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In-session workshop on long-term climate finance in 2016

Summary report by the secretariat

Summary

The in-session workshop on long-term climate finance was held on 18 May 2016 in Bonn, Germany, in conjunction with the forty-fourth sessions of the subsidiary bodies. Participants discussed adaptation finance, needs for support to developing country Parties and cooperation on enhanced enabling environments and support for readiness activities, in line with decision 5/CP.20.

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I. Introduction

A. Mandate

1. The Conference of the Parties (COP), by decision 5/CP.20, requested the secretariat to organize annual in-session workshops on long-term climate finance through to 2020 and to prepare a summary of the workshops for annual consideration by the COP and the biennial high-level ministerial dialogue on climate finance. The COP decided that in 2015 and 2016 the in-session workshops would focus on the issues of adaptation finance, needs for support to developing country Parties and cooperation on enhanced enabling environments and support for readiness activities in accordance with decision 3/CP.19.[1]

2. The COP also requested the secretariat to prepare a compilation and synthesis of the biennial submissions on the strategies and approaches for scaling up climate finance from 2014 to 2020,[2] to inform the in-session workshops.[3]

B. Scope of the note

3. This report contains information on the preparatory activities and proceedings of the 2016 in-session workshop on long-term climate finance (hereinafter referred to as the workshop) (chapter II). It also includes a summary of the discussions held during the workshop (chapter III) and key messages from the workshop (chapter IV).

II. Proceedings of the in-session workshop

A. Preparatory activities

4. The secretariat invited Ms. Sarah Conway (United States of America) and Mr. Tosi Mpanu-Mpanu (Democratic Republic of the Congo) to co-facilitate the workshop. In addition, the secretariat undertook informal consultations with representatives of regional groups and admitted observer organizations. The aim of the consultations was to gather the views of Parties and observers on the design of the workshop programme, including its objective, themes and format.

5. The consultations continued with a webinar organized by the secretariat on 14 April 2016, co-facilitated by Ms. Conway and Mr. Mpanu-Mpanu, to obtain further views on the design of the workshop programme from a wider range of stakeholders. The webinar was open to all Parties and observers and organized in two runs to accommodate participants from different time zones. Around 80 participants joined the webinar. Audio recordings and the presentation slides used during the webinar have been posted on the UNFCCC website.[4]

6. Following the webinar and informal consultations, the secretariat prepared a provisional programme for the workshop in consultation with the co-facilitators and invited presenters, panellists and discussion leaders to breakout group discussions. The programme can be accessed on the UNFCCC website.[5]

[1] Decision 5/CP.20, paragraphs 12 and 13.
[2] See document FCCC/CP/2015/INF.1.
[3] Decision 5/CP.20, paragraph 11.
[4] <http://www.unfccc.int/9518>.
[5] As footnote 4 above.

7. In accordance with the request of the COP,[6] the secretariat invited the thematic bodies of the Convention to provide their inputs to the workshop. The Technology Executive Committee (TEC), the Least Developed Countries Expert Group (LEG) and the Standing Committee on Finance (SCF) participated in the workshop as panellists in sessions II, III and IV, respectively.[7]

B. Proceedings

8. The workshop was held on 18 May 2016 in Bonn, Germany, in conjunction with the forty-fourth sessions of the subsidiary bodies. It was open to all Parties and admitted observer organizations attending the sessions.

9. The workshop started with opening remarks delivered by the Executive Secretary of the UNFCCC, Ms. Christiana Figueres. She pointed out that the Paris Agreement was the start of a new era and emphasized the crucial role that finance plays in supporting various adaptation measures addressing the adverse effects of climate change. Furthermore, she welcomed the enhanced focus on adaptation on the part of the climate finance community.

10. Ms. Figueres shared three key messages with the participants on the scale of climate finance, the financial architecture and the terminology used in climate finance. Firstly, in addressing the scale of climate finance for adaptation, she highlighted the importance of the agreed goal of mobilizing USD 100 billion per year from 2020 and underlined the need to view the goal as the centre and not the boundary of climate finance efforts. Secondly, it is important not to limit the focus of climate finance architecture to a simple binary differentiation between public finance and private finance; it has to be recognized as a part of a bigger and more complex financial architecture. The key would be to understand the possibilities of the financial architecture, while further identifying and defining the needs in adaptation finance. Finally, in the context of the terminology of concepts used in climate finance, Ms. Figueres noted that efforts are required to build a bridge between the climate finance and the finance community. A translation of established climate finance concepts into the language used by investors would make them more understandable and accessible for financial sector stakeholders and would be pivotal in enhancing access to, and the scope of, climate finance.

11. Following these introductory remarks, each session of the workshop started with scene-setting presentations, followed by panel discussions among experts who provided their reflections on the issues addressed in the scene-setting presentations and shared their views and expertise on the respective topics.

12. Subsequently, workshop participants were divided into breakout groups, with each being led by a discussion leader and supported by a rapporteur. A set of guiding questions was prepared by the co-facilitators and the secretariat in consultation with the discussion leaders. In order to enable interactive discussions on the topics and maximize the output of the workshop, the breakout group discussions adopted a ‘carousel approach’, whereby participants were invited to switch to another group discussion halfway through the breakout session. The discussion leaders and rapporteurs reported back to the plenary at the end of each breakout session and concluding remarks were provided by the co-facilitators. The workshop programme, guiding questions, presentation slides and audio recordings are available on the UNFCCC website.[8]

[6] Decision 5/CP.20, paragraph 14.

[7] In addition, the Adaptation Committee and the TEC provided written inputs to the workshop, which are available at <www.unfccc.int/9518>.

[8] As footnote 4 above.

III. Summary of the discussions held during the workshop

A. Enhancing the understanding of adaptation finance

13. A scene-setting presentation on enhancing the understanding of adaptation finance was delivered by a representative of the Climate Policy Initiative (CPI). The presentation focused on the CPI landscape of adaptation finance flows, barriers impeding climate finance investments in adaptation and examples of existing instruments and measures that can contribute to the mobilization of additional adaptation finance.

14. An illustration of the current landscape of adaptation flows that was presented to the audience shows how financial resources move from their source to recipients and end users (figure 1). Total public climate finance amounted to USD 148 billion in 2014, including USD 25 billion (approximately 17 per cent) for adaptation measures and adaptation users.

15. It was noted that while the diagram shown in figure 1 provides a better understanding of the complexity and the wide range of existing activities and interventions related to adaptation, the difficulty lies in identifying the boundaries of adaptation interventions and mapping where financial resources ultimately reach.

16. It was emphasized that the finance flows represented in the diagram included only public flows because of difficulties in tracking private finance flows and therefore represented only a portion of total adaptation finance flows. The lack of understanding of adaptation finance concepts among many private sector actors remains a challenge; such concepts need to be translated if the accessibility of private sector data is to be enhanced for future tracking efforts.

17. The representative of the CPI stated that there are several barriers that can affect investors' incentives and ability to invest in climate resilience, including: **policy gaps** – non-existent or deficient regulatory frameworks that inhibit the incentives for investments; **knowledge gaps** – the inability to evaluate and incorporate climate change risks into investment or finance decision-making; and **funding viability and risk coverage gaps** – inadequate access to finance or uncertainties about the returns of investments and risk aversion. Barriers vary by type of private actor and level of exposure to climate change risks.

18. It was noted that, despite the barriers, there are opportunities to scale up adaptation finance that can be harnessed by:

(a) Adjusting the regulatory frameworks by creating stronger incentives for investments and ensuring the inclusion of more investors;

(b) Equipping actors with the information and tools needed to successfully integrate climate change considerations into investment decisions;

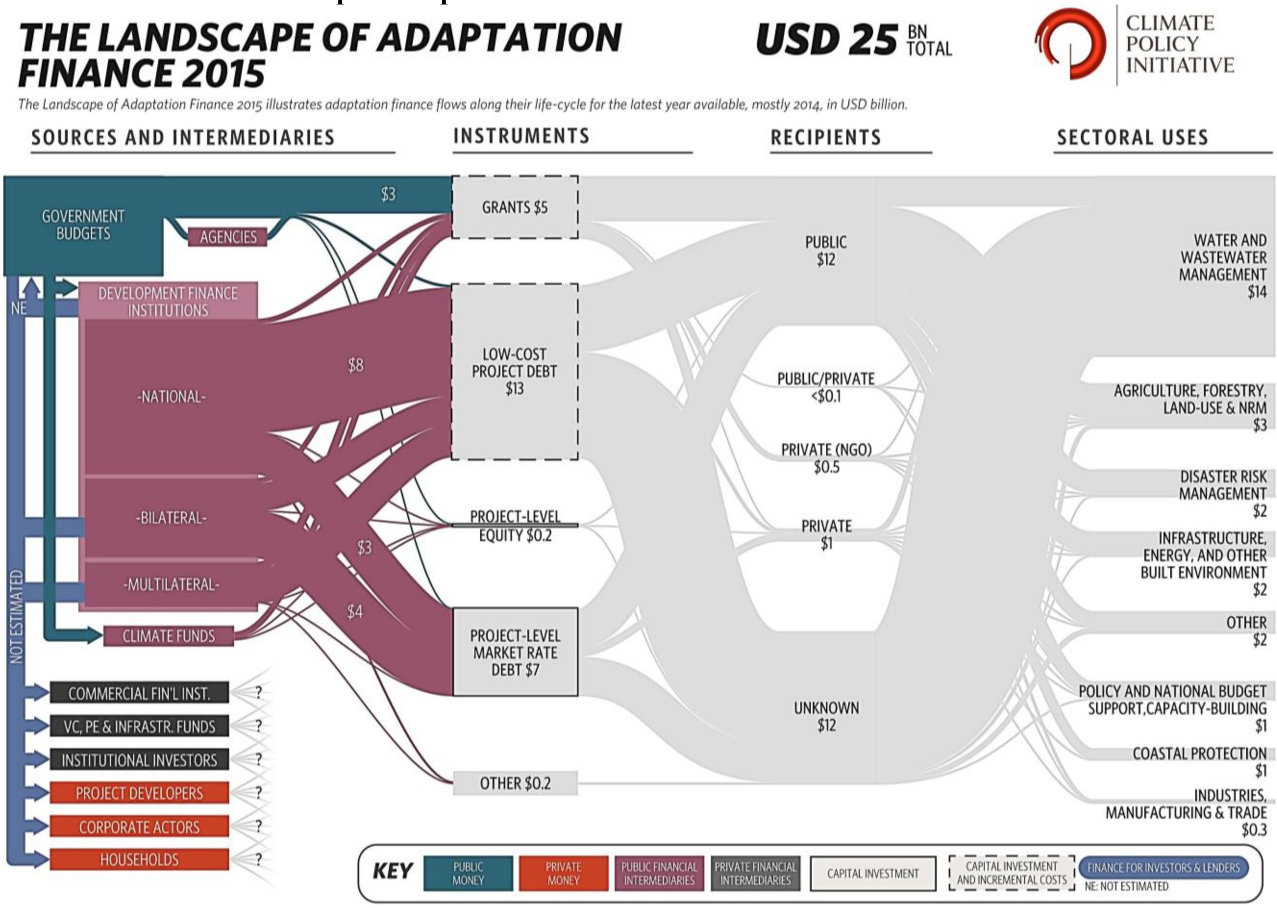
(c) Integrating climate change investment decisions and social development goals into the general planning processes and financial system;

(d) Supporting pilot projects to demonstrate the functionality of projects and to create the track record needed to encourage further investments.

19. In order to shed light on possible adaptation measures and projects contributing to the mobilization of additional finance, four existing instruments developed by a recently launched public–private initiative, the Global Innovation Lab for Climate Finance (The Lab), were presented (box 1). The Lab is managed by the CPI with the aim of contributing to a more effective alignment of public and private resources, including by reducing private

investors' risks and improving their financial returns and by identifying and piloting new climate finance instruments.

Figure 1
The 2015 landscape of adaptation finance



Source: Trabacchi C and Buchner B. 2016 (forthcoming). *Adaptation Finance: Setting the Ground for Post-Paris Action*. C3 Basque Centre for Climate Change.

Abbreviations: BN = billion, NRM = natural resource management, VC = venture capital, PE = private equity

Box 1

Specific instruments of The Global Innovation Lab for Climate Finance

Agricultural Supply Chain Facility: helps farmers to improve their knowledge and strengthens their access to technology and finance.

Platform for Catastrophe and Climate Change Risk Assessment and Adaptation: an open access platform that makes communities more resilient through insurance. It provides communities with tools allowing for a better management of climate-related risks and strengthens the capacity to make the right insurance and risk decisions.

Climate Smart Finance for Smallholder Farmers: brings together the tools of smallholder farmers, helps farmers to further access credit and adopt the right climate-smart agricultural practices and technologies.

Water Financing Facility: an effort to increase the mobilization of the private sector with the aim of ensuring that the needs for the water sector are addressed and the financing gaps closed.

20. During the following open discussion segment, some of the interventions were structured around the importance of developing countries obtaining support or guidance that would allow them to better design regulatory frameworks for adaptation and to enhance the integration of climate change and the United Nations Sustainable Development Goals (SDGs) into planning processes, in the light of the opportunity that nationally determined contributions (NDCs) could provide.

21. Other participants’ interventions were focused around the important role that public finance plays in adaptation and the ways in which private sector involvement could be encouraged most effectively through policy frameworks. In the context of barriers for investors, the distortion of the market created by fossil fuel subsidies was mentioned and the essential role of providing sound regulatory frameworks and sending the right incentives to investors was highlighted.

22. Furthermore, effective communication between public and private stakeholders was underlined as an important element for encouraging enhanced involvement and partnerships. It was noted that the NDCs could offer the space for sharing lessons learned and generating new ideas. In addition, participants mentioned the opportunity to further link climate change and the SDGs in the context of the NDCs.

B. Assessment of adaptation needs in developing country Parties and the role of international cooperation and support

23. The discussion was built around the assessment of the adaptation needs of developing countries; available tools for assessing and communicating such needs; and insights and lessons learned in translating the needs assessed into action and integrating them into relevant planning and budgetary processes in developing countries.

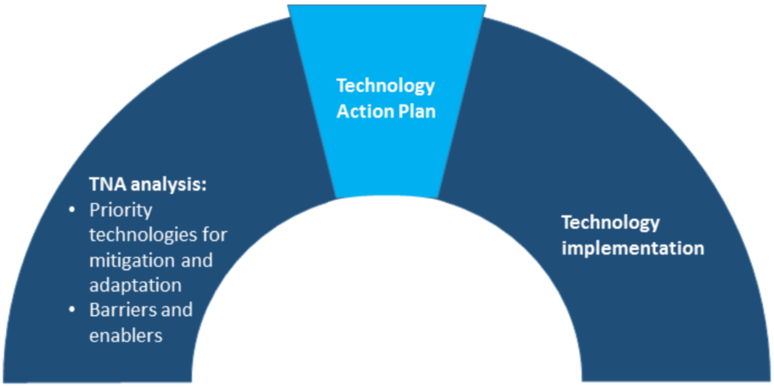
1. Assessment of needs of developing countries and available tools

24. Participants shared information and experience on the available tools that developing country Parties can use to assess and communicate their adaptation needs based on their specific circumstances. The Convention-related tools identified by participants included national adaptation plans (NAPs), national adaptation programmes of action

(NAPAs), technology needs assessments (TNAs) and national communications. Other tools included assessment reports of the Intergovernmental Panel on Climate Change, joint national action plans on climate change adaptation and disaster risk management, national development plans and climate change strategies. One participant shared their country's experience in developing a climate indicators report, from which priority areas, adaptation needs and needs for support, in both quantitative and qualitative forms, could be identified.

25. A representative of the TEC shared the experience of preparing TNAs and the lessons learned that could be applied in assessing the needs for adaptation. It is good practice to actively engage high-level policymakers and financial sector stakeholders in TNAs from the beginning, and to make TNA processes more receptive to their inputs. Through TNAs, developing countries could identify technologies to address climate change and accelerate national development and could also build national capacity to support sustainable development. Presenting the work of the TEC on the technology action plans, the representative referred to the technology action plan as a useful tool to articulate assessed needs with the required implementation actions.

Figure 2
Technology action plan as a keystone between technology needs assessment and implementation



Source: Presentation by a representative of the Technology Executive Committee.
Abbreviations: TNA = technology needs assessment

26. In assessing adaptation needs through the tools mentioned above, enhanced dialogue between relevant stakeholders, including different ministries, national institutions and the private sector was raised as an important factor by many participants. In this context, there was general agreement on the usefulness of multi-stakeholder engagement at an early stage of needs assessment.

27. Participants from developing countries generally agreed that constraints in institutional and technical capacities remain obstacles in obtaining information related to adaptation needs, at both the national and the international level. Another challenge raised and noted by many participants was the difficulty of aggregating needs – for example, collecting information from different sectors or combining the quantified needs – because of the diversity and complexity of adaptation. Furthermore, there was wide recognition that setting priorities and needs assessments should be country-driven processes.

2. Implementing actions to address the adaptation needs assessed

28. Throughout the discussions on implementing the projects identified in the needs assessment process, the importance of financial, technological and capacity-building

support was emphasized. A representative of the UNEP DTU Partnership,[9] referring to the 2016 publication *Adaptation Finance Gap Report*,[10] noted that the financial support for adaptation actions should be integrated into sustainable development frameworks. He pointed out that there is a positive trend in the development of conducive policy frameworks in developing countries and mentioned that NDCs are a good catalyst. However, while there is no single estimate, the cost of adaptation is rising and likely to be two to three times higher than current global estimates by 2030, and potentially four to five times higher by 2050. Better information needs to be generated for more efficient planning, especially in the context of the NDCs, including through enhanced tracking of private finance flows. In addition, the representative highlighted the challenge of adaptation finance flows, as illustrated in the previous section, not being commensurate with the priorities emanating from the INDCs.

29. The role of public finance was seen as important in implementing adaptation actions, not only as a direct financial resource but also as a catalyst for private sector investment. Grant finance plays a major role, especially for those areas in which attracting private sector investment may prove difficult and where public funding is needed, such as for coastal protection in small islands. It was generally noted that following a mitigation model of mobilizing finance could not be applied to all adaptation projects, owing to difficulties in defining the investment element for adaptation. Some participants suggested that incorporating adaptation co-benefits into mitigation projects could be a cost-effective way of attracting financial resources for adaptation.

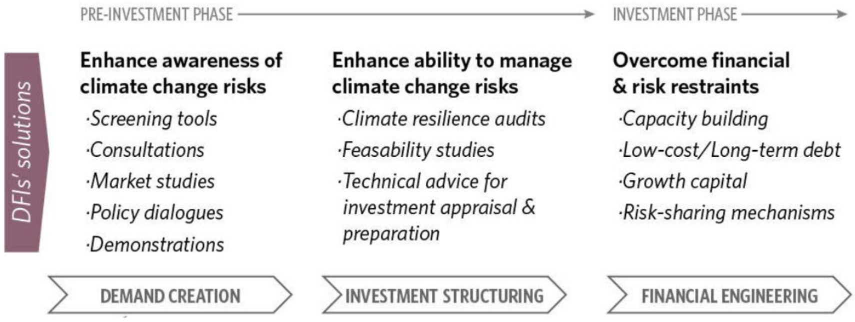
30. Nevertheless, many participants acknowledged the potential of private sector involvement in adaptation. In order to encourage private sector investment, issues of climate change and resilience need to be translated into a narrative that could be better understood by private sector actors. This includes informing the private sector of the risks, returns and duration of the investment involved in adaptation projects and the role of public sector concessionary finance. Many participants emphasized this repeatedly and this discussion was mirrored, to a large extent, in the discussion on scaling up adaptation finance. Recognizing that the private sector constitutes many actors, including small and medium-sized enterprises, multinational corporations and banks, some participants underscored that strategies and financial instruments for scaling up private adaptation finance need to be designed and customized in accordance with the diversity of private sector actors.

31. With reference to the example of green bonds, mention was made of the role of development finance institutions in catalysing private sector involvement in adaptation by translating climate change into an investment case. The keynote presentation highlighted examples of approaches that a development finance institution can deploy to bridge pre-investment and investment phases (see figure 3).

[9] The partnership, formerly known as the UNEP Risoe Centre, operates under a tripartite agreement between Denmark's Ministry of Foreign Affairs, The Technical University of Denmark (DTU), and the United Nations Environment Programme (UNEP).

[10] Available at <http://web.unep.org/adaptationgapreport/2016>.

Figure 3
Development finance institutions' approaches to encouraging private sector involvement in climate resilience



Source: Presentation by a representative of the Climate Policy Initiative.

32. Furthermore, it was noted that approaches to bridging the existing gaps associated with both the pre-investment and the investment phase go beyond the use of financial instruments and could include awareness-raising, policy dialogue, facilitating interactions among key stakeholders, knowledge development, preparing feasibility studies, strengthening resilience and providing technical advice. Moreover, in the context of financial engineering, it is essential to build the capacity needed in order to overcome financial and risk-related restraints.

33. Participants recognized international support as a crucial element for implementing the adaptation needs identified, particularly from the Green Climate Fund (GCF). In this context, a representative of the GCF provided an overview of the role of the GCF in funding adaptation projects and programmes and noted that, for the GCF, country ownership is a key element in converting adaptation needs into a portfolio of actions in the form of projects and programmes. The representative presented the GCF Readiness Programme as an intermediary step in moving from needs assessment to implementation, by which countries are supported in developing a strategic framework for national engagement with the GCF, including the preparation of country programmes. He mentioned that the GCF also has a project preparation facility, which aims to provide financial support to entities accredited with the GCF in developing projects, building upon TNAs and NDCs.

34. Participants shared their experience in translating adaptation needs into action. Some developing country participants indicated that developing a pipeline of adaptation projects still remains a challenge even after they have assessed their adaptation needs and identified priority areas through NAPs and NAPAs. In this context, capacity constraints were highlighted as a major hurdle in implementing actions to address the adaptation needs identified, especially at the subnational level. Some participants noted the need to improve the quality of information and data on adaptation as an important element of bolstering the capacity of local institutions. Many participants acknowledged that good governance can enhance cooperation and information flow from the national to the subnational level which are an important factor in the successful implementation of needs.

35. In one of the breakout groups, some participants discussed the implementation of TNAs and transfer of technology for adaptation. The representative of the TEC was of the view that, while the definition of technology transfer for adaptation requires further analytical work, pilot projects can be implemented to deploy technologies that support adaptation actions.

36. Participants also noted that support for adaptation should be consistent with the SDGs. This led to discussions relating to the importance of mainstreaming adaptation needs into national planning processes in developing countries across all sectors and levels.

3. Mainstreaming adaptation into national planning processes

37. A representative from Ghana shared the country's experience in mainstreaming adaptation needs into national planning by developing a national climate change adaptation strategy based on climate change impact studies across various sectors. Mainstreaming adaptation brings multiple benefits, including: (1) effective utilization of limited resources; (2) enhanced cooperation between stakeholders; (3) prevention of duplication of efforts; and (4) consistent use of key national assumptions and risks. Buy-in from various stakeholders from different sectors, from the national to the local level, was highlighted as a key element in developing integrated approaches for adaptation. In the case of Ghana, this ensured transparency of the process and built confidence and ownership among the stakeholders, while recognizing the complementarities and differences among the sectors.

38. A good number of participants agreed on the need for stakeholder buy-in throughout the entire cycle of mainstreaming and at the implementation stage to ensure ownership of the process. Some participants suggested that the costs of inaction be analysed to make the case for adaptation and to get stakeholders on board. In particular, cross-ministerial dialogue and harmonization were pointed out as crucial elements in mainstreaming climate change into development planning and budgetary processes, which often leads to improved institutional architecture for adaptation, with legal, technical and financial benefits.

39. Another enabling condition mentioned for mainstreaming adaptation was sustainable financial support for implementation. Long-term financial mechanisms have to be established together with the mainstreamed adaptation plan; for example, a dedicated fund administered by finance ministries to support implementation. On this basis, scaled-up support for addressing the needs identified by developing countries was re-emphasized.

40. One issue highlighted by many participants was knowledge-sharing and replicability of best practices in mainstreaming adaptation. Developed countries' support through international cooperation is an important factor to facilitate the sharing of knowledge among relevant agencies at all levels and to bolster the capacity of developing countries. Some participants also noted the value of South–South cooperation, as much experience and knowledge is being generated in developing countries.

41. An issue that frequently arose from the discussion was the need for improvements in tagging, tracking and classifying public expenditures when analysing the existing budget for adaptation. The importance of generating reliable data on adaptation based on long-term, systemic analysis also underpinned this discussion. Mainstreaming adaptation into national planning processes required tracking public expenditure for adaptation, which leads to the identification and analysis of ongoing actions and potential gaps. It also ensures that adaptation is classified as a cross-cutting issue across sectors and linked adaptation co-benefits to mitigation expenditures, where applicable. Institutional arrangements were noted as an important component in improving the measurement, reporting and verification of adaptation expenditures.

C. Scaling up finance for adaptation actions

42. The discussion on scaling up adaptation finance focused on financial instruments and enabling policies. Participants shared country-specific strategies and policies in supporting the scaling up of adaptation finance. Furthermore, participants shared their insights on access to adaptation finance and ways to strengthen the capacity of developing

countries that will enable expedited disbursement of project funds. During the breakout discussions, participants exchanged views on lessons learned from the 2014 submissions from developed countries on their strategies and approaches for mobilizing scaled-up finance[11] and discussed how the experience could inform developed country Parties in preparing for the 2016 submissions.

1. Ongoing efforts to scale up adaptation finance

43. Panellists shared their insights on how adaptation finance can be scaled up further, building on the presentations on the current status of financial markets and adaptation finance flows. A representative of Siguler Guff, a private sector entity, presented the concept for the Global Adaptation and Resilience Fund (GARF), an innovative vehicle that, once established, would enable public sector investors, endowments, foundations, corporations and financial investors to overcome investment challenges and lack of opportunities. The presenter emphasized that climate change affected investments in assets and infrastructure, that upfront investment in adaptation prevents bigger losses in the future and that there is substantial underinvestment in adaptation. In this context, the prevailing uncertainty about how climate change will affect investments, assets, communities and resources was highlighted as a major challenge for scaling up climate finance.

44. The role of the GCF in providing financial resources for adaptation was highlighted, taking into account the ongoing effort by the GCF to disburse resources in a balanced allocation between adaptation and mitigation activities. In this context, the representative of the GCF emphasized the potential for the GCF to serve as a catalyst in climate-resilient development. He added that the Private Sector Facility of the GCF is important in providing an opportunity to ratchet up the scale of finance.

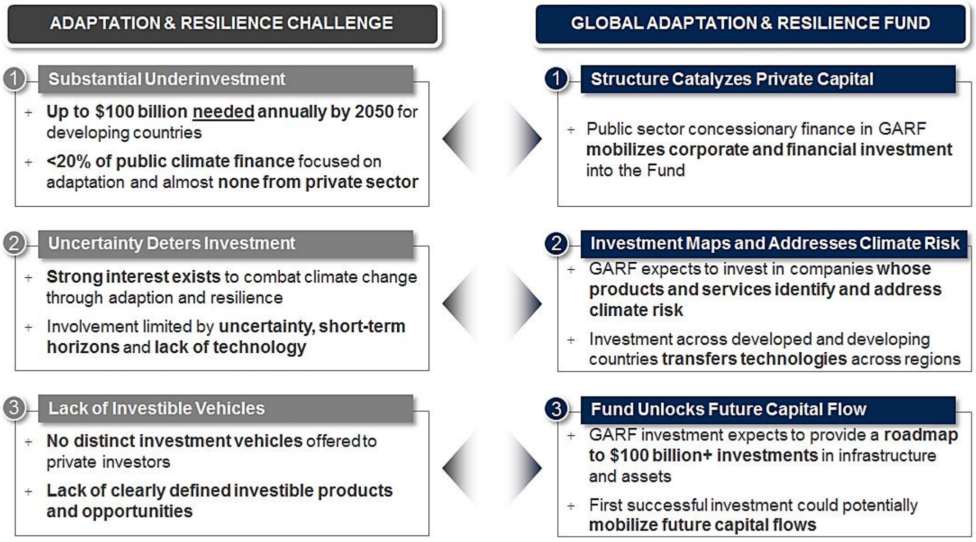
45. Similarly, the representative of Siguler Guff noted that a large number of private sector actors believe that investing in adaptation and resilience presents an opportunity. In order to harness the potential of the private sector to scale up adaptation finance, the concept of adaptation and resilience needs to be translated into the language of financiers, so that they can comprehend how climate change can affect their investment portfolio. It was suggested that there is a need to have more investment vehicles in adaptation, as in mitigation, with GARF being one example of such a vehicle. He also told participants about the work of the Global Adaptation and Resilience Investment Working Group (GARI), a private sector initiative that was launched in connection with the Climate Resilience Initiative of the United Nations Secretary-General and a report to be released at COP 22. Some highlights of the presentation are captured in box 2 below.

46. In addition to a broader discussion on scaling up adaptation finance, financial instruments for adaptation in a region-specific context were also discussed. It was generally agreed that the main focus should be the end users of financial instruments who are most affected by climate change impacts. A representative of the African Risk Capacity presented the Extreme Climate Facility, which is to utilize finance mechanisms such as risk pooling and risk transfer, together with early warning systems and contingency planning to support systemic adaptation planning of African countries for each climatic region.

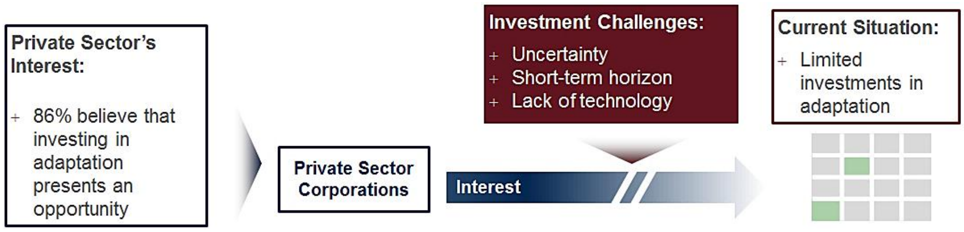
[11] By decision 1/CP.18, paragraph 67, Parties were invited to submit information on their strategies and approaches for mobilizing scaled-up climate finance.

Box 2

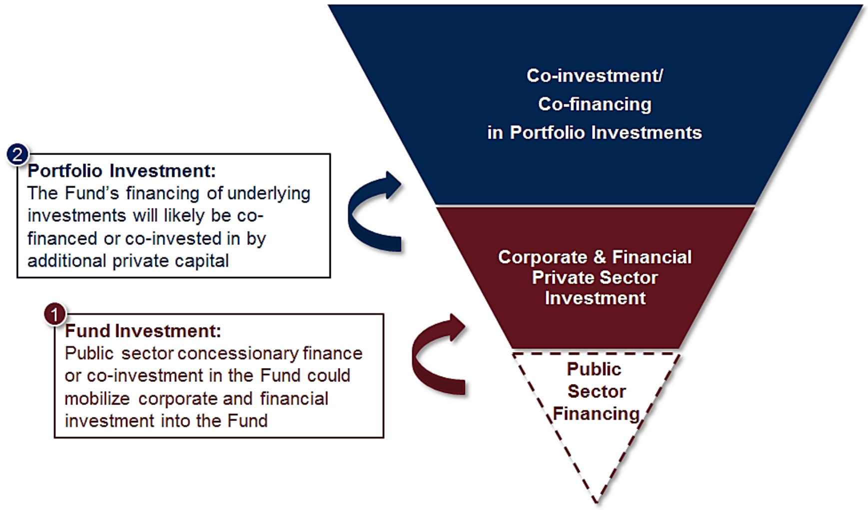
Highlights from the scene-setting presentation delivered by Siguler Guff: concept of the Global Adaptation and Resilience Fund



Uncertainty deters investment



Public sector financing could mobilize private investments



Source: Presentation by a representative of Siguler Guff.

Abbreviations: GARF = Global Adaptation and Resilience Fund.

2. Access to and effectiveness of adaptation finance

47. It was noted that access to bilateral and multilateral adaptation finance, for small island developing States and the least developed countries (LDCs) in particular, remained a challenge owing to complex requirements and procedures. Some participants noted that procedures have to be country driven and more entities should be accredited to directly access resources, including from the GCF. In the case of the Adaptation Fund, some participants expressed their concern about the insufficient amount of funds and called for the lifting of caps in country allocation. Some participants also noted that it is difficult to engage the private sector because the system of translating adaptation-related matters into business variables, such as climate risks or pipeline of adaptation projects, is not in place.

48. The representative of the LEG presented its work relating to strengthening the institutional capacity of the LDCs, which includes providing support to the LDCs in undertaking feasibility studies and facilitating access to adaptation funding. He noted that the LEG regularly engages with the GCF to share information on relevant outputs of the LEG so as to facilitate expedited access to resources for NAPs and NAPAs. The LEG also collects information on experiences and challenges faced by the LDCs in accessing the GCF and develops training materials for the LDCs on accessing funding for NAPs and NAPAs. On this note, the representative of the GCF described its efforts to strengthen engagement with national focal points with a view to enhancing access to the fund.

49. It was noted by some participants that finance for the most vulnerable communities in developing countries should be mostly grant based and should be tailored to address the needs of local stakeholders. Some participants pointed out that there could be additional risks due to more complex adaptation needs, making it necessary to take into account different levels of risk tolerance for the stakeholders involved and utilize suitable financial instruments.

3. Biennial submissions on strategies and approaches for scaling up climate finance

50. Participants had the opportunity to share lessons learned from the 2014 submissions from developed countries on their strategies and approaches for mobilizing scaled-up climate finance[12] and identified how these experiences could inform the preparation of the 2016 submissions, including how to better present available quantitative and qualitative information.

51. In discussing the lessons learned from the 2014 biennial submissions on strategies and approaches for scaling up climate finance, participants noted the usefulness of the guidelines contained in decision 3/CP.19. Specifically, and recalling the discussions held during the long-term climate finance workshop held in 2014, participants underscored the importance of: (1) having a good balance between quantitative and qualitative information; (2) additional information on enabling environments for adaptation; (3) choosing the level of aggregation of information on updated strategies and approaches with the end user in mind; and (4) successes and challenges from mobilizing climate finance. In addition, some participants considered it important to include information on pledges made before and during COP 21 and any background information behind the quantitative figures. Another issue highlighted was the usefulness of preparing the biennial submissions in a broader context of Article 2, paragraph 1(c), of the Paris Agreement: "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". Some participants noted that future submissions will be a useful exercise that will inform the process stipulated in Article 9, paragraph 5 of the Paris Agreement.

[12] See decision 3/CP.19, paragraph 10.

D. Enhancing transparency of adaptation finance

52. The discussion on enhancing transparency of adaptation finance focused on accountability for climate finance, the importance of domestic finance and national climate finance governance, efforts related to the tracking and reporting of adaptation finance, capacity-building and knowledge-sharing and approaches to measuring adaptation finance outcomes, impacts and effectiveness.

1. Accountability

53. The urgent need to scale up adaptation financing for the most vulnerable was a recurring theme during the discussion and there was a call for enhanced transparency to support the delivery of finance to vulnerable countries.

54. Improving accountability for climate finance was recognized as being very important in enhancing the delivery of adaptation finance. In this regard, civil society was named as a key actor that can make sure that actions are commensurate with ambition, foster conversations among stakeholders, and share information and best practices. Several participants expressed the view that civil society can play a crucial role in creating an accountability ecosystem and pointed out its underestimated and underexploited role.

55. It was emphasized that tools need to be developed to provide the data required for governments and other stakeholders to be accountable to the public on how and where climate finance is being spent. The importance of supporting work conducted by budget transparency initiatives and parliamentary and audit committees across countries to collect climate finance data was also highlighted.

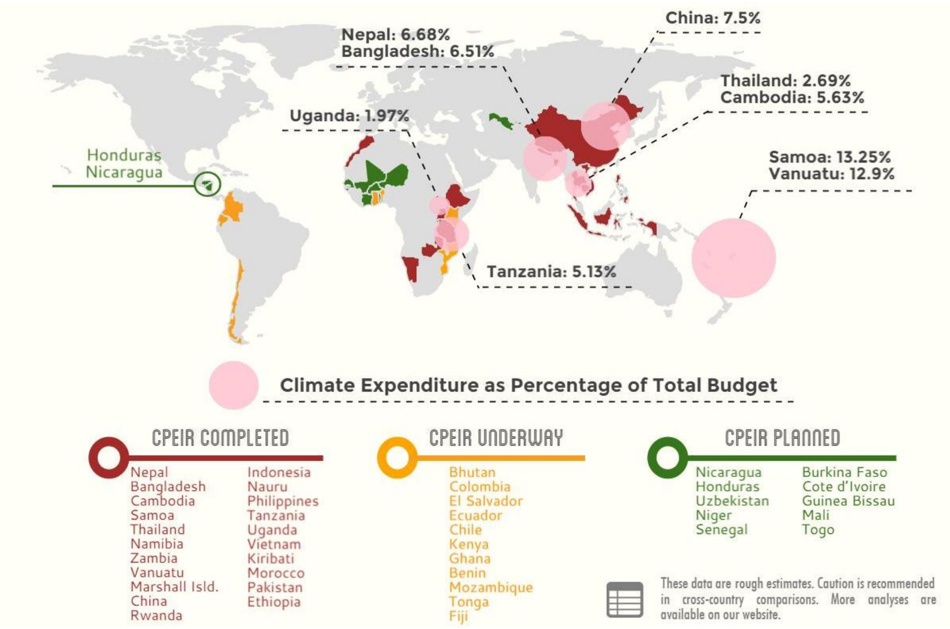
2. Domestic finance and national climate finance governance

56. Improving the transparency of interactions between international sources and national budgets was highlighted as a key need. It was noted that the majority of discussions around climate finance relate to international funding and that the opportunity of capturing important local adaptation actions is frequently not fully exploited.

57. In line with this, a representative of the United Nations Development Programme advocated support for improving the allocation of domestic public finance by strengthening national systems for the governance of climate finance. He noted that support is needed to establish investment appraisal and climate expenditure diagnostic tools as well as climate finance tracking systems within national public financial management. Climate Public Expenditure and Institutional Review was presented as a useful tool that can be utilized in this context (see figure 4). In some countries, domestic resources are more prevalent in addressing climate change than external resources. Taking Bangladesh as an example, the representative noted that up to 77 per cent of climate expenditures came from domestic sources of finance. Emphasis needs to be placed in strengthening national public financing management systems in order to effectively manage, track and monitor how climate finance is being utilized.

58. The importance of supporting countries in assessing the extent to which climate risks have been integrated into the budget cycle was acknowledged during the discussions. Participants agreed that investments are needed to support climate budget tagging in order to provide countries with the relevant markers to easily track climate expenditures. They highlighted the importance of supporting different ministries in preparing climate responsive budget submissions for finance ministries that take into account the costs and benefits of various sector investments in the context of climate change. At the same time, advancing climate change fiscal or financing frameworks at the national level is important.

Figure 4
Snapshot of countries undertaking the Climate Public Expenditure and Institutional Review



Source: Presentation by a representative of the United Nations Development Programme.
Abbreviations: CPEIR = Climate Public Expenditure and Institutional Review.

3. Tracking and reporting adaptation finance

59. Efforts related to the tracking of adaptation finance were also extensively discussed and some participants highlighted the need for a clear definition of what constitutes adaptation finance in order to successfully move tracking efforts forward. These participants were of the view that such a definition needs to be accompanied by clear guidelines describing what activities count towards adaptation to create a common understanding among all stakeholders. While recognizing the essential role of definitions, another participant cautioned that focusing too strongly on definitional issues may result in losing sight of the big picture and may subsequently not contribute to a better understanding of how to improve resilience.

60. There was a call for strong interministerial coordination for linking tracking efforts to national planning processes. Several participants highlighted the need for a broad bottom-up discussion to identify adaptation measures by sector. Making information on adaptation finance accessible for countries at different levels, for example through websites and portals showcasing aggregated information, was also considered important.

61. A member of the SCF highlighted several challenges with regard to tracking adaptation finance as reflected in the 2014 biennial assessment and overview of finance flows (BA), the SCF flagship project in the area of transparency of climate finance. First, data availability was largely limited to flows from developed to developing countries through public institutions and there were significant data gaps, particularly with regard to private sector investments and domestic spending on adaptation. Second, most institutions and actors measure and report adaptation finance on an incremental cost basis rather than on a total cost basis. This distorts any assessment or analysis of the balance between adaptation and mitigation flows, as the latter is being reported on a full cost basis. It was

noted that the 2016 BA is to be published ahead of COP 22 and provide the latest information on the harmonization of the operational definitions of climate finance and reporting approaches of data producers and aggregators, including recent efforts of multilateral development banks (MDBs) and the Organisation for Economic Co-operation and Development. It also aims to provide a better understanding of the variations in methodological approaches used for data collection and aggregation.

62. The representative of the World Bank presented the recent harmonization efforts of MDBs. Six MDBs are collectively reporting on their climate finance flows using a particular methodological approach that they have attempted to harmonize over the years. He noted that the joint tracking of climate finance by MDBs began in 2011 and the report that came out in mid-2015 detailing the climate finance flows for 2014 estimated that the six MDBs generated USD 28 billion in projects with climate co-benefits. The 2015 climate finance figures would be reported in mid-2016. The term ‘co-benefit’ was used to reflect the fact that the engagement of the MDBs with their clients is driven by problems such as low air quality, insufficient transport or energy supply systems, or agriculture system needs. The development investments made by the MDBs in agriculture, water or other sectors are simultaneously delivering different types of adaptation or mitigation co-benefits. The representative stated that the principles for tracking adaptation and mitigation finance are harmonized across the MDBs and the International Development Finance Club. While activity-based principles are used for tracking mitigation finance, the approach for tracking adaptation finance is more process-based given that the definition of what constitutes an adaptation project varies based on localized conditions.

4. Enhancing transparency through knowledge-sharing and capacity-building

63. The issue of training and knowledge-sharing was repeatedly mentioned throughout the discussions and it was acknowledged that the provision of non-financial resources is essential for enhancing transparency. In particular, the need to enhance access to information, peer-to-peer learning and South–South cooperation opportunities, and to build the capacity of vulnerable countries to programme, deliver and analyse financial flows was pointed out by one participant.

64. One case of good practice mentioned is the sharing of risk screening tools by the World Bank, which was requested by its Board to start systematic screening of climate and disaster risks faced by International Development Association projects. Subsequently, the World Bank voluntarily decided to expand risk screening requirements to all projects that would have to be approved by the Board. It was noted that the design of projects that account for anticipated climatic changes is supported by the Climate Change Knowledge Portal, a repository of country-level scientific information established by the World Bank that is aimed at assisting development practitioners and policymakers in capacity-building and knowledge development.

5. Measuring outcomes, impacts and effectiveness of adaptation finance

65. Several participants emphasized that efforts related to measuring the outcomes, impacts and effectiveness of adaptation finance are still in their infancy. It was mentioned that adaptation finance is highly context-specific and while it is difficult to assess the effectiveness of adaptation finance at the project level, the lack of a common metric makes it even more complicated to assess its impact and effectiveness on a global scale. It was noted that more efforts should be undertaken to develop a common metric in order to better measure results and outcomes on the adaptation side.

66. A case of good practice with regard to measuring results was presented by the Global Environment Facility (GEF), which has recently increased its focus on tracking results and, through its results-based management, has designed the Adaptation Monitoring

and Assessment Tool (AMAT). AMAT enabled the GEF to better understand where money was flowing and the results achieved by a project.

67. There was agreement among participants on the importance of defining what to measure (outcomes versus impacts) and when (different stages and timescales). Participants agreed that in order to achieve progress in measuring outcomes, impacts and effectiveness, countries urgently need to further define their specific adaptation aims, actions and time frames.

68. Rich discussions were held on existing qualitative and quantitative indicators and several participants expressed the view that it would be useful to develop indicators pertaining to linkages between adaptation and development goals. A private sector representative brought forward the idea of finding a climate adaptation unit and having a basket of adaptation risks in place, subject to different weightings (taking analogies from mitigation). It was also suggested that other measurement and harmonization processes, such as the Equator Principles for environmental and social risk screening, be looked at and lessons learned from the aid effectiveness discussions.

69. More generally, some participants agreed that there is a need to harmonize indicators across bilateral and multilateral agencies as well as to promote harmonization with related processes such as the 2030 Agenda for Sustainable Development or impact investing.

IV. Key messages from the workshop

70. A wide range of stakeholders, including Parties, international organizations, United Nations agencies, private sector entities and civil-society organizations engaged in fruitful discussions at the workshop. Participants exchanged views and insights on various aspects of adaptation finance, including assessing needs for adaptation finance and the role of international cooperation and support, opportunities for scaling up adaptation finance and ways to enhance the transparency of adaptation finance. This chapter highlights key messages distilled from the discussions.

71. **Country-driven processes for the assessment of adaptation needs in developing countries are fundamental for scaling up adaptation finance.** Numerous tools are available to assess and communicate adaptation needs of developing countries, such as NAPs, NAPAs and TNAs. Multi-stakeholder engagement and dialogue can be an important element in supporting developing countries, especially in the early stages of their needs assessment process. Remaining obstacles for the assessment of needs in developing countries that need to be overcome include institutional constraints and insufficient technical capacities as well as challenges in aggregating the needs identified. International cooperation and support are required to facilitate the sharing of knowledge and best practices and to bolster the capacity of developing countries, especially at the subnational level, to assess and implement the adaptation needs. International support, particularly from the GCF, was also recognized as a crucial factor for implementing adaptation needs and priority areas identified through, for example, NAPs. It was further noted that peer-to-peer learning and South–South cooperation are becoming increasingly important in finding solutions for common challenges in this and other areas.

72. **The NDCs could constitute a good opportunity for supporting the scaling up of adaptation finance.** To harness this opportunity it will be essential to develop sound regulatory frameworks for adaptation and to enhance integration of climate change and SDGs into national planning processes. Further actions required to overcome key barriers in financing, policy, knowledge and risk coverage include the provision of stronger incentives for investments and inclusion of more investors, providing actors with the right information and tools for integrating climate change considerations into investment

decisions, and supporting pilot projects to create a track record that encourages further investments and the provision of financial support.

73. **The role of the private sector in adaptation finance needs to be further enhanced.** Prevailing uncertainty about how climate change will affect investments, assets, communities and resources is a major challenge for scaling up climate finance. Awareness-raising, policy dialogue, stakeholder interaction, knowledge development, feasibility studies and technical assistance are all vital elements in bridging existing gaps associated with the pre-investment and investment phases. Furthermore, adaptation and resilience concepts need to be translated into a language that can be understood by investors and other financial market actors. The role of public finance as an important catalyst for private sector investment was highlighted, while at the same time it was noted that public grant finance is essential in areas where attracting private finance is challenging, such as coastal protection in small islands.

74. **Access to adaptation finance remains a challenge, particularly for small island developing States and LDCs.** Complex requirements, procedures that are not sufficiently country-driven and a lack of direct access opportunities were mentioned as key challenges. The need to improve the availability of information on adaptation finance within developing countries via different channels and at different levels was highlighted.

75. **Better information needs to be generated for more efficient planning, including through enhanced tracking of adaptation flows.** On the supply side, initiatives to harmonize the tracking and reporting of climate finance, such as the joint effort of MDBs, help to enhance the knowledge of adaptation and mitigation finance flows, although the tracking of the latter type of flow is more advanced. Data on adaptation finance remains partial and incomplete due to continuing tracking challenges, in particular with regard to the tracking of private flows. On the demand side, issues that were highlighted as important include enhancing interministerial coordination to link tracking efforts to national planning processes, identifying adaptation measures by sector through a broad bottom-up discussion, and making information on adaptation finance more accessible for countries at different levels.

76. **Strengthening national public financing management systems is vital to support countries to effectively manage, track and monitor climate finance.** Participants highlighted the need to better capture important local adaptation actions and the role of international support in enabling developing countries to improve the allocation of domestic public finance, to assess the level of integration of climate risks in the budget cycle and to track climate expenditures. Investment appraisal and climate expenditure diagnostic tools and climate budget tagging are just some of the tools that can support developing countries in these areas.

77. **Maximizing the effectiveness of adaptation finance is important in ensuring that limited financial resources achieve the greatest possible impact.** While efforts on measuring the outcomes, impacts and effectiveness of adaptation finance are still in their infancy, this aspect is increasingly moving into focus. Two issues that were highlighted during the workshop are the importance of developing countries further defining their specific adaptation aims, actions and time frames and the need to harmonize indicators across bilateral and multilateral agencies as well as to promote harmonization with related processes such as the 2030 Agenda for Sustainable Development.