



FINANCING MECHANISMS FOR ADAPTATION MEASURES

CLOSING REMARKS

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KEY QUESTIONS / CHALLENGES

- We need to act now in the absence of more precise data and the need to act based on risk assessment
- Staggering –and uncertain– cost estimates, particularly in developing countries
- Large financing gap and competition for scarce grant funding – “long way to go from pledges to reality”
- But absorption capacity is weak, so we need to look beyond money
- Financing is becoming available in a non-coordinated fashion
- Competing proposals for delivery of financial resources at global level
- Potential adverse impacts of using subsidy/grants
- Developing a common strategy for financing adaptation, while dealing with multiple crises facing us

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Conclusions (1)

- Mainstream climate resilience into development planning and project design – Develop flexible strategies based on vulnerability assessment
- Align adaptation interventions ongoing development efforts – “Economic growth is an adaptation strategy”
- Improve data collection and data sharing
- Make use of existing implementation capacity.
- But strengthen implementation capacity at local level to use data, design flexible adaptation strategies and implement them

AND

- Think “outside the water box” – we MUST do what we know works in the water sector, but solutions are cross-sectoral
- Consider other macro-phenomena (e.g. food crisis) beyond climate change



Conclusions (2)

- At global level: Harmonize financial mechanisms
- Grants are necessary but only part of the solution. We need a diversified portfolio of finance products, including risk transfer instruments, e.g. (micro-) insurance
- Different financing mechanisms provide different incentives for adaptation actions
- Avoid the adverse incentive impacts of subsidies or disaster response interventions
- Optimize the use of grants and subsidies to support:
 - Data collection and sharing
 - Strengthening local capacity
 - Reduction of transaction cost, e.g. for the use of insurance
- Leverage private capital: more work needed to understand what structures could be put in place



Thanks for your attention!



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