

**Sixteenth meeting of the Adaptation Committee
Bonn, Germany, 9 to 12 September 2019**

Capacity gaps in accessing adaptation funding

Draft information paper

Recommended action by the Adaptation Committee

The Adaptation Committee (AC), at its 16th meeting, will be invited to consider the information contained in this document and agree on next steps.

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1. Background

1. In its flexible work plan for the years 2019-2021, the Adaptation Committee (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 and agreed on guiding questions.¹ Fourteen submissions were received:
 - a) Five from Parties (Bhutan on behalf of the Least Developed Countries, Ethiopia, Indonesia, Mexico and Uganda); and
 - b) Nine from observers (Adaptation Fund Board, Adaptation Fund NGO Network, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Global Conservation Agriculture Network (GCAN), Institute for Global Environmental Strategies (IGES), International Centre for Climate Change and Development (ICCCAD), Kusala Green and Biodiversity Organisation NPC, Least Developed Countries’ Universities’ Consortium on Climate Change (LUCCC) and Susanne Moser Research and Consulting).²
3. The AC further agreed to use these submissions 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. Overview and scope of the paper

4. Previous work by the AC on the issue of accessing adaptation funding related capacity needs, for example in the context of looking at countries’ experiences in accessing the Readiness and Preparatory Support Programme of the Green Climate Fund (GCF) for adaptation or 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, identified capacity gaps in accessing adaptation funding related to:
 - a) Creating enabling environments;
 - b) Planning for adaptation;
 - c) Developing bankable projects; and
 - d) Applying for funding.
5. Submissions by Parties and other stakeholders were consistent with previous findings insofar as they elaborated on capacity gaps related to skill sets, human resources and institutions. Some pointed out that those gaps driven by institutional, human, political, or economic factors mutually reinforce each other and decrease the ability of accessing the necessary funds for adaptation. Some submissions also elaborated on ways to address such gaps, including providing details of ongoing projects³ or available tools (see annex).
6. Submissions elaborated on capacity gaps in accessing and/or mobilizing finance from the following sources:
 - a) International and bilateral climate funds;
 - b) Domestic public funds for adaptation; and

¹ <https://unfccc.int/topics/adaptation-and-resilience/groups-committees/adaptation-committee/adaptation-committee-call-for-submissions-on-parties-capacity-gaps-in-accessing-adaptation-funding>

² Available on the submissions portal <https://www4.unfccc.int/sites/submissionsstaging/Pages/Home.aspx>

³ See submission by the GIZ available at https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201907171550---20190716_Parties%20capacity%20gaps%20in%20accessing%20adaptation%20finance_AC%20Submission_GIZ_final.pdf

c) Private adaptation finance.

7. While the size and the extent of capacity gaps differ, the types of gaps are very similar across different countries, sectors or levels: whether it is a government of a developing country Party seeking to access funds from international climate adaptation funds⁴ or a local government seeking to access finance in a developed country,⁵ their challenges are similar.

8. The paper presents the capacity gaps identified in the submissions along the following areas:

- a) **Raising awareness of climate change impacts**, i.e. understanding risks and the need for adaptation;
- b) **Making the case for adaptation**, i.e. establishing the funding need, proving a return on investments and developing fundable projects;
- c) **Navigating and accessing different funding instruments and mechanisms**, i.e. understanding the climate finance architecture, including the processes and requirements of the different funds;
- d) **Ensuring capability of the funding seeker**, i.e. accreditation;
- e) **Using and managing funds**, i.e. spending adaptation finance in line with policies and regulations.

9. For each area, the paper looks at steps to address the gaps, successes and remaining challenges. It concludes with lessons learned and possible next steps, including potential further work by the AC.

3. Capacity gaps in accessing adaptation funding

3.1. Raising awareness of climate change impacts

10. Capacity gaps exist at national and subnational levels in the public and in the private sector to understand climate change risks, impacts and the subsequent the need for adaptation. Without the necessary awareness being raised among relevant decision makers on the importance and priority of adaptation, accessing and allocating funds remains difficult.

11. Raising awareness is also hindered by the siloed approach to government with disconnects within and across jurisdictions, across sectors and the rural-urban divide, and across private and public sectors. As pointed out by one submission,⁶ the structure of government is fundamentally at odds with a problem that does not respect sectoral, geographic, or jurisdictional boundaries. This results in unclear responsibilities, leadership, accountability, and authority within and among jurisdictions.

12. Many submissions pointed out that it is crucial to have buy-in from institutions whose jurisdiction goes beyond environmental legislation, e.g. Prime Minister Office, Ministry of Finance, Ministry of Planning and Investment, that could act as champions and provide leadership on adaptation and also to have the necessary human and institutional capacity to ensure comprehensive climate risk management, adaptation planning, mainstreaming and implementation.

13. One submission⁷ pointed to adaptation being given a lower priority compared to more pressing issues and potential conflicts of interest or trade-offs: even though a local government has an interest in protecting itself from the risks of climate change, it simultaneously has an interest in ignoring it because of the expenditures or lost revenues it may involve. For example, protecting a shoreline with a seawall may result

⁴ See for example submissions by the LDCs (<https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201907301623---Bhutan%20LDCs.pdf>) or the Adaptation Fund (<https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201907151628---Submission%20to%20the%20AC%20on%20capacity%20gaps%20in%20accessing%20adaptation%20funding%20Final.pdf>).

⁵ See submission by Susanne Moser Research and Consulting (<https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201907151628---Submission%20to%20the%20AC%20on%20capacity%20gaps%20in%20accessing%20adaptation%20funding%20Final.pdf>).

⁶ See footnote 5.

⁷ See footnote 5.

in the loss of the beach that is the foundation of the local beach tourism economy. Local officials may choose to neglect the fiscally and politically less expensive issue (adaptation) in favour of interests that have a stronger constituency or promise greater near-term benefits.

14. Many submissions pointed to capacity gaps related to data which constrain raising awareness, including:

- a) Capacity gaps at subnational, national and regional scales in building and maintaining data archives, running and interpreting climate models, providing predictions and scenarios, including validation with reference to on-the-ground historical data and level of assessing; and
- b) Capacity gaps in assessing vulnerability and determining appropriate adaptation responses for the major development sectors and for all vulnerable groups and ecosystems.

15. Submissions pointed to the need for institutional capacity-building, educating and training staff and officials and top-level mandates that adaptation planning be undertaken. To enhance a holistic government approach, it was suggested to create taskforces involving institutions with overlapping/shared responsibilities and define the specific roles for each institution with accountability and responsibility where there are overlapping/shared responsibilities.

16. Regarding data, one submission⁸ suggested to enhance the institutionalization of climate data by involving designated data collectors, e.g. the central statistics agencies and planning bureaus.

3.2. Making the case for adaptation

17. Even if awareness is sufficiently raised, the next step in accessing funds is to make the case for adaptation, i.e. to establish the actual funding need and, in the case of international climate funds, to provide the climate rationale, to prove a return on investments and to develop fundable projects.

18. Many submissions pointed to capacity gaps in being able to establish the difference between a development project and an adaptation project, that is, the **climate rationale**, partly owing to a lack of climate data, including insufficient vulnerability and climate risks assessment and partly owing to lack in skills in preparing the required (complex) project documentation. The cross-cutting and integrated nature of adaptation was emphasized as a constraint to delineating financial flows attached solely to the adaptation component of the projects.

19. Proving a **return on investment** was highlighted by many as a crucial capacity gap constraining accessing domestic public and private funds. Gaps include the inability to assess the cost of inaction, i.e., demonstrate the need; the challenge of valuing uncertain risks and benefits; and the ability to adequately compare monetary and nonmonetary values. As a result, local governments or small businesses cannot justify the expense for (long-term) adaptation vis-à-vis other potential short-term budget items. Proving a return on investment becomes even more difficult in sectors such as education, social protection, and infrastructure.

20. In order to overcome these gaps, submissions pointed to further research into adaptation costs and benefits, capacity-building so as to better define the benefits of adaptation investments, including trainings in economic tools and establishing common sets of metrics of success and performance.

21. Developing **fundable projects, in particular to access international climate funds**, was highlighted by many submissions to be difficult. Many pointed to lacking capacities to go through the complex, time-consuming and resource intensive process of developing and submitting proposals, which entails holding stakeholder consultations, conducting feasibility studies, drafting concept notes, engaging with fund administrations and making regular adjustments.

22. Many different bilateral and multilateral adaptation funds have different templates and criteria for submitting proposals, which requires a thorough understanding of policies and related guideline documents and how they can be applied when compiling proposals. In addition, substantial technical and professional

⁸ See submission from Ethiopia [https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201907111608---AF%20-Revise%20Requested%20Ethiopia_s%20Adaptation%20Capacity%20Gaps%20\(Final\).pdf](https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201907111608---AF%20-Revise%20Requested%20Ethiopia_s%20Adaptation%20Capacity%20Gaps%20(Final).pdf).

skills are needed, including on how to set up baselines and indicators for measuring adaptation, how to ensure environmental and social safeguards and how to formulate a gender policy.

23. A key gap highlighted by many submissions relates to language and the need to write and submit documents in English for non-English speaking countries and communities, including lack of qualified staff or resources for translation services.

24. Some submissions pointed to the risks of sunk costs in case proposals are not accepted, which further exacerbates situations where there is a lack of funds and staff to prepare proposals in the first place. Short staffing and staff turnover were also highlighted as challenges resulting in loss of built capacity and institutional memory on accessing funds.

25. Steps to address the gaps related to project development include training, technical assistance, mentoring and creating a community of practice with workshops and retreats, in particular in developing countries, to incentivize experts to stay in posts and transfer their skills to others.

3.3. Navigating and accessing different funding instruments and mechanisms

26. Many submissions pointed to capacity gaps in understanding the overall climate finance architecture, including the processes, eligibility criteria and requirements of the different multilateral and bilateral funds at the international level but also funding available at the national and subnational level from public and private finance providers.

27. Many found the climate finance architecture to be non-transparent, lacking specific information on sources, amounts and effectiveness of funding and regretted the lack of coordination between the funds calling for strengthened coordination among readiness providers to avoid duplication of efforts and maximize collaborative opportunities.

28. In terms of **what is likely to be funded**, submissions elaborated on a bias toward discrete, smaller projects and efforts with a corresponding bias against broader programmatic funding. Identifying adequate measures of success for longer term, complex programmatic efforts may be harder than doing so for smaller projects, which is another reason why they attract less funding. What's more, submissions pointed out that while adaptation is (and will increasingly be) a deviation from traditional approaches and designs, funders tend to prefer traditional projects and are less likely to support innovation.

29. Another gap identified relates to the **timing and time span of adaptation finance**. Many pointed to the need of receiving continuous multi-year support to take projects and programmes from the beginning to the end. While disasters can result in significant domestic and international resources, it tends to come all at once and goes away shortly after an event and its usage depends on the rules and regulations of the various post-disaster and recovery funds.

30. Another gap related to international climate funds relates to the capacity to provide **co-financing** in order to access the funds, including sufficient understanding of the concept of co-financing by institutions in developing countries to secure commitment letters.

31. Many submissions pointed to capacity gaps in complying with and responding to the different **restrictions, conditions and eligibility criteria**, including:

- a) Lack of clarity and understanding of the different eligibility criteria;
- b) Lack of understanding of the administration and technical conditions and restrictions; and
- c) Frequent changes in templates and criteria.

32. In order to enhance access to international and national domestic climate funds, many submissions call for simplifying administrative processes and templates for submitting proposals. This should be accompanied by relevant (long-term) training. In particular, many submissions emphasized that readiness support for adaptation finance must reflect this longer-term perspective in building skills and expertise of local experts rather than encouraging an external, consultant led, "fly-in/fly-out" workshop type of support. In this regard one submission⁹ proposed the usage of qualitative indicators for success that measure real

⁹ See LDC submission.

change in staff approaches and abilities rather than quantitative indicators that only identify the numbers of people trained.

33. Other suggested steps to address capacity gaps include:

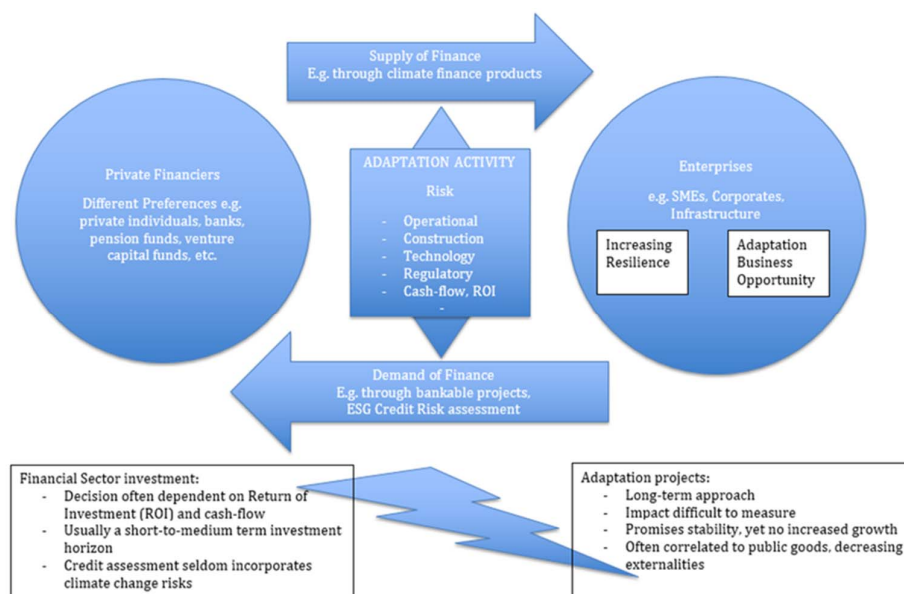
- a) Providing guidance documents and information on adaptation finance;
- b) Ensuring procedures and modalities for accessing funding for adaptation are easily available in multiple languages, and consistent and flexible enough to accommodate special circumstances of LDCs;
- c) Organizing workshops, seminars and other face-to-face interactive events; and
- d) Engaging in comprehensive stakeholder consultation.

34. Besides facing difficulties in accessing international and national public funds, many submissions pointed to capacity gaps in **accessing funds from the private sector**. As some submissions pointed out and the AC highlighted in previous work, the private sector is not a homogenous group but includes different types of entities, including small and medium enterprises, multinational companies, private associations and cooperatives, banks, investors, insurance companies, and others with different interests and needs in financing adaptation:

- a) Entities that have a business model based on providing adaptation services or technologies;
- b) Entities that require adaptation services and finance to enhance their resilience; and
- c) Entities that provide adaptation finance and investments.

35. Submissions point to various challenges in relation to accessing funding from the private sector, including inadequate technical expertise; weak incentives, partnerships and networks; and a lack of platforms to enhance the engagement of the private sector in adaptation planning and implementation. Supply and demand for adaptation finance are mismatched (see figure below).

Figure. Adaptation finance mismatch (GIZ submission)



3.4. Proving capability of the funding seeker

36. Many developing countries seek to access international climate funds directly through national entities; as such direct access promises an enhanced level of country ownership, more effective use of financial resources and stronger involvement of local organizations and other stakeholders.

37. However, accrediting national entities with international climate funds entails a lengthy and complex process of ensuring and proving the capability of said entity in accordance with the different policies and requirements of the funds. Capacity gaps regarding accreditation as mentioned in the submissions relate to:
- a) Complying and reporting on international governance standards (e.g. fiduciary, monitoring, disclosure, reporting, gender, environmental and social safeguards), which requires specialized expertise, significant resources, engagement with the fund administration and oftentimes internal changes to the institutions, including at the managerial and operational level;
 - b) Language, in particular in non-English speaking countries;
 - c) Lack of capacity to work with and interact with global intermediaries; and
 - d) Requirements to have many entities for different funding bodies (GCF, GEF, LDCF and AF).
38. Submissions proposed the following steps to enhance accreditation:
- a) Simplify accreditation processes and improve and focalize readiness activities;
 - b) Seek peer support and advice from already accredited entities through South-South cooperation;
 - c) Exchange and utilize experience, lessons learned and best practices including through regional and international networks; and
 - d) Raise awareness of overall benefits of accreditation, including building capacities in the areas of internal control processes, audits, and financial management project management, which build the entity's overall capacity to receive and manage climate finance and seek buy-in from the senior level of the organization.

3.5. Using and administering funds

39. Even if countries and communities successfully become accredited and/or apply for funding, they require sustained institutional and human capacities for preparing national mechanisms to allocate, disburse and report on received funds, including meeting required accounting standards or spending resources within agreed time spans. According to some submissions, such mechanisms, when operated by national entities, must be compatible not only with the fund's requirements, but also with the country's or community's planning, budgeting, programming and monitoring procedures and systems. In addition, countries' institutional mechanisms related to the funds would need to be compatible with their existing and future planning and budgeting systems, and be fully integrated with the countries' national plans, policies, and sustainable development priorities.¹⁰

4. Lessons learned

40. The majority of submissions emphasize that the current mode of capacity-building based on one-off, project-based, foreign consultancy-led workshops and submission of a final report by the consultant after its completion does not contribute to sustainable capacity-building and does not result in a capacity-building system in the recipient countries.

41. For many, capacity-building is a process, rather than an immediate product, which requires a longer time frame, to get the ultimate product mostly in terms of enhanced knowledge and skills relevant to addressing climate change. As such, capacity-building initiatives should be linked to long-term development planning and country priorities, including those included in NAPs and NDCs.

42. Capacity-building efforts should be coordinated to develop a critical mass of capacities.

43. Finally, as pointed out in the submissions, there is no single solution to addressing capacity gaps in accessing finance. Simply providing more resources, while critical, will not be sufficient. If there is no

¹⁰ See submission by the Adaptation Fund.

https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201907151628---Submission%20to%20the%20AC%20on%20capacity%20gaps%20in%20accessing%20adaptation%20funding_Final.pdf

capacity to develop a successful proposal or no capacity to administer the funds, making more funds available will not alleviate the finance challenge.

5. Possible role of the AC in addressing gaps in accessing adaptation funding

44. Some submissions proposed ways for the AC to assist in addressing capacity gaps, including:
- a) Identifying innovative methods of supporting Parties which are different from what other institutions provide;
 - b) Enhancing cooperation with Parties, relevant bodies under the UNFCCC, financial entities and stakeholders;
 - c) Facilitating simplification of processes and procedures to access adaptation funding;
 - d) Providing guidelines on requirements to access different sources of adaptation funding; and
 - e) Encouraging the availability of sufficient resources to assist developing countries in fulfilling requirements to access adaptation funding, including funding for providing, analyzing and interpreting climate data.

6. Next steps

45. The AC may wish to consider the information contained in this information paper and agree on follow-up activities based on the proposals made in the submissions and in consultation with the LEG, PCCB and the SCF.

Annex

Instruments and methods addressing capacity gaps in accessing adaptation funding (GIZ submission)¹¹

Title of method or instrument	Description	Area of need
Climate Finance Readiness Training toolkit	Climate finance readiness training (CliFiT) is a dynamic, interactive approach to raising awareness and capacity-building among public bodies in developing countries and emerging economies. The overall objective of the training is to provide tailor-made support, strengthening the ability of countries to build a coherent national framework for climate finance, access international climate finance and spend funds in an effective and transparent manner. The primary target group for CliFiT is people working in ministries and other public bodies where climate finance readiness (CFR) is a relevant issue. https://clifit.org/	Access to international climate funds
Climate Finance Training for Sector Experts	The new “Climate Finance Training for Sector Experts - CliFit4SE” is addressed to sector experts, who have an interest in exploring climate finance options. The overall objective of the training is to provide tailor-made support, strengthening the ability of sector experts to apply a climate-lens to their sector and assess the relevance of sector projects for climate change adaptation and mitigation – and thus for climate finance. In addition, the training will contribute to enhancing communication between stakeholders involved in climate finance. https://clifit.org/	Access to international climate funds
Environmental Scenario Analysis	The project worked with regulators to apply environmental climate change forecasts into their risk management practices of their portfolios including the development of tools and capacities as well as information sharing mechanisms within the financial sector. https://www.cisl.cam.ac.uk/resources/publication-pdfs/environmental-scenario-analysis-mexico.pdf	Providing domestic funds.
ValuES Methods Navigator	The ValuES Methods Navigator provides tools for integrating ecosystem services into policy, planning, and practice by quantifying its benefits. The Navigator leads to profiles with advice and practical information about a broad range of methods. This inventory identifies ten purposes for examining ecosystem services, and provides examples from six policy areas. Case studies show experiences from different applications and study processes. http://www.aboutvalues.net/	Providing domestic funds and mobilization of private finance

¹¹ https://www4.unfccc.int/sites/SubmissionsStaging/Documents/201907171550---20190716_Parties%20capacity%20gaps%20in%20accessing%20adaptation%20finance_AC%20Submission_GIZ_final.pdf

CDIA Project Screening Tool	This tool aims to help cities identify and profile investments. It particularly focusses on investments for climate resilience to enhance opportunities for downstream finance. The online tools is structured into four critical “screens” or critical questions (1) “identifying and prioritizing investments, (2) “assessing the cost of investment”, (3) “screening potential sources of finance”, (4) Review of municipal sources of finance http://cdia.asia/resources/tools/	Providing domestic funds
Practioner Lab Climate Finance (in cooperation with SEED ¹²)	The Labs bring together different organisations, businesses, and stakeholders with an interest in solving adaptation finance issues and support participants in jointly developing targeted solutions for pressing challenges specific to their organisations and sectors. They engage in a series of exchanges in order to strengthen their solution implementing capacity, build a network of trust, facilitate output-oriented knowledge exchange, share best practices and lessons learned as well as benefit from peer-to-peer learning between different organisations and sectors. https://seed.uno/programmes/ecosystem-building/finance/climate-finance	Mobilization of private finance
Climate Expert Tool	The Climate Expert entails a practical 4-step approach and working materials that help companies develop adaptation strategies that fit its characteristics. It is based on an Excel Tool that allows companies to identify (i) climate-related risks and opportunities (ii) applicable adaptation measures, and evaluate them regarding feasibility and effectiveness using cost benefit analysis. The tool, as well as training materials and case studies are available on its website. www.climate-expert.org	Mobilization of private finance
Climate Expert Training of Consultants	The Training of Consultants (ToC) addresses consultants and multipliers who support SMEs in conducting Full Company Assessments based on the 4-Step Climate Expert Approach. Additionally, the ToC provides methodological information and discusses the role of the consultant when working with SMEs. www.climate-expert.org	Mobilization of private finance
Corporate Ecosystem Services Review	CESR is a structured methodology that helps managers proactively develop strategies to manage business risks and opportunities arising from their company’s dependence and impact on ecosystems. (Applied in Peru) https://www.wri.org/publication/corporate-ecosystem-services-review	Mobilization of private finance
Global Innovation Lab for Climate Finance	The Lab identifies, develops, and launches innovative finance instruments for investment into climate change and sustainable development. A public-private partnership, the Lab brings together 60+ public and private institutions that provide guidance to innovative investment solutions along a 5-step cycle.	Mobilization of private finance

¹² SEED is a multi-donor programme and network for action on sustainable development and the green economy hosted by Adelphi. It focuses on enterprise support and ecosystem development for eco-inclusive entrepreneurship. More information can be found at www.seed.uno.

	Selected ideas receive support in developing the instrument, preparing business pitches, piloting, fundraising and long-term implementation. https://www.climatefinancelab.org/about/how-it-works/	
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