Guide for Adaptation and Resilience Finance

APA Webinar #6: Governance for Climate Adaptation

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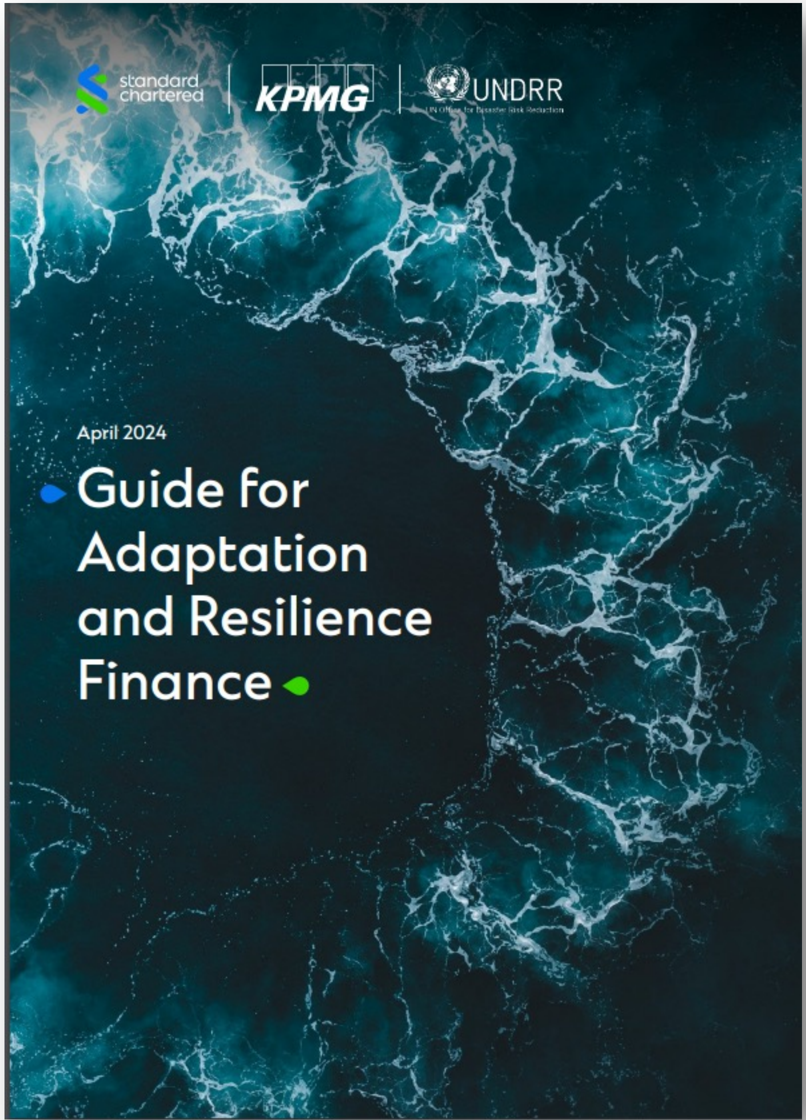
SENDAI FRAMEWORK

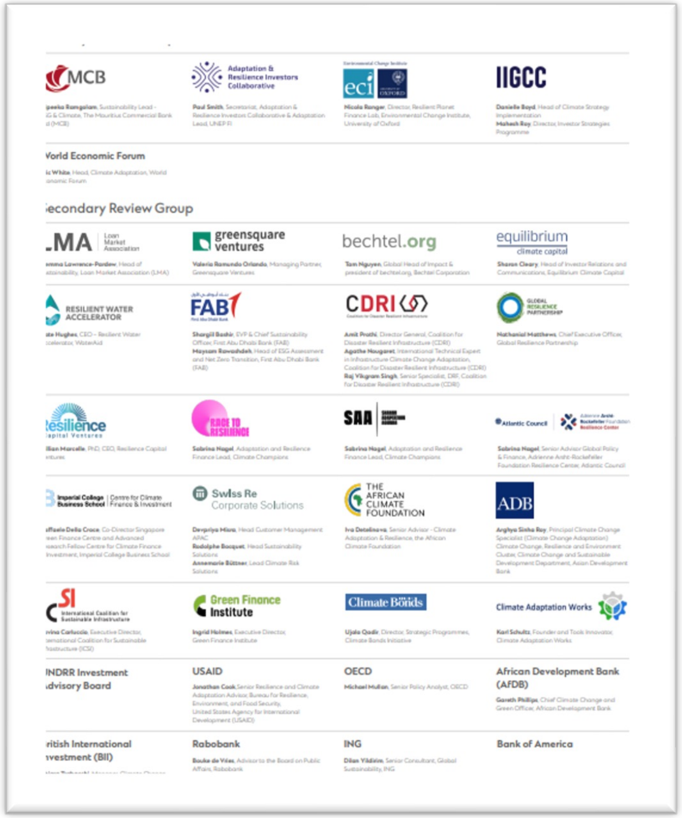
FOR DISASTER RISK REDUCTION 2015-2030

Guide for Adaptation and Resilience Finance (GARF)



- Responds to the call from governments for engaging the private sector to scale up investment in DRR and promoting the development of innovative instruments and tools to finance DRR

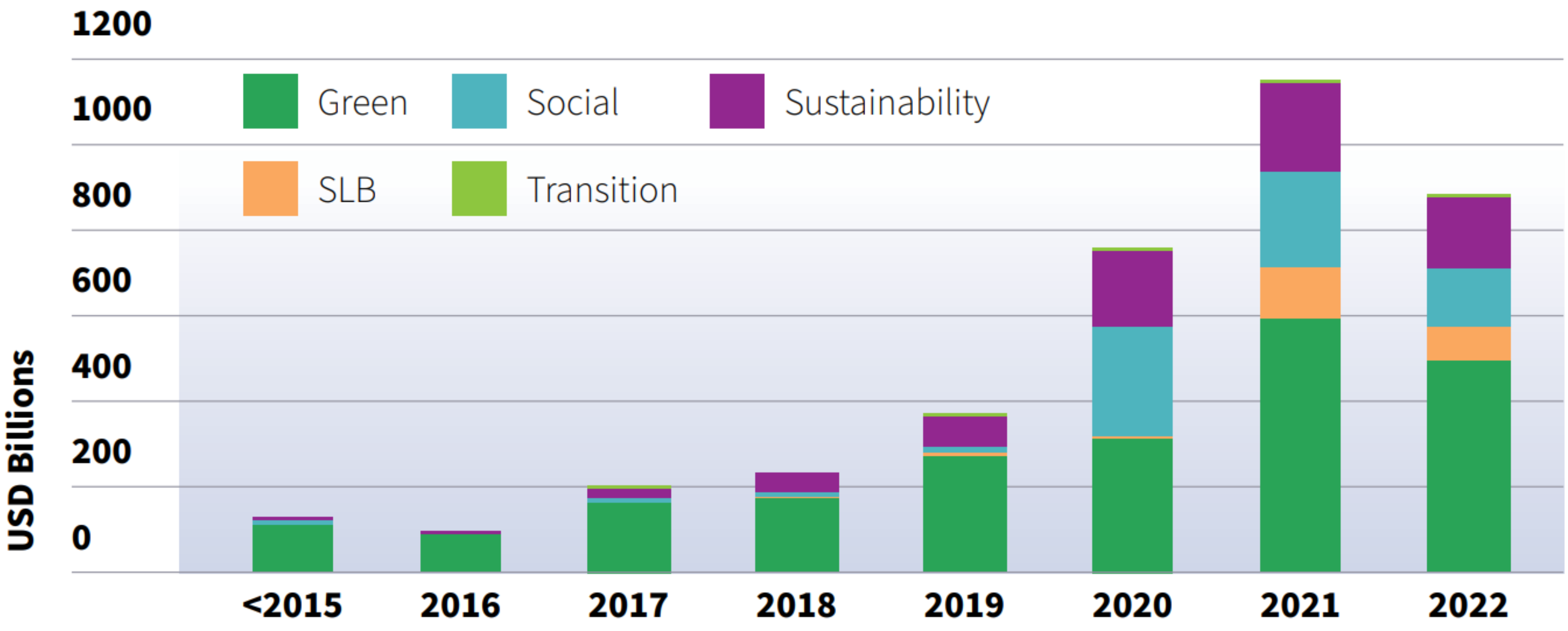
- Developed with 20+ leading financial institutions, Multilateral Development Banks (MDBs), and NGOs



Private investment: Capital markets

- More than US$ 3.7 trillion of finance channeled through green, social, sustainability, sustainability-linked and transition (GSS+) bonds

Only 19% have some degree of climate resilience-related use of proceeds (UoP)



Source: Climate Bonds Initiative

Barriers to private investment

- ***Short-term perspectives and market inefficiencies*** that affect the accurate pricing and adequate consideration of hazards and disaster-related risks.
- ***Lack of country-specific data and asset-level data*** on natural hazards and climate risk which impedes informed investment decisions.
- ***Insufficient actions by financial regulators and policymakers*** to incorporate climate-related risks into their activities and policies.
- **Absence of common market language**, standard definitions and classification frameworks for adaptation and resilience-building investments and transactions.
- **(Perceived) limited revenue streams** for adaptation and resilience investments.

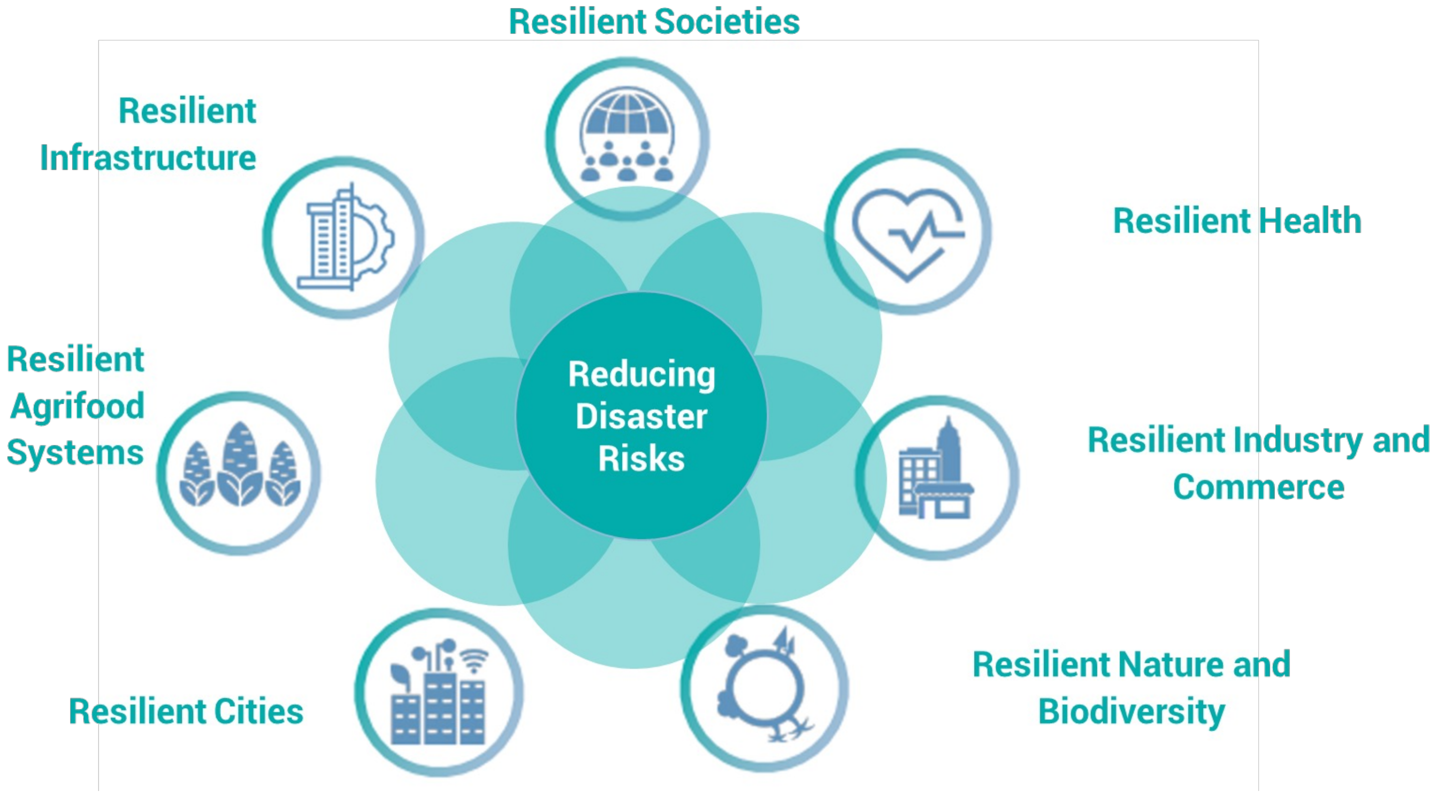
Fill a gap in the market

- The Guide sets out – for the first time – eligible financeable activities and **guidance on what constitutes adaptation and resilience investment**.

- It maps over **100 investable activities** for adaptation and resilience, across 7 broad themes.

- It creates a **common language** and standard for financial actors that was lacking and includes a **list of indicators**.

7 broad themes



Decision tree for eligible investment

Does the investment align with one of the key **resilience themes**?

Does the investment make a **substantial contribution** to adaptation and resilience?

Is the potential for **maladaptation / significant harm** to other sustainability objectives adequately mitigated?

Additional checks

Is the investment consistent with nationally or locally defined adaptation and resilience **strategies/plans**?

PROCEED

Use cases

Overall, the guide provides the necessary framework that will enable:

- **Banks and asset managers** to develop dedicated financial instruments such as loans and investment funds targeting adaptation and resilience. For example, banks can develop specific lending activities for adaptation and resilience.
- **Investors willing to invest in disaster resilience** to identify credible investment products since there is now a standard that gives confidence that their money is being used in a way that aligns with their resilience-building objectives.
- **Banks, pension funds, and other financial actors** to report and set targets about the share of their lending/investment portfolios allocated to this priority.
- **Policymakers** to create incentives and support mechanisms (e.g., guarantees) to leverage credible private investment in this area.

Thank you for your attention

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