

Regional Technical Meeting on Adaptation (TEM-A)

Adaptation Finance

Latin America and Caribbean Climate Week,
19-23 August 2019, Salvador de Bahia, Brazil

Introduction:

The technical examination process on adaptation was established by the Paris Agreement to promote enhanced action prior to 2020. As part of this process, under the guidance of the UNFCCC Adaptation Committee and in collaboration with the UNFCCC Secretariat, the Inter-American Development Bank (IDB), Libelula and the Regional Network for Climate Change and Decision Making hosted a half-day in-region Technical Meeting on Adaptation (TEM-A) on 23 August 2019. This meeting took place during the Latin America and Caribbean Climate Week from 19-23 August 2019 in Salvador de Bahia, Brazil.

Objective:

The objective of this TEM-A was to share experiences and solutions through specific regional, national and local examples that can enable public and private investments on adaptation and resilience at scale in Latin America and the Caribbean to better inform the formulation and implementation of national adaptation plans (NAPs).

Main questions addressed and answers:

1. What are the kinds of approaches, projects and/or measures that need to be scaled up, replicated and/or connected?

The uncertainty of changes in climate is very large and science is not precise about the magnitude of the expected impacts. However, the current context suggests that we must be prepared to face uncertainty and invest in the capacity of people and institutions in order to be prepared for unpredictable impacts that only get worse, deepening prevention in the face of an unknown future.

During the session, the main challenges and opportunities in regards to financing adaptation at local level, where solutions has to be implemented, were identified. One of the challenges identified is the lack of enough money in international funds and there is a deficient access capacity by national and local actors. On the one hand, National governments could play a fundamental role in catalyzing finance, since international funds so far are not sufficient or adequate to the needs. In this context, countries can develop their own instruments and funds, such as the case of Colombia and the creation of the National Fund for Disaster Risk Management, created after La Niña of 2012, in which the country used its own public resources and now attracts new international funds and has expanded its actions for disaster assistance, prevention, attention and post-disaster rehabilitation, this experience has led to build capacities

and better domestic management of resources. Additionally, it is important to seek the promotion of private investment through instruments that exist in the market such as microcredits, insurance, and bonds; as well as building capacities in institutions to be able to measure and value the impact of adaptation projects and thus facilitate access to funds.

Another challenge identified during the session was the size of local projects. It often does not meet the minimum costs that multilateral banks can support, because locally they work on a small, almost individual, scale (municipalities) and financial agencies can only process big funding for national programs. Faced with this challenge, a strategy that could be replicated and scaled up is the experience of associativity of the Argentine Network of Municipalities against Climate Change (RAMCC, in Spanish), which has been able to access resources from multilateral entities through vehicles such as the trust. This experience also invites us to reflect on the possibility of generating partnerships between cities, public-private entities, academia, etc. to be able to capture funding that is inaccessible on a small scale, enhancing the capacity of small local actors to be able to access resources from multilateral entities.

Finally, during the session it was shown that it is essential to have methods and indicators to demonstrate impact on adaptation. The challenge remains on how to measure and demonstrate the impact of the vulnerability reduction projects in order to obtain financing. Unlike mitigation, there are no common methodologies to verify impacts and effectiveness of adaptation projects. Science has an important role underplayed for enabling to demonstrate impacts of adaptation initiatives/projects, which could facilitate more access to finance. To date, the LatinoAdapta project, which seeks to bridge the knowledge gaps on adaptation in 6 countries in the Latin America and Caribbean Region found in its assessments that all countries under study identified finance for adaptation as a knowledge gap. In consequence they just published a [policy brief](#) on the matter and a series of webinars on this and other knowledge gaps identified that maps and addresses the situation.

2. What examples/best practices of finance instruments are there to finance measures/projects needed and how suited are they to scale up resource mobilization from both public and private sector? How do they deal with risk? How can they complement each other?

One of the examples presented during the session was about the IDB and how it has been working under two approaches to catalyze public investment in adaptation to climate change: Resilience of projects and Resilience through projects. Under the first approach, all the projects funded by the IDB must have a risk assessment and be resilient to climate change, without necessarily being a climate change adaptation project. On the other hand, the second approach requires that projects must be designed to explicitly promote resilience and adaptation.

As an example, during the session the case of the Strategic Program for Climate Resilience (SPCR) in Bolivia was presented, backed by the Pilot Program for Climate Resilience Project (PPCR), which aims to improve the population's quality of life and reduce its vulnerability to water scarcity. The PPCR has a pragmatic approach, under which it is sought first to generate an investment in the preparation of the project (between 6 and 12 months), then develop the enabling conditions (from 1 to 3 years of involvement of actors and community, institutionality, technology, etc.) and then invest in its implementation. For this, the PPCR generates a grant

funding to help the preparation of the project, then the government must generate its own loan to continue the process.

PPCR allows for an in-depth preparation of programs for making right investment at a scale required to ensure long-lasting resilience of communities, allows for full engagements with local government, beneficiaries, private sector, and others relevant stakeholders. The positive aspect about this process is that the preparation with a programmatic approach makes it possible to shorten the time for future projects. When enabling conditions are already developed the Government understands the utility and impact of it and therefore is more open to invest its own resources, thus demonstrating the importance of grants for these programmatic pilots and how effective the approach to financing adaptation is. To have an impact at scale, this planning approach should be followed, which will ultimately allow further access to resources.

Another example was given by Pedro Leitao, Project Director at the Brazilian Foundation for Sustainable Development¹, who was able to obtain a grant from the IDB to work in the Catinga biome testing which traditional and indigenous technologies work in a low-valued territory affected by prolonged droughts and incorrect land use practices. This ecosystem covers 10% of the territory and is the location of 13% of the population. The adaptation project seeks, through low carbon and resilient agriculture, to apply a technological and capacity building package to increase plant cover and obtain more water, in addition to diversifying the source and amount of the population income, with impacts on capacity, behavioral change and well-being. Pedro designed the project and presented it to the IDB, obtaining the possibility of including his project within a larger one (5 million dollars).

Finally, another example presented was about the Climate Technology Center & Network, which have a unique role in climate change funding, as it is the technological mechanism of the United Nations Convention for Climate Change and provides technical assistance to develop projects for adaptation and mitigation technologies, and plan their escalation through financial vehicles. This mechanism is also a readiness instrument that enables to scale technological projects, with technical assistance amounts of between US \$ 15,000 to US \$ 250,000 and with a disbursement of resources that can take a maximum of 6 months. One of the main challenges to access these resources is that the proposals presented are country driven, their focal points are in general the countries' Ministries of Environment, whose central role and experiences are not focused on technology, financing and / or liaison with the private sector, which is recommended for scaling up financing or identifying the business model that can make adaptation technologies viable. In addition, another challenge is to demonstrate, through impact indicators, vulnerability reduction, adaptation and resilience capacity increase that are relevant and based on credible science. However, the CTCN has a high potential for scaling up, through the association with investment institutions (Adaptation Fund, the Green Climate Fund and the IDB) that can scale the funding of technological solutions and, in addition, now country applicants need to have a strategy to establish how the funding would be scaled up.

3. How can this inform the NAPs design and implementation?

¹ FBDS has developed more than 180 projects in different areas and topics, always in partnership with the scientific community, private sector and international cooperation agencies.

- The session conclusions show a need to be prepared for uncertainty. It is necessary to invest in the capacity of people and institutions to increase their resilience capacity and be prepared to all possible scenarios.
- Thorough research and assessment of knowledge gaps must be considered.
- The NAPs design must include an investment component to enable delivery of adaptation measures in preparation of climate related impacts, considering measures to manage uncertainty on the scale and reach of impacts.
- In addition, both the NAPs design and implementation must take into account that in order to have an impact and scale, a programmatic approach that allows access to resources in a more simple and structured way must be followed.
- The development of the enabling conditions to accomplish the funding leverage is essential to really have an impact with the adaptation projects, thus it's recommended to define during the NAP design process specific steps to enable conditions for effective and long lasting adaptation impacts. Adaptation projects must also define metrics that allow justifying the investment amounts with evidence of vulnerability reduction.
- On the other hand, it is essential to improve the information and communication processes to facilitate access international resources and instances for the development of pilot studies on climate change adaptation, which can then be scaled up in the NAPs to achieve greater impact and leverage investment through of successful experiences.