting back from parallel groups		Facilitators: Ms. Diann Black-Layne and Mr. Stefan Schwager, SCF co-chairs
17:00 – 18:00 Session 12	Summary and conclusions		Facilitators: Ms. Diann Black-Layne and Mr. Stefan Schwager, SCF co-chairs
			Hon. Ian Hayles, Minister of State, Government of Jamaica