



GLOBAL COMMISSION ON ADAPTATION

The following is drawn from the forthcoming paper: *Public International Funding of Nature-Based Solutions for Adaptation: A Landscape Assessment* by Stacy Swann, Laurence Blandford, Sheldon Cheng, Jonathan Cook, Alan Miller and Rhona Barr. WRI/Global Commission on Adaptation, expected: Feb 2021.

EXECUTIVE SUMMARY

The Global Commission on Adaptation's (the "Commission") 2019 flagship report, *Adapt Now: A Global Call for Leadership on Climate Resilience*, identified access to finance as one of three key barriers that impede the scaling up of Nature-based Solutions (NbS) for adaptation in many countries. NbS for adaptation (NbSA)¹ encompasses several different types of activities, investments, and approaches that seek to protect and restore nature and ecosystems for the services they provide to human society². While various funding sources may exist, individual countries' ability to access them depend on a range of factors, including readiness and capacity, knowledge, and foresight to plan NbSA investments and the skills to finance such investments. Meanwhile, interest in NbSA investment is changing quickly, with new actors, approaches, and investors seeking opportunities to invest in NbSA emerging in recent years. For many developing countries, these may be further complicated due to overall economic challenges, and those now resulting from the COVID-19 pandemic.

NbSA investments will be fundamentally important in helping many countries address climate change. In almost all circumstances, public capital will be highly valuable. Climate finance and Official Development Assistance (ODA) will be important to help developing countries scale up such investments, particularly where national public budgets may be constrained. Furthermore, because of the range of development and other benefits NbSA can bring, integrating such approaches into post-COVID economic recovery planning can maximize the effectiveness of international and domestic public funding while delivering long-term resilience.

Demand exists. Seddon et al. (2019) showed that more than 60% of countries recognize preserving ecosystems and include NbS solutions in their first NDCs, and a similarly high number of countries acknowledge that protecting ecosystems and enhancing biodiversity is a key goal of their adaptation planning efforts.

This paper provides the first assessment of the landscape of public international funding (climate finance and ODA) for NbSA and seeks to help donor and developing countries better understand the current state of funding flowing for NbSA. The findings in this paper are based on an assessment of funding flows, as well as interviews with key stakeholders, such as donors, climate finance funds, multilateral development banks, and countries.

The landscape assessment has some very important constraints. It covers only international public funding (not domestic budgets), and estimates are based on imperfect tagging within the datasets analyzed. Given the datasets analyzed do not explicitly tag NbS or NbSA, the authors tracked funding from sectors that most commonly align with NbSA, such as forestry or water. The assessment, therefore, is unlikely to capture all funding for NbSA.

The figures cited as the most definitive measure of total climate finance flows come from the Climate Policy Initiative (CPI), and include public, private, and some south-south flows. CPI's figures provide context for the NbSA estimates in this paper, as their tracking is the most common citation for international and policy discussions around climate finance.³ This landscape assessment covers only international public funding, and shows that in 2018, public international finance for NbSA was estimated to account for \$3.8-8.7 billion, or 0.6-1.4% of total climate finance flows, 1.5-3.4% of total public climate finance flows, and 9-21% of adaptation flows⁴, and relative to more than \$140 billion per year in adaptation investment needs in developing countries (UNEP, 2021)⁵.

Furthermore, CPI estimates that total funding for both adaptation and mitigation in the "Agriculture, forestry, land-use, and natural resource management" sectors in 2018 only accounted for 3% of all tracked climate finance, or 7% of tracked public finance (CPI, 2019). While not entirely comparable due to the mitigation activities in these sectors, they are the basis upon which many reference overall NbS flows.

In 2018, the largest donors for NbSA included Germany, the United Kingdom, Sweden, and the European Union. Grants were, by far, the most common funding modality, accounting for as much as 85% of funds deployed to developing countries. Sub-Saharan Africa, South Asia, and Latin America and the Caribbean received the greatest volume of funding for NbSA. Although each country's use of international support is different, agriculture, general environmental protection,⁶ and biodiversity are the most common sectors in which ODA funding directed toward NbSA was spent.

This paper also identifies barriers in the ODA funding landscape which if addressed can help donors maximize the impact of their public capital to accelerate these much-needed investments. These barriers also, directly and indirectly, contribute to the lack of pipeline and inhibit the development of NbSA projects. Key barriers include:

- *Confusion on definitions:* Countries, as well as other key stakeholders still lack clarity around what constitutes an adaptation-focused NbS. This is most evident in international tracking systems (e.g. the OECD statis-

tics database) and within countries, and likely inhibits the potential pipeline of NbSA investments.

- *Lack of well-defined metrics and methodologies:* Interviewees for this paper noted the need for metrics and methodologies to measure NbSA benefits, and that the lack of such makes it difficult for developing countries, project developers, development institutions, and investors to appraise and compare NbSA options against other investment options, and thus are often not prioritized.
- *Lack of funding:* Donor funding sources, where available, are insufficient in volume to meet all NbSA needs, (measured by the potential demand evidenced through countries' nationally determined contributions (NDCs) and national adaptation plans). Donor sources have primarily been in the form of grant capital. Many interviewees noted that NbSA projects need ongoing funding to support longer-term operational costs. This results in a significant funding gap that neither private investors nor developing countries can bear.
- *Lack of prioritization of NbSA in climate funds:* Climate finance channels do not specifically provide clear guidance on how their funding can be used to support NbSA investments.
- *Lack of local technical capacity:* Developing countries at the national and sub-national level may lack the technical capacity to a) understand the benefits of NbSA and b) sufficiently develop NbSA projects and/or the NbSA project pipeline.

This paper puts forward four recommended actions to address these barriers hindering public donor funding support for NbSA. These recommended actions for public donors complement recommendations from reports which focus on mobilizing private capital for NbSA.

- *Scale and better track ODA funding for NbSA:* Donors should scale up the ODA allocated for NbSA, help ensure that accounting mechanisms better track flows, and provide the technical support to help developing countries develop and finance NbSA investments.
- *Better align ODA funding that is flowing:* Current ODA funding needs to be more closely aligned with individ-

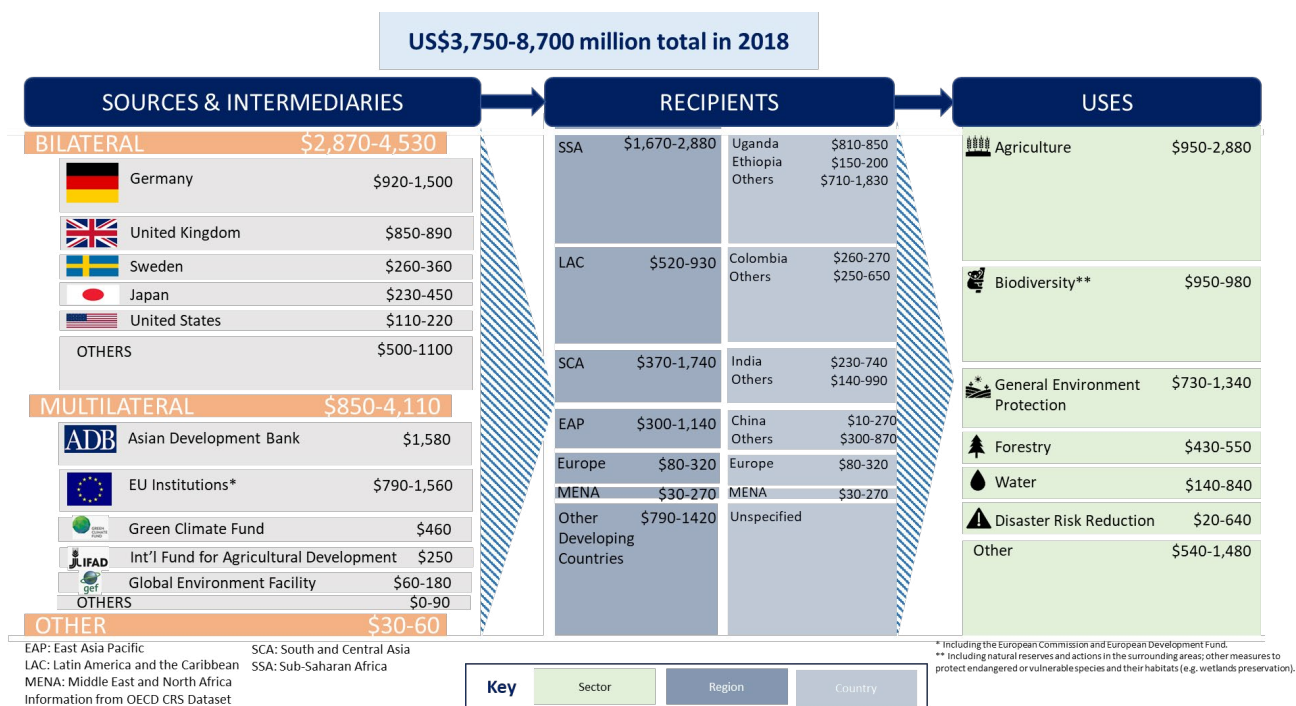
ual NbSA projects' needs. Public funding is valuable to build capacity, prepare projects, and crowd in private capital. Donors should consider a more strategic application of public funding through flexible mechanisms, including (i) concessional instruments to crowd in capital, and (ii) grant support (where needed) over the life of the project where operational costs are unable to be borne by local governments or others.

- Quantify, value, and measure NbSA benefits: Donors should develop, adopt, and accelerate a common approach to quantify and value NbSA benefits in ways

that are meaningful for investment decision-making by a variety of public and private investors.

- Mainstream and build the pipeline of NbSA investment in developing countries: Donor funding should support efforts by developing countries to both (i) mainstream NbSA into national adaptation and development-related policies, budgets, and investment plans, and (ii) build a pipeline of NbSA investments at the country level, through capacity building, project preparation, and technical assistance for developing countries.

Landscape of ODA for NbSA Funding, 2018. (US\$ millions)



Endnotes

1. For the purposes of this paper, nature-based solutions for adaptation will be shortened to NbSA.
2. This assessment focuses specifically on the use of nature-based solutions for adaptation outcomes, including ecosystem-based adaptation (EbA) along with ecosystem-based disaster risk reduction (EbA DRR). Together these cover the use of biodiversity and ecosystem services as part of an overall strategy to help people adapt to climate change, as well as the sustainable management, conservation and restoration of ecosystems to reduce disaster risk. Collectively this paper labels these activities as 'nature-based solutions for adaptation.'
3. NbSA was estimated to account for 5.8-13.5% of total public climate finance flows to developing countries in 2018 (which totaled \$64.3 billion) (OECD 2020b).
4. Includes both adaptation-specific flows and flows that have dual adaptation and mitigation benefits. Source: CPI 2019 Global Landscape of Climate Finance.
5. Reliable estimates for total financing needs for NbSA (specifically) are not available.
6. Such as environmental policy, laws, regulations, and economic instruments; site preservation; environmental research.

References

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ABOUT THE GLOBAL COMMISSION ON ADAPTATION

The Global Commission on Adaptation seeks to accelerate adaptation action and support by elevating the political visibility of adaptation and focusing on concrete solutions. It is convened by 23 countries and guided by more than 30 Commissioners, and co-managed by the Global Center on Adaptation and World Resources Institute.