Brainstorming on generating financing for adaptation to meet growing adaptation needs-Climate Week 2
Addis Ababa, Ethiopia
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Notes for RINGO Constituency
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Summary:

Rising Adaptation Needs & Financing Challenges

- Adaptation needs are increasing rapidly.
- Existing funding streams are too small, unpredictable, and inaccessible.
- A shift toward scaled, predictable, and accessible finance is urgently needed.

NAP 3.0 and the 2025–2030 Timeline

- All developing countries should have developed NAPs by 2025 and progressed in implementation by 2030.
- NAP 3.0 represents the third phase of the process: more sectoral planning, integration, and alignment with the Global Goal on Adaptation (GGA).

Beyond Institutions: Role of Private Sector and Innovation

- Finance cannot rely on public institutions alone.
- Emphasis on:
  - Private sector engagement
  - Blended finance
  - Insurance instruments
  - Debt-for-nature swaps
  - Climate resilience trust funds
  - Non-grant, non-loan innovative instruments

Updated NAP Technical Guidelines

- Launched in Zambia at the NAP Expo.
- Mainstreaming climate adaptation into national development.
- New guidelines emphasize:
  - Key risks and vulnerabilities
  - Financing pathways
  - Integration of NAPs into planning and budgeting

Country Examples and Case Studies
Costa Rica

- Updating its NAP (2022–2026).
- Thematic focus: water, agriculture, fisheries, infrastructure, health, biodiversity.
- Strong integration with national Climate Code.
- Financing sources: debt instruments, green bonds, national budgets, PPPs.
- Issues: water scarcity, drought-resilient livestock.

Sri Lanka

- Focus on food security, 13 adaptation sectors.
- Working on a Climate Prosperity Plan.
- Challenges: climate-induced disasters, lack of climate info for farmers.
- Finance from Adaptation Fund ($7M), consultations with stakeholders, green taxonomy through central bank.

- Mozambique and Sudan: coastal zones and flooding; Sudan receives UNEP support.
- Senegal: prioritizing agriculture and coastal zones.
- Gambia: agriculture, health, climate-smart systems.
- Kenya: economy-wide approach, long-term planning.

Scaling Up Finance to 2030

- Co-developing pathways to generate steady adaptation income flows by 2030.
- Tools:
  - Innovative finance mapping
  - Budgeted pathways aligned with Adaptation Gap Report
  - Readiness assessments
  - Institutional/governance reforms

Governance and Institutional Shifts

- Need stronger collaboration between Ministries of Finance and Environment.
- Weak institutional coordination is a barrier.
- Better integration, public consultations, and climate focal point networks are needed.
- Suggestion: house adaptation under a single ministry for coherence.

Insurance and Risk Financing

- Parametric insurance gaining traction (triggers payouts based on events).
- Links to social protection and local capacity building.
- Need for risk layering across sectors.

Article 6.8 and Non-Market Approaches

- Non-market solutions (e.g., solidarity levies) can generate adaptation co-benefits.
- African Development Bank and others pushing for adaptation-focused platforms.
- Importance of private sector recognizing adaptation as a priority.
- Goal: include Adaptation Market Mechanism (ADM) in Baku-to-Belem Roadmap.

Challenges and Opportunities

- Disconnect between actors (public, private, ministries).
- Limited capacity, decentralization, and poor communication.
- Stronger coordination, readiness, and governance reform are essential.

Key Takeaways:

1. 2030 is not far away, and the increased financial flows required need deliberate capacity building and readiness to mobilize, access, and importantly absorb and account for

2. There are methodological gaps that should be addressed, especially in terms of quantifying and tracking costs of expenditures for adaptation efforts across different levels of government, different sources and also different activities beyond projects. This information is useful in planning adaptation efforts at scale, and in fully accounting for costs and benefits.
3. Public finance will not be enough, but it can plan an important role in blended finance, by providing incentives for other financing to come in from the private sector philanthropies, etc.
4. There is a shift from exclusive focus on climate risk management to activities that have multiple benefits for development and result in enhancing overall resilience, as a way to deal with different impacts
5. There is a large pool of financing instruments being piloted in different countries, each takes a lot of effort in terms of gestation period and capacity to operationalize. Challenge is for countries to try several of these concurrently to achieve the flows that are needed. There is potential to increase learning by sharing information more, to offer options to other countries
6. There are some success stories with some instruments already in use in the country before venturing into new instruments
7. Useful approach would first maximize use of instruments already in use in the country before venturing into new instruments.
8. Countries are at different stages of capacity, often with the bigger economies having some capacity to engage easily in diverse instruments. This covers all aspects from creating, and managing different instruments, to absorbing large amounts of funding in terms of executing agencies especially at the community and local government level to meet accounting requirements.
9. Major investments do not come without risk from future climate countries stand the risk from future climate impacts. For example, huge investment in tree-planting in many countries stand the risk of not meeting the intended benefit due to climate change impacts on the trees/forests themselves. This may require risk transfer solutions.
10. Awareness of broader stakeholders on the various financing instruments is key and efforts are needed to educate on the possibilities.
11. Governance and instuitional arrangements are key to facilitate enhanced partnerships, coalitions and to enable new instruments.
12. Overall, a vision of a future state is useful to guide efforts to enable that state- in terms of amounts, capacity, etc. More is needed to understand the process of visioning to facilitate back casting.
13. General recommendation that NAP formulation has taken way too long, and that implementation will need to move faster in terms of provision of support and access to financing, given that there is a cost to delayed action or inaction in general terns of loss of life, loss in incomes, etx. , as impacts continue to mount.
14. Investment in adaptation is inherently risky, as returns are uncertain while costs and risks are immediate, which is why private flows remain limited. New ways for justifying values of adaptation are needed to encourage private flows, beyond pure profit
15. Current support falls far short, so predictable new and additional public finance from developed countries under Article 9.1 must anchor these flows

16. Readiness must be treated as an ongoing investment not a one-off grant. Predictable readiness finance from developed countries is crucial to ensure that by 2030
17. There are emerging options to improve governance and options for adaptation financing such as country platforms (or some similar national platforms). These offer ways to coordinate and address issues that will lead to well-coordinated and scaled up actions.
18. Consultations and collaborations processes are necessary but they require resources and time, and not always possible in a timely manner in some countries based on geographies.