

**Fifteenth meeting of the Adaptation Committee
Bonn, Germany, 19 to 21 March 2019**

Capacity gaps in accessing adaptation funding

Draft call for submissions

Recommended action by the Adaptation Committee

The Adaptation Committee (AC), at its 15th meeting, will be invited to consider the information contained in this document and agree on the next steps regarding the content and the timing of the call for submissions from Parties, as contained in section 4 “Next steps” below.

1. Background

1. In its flexible work plan for the years 2019-2021, the AC agreed to undertake further work under its workstream B: Providing technical support and guidance to Parties on means of implementation. One of the objectives under this workstream is to provide guidance with a view to enhancing capacity-building for adaptation action.
2. In this context the AC agreed to invite, in the first half of 2019, **submissions from Parties on their capacity gaps in accessing adaptation funding, including their experience, successes and remaining challenges**. These submissions will then be used in the second half of the year to prepare an information document on Parties’ capacity gaps in accessing adaptation funding and on their successes and challenges in building in-country capacity.

2. Context and approach

3. Several activities carried out by the AC have addressed the issue of accessing adaptation funding-related capacity needs of developing countries. One example is the 2018 AC workshop on accessing the Readiness and Preparatory Support Programme of the Green Climate Fund for adaptation, held during the NAP Expo, in which Parties highlighted a number of issues and proposed ways to enhance access and accreditation. The joint work of the AC and the Least Developed Countries Expert Group (LEG) on methodologies for taking the necessary steps to facilitate the mobilization of support for adaptation in developing countries is another example.
4. Furthermore, under workstream B in its workplan, the AC noted that it would (as of the first half of 2019) explore opportunities for enhanced interaction with other bodies, including the Standing Committee on Finance (SCF) and the Paris Committee on Capacity Building (PCCB). These two bodies, as well as the LEG, have undertaken previous work to identify capacity gaps in relation to accessing adaptation finance. The most relevant documents are listed in the annex, along with a condensed list of key findings.
5. It might be useful, therefore, to formulate the call for submissions so that the new submissions build on already existing information and findings and add value.
6. After Parties have sent their submissions in response to the call, the AC could engage with relevant constituted bodies and other organizations in further work on this topic, including in the preparation of the information document.

3. Call for submissions

7. The AC may wish to consider the key points contained in the annex to ensure that the AC's call for submissions adds value to the information already available. To this effect it could consider adding some guiding questions to the call, for example:

- a) What capacity-building needs, including new and emerging ones, do you experience in accessing adaptation finance? (Please see annex for a broad and non-exhaustive summary of already identified ones);
- b) How can those capacity gaps be best addressed?;
- c) What are the necessary steps that need to be taken at the local, national, global and fund levels to enhance access to adaptation finance?;
- d) What challenges have you experienced in addressing the previously identified capacity gaps in accessing adaptation funding, and what are the key barriers to be overcome?;
- e) What successes have you experienced in addressing capacity gaps in accessing adaptation funding, and what are the key lessons learned to inform future efforts?;
- f) What are the biggest misconceptions regarding accessing adaptation funding, and how can they be overcome?;
- g) Have you used or accessed any of the previous products by the AC related to this topic? Were they useful to address any previously identified gaps?; and,
- h) How can the AC help to address the capacity gaps?

4. Next steps

8. The AC, at its fifteenth meeting, should agree on a set of guiding questions to be included in the call for submissions from Parties.

9. The AC, at AC 15, may wish to:

- a) Establish a small ad-hoc working group to finalize the call for submissions and develop the information paper; and
- b) Agree to consult the PCCB, the SCF and the LEG during the preparation of the call for submissions and the information document; and,
- c) Agree on the time line for the call and the information document.

10. After AC15, the working group will finalize the call for submissions, including consideration of if and how the information from the annex will be included in the call.

11. The secretariat will send out the call to Parties with a deadline of end of June 2019 (tbd).

12. The AC working group, in consultation with the PCCB, the SCF and the LEG, if so decided, and with support from the secretariat, will elaborate an outline of the information document for approval by the AC (inter-sessionally), and then prepare the document for consideration by AC 16 in September (tbd).

Annex: Relevant UNFCCC documents

1. Relevant UNFCCC documents containing information on capacity gaps in accessing adaptation funding, including their experience, successes and remaining challenges, include:

1.1. From AC work

- a) [Report](#) on the 2018 workshop on accessing the Readiness and Preparatory Support Programme of the Green Climate Fund for adaptation
- b) [Report](#) on the 2015 workshop on the means of implementation for enhanced adaptation action
- c) [Synthesis paper](#) on the means of implementation (focus on understanding adaptation finance)

1.2. From joint AC-LEG work

- a) [AC-LEG/2016/2](#) Desk review by the secretariat, incl. methodologies for taking the necessary steps to facilitate the mobilization of support for adaptation in developing countries in the context of the limit to global average temperature increase referred to in Article 2 of the Paris Agreement

1.3. From the LEG

- a) [FCCC/SBI/2018/6](#) Summary of progress made in the process to formulate and implement national adaptation plans. Report by the Least Developed Countries Expert Group in collaboration with the Adaptation Committee
- b) [FCCC/SBI/2018/4](#) Report on the 33rd meeting of the LEG 33

1.4. From the SCF

- a) [2018 Biennial Assessment and Overview of Climate Finance Flows](#)
- b) [SCF/TP/2014/1](#) Technical paper on the 5th review of the Financial Mechanism
- c) [SCF/TP/2017/1](#) Technical paper on the 6th review of the Financial Mechanism
- d) [Report on the 2014 SCF Forum](#) focusing on adaptation finance

1.5. On the Adaptation Fund

- a) [FCCC/TP/2017/6](#) Third review of the Adaptation Fund

1.6. From the PCCB and other workstreams on capacity-building

- a) [FCCC/SBI/2018/5](#) 2018 synthesis report by the secretariat: Implementation of the framework for capacity-building in developing countries
- b) [FCCC/TP/2016/1](#) Third comprehensive review of the implementation of the framework for capacity-building in developing countries
- c) [Report on the 6th Durban Forum](#) Enhancing capacities for adaptation in the context of NDCs

1.7. From long-term finance workshops

- a) [Summary report](#) on the long-term finance in-session workshop 2018 (focus on mobilizing climate change finance)
- b) [Summary report](#) on the long-term finance in-session workshop 2017 (focus on mobilizing climate change finance)

- c) [Summary report](#) on the long-term finance in-session workshop 2016 (focus on adaptation finance)
- d) [Summary report](#) on the long-term finance in-session workshop 2015 (focus on adaptation finance).

2. Key points extracted from these documents

13. The key points extracted from these documents, in a very condensed manner, are listed below. In the context of the AC's call for submissions, they can be clustered into:

- a) Cluster A: Capacity-building needs for project development and for funding applications; and
- b) Cluster B: (looking at the topic more broadly) Capacity-building needs relating to enabling environments needed for adaptation planning, leading up to the preparation of project proposals.

2.1. Cluster A: Capacity-building needs for project development and for funding applications

- c) Two types of capacity building support needs were identified to increase access to climate finance:
 - i) To access existing climate funds, which may involve technical assistance and/or support for relevant reporting activities; and,
 - ii) To secure additional and innovative climate finance sources, usually by attempting to increase investments from the private sector or by helping to direct local investments into small and medium enterprises, including insurance and re-insurance (creating awareness that risk can be costlier than the costs of insurance), micro-finance, Green Bonds, policy-based loans, etc.
- d) Understanding the climate finance architecture, understanding the requirements of the funds and the differences between them, processes and requirements of different multilateral climate funds and to meet the access requirements established;
- e) Efforts are needed from the funds to simplify accreditation procedures and access modalities, enhanced readiness of recipient countries, including adequate institutional capacities and financial governance and management systems, and improved communication between the funds and recipient countries. Furthermore, the need to enhance the role of the NDAs or FPs of the different funds to ensure greater country-drivenness and coherence;
- f) Training and communication on interventions such as policies and measures as well as financial instruments, both domestically and at the international level;
- g) The cross-cutting and integrated nature of adaptation makes it challenging to delineate the financial flows attached solely to the adaptation component of the projects. There is a lack of clarity on how to distinguish between climate finance and development finance and how to disentangle adaptation from development;
- h) Capacity to exchange and utilize experience and lessons learned in accessing adaptation funding to inform future efforts, including by identifying and promoting best practices, including South-South and triangular learning, and forming and using regional and international networks for information sharing and cooperation;
- i) Gaps and barriers identified include:
 - i) Length and complexity of the processes for accreditation;
 - ii) Length and complexity of the processes for accessing support, including frequent changes in templates and criteria;
 - iii) Availability of specific information on sources, amounts and effectiveness of funding;

- iv) Lack of coordination between the funds. Necessity to strengthen coordination among readiness providers to avoid duplication of efforts and maximize collaborative opportunities to ensure harmonized approaches at the country level and globally; and,
- v) Lack of capacity, especially local and institutional, to develop project concepts and prepare project proposals and funding applications. Medium-term staff appointments could help to gradually develop local capacity;
- j) Under the current business model used in readiness funds, accredited entities can only receive funding once projects are fully developed and specific deliverables have been delivered. This model does not allow for long-term institutional capacity-building that accredited entities need to do their work efficiently and in a sustained manner;
- k) There is a need for a shared, global understanding of costing needs identified in NAPs, including tools for costing adaptation, as well as mechanisms for funding the different types of needs;
- l) Challenges in meeting co-financing requirements, although co-financing of climate investments can be a means of leveraging additional funding and investments from a broad range of financial institutions, including multilateral development banks and international financial institutions; and,
- m) Accreditation to multilateral climate funds can be time-consuming and resource-intensive but it brings multiple benefits to developing countries in addition to access to financial resources, such as strengthened institutional capacity to meet the standards and criteria set by the funds and the ability to attract additional financial resources from other international sources.

2.2. Cluster B: Capacity-building needs relating to enabling environments needed for adaptation planning, leading up to the preparation of project proposals

14. The **use of the data collected for national reports beyond their inclusion in the reports** (NCs, BURs, etc) needs to be assessed. Some developing countries see the preparation of NCs and BURs as a capacity-building opportunity and actively use the collected data for other purposes. In other countries the information is scarcely used after the submission of the reports.

15. **Capacity-building needs for all stakeholders**, including the private sector, to develop a better understanding of scientific and technological issues relating to adaptation, including risks, to make more informed decisions on adaptation responses and planning. This includes clear audience-oriented communication on:

- a) Systematic observation;
- b) Data generation, collection and interpretation;
- c) Research;
- d) Climate risk modelling;
- e) Vulnerability assessment;
- f) Uncertainty estimation; and,
- g) Technology needs and available adaptation technologies.

2.2.1. Institutional capacity-building needs

2.2.1.1. National level

- a) Enhancement of the administrative and technical capacity of staff and policymakers in national and local government institutions, including for coordination across sectors and scales and among sources of support;
- b) A dedicated agency is desirable that handles climate change related issues and reporting requirements under the Convention, and new policy frameworks that enable the implementation of low-emission and climate-resilient development;

- c) In-country climate finance coordination mechanisms need to be strengthened to determine the financing priorities of projects and programmes;
- d) Better programme coordination and better coordination among the national FPs across different ministries;
- e) Building capacity to better link national climate change agencies with other ministries and to strengthen the coordination of agencies at all government levels;
- f) Agencies and government structures need to secure personnel, permanent administrative capacity and continuous funding so these institutions can build institutional memory and retain capacity;
- g) Improvement of national ownership of adaptation projects and programmes, in particular when external consultants are hired, or agencies are tasked with planning;
- h) Governments and international climate finance providers should clearly articulate opportunities for small and medium-sized enterprises to access climate finance; and,
- i) Capacity-building needs to solicit cooperation of industry, key sectors and the public, possibly through education, training and the provision of appropriate incentives.

2.2.1.2. Local level

- a) Access to information, esp. at the local level due to language or Internet problems; and,
- b) Adequate engagement of multiple stakeholders in managing adaptation planning and implementation at multiple levels and scales, taking into account elements of successful adaptation.

2.2.2. Private sector

- a) Capacity building for the private sector on climate impacts affecting business operations through damage to physical assets, reduced asset operating life, deteriorating health and safety and productivity of the workforce, contraction of some markets, weakened supply chains and increased land, water and energy scarcity leading to the loss of company's social mandate to operate in a community;
- b) Establish and communicate criteria for adaptation projects that can help attract and secure investment from the private sector and to investigate the financial and business risks associated with adaptation projects; build investor confidence;
- c) Incentivize collaboration between the financial and the public sectors to enable larger financial flows into adaptation; and,
- d) Tracking private-sector finance for adaptation is not straightforward, including because adaptation action funded by private-sector entities may not be labeled or reported (or even recognized) as adaptation.

2.2.3. Policy advice to improve policies as well as legal and regulatory environments

Capacity gaps include:

- a) Lack of developing country capacity to devise a national strategy for utilizing available climate finance resources and for attracting climate-friendly investments;
- b) Legal issues within entities;
- c) Financial management and integrity;
- d) Institutional capacity at the design, appraisal and implementation phases; and
- e) Policies and plans to include gender perspectives and indigenous peoples