

CAIP FORUM 2024

17-18 September 2024



SUMMARY OF PROCEEDINGS

Climate Adaptation Investment Planning

A Program to Bridge the Gap between Climate Adaptation Planning and Financing

Organized by the CAIP partners:





About the Forum

- ☀ The Climate Adaptation Investment Planning (CAIP) forum is an annual event serving as a platform for stakeholders to share knowledge on the challenges and opportunities for climate adaptation investment planning. It is an event where new tools, methodologies, and experiences for climate adaptation investment planning are shared; and priorities that enable effective adaptation investment planning are identified.
- ☀ The forum is organized under the Climate Adaptation Investment Planning (CAIP) program of the Asian Development Bank (ADB). This program supports developing countries to translate their national adaptation priorities for key sectors—as outlined in their national adaptation plans or nationally determined contributions—into adaptation investment plans. These plans consider impact pathways to identify sequenced and strategic adaptation investments that are more investment ready and embedded within national medium-term planning and fiscal frameworks. It also identifies appropriate financing streams from the public and private sectors to mobilize resources for their implementation.

CAIP Forum



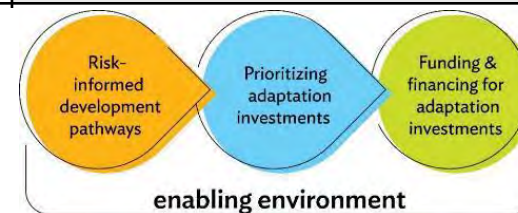
About #CAIP2024

- 🌟 The first Climate Adaptation Investment Planning (#CAIP 2024) Forum was held on **17–18 September 2024** at the Asian Development Bank's (ADB) headquarters in Manila, Philippines.
- 🌟 CAIP 2024 gathered more than **100 participants** comprised of:
 - 🌟 **63 government officials** from **17 developing countries**. Country representatives came from their ministries of finance, planning, and environment, and also the different sectors such as agriculture, water resources, urban development, transport, and others.
 - 🌟 **19 institutions** representing development partners, global climate funds, think tank institutions, and the academe.
- 🌟 The 17 developing countries included **Armenia, Bangladesh, Bhutan, Cambodia, India, Indonesia, Kiribati, the Lao People's Democratic Republic, the Maldives, Marshall Islands, Mongolia, Nepal, Pakistan, the Philippines, Thailand, Tuvalu, and Uzbekistan**.



#CAIP2024 Forum Agenda

Time	17 September 2024 (Tuesday)	Time	18 September 2024 (Wednesday)
09:00–10:15	High-level Opening Session	09:00–10:00	Plenary 3: Funding and financing adaptation
		10:00–10:30	Lightning Talk: Resilience bonds to leverage private finance
10:15–10:45	Coffee Break	10:30–11:00	Coffee Break
10:45–11:45	Plenary 1: Understanding climate change risk to inform development pathways	11:00–11:45	Partner Marketplace: Adaptation funds, financing instruments and programs
11:45–12:30	Spotlight 1: Foresight thinking for transformational adaptation investments	11:45–12:30	Clinic: Finance matchmaking for adaptation investment plans
12:30–14:00	Lunch	12:30–14:00	Lunch
14:00–15:00	Plenary 2: Making adaptation investments a priority across governments and public and private sectors	14:00–15:15	Policy Roundtable Discussion: Priority actions for enabling adaptation investment planning
15:00–15:30	Coffee Break	15:15–15:45	Coffee Break
15:30–16:15	Spotlight 2: Making the economic and financial case for adaptation investment	15:45–16:30	Closing Session
16:15–17:30	Deep-dive discussions: Prioritizing adaptation investments across sectors		
18:00–19:30	Reception		





Understanding a country's broader climate risk and development context is an important first step in establishing an impact pathway that can more strategically inform development and climate adaptation investments.

Key Takeaways

Risk-Informed Development Pathways

- ☁ **Understanding climate risks.** This enables the identification of opportunities for investments that maximize development and resilience outcomes. Such preparation minimizes economic and non-economic impacts of increasing climate risks.
- ☁ The **context-specificity of climate risks should not be understated**. When formulating a risk-informed development pathway, it helps to (i) understand the interactions among slow-onset and extreme events, and their compound effects, (ii) identify sensitivity thresholds, and (iii) factor in uncertainty in decision-making.
- ☁ **Undertake climate risk assessments undertaken at a system level.** These assessments will help decision makers to make informed choices that steer development towards resilient directions. Maintaining flexibility is important as it allows for a range of adaptation options that boost resilience, not only for the immediate, but also for the longer-term climate impacts.
- ☁ **Engage with the local stakeholders.** Involving women and vulnerable populations in the process of understanding climate risks is integral to ensure that climate resilient pathways reflect local contexts.



Spotlight 1: Foresight Thinking for Transformational Adaptation Investments

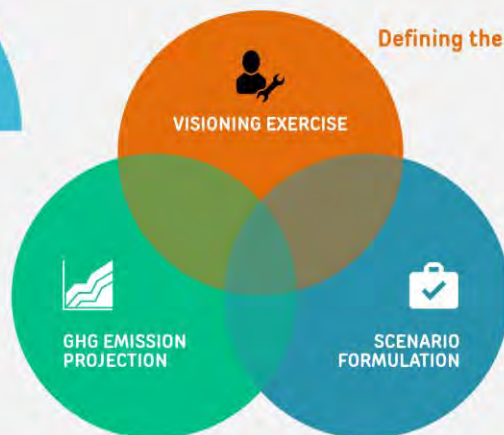
In the context of increasing climate risks, foresight thinking is critical as it requires anticipating multiple future possibilities. Rather than predicting a singular outcome, foresight thinking helps to identify and prepare for early signals of change, to properly understand the varying complex, interrelated sector dynamics in a country.

What are the process of Foresight work in Cambodia?

70%

GHG PROJECTION

- DATA inputs
- Tool used to analyse the GHG Emission and mitigation measure.



AGENDA SETTING

Defining the priorities, framing the issues

Agenda Setting
Defining the priorities,
framing the issues within the priorities

FORMULATION SCENARIO

- Key drivers of change
- Categorize of most uncertain and most impactful **DRIVERS**
- Key assumptions identification

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Key driver of changes

Climate change

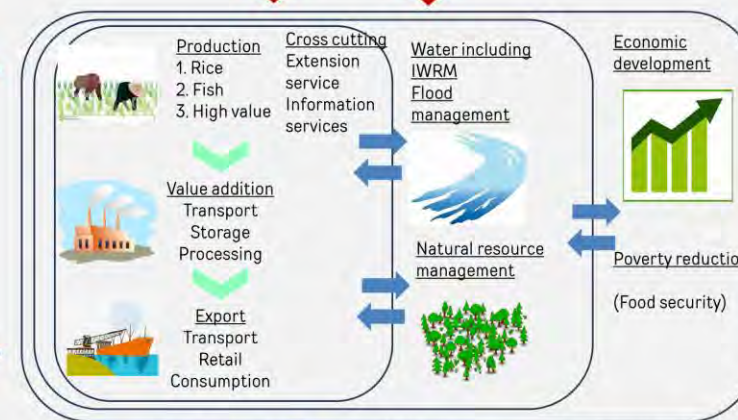
- Average temperature increase
- Average rainfall change
- Extreme heat
- Heavy precipitation
- Flash and river flooding
- Dry spells and drought
- Increasing variability
- Large-scale shocks (volatility)

Other drivers

- (1) Population dynamics,
- (2) Urbanization,
- (3) Food prices,
- (4) Cross-country interdependencies,
- (5) public investment in agrifood systems and
- (6) Scarcity and degradation of natural resources

CCPAPIII
Adaptation

National Agricultural Development
Policy (ADP), NDC, LTS4CN



Value chains

Natural
resources

Economy &
Fiscal

EPOL4 investments

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In the context of increasing climate risk and limited fiscal space, prioritization of adaptation investments will require close linkages with the economic planning and budgetary processes, and systematic engagement with the private sector.

Key Takeaways

- # Prioritizing Adaptation Investments
- ☛ **The CAIP process is key for prioritizing resources for adaptation investments.** The process has strong elements of “adaptation management” and is focused on strengthening the economic and financial case for adaptation. An adaptive management approach offers a pragmatic way to avoid endless planning, with a “no-regrets thinking” of acting now and refining later.
 - ☛ **It is essential to build a robust evidence base of economic, social, and environmental benefits of adaptation to inform decisions.** This requires data on hazards, exposure, and vulnerability, and impacts of climate risks. It is equally important to capture and utilize the qualitative historical narratives and indigenous knowledge into these analyses.
 - ☛ **Linking adaptation planning with wider economic planning processes.** This is key to prioritizing adaptation investments and requires integrating climate risk and adaptation considerations into public investment management processes.
 - ☛ **Institutional coordination is an important enabler for promoting cross-sector and public-private decision making for adaptation investments** across climate, finance, economic planning, sector agencies and private sector. Evolving country climate platforms provide a good model.



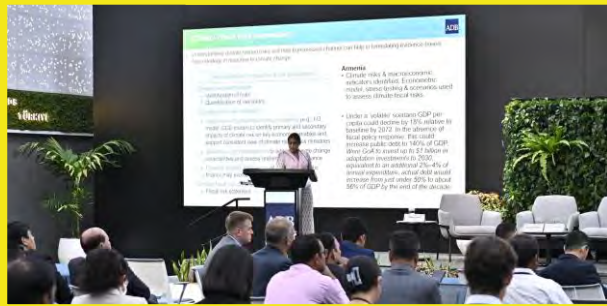
Spotlight 2: Economic and Financial Case for Adaptation

A critical building block for adaptation investment plans is making the economic and financial case for adaptation. This helps to justify the allocation of public financing and identify additional resource mobilization streams from nontraditional sources and the private sector.



Key Discussion Points

- ☛ **Most national adaptation plans do not make a strong economic case for benefits from investing in adaptation.** Where the case is made, it is largely from an angle of avoided losses. As a result, the target source of funding is usually public financing for adaptation.
- ☛ **The economic case of investing in adaptation should articulate benefits (economic, fiscal, financial) –** looking not only at avoided losses but also secondary co-benefits, and, where possible, highlight revenue generating potential of some adaptation options. This can help attract financing from a wide range of sources.
- ☛ **Quantifying adaptation benefits—not only economic, but also social and environmental—and** determining to whom these benefits accrue is important and may also help determine financing sources.
- ☛ **Economic appraisal tools used for climate adaptation investments must be able to respond to the climate context,** such as the use of sensitivity analyses and the setting of discount rates that are appropriate to a climate-constrained world.



Plenary 3

Key Takeaways

The disruptive nature of climate risks on economic stability and its resulting constraints to public resources are particularly challenging and requires a more strategic approach to determine appropriate funding sources and financing instruments for adaptation investments.

Funding and Financing for Adaptation

- ☛ **Investments in adaptation is progressing more slowly than desired**, raising concerns among vulnerable communities and the fiscal health of countries. Quantification of climate risks could provide greater clarity and inform decision-making for future fiscal planning.
- ☛ **Climate fiscal risk assessments and modeling techniques can create an improved and shared understanding of the potential financial and economic impacts of climate change.** Risk metrics for specific climate risks and macroeconomic models that integrate climate fiscal risks can help governments and financial institutions to understand the broader economic implications.
- ☛ **Climate risk disclosure practices are an important component of effective integrated risk management by generating greater transparency.** This ensures that stakeholders, including investors and the public, are informed of the potential fiscal impacts of climate change, and the steps being taken to manage and adapt to these risks.
- ☛ Country examples in the region exist where **climate considerations are being woven into national fiscal frameworks to mobilize public finance**, such as through budget tagging for climate adaptation investments and ecological transfers.
- ☛ Private sector investments hold significant potential for advancing climate adaptation. The **use of green bonds and other financial instruments, such as insurance**, can spur greater engagement from the private sector.

Partner Marketplace

Adaptation Funds, Financing Institutions and Programs



Leveraging Private Finance for Adaptation

Key Discussion Points

- ☛ A variety of innovative financial instruments, such as **resilience bonds** are emerging to help amplify the role of the private sector in narrowing the adaptation finance gap.
- ☛ Resilience bonds fall under **labeled bonds** and are sometimes referred to as GSS+ (green, social, sustainable, and more). **Resilience bonds produce different benefits for issuers and investors as well as at the systemic level.** However, the unclear definition of an adaptation project and its components hinder a more scaled investment from both supply and demand perspectives.
- ☛ The development of a **resilience taxonomy** for these bonds can alleviate such uncertainties by providing a standardized framework of what constitutes a resilience investment.

Example

The Climate Resilience Bond Taxonomy involves a classification system containing a series of eligibility criteria that contribute to resilience outcomes, covering different sectors and themes. It can be applied to different use cases, including governments using it to guide budget planning and tagging, as a way for investors to assess their investments, and as a support to help issuers sell higher quality bonds.

CAIP Clinic Finance Matchmaking for Adaptation Investment Plans



Policy Roundtable

Priority Actions for Enabling Adaptation Investment Planning



Priority Actions for Enabling Adaptation Investment Planning

Key Takeaways

- **Increasing investments in adaptation require policy reforms across different sectors.** Reforms should be based on the unique contexts of each country – which include understanding and addressing local challenges and considering targeted approaches for vulnerable groups and indigenous needs. Stating the specific challenges in aligning investments to existing systems in a country would help identify what policy reforms should be prioritized.
- **Mobilizing more adaptation financing requires a shift from an exclusive focus on costs toward the economic and noneconomic benefits of adaptation.** While the “finance gap” framing is important and reflects the reality of insufficient resources, it is equally important to consider the benefits of adaptation and to whom (or to which sector) these benefits will accrue. Incorporating estimates of such benefits into national adaptation plans could be an important enabler of change.
- **Public and private finance sources have different roles.** Public financing of adaptation is critical to support adaptation investments in vulnerable communities. Private sector investments are likely to focus attention on more easily quantifiable adaptation benefits, and this may require policy reforms that incentivize such financing and ownership, including potentially the inclusion of taxonomies within updated government policies and regulations.
- Fiscal planning for climate risks is starting to help get climate policies to be better mainstreamed into national economic planning processes. However, this requires **addressing gaps related to data, capacity and institutional coordination.**



For more information on CAIP and
the 2024 Forum visit:
<https://adb.eventsair.com/caip2024/>



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