



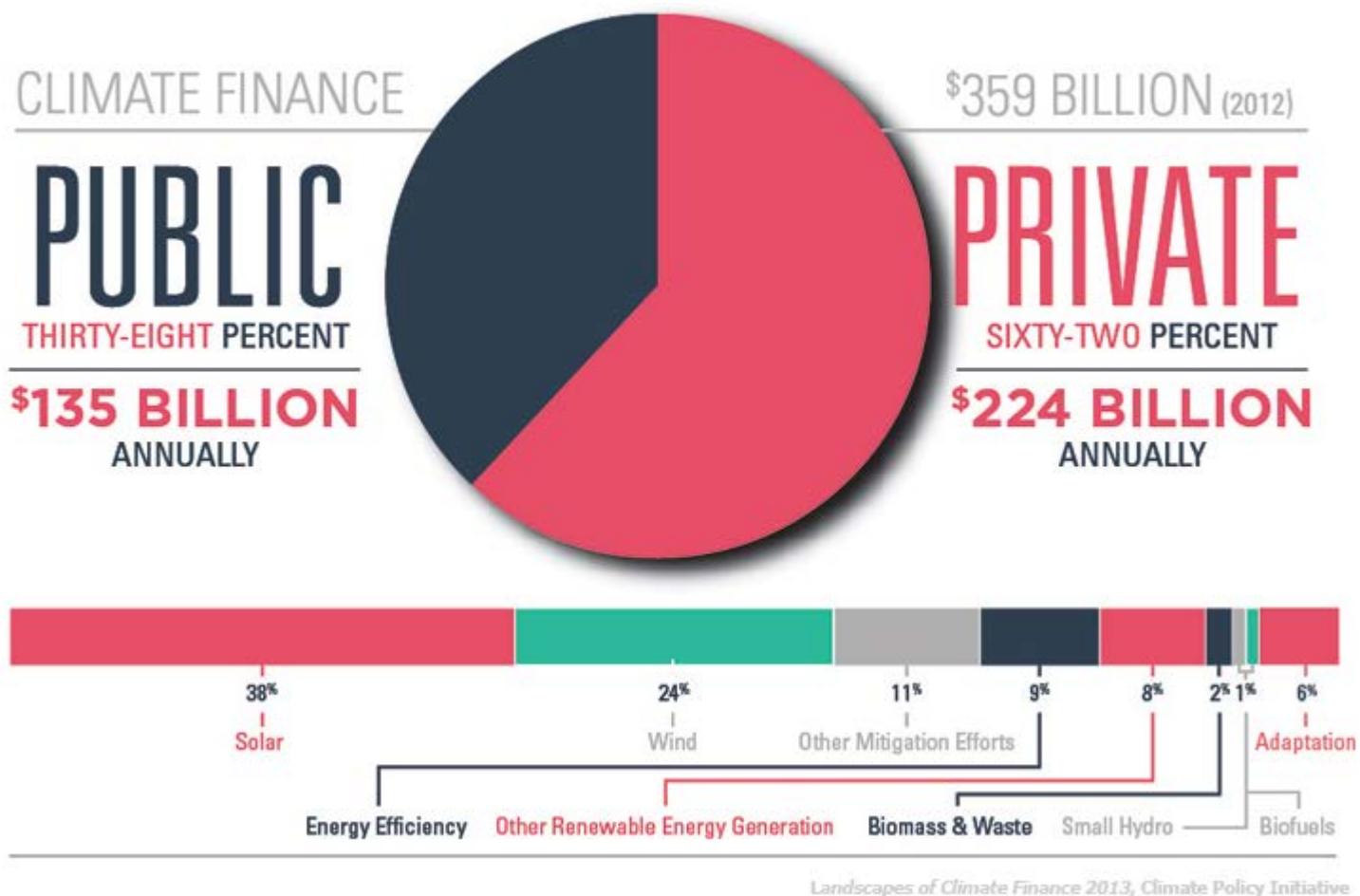
USAID
FROM THE AMERICAN PEOPLE

Sources of Financing for Climate Change Adaptation: Opportunities and Stresses

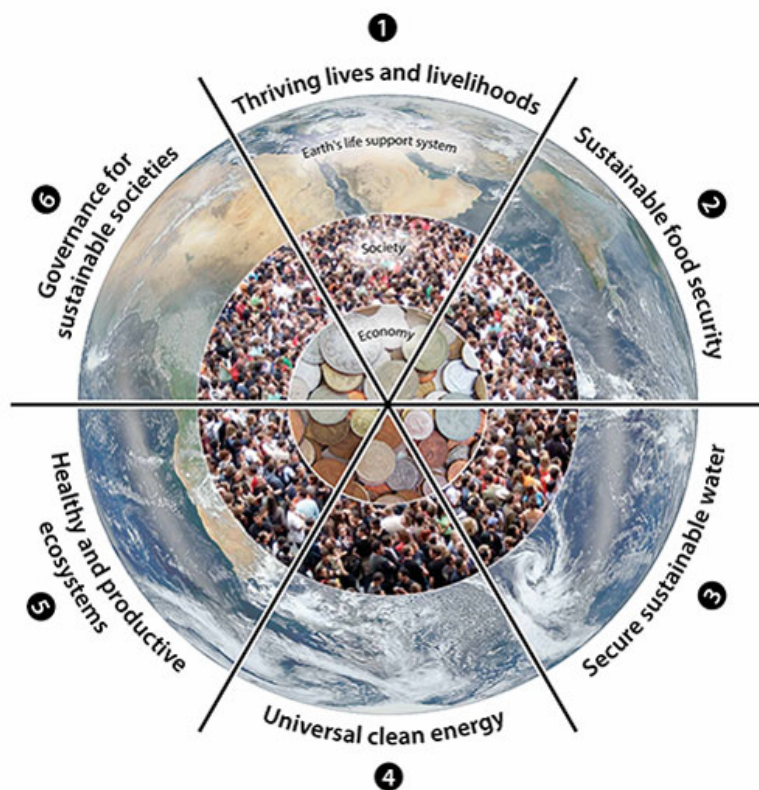
Dr. Peter King
USAID Adapt Asia-Pacific

- There is **no shortage** of money for climate change - \$360 billion in 2012, but not much for adaptation;
- There is a lack of capacity – specifically a lack of **capability** to implement funded projects efficiently and effectively, even if the funds are readily available;
- Above all there is a lack of **creativity** – thinking outside the box to create new revenue streams – like payment for ecosystem services, debt for climate swaps, or private sector investment in environmental goods and services;
- But **multiple sources** too often means **multiple governance** systems, imposing stress on country systems

Most Climate Finance is Private and only 6% for Adaptation



Multiple Sources of Adaptation Finance



As the boundary between adaptation and sound development is blurred, so are sources and amounts of adaptation finance

Traditional Financing Sources

- Official development assistance – globally around \$150 billion per year (proportion for climate change adaptation is uncertain, as adaptation funding is supposed to be “new and additional”);
- Multilateral Development Banks – World Bank Group – around \$80 billion per year (active portfolio in East Asia and the Pacific - \$30 billion; natural resources management and environment - \$20 billion);
- Asian Development Bank – around \$13 billion per year – (From 2001-2012 a total of \$30 billion on environmental sustainability projects).

Traditional Sources (cont.)

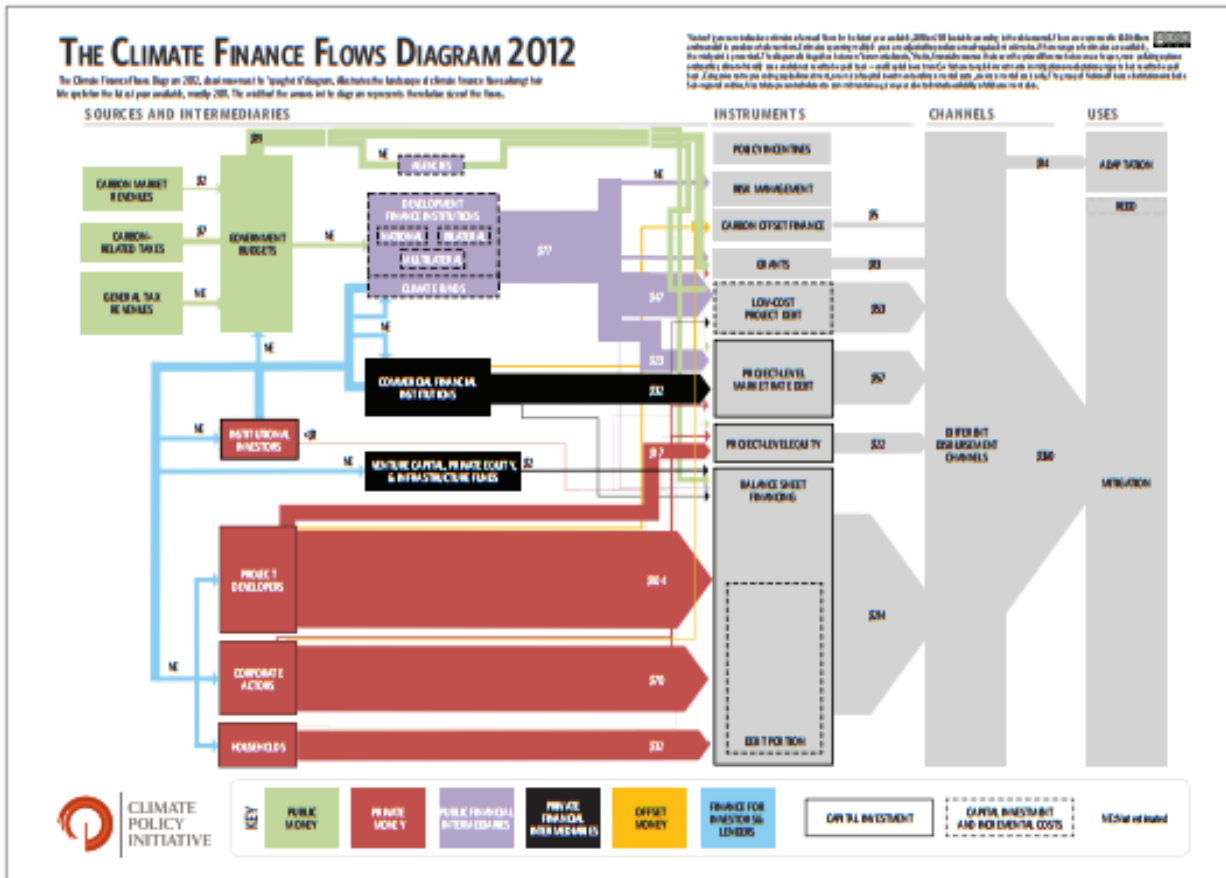
- Food and Agriculture Organisation - \$500 million
- International Fund for Agricultural Development - \$1 billion
- United Nations Development Programme - \$5.7 billion
- United Nations Environment Programme - \$217 million
- World Health Organization - \$2 billion
- United Nations Office of Sustainable Development
- United Nations Framework Convention on Climate Change
- Etc.

Plus – Multiple sources of bilateral finance and their specific reporting and accounting requirements

New Sources of Finance



Specific Climate Funds



Let's just say it is complicated!

Global Environment Facility (GEF)

Since 1991, GEF has provided over \$11.5 billion in grants, and has leveraged a further \$57 billion, for over 3,200 projects in 165 countries;

GEF is also the financial mechanism for key multilateral environment agreements such as the Convention on Biological Diversity, UNFCCC, UN Convention to Combat Desertification; and Stockholm Convention on Persistent Organic Pollutants.

In addition to the Least Developed Country Fund, Special Climate Change Fund, and Strategic Priority on Adaptation, funds outside the UNFCCC can also be used for adaptation – using some **creativity**

Adaptation Finance in Asia-Pacific

Funds managed by national governments

- Global Climate Change Alliance (GCCA) - European Union
- Nordic Development Fund (NDF)
- Nordic Climate Facility (NCF)
- International Climate Initiative (ICI) - Germany
- Japan's Fast Start Finance (FSF)
- International Climate Fund (ICF) – United Kingdom
- International Climate Change Adaptation Initiative (ICCAI) – Australia
- Etc.

Funds managed by multilateral institutions

- Adaptation Fund (AF)
- Least Developed Countries Fund (LDCF) (GEF)
- Special Climate Change Fund (SCCF) (GEF)
- Pilot Program for Climate Resilience (PPCR) – 5 MDBs

Green Climate Fund

- The Green Climate Fund (GCF) was adopted as a financial mechanism of the UN Framework Convention on Climate Change (UNFCCC) at the end of 2011.
- It aims to make an ambitious contribution to attaining the mitigation and adaptation goals of the international community.
- Over time it is expected to become the **main multilateral financing mechanism** to support climate action in developing countries.
- Raising \$10.6 billion by end 2014
- Half for climate change adaptation
- Half of adaptation funds for Africa, LDCs and SIDs.
- Direct access through National Implementing Entity (NIE) accreditation and a Designated National Authority (DNA)

Mobilizers of Funds – Do we need more Intermediaries?



NEWS OF THE FUTURE : A TERRORIST GROUP CALLED "THE ENDANGERED SPECIES MARTYR'S BRIGADE" CLAIMS RESPONSIBILITY FOR THE KIDNAPPING OF CITES SECRETARY-GENERAL JOHN E. SCANLON ...

Significant Mobilizers of Funds – Another Long List

Global Green Growth Institute (Korea)

Rockefeller Foundation (US)

World Resources Institute

The Nature Conservancy

Conservation International

Worldwide Fund for Nature

International Union for the Conservation of Nature

Smithsonian Institution (since 1846)

And others……

Is the Private Sector Interested in Adaptation?

Green Bonds (about \$50 billion)

- **The Climate Bonds Initiative** is an international, investor-focused not-for-profit focusing on mobilizing the \$80 trillion bond market for climate change solutions.
- **Global Environment Fund (GEF)** - global alternative asset manager with approximately \$1 billion in assets under management, investing in energy, environmental, and natural resources sectors.

World Business Council on Sustainable Development;
Corporate social responsibility of companies – AsRIA; and
Insurance and re-insurance companies.

Innovative Sources of Adaptation Financing

- Reducing Emissions from Deforestation and Forest Degradation (REDD+)
- Payment for Ecosystem Services (PES)
- Debt for Nature (or Climate) Swaps
- Climate Change Trust Funds



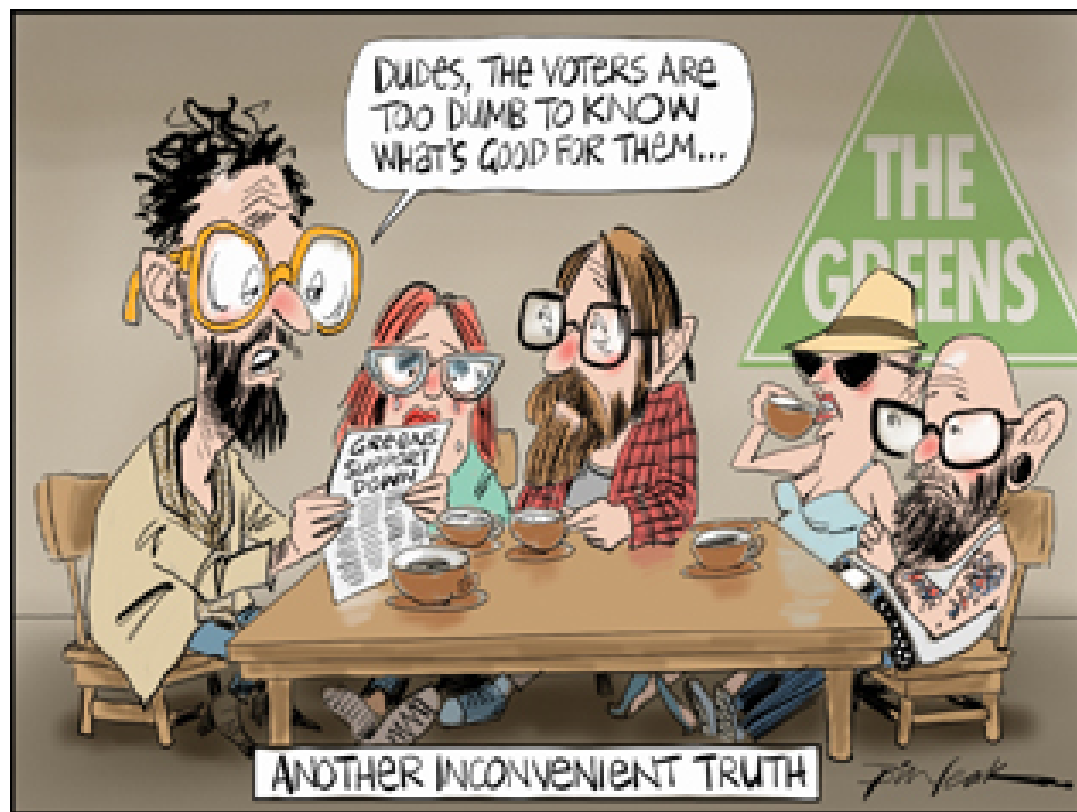
Where to from here?

How Can Country Systems Cope with this Complexity?

- Country systems need to be accountable, efficient, and transparent – not only for climate change;
- Focus on the “big bucks” sources, if choices must be made and capacity is small;
- For small countries, consider if direct access is worth the effort of lengthy accreditation;
- Development partners need to minimize the complexity, streamline access, and build capacity.



Final Words



Ultimately we are all responsible for investing in climate change adaptation – even if we don't know it.