

Ladies and Gentlemen,

We would like to welcome you to our session on “**Financing Mechanisms to Make Funding Available for Adaptation Measures**” within the Focus Water and Climate here at the World Water Week in Stockholm.

Today’s session is already the third in a series of workshops with the financing adaptation topic. In our initial session last year in Stockholm, we identified reasons why financing adaptation is attracting little interest:

- Countries have not yet seriously started to analyse the climate change threats and to identify adaptation needs.
- Mitigation is global, adaptation is local. But on a local level, it is difficult to get reliable data.
- The impact of adaptation projects is often only visible in the long term. Mitigation can easily be measured by CO2 reduction.
- A decent IWRM process is in many cases a pre-requisite for sound adaptation. But systemic IWRM concepts are still not common and putting it into practice is a challenge in itself.
- Many adaptation projects in the water sector have the character of “public goods” and need grant funding. But grant funding is limited, less attractive or sometimes not possible to mobilise.

Meanwhile, awaiting more and more reliable regional and local data on climate change impacts and continuing discussions about the right modes of finance, delivery and implementation, the development world has chosen a pragmatic approach:

- Continue financing “**No Regrets**” and “**More of the Same**”,

- Make new projects "**Climate Proof**",
- In the long run, **reassess and adjust investment plans and portfolios**.

But one of our biggest challenges remains: The old and typical water sector problems will not go away if we focus on a new one now. They may even prevent us from implementing adaptation investments and may continue to restrict absorption capacity as they always did. So, the prospect of increased adaptation funding should not take away the pressure to continue for example sound sector reforms. On the contrary, this pressure has certainly increased!

In Istanbul in March this year we examined the challenge for Governments to develop long term adaptation investment planning.

- Only proven reliability, resiliency and robustness of adaptation measures will lead to 'bankable' projects. Methods to value and prioritize projects in view of increased variability should be further developed.
- The private sector, also engaged in long-term investment planning, and the public sector can learn from each other.
- Act now through implementing best practices, no regret and low regret investments.
- Continue to improve data availability and data processing capacity.

And, on a more global level:

- Continue to work on appropriate financing mechanisms which adequately consider source and recipient.
- Support sharing knowledge.

- Consider risk assessment and management systems and planning tools developed already now by the private industry for long-term investments and insurances.

Exactly these recommendations lead us to today's third session on the topic of financing adaptation. For this I would like to welcome now our high ranking panel, starting with Mrs. Monica Scatasta. She's a Senior Economist from the Projects Directorate for Water and Environment Protection at the European Investment Bank. Dr. Jochen Harnisch is the climate change policy coordinator at the German Development Bank KfW. Mr. Abel Mejia Betancourt is the Water Anchor Sector Manager at the World Bank in Washington. Professor Barry Barnett is professor of agricultural economics at the Mississippi State University in the US. And we have with us Mr. Dirk Reinhard who is the Vice Chair of the Munich Re Foundation.

We will have a first block of 2 presentations on the issue of financing adaptation requirements and mechanisms with a round of questions and a subsequent discussion on the key messages. In the second block 2 presentations will be delivered on risk financing mechanisms like weather insurances and micro insurances with a second round of questions and debate on the key messages. We would like to interact with you, the audience, as much as possible. Therefore please refrain from long statements and give preference to short and precise questions to the benefit of a maximum of participation. Thank you in advance.

I would now like to invite Dr. Jochen Harnisch for the first presentation on adaptation financing.

## KEY MESSAGES:

### 1. Dr. Jochen Harnisch:

- Adaptation financing should not be restricted to grants and a wider range of products should be developed.
- Avoid the creation of new institutions but have a decentralized approach using a registry under the UNFCCC for financing and implementing adaptation

### 2. Abel Mejia:

- Definition of adaptation is a major challenge to have measures identified and financed
- We need a broader knowledge base, sound tools and mechanisms and more capacity development for implementing adaptation

### 3. Prof. Barry Barnett:

- Risk – adequate pricing should not be distorted by subsidies
- Insurances can be part of the solution but cover specific aspects such as extremes and variability

### 4. Dirk Reinhard:

- Market – based mechanisms can also insure the poor but you need prior sensitization and education on insurance principles
- Insurances can be a useful part of disaster response
- We need more data for risk assessment so please cover the world with more weather stations!