

ADB Instruments and Sources of Financing in Support of Climate and Disaster Resilience

Arghya Sinha Roy, Principal Climate Change Specialist (Climate Change Adaptation), ADB

Session 4: Current Landscape of Sources and Instruments

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First Workshop on Addressing Loss and Damage in the context of decisions 2/CP.27 and 2/CMA.4

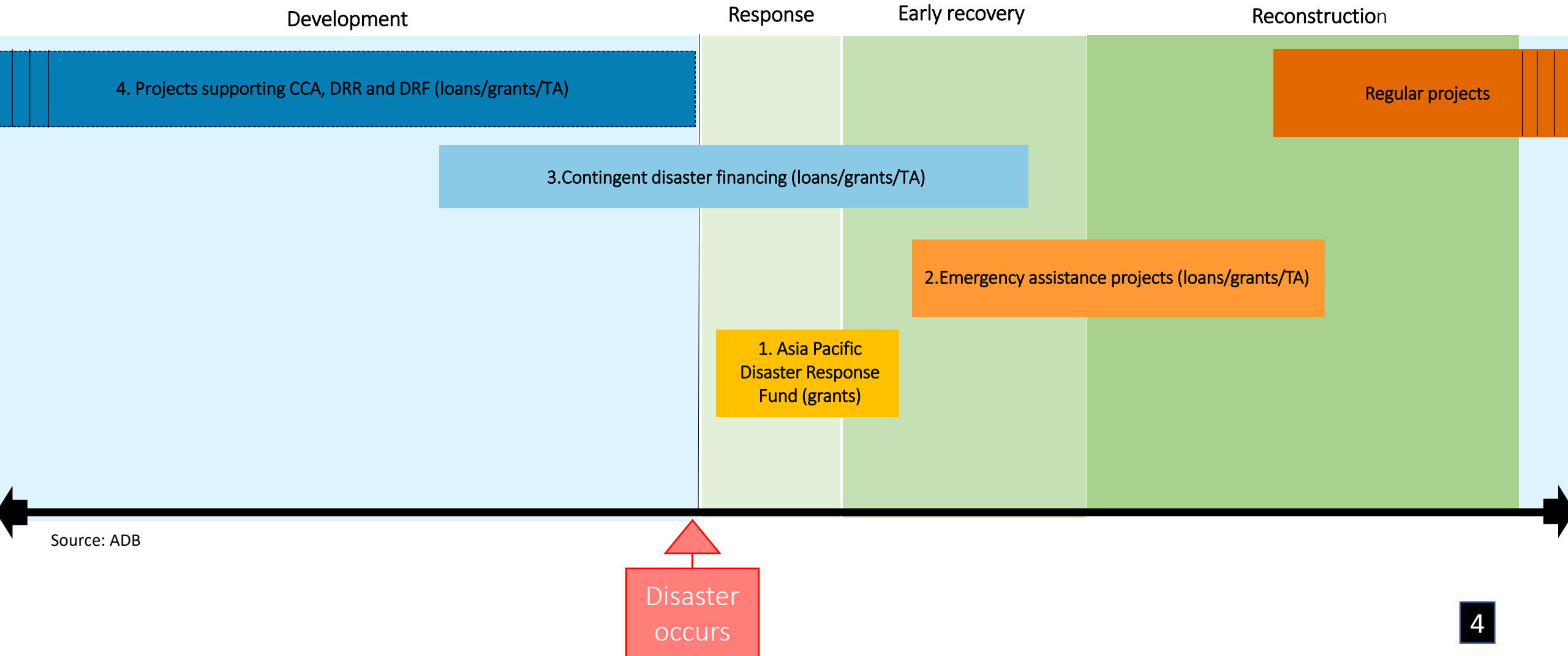
Presentation Structure

1. ADB **policies** guiding actions in climate and disaster resilience
2. ADB **financing instruments** in support of implementation of the policies
3. **Funding sources** for supporting such resilience-related actions

ADB Policies to Support of Climate and Disaster Resilience

- 1. Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and Pacific**
 - Identifies climate and disaster resilience as **one of 7 operational priorities** of Strategy 2030.
 - Establishes climate target of **\$80 billion** between 2019-2030; and **75% of operations climate-related**.
 - Commitment to **align ADB operations with Paris Agreement**.
- 2. Revised Disaster and Emergency Assistance Policy 2021**
 - Provides strategic guidance for ADB assistance for disasters, covering **risk reduction, preparedness, and response**.
 - Recognizes that timely, carefully planned, and well-designed relief, early recovery, and reconstruction interventions and solutions **reduce the impacts of disasters** and facilitate resilient recovery.
 - Recommends strong **financial planning for disaster response** requires a risk-layered approach to establish appropriate and adequate response plans for each layer of loss.
- 3. Revised Emergency Assistance Loan Policy 2021**
 - Emphasizes **rapid approval of loans** to help rebuild high-priority physical assets and restore economic, social, and governance activities after disasters and emergencies.
- 4. Other relevant policies to provide procedural flexibility in emergency (e.g., Procurement Policy)**

ADB Instruments to Support Climate and Disaster Resilience



Ex-post Instruments for Supporting Post-Disaster Response

Asia Pacific Disaster Response Fund

- To provide fast-tracked support to all developing member countries in the immediate aftermath of major disasters.
- Two windows (i) grants of up to \$3 million for **life-saving purposes**; and (ii) support for **PDNA and recovery planning**.
- Following a government request, grants are processed within **72 hours** of satisfaction of eligibility criteria.
- **Flexible** use of funding, use of country procurement system, up to \$30% retroactive financing.

Emergency Assistance Projects

- Dedicated financing instrument for **post-emergency assistance** (loans/grants)
- Provides rapidly approved funding to help rebuild **high-priority assets** and restore economic and social activities.
- **Fast track processing and approval** usually in 12 weeks and allows flexibility in procedures.
- Special financing terms.

Other Instruments

- Additional financing of ongoing projects.
- Small Expenditure Financing Facility

Ex-ante Instruments for Supporting Post-Disaster Response

Contingent Disaster Financing

- A form of **policy-based** loan or grant
- Eligibility to loan and grant proceeds is based on **achievement of prior resilience-related policy actions**
- Disbursement triggered as budget support based on **pre-agreed soft trigger** (e.g., emergency declaration)
- **Predictable financing** can lead to better preparedness
- **TA support** to achieve policy actions on long-term resilience

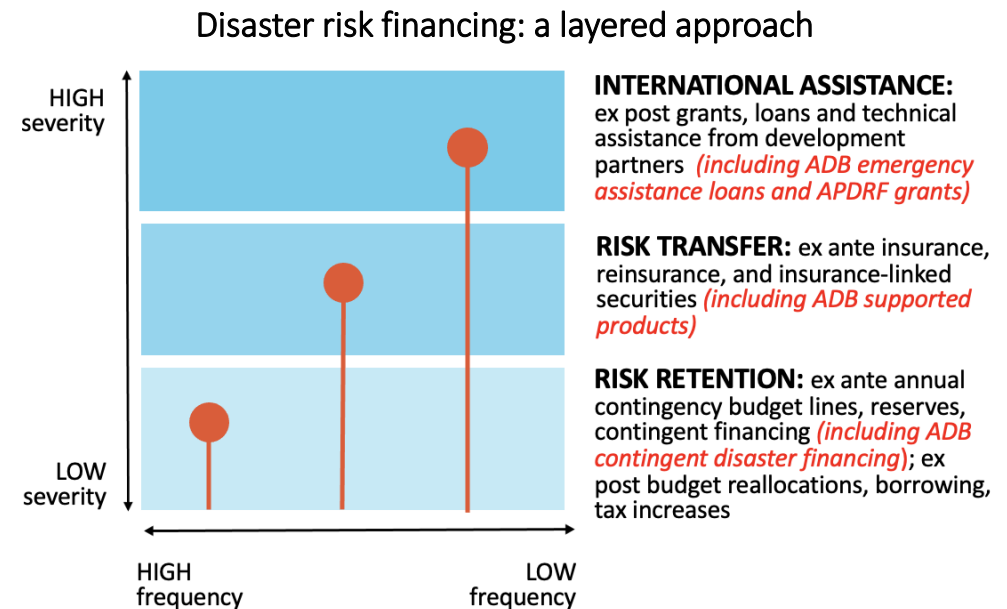


Image Source: ADB

Instruments for Building (ex-ante) Resilience

CCA, DRR and DRF-related projects (loans, grants and TAs)

- **All instruments** and modalities are being used for supporting resilience building-related activities.
- Increasing use of **policy-based lending** and **results-based financing** for resilience. (e.g., Philippines CC PBL)
- Increasing use of **non-sovereign financing modalities** for adaptation. (e.g., working capital for agribusiness)
- **TAs** play a critical role in supporting climate actions in line with NDCs and NAPs.



Image Source: ADB



Image Source: UNEP



Image Source: ADB

Resources for Building (ex-ante) Resilience and Ex-post Support

1. Asian Development Fund (ADF) Enhanced Disaster and Pandemic Response Facility (grants and loans)

- Established under ADF to provide a more flexible, predictable, and systematic approach to emergency response and reduce the need for reprogramming.
- Can be drawn on in response to disasters triggered by natural hazards, health emergencies and large-scale cross border movements of displaced persons.
- Provides up to an additional 100% of annual country allocation or up to \$100 million (whichever is lower).
- Can be used for relief, early recovery, and reconstruction and provided through any ADB financing instrument.

2. ADF 13 Thematic Pool (grant only facility)

- Provides additional grant financing for CCA and DRR projects.
- Incentivizes uptake of explicit resilience measures, such as NBS, land use management, adaptive social protection.

3. Trust Funds Supporting Climate Resilience (grants and TAs). Examples include

- Community Resilience Partnership Program – e.g., support to grassroots women’s group to scale up adaptation
- Irish Trust Fund for Building Climate and Disaster Resilience - e.g., Support for Coalition for Atoll Nations on CC
- Urban Resilience Trust Fund – e.g., city level disaster risk financing products
- Asia Pacific Climate Finance Fund – e.g., coral reef financing and instruments

Lessons to Inform Loss and Damage Discussions

- **Understanding of current and future climate risk** is the starting point for both adaptation and loss and damage.
- Suite of **layered instruments needed** to demonstrate **adaptation and loss and damage continuum**.
- **Resources** to support various instruments need to be **allocated programmatically** for efficiency and effectiveness.
- Strengthening **country systems** (e.g., social protection, IT) is critical for delivery of adaptation and loss and damage outcomes.
- Ex-ante investments in many sectors (e.g., health, aged-care, skills) can reduce **non- economic losses**.