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SB36 Side Event report

Overseas Environmental Cooperation Center, Japan (OECC)
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This is a report of a side event held at the 36th Session of the Subsidiary Bodies of the UNFCCC from May 14th to 25th 2012, in Bonn, Germany.

- Title : Progress in Adaptation to Climate Change – Approaches and Examples of Innovative Adaptation Finance
- Date : 13:15 – 14:45, Monday, 21 May, 2012
- Organizer(s) : KfW
- Venue : Room METRO at the Ministry of Transport, Germany
- Presenter(s) : Florian Wieneke (KfW), Alexis Bonnel (French Development Agency, AFD), Josef Haider (KfW), Etienne Coyette (European Commission), Britta Horstmann (German Development Institute, DIE), and Guenther Schulz-Heiss (DIE)
- Abstract: This event provided a platform for innovative approaches to adaptation finance delivery and climate information tools to improve the resilience of development projects to climate change and extreme weather events.

■ Summary

1. Etienne Coyette: “EU Approach to Finance for Adaptation”

- Mr. Coyette outlined how the European Commission generated finance for adaptation. He first explained that in general terms the European Commission gets funds for adaptation from different sources within the EU budget. The EU efforts to expand funding available can be summarized in two keywords: integration and mainstreaming. That is, while the EU is planning to integrate adaptation into its budget for other thematic areas, such as agriculture and trade, it is also striving to mainstream adaptation at different policy levels.
- There are four other examples that demonstrate the EU’s positive attitude towards adaptation financing. First, about 50% of its First Start Finance is already allocated to adaptation. Second, it is implementing innovative pilot projects and international measures regarding adaptation, which include climate-smart agriculture and debt swaps for adaptation. Third, the EU has hadpolitical dialogues with countries in other regions of the world in search of measures to increase funding for adaptation. And

Finally, it is responding to developing countries' calls for increased adaptation financing, by granting and lending funds, and building on existing financing mechanisms.

2. Britta Horstmann and Guenther Schultz-Heiss: "Financing Adaptation to Climate Change through Social Investment Funds? – Preliminary Research Results"

- The two speakers illustrated that the Social Investment Funds (SIFs) were largely in line with the UNFCCC's objectives of adaptation, despite some limitations associated with the former. They mentioned at the outset of their presentation that two of the challenges concerning global adaptation financing were: to scale up the level of funding and to identify appropriate channels to allocate funds to small-scale projects. In this respect, one key feature of SIFs resides in the fact that it can handle large volumes of small-scale projects, which are very similar in nature to many pilot projects for adaptation at the local level. Furthermore, SIFs have adapted to changing national policy environments in the past several decades and thus are quickly becoming a part of the institutional landscape in many countries.
- Other key features of SIFs include the following: they have high-level managerial and operational autonomy; their staffing approach is somewhat analogous to that of the private sector; they enable small-scale public investment in a variety of sectors; they can respond to bottom-up demands; the most vulnerable communities are given priority in terms of resource allocation; transparency is ensured through information disclosure; and SIFs enable the governments to mobilize both national and international funds. Moreover, governments and banks tend to trust SIFs because of the relatively low fiduciary risks associated with them.
- Having said that, SIFs have some limitations. SIFs cannot shape national policies, run public services, enforce public norms, nor manage small volume investment programs. Despite these limitations, given the various positive attributes mentioned above, SIFs can be considered as a promising candidate that could meet many of the requirements for adaptation finance set by the UNFCCC.

3. Alexis Bonnel: "Financing Adaptation through Development Activities"

- Mr. Bonnel outlined AFD's efforts concerning adaptation. He noted that ADP spent over 1.6 billion euros on adaptation, mainly focusing on water management and sub-Saharan Africa, for the past five years. There is some methodological work regarding adaptation currently underway within AFD, which includes defining adaptation and classifying different adaptation-related interventions. AFD's important undertaking also includes accessing climate change vulnerability of each development project in an attempt to minimize climate change risks.

- Mr. Bonnel presented AFD's three types of adaptation financing. The first one is called Climate Change Development Policy Operations (DPSs), which are currently funding adaptation projects in Indonesia, Vietnam, Mauritius and Mexico. The second scheme is called the Blending Facilities, which aim to scale-up the level of financing by blending loans and grants. The third mechanism is referred to the French Fund for Global Environment (FFEM or French-GEF), which is essentially the French version of the GEF.

4. Florian Wieneke: "Adaptation Finance: Sources, Mainstreaming and Innovative Approaches"

- Mr. Wieneke explained about KfW's adaptation finance in his presentation. He noted that KfW's funds for adaptation come from Germany's bilateral cooperation budget. KfW's efforts on adaptation include mainstreaming adaptation as well as implementing projects with adaptation focus. Their approach to mainstreaming is similar to that of AFD mentioned above: each project is evaluated in terms of its risk of being negatively affected by climate change. KfW also provides project managers with climate fact sheets, which outline most relevant climate information, thereby trying to mitigate risks associated with climate change.
- Mr. Wieneke briefly explained about their project in the Sahel region, which is being implemented in cooperation with the West African Development bank to increase resilience to drought. According to him, KfW is also planning on launching a scheme called Climate Change Policy Based Loans (CCPBL) for NAPs. He also mentioned some challenges for adaptation finance, which include data availability and the currently limited level of financing.

■ Q&A

Q. (Unidentified): When you talk about adaptation, which scenario do you actually use in terms of temperature rise?

A. Coyette (EC): Temperature rise estimates depend on each region of the world, so generalization is difficult.

Q. (US government): What do you do to leverage private sector investments in adaptation?

A. Wieneke (KfW): It is true that scaling-up private financing is a major challenge. Leveraging private finance for slow-onset eventsis particularly difficult.

Q. Pygmy Indigenous Women Group (DRC): There are so many adaptation risks in the forests in Central Africa. Do you do anything to mitigate these risks? How do we have access to funds to tackle this particular problem?
A. Schulz-Heiss (DIE) Social Investment Funds can be a solution because it is best suited to small-scale adaptation projects. SIFs are already funding a project in Latin America, which tackles the issue of unlawful logging.

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