

## Session 6 Concept Note

Session Title	Co-Hosts
<p><b>Financing for a Resilient Future</b></p>	<p><b>Lead organisations:</b> Willis Towers Watson, IDF</p> <p><b>Co-hosting organisations:</b> GRP, Clarmondial, World Bank Groud, SEI, Atma Connect, WFP, ODI, UNDP, IIED, GARI/Lightsmith, InsuResilience Global Partnership, SDI, Mercy Corps, Huairou Commission, Centre for Disaster Protection</p>
Date and Time	Venue
<p>22 September 2019 14.00-16.00 (120 minutes)</p>	<p>L1.05</p>
<p><b>I. The Challenge and Opportunity</b></p>	
<p>The session will showcase efforts to increase the volume, quality, and coordination of finance flows for adaptation and resilience from the public and private sectors, and explore innovative technologies, tools, and finance mechanisms in the current climate landscape. Crucially, this session will be looking forward to issuing a challenge to business as usual practices to help empower local actors to access a comprehensive, complementary suite of finance solutions that allow for holistic, comprehensive adaptation strategies. We will explore how the different perspectives in climate finance can come together to reform and improve the current flows of finance to the local level, addressing vulnerabilities and insuring adaptation for all.</p> <p>We will be taking a <b>‘whole of society’</b> approach to deliver resilient people, landscapes and economies in the face of a changing climate. This will include an examination of processes, actions and responses led by i) the state, ii) private sector / enterprise, and iii) civil society. No one mechanism can provide comprehensive risk management to all climate hazards and all vulnerabilities. Climate change is an inherently complex problem, so the public sector, private sector, and the civil society all play a role in planning and delivering climate finance for adaptation action for different people, places and economies. We will be looking at the problem from all of society’s angles through the different institutions and mechanisms that can deliver towards financing resilience for the most vulnerable, working towards greater coordination and coherence for effectiveness in delivery.</p> <p>The challenging link behind all discussions is how to reform the current climate finance landscape to improve the financing of adaptation activities. The session will create a space for discussion around critical questions:</p> <ul style="list-style-type: none"> <li>• What are the challenges faced by local communities and governments in accessing finance that truly responds to their needs?</li> <li>• What effective financing options are donors and the private sector offering that build long term and sustainable resilience of individuals, especially the poor and vulnerable?</li> </ul>	

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- How can we improve the coordination of finance allocation? Acknowledge silos and seek complementarities around adaptation strategies
- How are we fostering capital investments in resilience?
- How are we financing disaster risk transfer to leverage much needed and available international capital?
- How are we insuring that financing for resilience has positive and optimal impact on those in need?
- What are the systemic shifts needed to improve locally-led adaptation?

Through three highly interactive sub-sessions, we invite the panelist organizations and the audience to review concrete initiatives behind our collective efforts and discuss what's working, what's not, and what's the way to finance a resilient future.

### II. Session Format

The session will be structured around three discussion blocks, in fireside chat format:

#### **Intro (5 mins):**

Resilience needs to be about building society resilience, not just a temporary adaptation project. Resilience needs to have a legacy.

What do we mean by a whole of society approach? We propose a 'whole of society' approach and will investigate a range of mechanisms from different spheres of society. This means climate finance and adaptation action should not be led by one set of stakeholders, but by all – from state, private sector and civil society actors across all governance levels.

To deliver thriving and resilient societies requires redundant and agile responses to the evolving and uncertain nature of climate and political risks. Climate hazards differ in type, timescale and magnitude: different places are subject to climate hazards of different type – flooding, droughts, cyclones, heat extremes etc., timescales – monthly, seasonal, annual, multi-annual, decadal – and timescale – slow onset and fast onset.

Differing vulnerabilities are also faced by different people, places and economies: households, communities, economies and landscapes possess different sensitivity and adaptive capacities to climate hazards as a result of their different biophysical and socio-economic vulnerabilities. Therefore, urgent actions needed will vary from resilient infrastructure and services, access to finance, to new adaptive skills and capacities etc. Furthermore, there is a lack of certitude around vulnerabilities and hazards: although some climate hazards can be predicted with high certainty, most are highly uncertain in magnitude, frequency and type. Socio-economic and biophysical vulnerabilities are also highly variable – political cycles and market conditions fluctuate in just and equitable climate ambition over time.

In block 1, we will aim to understand financing needs across society and how current initiatives are building upon this understanding, while identifying funding gaps. In block 2, we will introduce two tools that are tracking the routes of international resilience finance, providing early views on financing silos and room for better coordination. In block 3, we will showcase efforts from the donor and private sectors, challenged by the question of effectiveness. The session will close with a 15 minutes discussion on the reforms needed from each of the stakeholder groups (state / private sector / civil society) to

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effectively address vulnerabilities and overhaul financing mechanisms, achieving more efficiency and coordination in the global paths of international resilience finance.

### **Block 1 (45 minutes): Understanding needs and innovations on the ground**

**SDI** will present on why financing isn't reaching the local level, what the funds they have attracted to the local level have led to, and the real and perceived challenges in financing the local level.

**Mayor Alfredo Matugas Coro II, Municipality of Del Carmen, Philippines** will present on the opportunities and challenges for a municipality to accept and deploy resilience finance.

**Huairou Commission** will focus on the Community Resilience Fund, a mechanism channeling funds to grassroots organizations allowing them to prioritize actions, test and scale up grassroots women-led resilience practices and leverage resources from government institutions. Will discuss what difference has such a mechanism made to advance resilience, accountability and empowerment interests of grassroots women and what does scaling up and amplifying the Community Resilience Fund and its resilience building impact look like.

**ODI** will showcase experiences of in-country government led climate funds delivering investment grants for climate resilience in Ethiopia, Kenya, Mali and Senegal through centralised and decentralised finance mechanisms.

**SEI** will present the framework that SEI and partners developed in Uganda to ensure that weather index insurance is effectively meeting the needs of local communities, especially the most vulnerable.

**IIED** will present a framework for locally-led adaptation finance mechanisms that can offer a vision for fundamental reform of the business-as-usual approach to climate and development financing. This framework presents 4 key principles – aggregation / building trust / finance that can shift incentives / aggregation - underpinned by a number good practices to which locally-led mechanisms can strive towards. Will offer examples from their research of civil-led mechanisms - frontier funds - that have integrated these principles in practice and can demonstrate an innovative approach.

**Mercy Corps** will present on impact bonds to build climate resilience, through the example of a flood resilience bond for Indonesia modelled after a bond issued in Washington DC. The initial findings from the feasibility work to be discussed.

### **Block 2 (15 minutes): Tracking resilience finance**

**SEI** will present a case study from the Aid Atlas tool, which visualizes and interrogates data related to development aid, to help understand what funding is going where, and where is the money being spent. Will discuss identification of financing gaps, silos, both from the investor and recipient side, and how we can make financing of resilience more effective and coherent.

**Climate Policy Initiative (CPI)** will present findings from CPI's Global Landscape of Climate Finance, and in particular on adaptation finance flows (22bn USD annually in 2015-16), as well as challenges in tracking private adaptation finance. Will discuss how adaptation finance is tracked in the Landscape, why it matters, and what can be done to improve it, including potential next steps in tracking adaptation finance flows.

**DWS** will present conclusions from its recent paper on the business case for investment in microfinance/insurance.

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### **Block 3 (45 minutes): Understanding the current supply and needs for efficient coordination**

**The Lightsmith Group / GARI** will outline how there is accelerating interest in private investment in climate resilience and adaptation, despite the limited to date climate finance for adaptation (<5-6% of total climate finance according to Climate Policy Initiative). Will also discuss how CRAFT, ASAP, and GARI can contribute to investment flows for climate resilience and adaptation and preview FASTR20 – the likely follow-on convening in 2020 from the 2019 FASTR launch event.

**InsuResilience Secretariat** will present the InsuResilience Global Partnership's Vision 2025 to scale up the ambition for risk financing and to build resilience for the poor and vulnerable. Together with its over 70 members and currently 25 programs in 78 countries, the Global Partnership will protect poor and vulnerable people as well as cover average annual losses by pre-arranged risk financing instruments. Examples will include index insurance at governmental level like ARC, innovative insurance for cash systems at individual level such as R4, and nature based resilience solutions.

**Center for Disaster Protection** will present findings from their recent research on disaster risk financing, including the need to make finance for prevention, preparedness, and protection available to vulnerable countries on the same terms or better than finance for unplanned disaster response. Will discuss the urgent need for a mature set of development insurance institutions to finance early and predictable protection, and will announce the Centre's quality assurance function, which has been designed to increase public sector investment in high impact sovereign and humanitarian risk finance instruments.

**WTW** will present an overview of the re/insurance industry's disaster risk finance solutions and innovations, including discussion on the challenges for implementation. Will also discuss how the science behind insurance can help inform capital investments in resilience, and the merger between insurance and capital investments. Will comment on the launch of Coalition for Climate Resilient Investment on September 23<sup>rd</sup> at the UN Climate Action Summit.

**IDF** will describe how the re/insurance industry has come together to support the UN's SDGs and Sendai Framework. In partnership with UN agencies, multi-lateral development banks and civil society it applies private sector expertise and resource to cross-sector efforts to build resilience and reduce the protection gap. A case in point is the analysis of risk, which is necessarily the foundation of investment and risk transfer decision-making. We will propose significant enhancements to the way countries are able to consider their risk in the context of climate change, and suggest a route to action through public-private partnership.

**GEF** will outline how it is supporting climate adaptation priority actions and innovation through its dedicated funds for adaptation, including the newly launched Challenge Program. Its drive to mainstream adaptation and resilience into its \$4.5 billion portfolio for global environmental benefits will also be elaborated. Through these efforts, the GEF is facilitating collaboration/coordination among initiatives and supporting partnerships.

**World Bank** will present its new Resilience Strategy and Action plan, including its USD 50 billion investment fund, targeting a high engagement with the private sector and Ministers of Finance. WB is committed to launching a new metric system, with incentives for governments to merge development and resilience. The main message: mainstreaming development planning with resilience in mind, so that development planning is climate informed.

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### **Conclusions & Calls to Action (10 minutes):**

For a whole of society response, state, private sector and civil society adaptation financing mechanisms will all be required – as no one mechanism can deliver thriving and resilient societies alone. This will mean mechanisms respond to different types, magnitudes and timescales of climate risk, as well as make decisions at different levels of subsidiarity. Governments should make efforts to ensure convergence between these different mechanisms that may already exist to finance humanitarian, disaster risk reduction and social protection interventions. In addition, harmonized institutions involve the institutional coordination among different stakeholders (local government, communities, civil society organizations) to ensure coherent planning and effective budgeting and developing local level alliances within countries and also regionally

Local finance mechanisms also need to be able to develop networks or partnerships to strengthen the impact of local adaptation, ensuring sustainability beyond one-off projects and incentivizing whole-of-society responses. This includes collaboration between civil society, local government and engaging the private sector as early on as possible. These networks include links to other local finance and planning mechanisms that can deliver different types of climate risk management and adaptive services not available by that mechanism, this may require budgeting of ‘convergence’ funds.

Donors and aid agencies may not be able to finance all instruments for building the locally led adaptation enabling environment and local adaptation financing mechanisms. However, all must be supported coherently and in a collaborative way to enable local adaptation finance to flow at the scale and quality required. Looking forward, all donors and aid agencies operating within a country, sector and thematic area, as a minimum coordinate effectively on how and which components they intend to support to ensure a coherent financing approach and avoid duplication of efforts, but aim to converge their initiatives to maximize impact and efficiency of local adaptation financing.

### **Discussion points (to be informed by discussions during the session):**

- A more efficient financing requires but also a collaboration space across actors and processes to better support local-led adaptation strategies.
- Collaboration platforms are being put together but collaboration is not simple.
- No one mechanism will be appropriate all the time. But also observing degree of redundancy. Other mechanisms can be more effective under some circumstance. A brokering role is needed to foster the collaboration (PPPs, private sector).
- How do we scale the collaboration up now?

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### Speaker Organizations:

	Speaker	Title	Organisation of speaker	Sector
1	Paula Pagniez (Session Lead)	Director, Capital Science & Policy Practice	Willis Towers Watson	Private
2	Nick Moody (Co-Lead)	IDF Representative	Insurance Development Forum	PPP
3	Chizuru Aoki	Lead Environmental Specialist	Global Environment Facility	Public
4	Moya Connelly	Vice President, Sustainable Investment	DWS	Private
5	Beth Chitekwe-Biti	Acting Managing Director	SDI (Slum Dwellers Intl)	Public
6	Daniel Clarke	Director	Centre for Global Disaster Protection	Public
7	Beth deHamel	Chief Financial Officer	Mercy Corps	Public
8	Mayor Alfredo Matugas Coro II	Mayor	Municipality of Del Carmen, Philippines	Public
9	Matthew Osborne	Interdisciplinary Researcher, Behavior and Choice Initiative	SEI (Stockholm Environment Institute)	Public
10	Adriana Quevedo	Senior Research Officer (economist specialised in climate adaptation finance to build climate resilience)	ODI (Overseas Development Institute)	Public
11	Morgan Richmond	Analyst	Climate Policy Initiative (CPI)	
12	Naseem Shaikh	Associate Director of Programmes of Swayam Shikshan Prayog pune India	Huairou Commission	PPP
13	Marek Soanes	Researcher, Climate Finance and Climate Risk Management, Climate Change Group	IIED (International Institute for Environment and Development)	Public
14	Arame Tall	Senior Climate Change Specialist	World Bank Group	Public
15	Sanjay Wagle	Managing Director and Co-Founder	GARI/ Lightsmith Group	Private
16	Astrid Zwick	Head of InsuResilience Secretariat	InsuResilience Secretariat	PPP