

Sixth meeting of the Adaptation Committee Bonn, Germany, 29 September – 1 October 2014

Concept note

Policy discussion document: Issues related to financing the NAP process

Recommended action by the Adaptation Committee

The AC, at its sixth meeting, may wish to consider the concept note, prioritize among the listed issues and agree on next steps regarding the drafting of the policy discussion document.

1. Introduction and background

At its fourth meeting in Fiji, the Adaptation Committee (AC) identified areas of collaboration with the Least Developed Countries Expert Group (LEG), and established a task force on NAPs aiming to further support developing countries seeking to formulate and implement the national adaptation plan process. Through this work, the AC began its consideration of issues related to financing for the NAP process, and decided to conduct further work on the matter in 2014, with a view to better understanding the issues that may challenge developing countries in accessing resources for the NAP process. To support this further consideration, a background paper was developed for consideration at AC5.

The background paper and subsequent discussion of the topic at AC5 underscored that there are significant technical and financial issues related to the financing of the NAP process. These issues might be better understood through the development of a more considered policy discussion paper, which could explore more deeply the range of issues that are critical to developing countries accessing and effectively utilizing resources for the NAP process.

The objective of the policy paper is to reflect on these issues, and deepen the understanding of the range of perspectives and underlying arguments that exist on these issues among Parties and funding agencies. It is also the intention of the paper to capture some of the experience of countries in adaptation finance more broadly as it relates to the NAP process. This document builds on the experience over the last decades with the financial mechanism, in particular the SCCF and LDCF, and aims to provide insight in the current and ongoing discussions on adaptation finance.

2. Scope of the policy discussion paper

The policy discussion paper will build on issues identified in the background paper on financing for national adaptation plans written for the fifth meeting of the Adaptation Committee. It will include both technical and financial issues identified in the background paper and subsequent consideration of the topic at AC5. The policy paper will also consider issues raised by Parties in their submissions – under the NAP agenda item and the NWP agenda item – on experiences related to the NAP process.

The policy paper will identify the issues raised, the range of perspectives on each of the issues, points of convergence and divergence, and questions for further discussion.

3. Possible issues for consideration in the paper

A. Understanding why the demand for NAP process funding from the LDCF SCCF and other entities, including bilateral, has to date been limited (as of September 2014, no PIFs have come to the LDCF SCCF Council for approval), including

- whether developing country governments are requesting support for the NAP process to Implementing Agencies and bilateral agencies, and if not, why – what are the challenges;

- for those countries that have more experience with the NAP process, understanding how they have financed that process (both preparation and implementation), i.e., what have been the sources of finance, climate or otherwise, what have been lessons learned, etc.;
 - co-financing: what are the requirements, benefits, and challenges.
- B. Resolving the distinction between agreed full cost (Convention language) and additional cost (GEF construct).
- Implications of additionality for a programmatic or more transformative approach to adaptation
- C. Experience with the determination of baseline or business-as-usual and results-based approaches in projects and programmes.
- D. Balance among:
- Sectors identified as priorities and sectors that are financed (highlight trends from multiple sources, for example NAPA, PPCR, ADB, bilateral portfolios, etc.);
 - the elements of the LDC work programme;
 - NAP finance and NAPA finance;
 - geographical distribution of resources.
- E. Access to finance:
- Identifying what makes for simplified, expeditious, flexible and practical access to finance, which takes into account the different stages of development of NAPs in different countries, their specific circumstances and the urgency of their adaptation needs;
 - The experience with direct access: benefits, limitations and alternatives;
 - Demand of GSP vs. full size proposals – countries need the preparedness support vs easier to access GSP?;
 - Explore what other issues might be at play.
- F. Programmatic approach:
- Implications of financing programmatic approaches that are longer-term in nature and require larger disbursements of funds vs. discrete projects;
 - Limitations of a projects-based approach for visionary, science-informed action.
- G. Financing a continuous, progressive, integrated, iterative NAP process may require a slightly different approach to ensure even more flexibility and continuity in funding, as well as easy scaling up support.
- What determines that a country has started or is already undertaking a NAP process?
 - In practical terms, where is draw the line drawn between NAP formulation and implementation, particularly given that the NAP process is iterative and continuous?
 - What are appropriate metrics for the evaluation of progress?
- H. National level institutional arrangements and mobilization of finance in developing countries, such as national trust funds, national entities, etc.
- I. Other lessons learned indicated by financing institutions (e.g. FCCC/SBI/2005/INF.7)
- J. The adequacy and predictability of finance for NAPs from LDCF and SCCF (e.g. no multiyear allocations).

4. Next steps and methodology for the paper:

- The AC will be required to prioritize among the broad spectrum of issues listed in this note.
- A methodological process will be determined to collect (e.g. input from AC members, consultation with SCF, focus interviews with key experts, etc) and analyze the information (e.g. an AC team, support from the secretariat, etc).