Alignment

A key element of successful financing strategies for climate change adaptation

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Key Messages

• Financing strategies for adaptation need to be aligned and integrated with other relevant financing plans, such as those prepared to scale up finance for nationally determined contributions/climate mitigation actions, other multilateral environmental agreements, Sustainable Development Goals, and the national development agenda. They should also align with the investment plans of the multilateral and bilateral partners, such as the Green Climate Fund and multilateral development banks.

• Making the link between the financing strategy for adaptation and the broader financing landscape can facilitate the prioritization of and resource allocation (domestic and international) for priority adaptation actions. Ensuring that adaptation actions help to mobilize resources for national development priorities can encourage political buy-in and the uptake of adaptation actions across ministries, including finance and planning.

• The engagement of adaptation planners in the preparation of financing strategies for other national priorities could be an opportunity to improve the understanding of climate resilience in sector ministries. Their involvement could demonstrate the costs and benefits of adaptation action, including how to make investments in national development priorities more resilient to climate change.
Introduction

Numerous developing countries are preparing financing strategies for adaptation to help mobilize the resources they need to deliver on the priority adaptation actions identified in their National Adaptation Plan (NAP) processes and nationally determined contributions (NDCs). These strategies typically set out a coordinated national approach that identifies financing options for initiatives that work toward the achievement of adaptation priorities. Consistent with related International Institute for Sustainable Development reports, this briefing note uses the phrase “financing strategy for adaptation” as a descriptor that encompasses the various finance, investment, and resource mobilization plans, strategies, and roadmaps that include an objective of increasing financing for climate adaptation priorities (Murphy, 2022; Murphy & Parry, 2023).

This briefing note explores the need to align financing strategies for adaptation with other relevant financing strategies, consistent with the guiding principle set out in Murphy and Parry (2023) that these strategies should be “aligned and consistent with other processes that are relevant to finance for adaptation, including national development priorities and other financing strategies.” It examines the interrelationships among the various strategies and approaches to scaling up financing for adaptation and related programs, outlines the potential benefits of strategically strengthening these linkages, and sets out emerging lessons with regard to how a developing country can strengthen linkages to other financing strategies to ensure alignment between complementary processes.

“Financing strategies for adaptation” are defined as nationally coordinated approaches to identifying and encouraging the scaling up of financing for climate adaptation priorities.

A financing strategy for adaptation is more than simply a document: it is a series of interlinked actions that serve to increase the likelihood of a country being able to secure funding for its adaptation priorities from national and international sources of finance—both public and private. This interlinked approach may be communicated through a formal strategy document, which is one element of the overall financing strategy.

Interrelationships Between Financing Strategies for Adaptation and Other Potentially Relevant Strategies

Financing strategies for adaptation can help governments take a coordinated and strategic approach to financing efforts to adapt to climate change that consider the best use of public and private finance. Importantly, the strategy can set out how finance for adaptation can be aligned with and contribute to other related actions, such as those set out in national development plans and the financing strategies prepared to address other international obligations, such as the Sustainable Development Goals (SDGs), disaster risk management, and biodiversity. This section examines the interrelationships between financing strategies for adaptation, the
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various internationally supported processes that can inform their development, and other financing strategies developed to support related processes, as illustrated in Figure 1.

**Figure 1.** Interrelationships between financing strategies for adaptation, financing strategies for related processes, and relevant internationally supported processes

![Diagram showing interrelationships between financing strategies and internationally supported processes](source)

**International Initiatives That Can Inform Strategy Development**

**Financing strategies for adaptation should draw on related or previous work.** For example, the diagnostics underlying financing strategies for adaptation can be informed by previous studies related to financial flows for adaptation, such as Climate Public Expenditure and Investment Reviews. The United Nations Framework Convention on Climate Change (UNFCCC) Needs-based Finance project has contributed to the preparation of various reports, such as technical assessments of climate finance in various countries and climate finance access and mobilization strategies in seven regions, that provide information for strategies for financing
adaptation (United Nations Climate Change, 2023). Similarly, the Vulnerable Twenty Group of Finance Ministers has prepared technical reports and prosperity plans that set out investment strategies to scale up finance to realize climate action (V20 Vulnerable Group of Twenty, 2023).

Multilateral organizations have contributed to the development of a body of knowledge that can inform financing strategies for adaptation. The World Bank’s Country Climate and Development Reports, for example, integrate climate and development considerations. As of July 2023, this diagnostic tool has been used to help governments in 28 countries prioritize actions for investment plans (World Bank, 2023). Other potential inputs for financing strategies for adaptation include Climate-Smart Agriculture Investment Plans, which have been prepared in Nepal, Mali, and other countries (World Bank, 2021), and Strategic Programs for Climate Resilience prepared under the Pilot Program for Climate Resilience. At least 28 developing countries have prepared these strategic programs; those prepared in Cambodia, Ethiopia, Saint Lucia, and Saint Vincent and the Grenadines informed their financing strategies for adaptation (Murphy, 2022). In addition, the country programs prepared to guide pipeline development with the Green Climate Fund (GCF) typically include a climate finance strategy that summarizes the climate finance landscape, including priorities for GCF funding (GCF, 2021).

Interlinkages With Financing Strategies for Related Processes

Financing strategies for adaptation can, and should, be aligned with and informed by the content of financing strategies prepared or being prepared to scale up financing to enable the achievement of similar goals. Among these financing strategies are those identified below.

**NDC financing strategies.** Discrete financing strategies for adaptation, such as NAP financing strategies, should feed into and be consistent with strategies to increase financing for NDCs (particularly their adaptation commitments), low-carbon development, and climate action more generally. A discrete strategy for financing adaptation should be a valuable input into the development of an NDC financing strategy or broader national climate change financing strategy. A discrete strategy can highlight adaptation priorities and provide evidence and analysis to explain why increased financing for adaptation will lead to social, economic, and developmental benefits, including for vulnerable populations. An NDC financing strategy does not need to include all the actions in the discrete financing strategy for adaptation but may highlight actions prioritized for funding in the 5-year NDC period.

**Financing strategies for biodiversity, desertification, and disaster risk reduction.** A country’s financing strategy for adaptation may be able to build on and feed into financing strategies for related international agreements, including the other two Rio Conventions (biodiversity and desertification) and the Sendai Framework for Disaster Risk Reduction. Many developing countries have received international funding to develop Biodiversity Financing Plans (United Nations Development Programme Biodiversity Finance Initiative, 2021), Integrated Financing Strategies for Combatting Desertification (Unisfiera, 2021), and disaster risk financing strategies (United Nations Office for Disaster Risk Reduction, 2020). Preparation of these
strategies might be led by the same ministry responsible for a country’s strategy for financing adaptation; however, when responsibility does not fall to the same departments, coordination and collaboration across departments are required (Convention on Biological Diversity, 2021).

The benefits of integrated approaches include the coordinated engagement of development partners, particularly the Global Environment Facility, as it serves as the financial mechanism for the three Rio Conventions. A coordinated approach to adaptation and disaster risk reduction also can strengthen arguments for risk-informed budgetary allocations at the domestic level (United Nations Department of Economic and Social Affairs, 2021). It can also encourage the NAP process, including the preparation of financing strategies, to play a positive role in scaling up investments to address often interrelated climate and disaster risks (NAP Global Network & InsuResilience Global Partnership, 2021).

**Integrated National Financing Frameworks (INFFs) and SDG financing strategies.** The United Nations Department of Economic and Social Affairs (2021) has called for overcoming siloed approaches to finance through the alignment of development partner support and the formulation of coherent approaches to addressing the SDGs, the Paris Agreement, and the Sendai Framework for Disaster Risk Reduction. As noted by the World Bank Group (2020), development outcomes cannot be achieved without addressing climate vulnerabilities, and achieving the SDGs “depends on how climate impacts are addressed and how climate risks are managed” (p. 4). As financing strategies for sustainable development, INFFs are intended to align public and private finance to address a broad range of national development priorities (INFF, 2021). Over 85 countries have prepared or are preparing INFF strategies, and a growing number are using the INFF to finance their climate priorities (INFF, 2023). For example, the Maldives’ INFF sets out a gender-responsive climate finance strategy that takes the approach that all finance should be treated as climate finance (Ministry of Finance, 2023).

**National development financing strategies and resource mobilization plans.** The 2022 report of the UNFCCC Standing Committee on Finance recognizes that climate finance flows will be insufficient to address the climate crisis. It calls for consideration of climate finance—including adaptation finance—within the context of broader finance flows for development objectives and alignment with national development plans (UNFCCC Standing Committee on Finance, 2022). While a national adaptation strategy or NAP can be prepared through an adaptation-focused process and identify adaptation priorities, the financing strategy for these adaptation priorities should be anchored in and contribute to broader national development financing strategies. This means that financing strategies for adaptation need to account for the strong synergies between adaptation and development and explore how adaptation and resilience can be mainstreamed into all investment decisions (Bellon & Massetti, 2022; Global Center on Adaptation, 2022; Hallegatte et al., 2020; World Bank Group, 2022).

Aligning the financing strategy for adaptation with national resource mobilization strategies and budgets can help to demonstrate how financing that addresses adaptation priorities contributes
to broader development goals and raises the profile of adaptation action in planning and finance ministries. Naidoo (in Inter-Agency Task Force on Financing for Development, 2019) noted the importance of a holistic approach that considers climate adaptation within the government’s broader investment plans and policy strategies rather than a financing strategy for adaptation that is focused on specific adaptation projects and actions that could potentially be financed by international climate funds.

**The Benefits of Aligning Financing Strategies**

As captured in Figure 1, a range of existing financing strategies and associated processes can and do contribute to the financing of prioritized adaptation actions. In the absence of a concerted effort to ensure alignment, the diversity of avenues for financing adaptation can result in outputs that are fragmented and lack coherence. This fragmentation could be a result of different ministries being responsible for and managing relationships with the different sources of international public funds and technical assistance that support the preparation of the various financing strategies. It may also be the result of the technical and financial partners that assist in the preparation of the various financing strategies having influence over approaches adopted by governments. Regardless of the cause, a lack of alignment can lead to overlap and duplication of efforts, disjointed approaches to accessing financing for adaptation, and a lack of inclusion of adaptation priorities across various non-climate change financing strategies.

Achieving alignment between financing strategies for adaptation and those developed to support other processes can be challenging. It requires building productive relationships within and between ministries and overcoming silos within government. However, the benefits of aligning financing strategies for adaptation with related strategies—and vice versa—are significant. The coordinated development of several related financing strategies can

- **improve the evidence base** that can inform the identification, costs, and sources of finance for priority adaptation actions;
- **provide consistent messaging** to international development partners as, ideally, the various financing strategies would identify the same adaptation priorities as established through country-driven processes (such as the NAP process); and
- **expand the number of ministries and development partners working to increase financing for adaptation** priorities through various channels.

If purposefully prepared and implemented, a financing strategy for adaptation can play a constructive role in strengthening alignment among related financing processes. In particular, a financing strategy for adaptation can achieve the following:

**Improve understanding across the government of the costs and benefits of adaptation projects that contribute to other priorities**, such as disaster risk reduction and sectoral development priorities. The strategy could include estimates of the costs of climate risk and vulnerability assessments for critical infrastructure projects, as well as the costs and benefits of addressing these risks and vulnerabilities in project design and delivery. For example, it could
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include estimates of the costs and benefits of priority adaptation actions, such as building the adaptive capacity of vulnerable communities in agriculture, land management, and forestry projects.

**Support the identification of cross-ministerial synergies.** Adaptation practitioners can facilitate the alignment process by working with other ministries, such as finance, to highlight where there are synergies with other national priorities. This may increase the likelihood that a priority adaptation action will attract finance from non-climate finance sources. Adaptation practitioners may be able to highlight areas where financing for adaptation can help to build resilience to more than climate risks and how financing adaptation makes economic sense. Identification of these synergies and opportunities for alignment can be supported by strong coordinating bodies at the national government level. For example, Cambodia’s National Council for Sustainable Development offers an opportunity to highlight priority actions in the financing strategies for adaptation and integrate these actions into broader development finance strategies (National Council for Sustainable Development, 2021).

**Provide input to national and sector-level resource mobilization platforms or investment plans.** An example is the country platforms proposed by the G20 Eminent Persons Group on Global Financial Governance (2018). Songwe et al. (2022) have suggested that these government-owned platforms can bring together stakeholders to prepare a strategy to achieve development and climate goals in a manner that is aligned with the Paris Agreement and tailored to the needs of specific countries. A strategy for financing adaptation could help to ensure that adaptation priorities get due consideration in such processes and are not overshadowed by climate mitigation priorities.

At the same time, financing strategies for adaptation are more likely to be successful in scaling up investments in prioritized adaptation actions if they consider a country’s national circumstances. Financing strategies for adaptation should:

**Be adjunct to and complement existing national development financing plans.** Naidoo (in Inter-Agency Task Force on Financing for Development, 2019) noted that “climate finance strategies are often limited to identifying financing instruments for specific projects and/or aligning funding proposals with requirements of international climate funds, rather than formulating a comprehensive strategy that would assess how the entire financial system can be aligned with and support sustainable investments” (p. 44). In the absence of this type of alignment, the strategy risks being a stand-alone document that is detached from other efforts to mobilize finance, which reduces its effectiveness.

**Align with broader national development goals.** A financing strategy for adaptation can be positioned to attract international finance flows for adaptation in a manner that also addresses development priorities, such as poverty alleviation and job creation. This alignment can also help encourage political buy-in and uptake of adaptation actions across ministries, including finance and planning.
Situating priority adaptation actions within the broader financial system. For example, the Ethiopia NAP resource mobilization strategy notes that while it is important to raise domestic revenues to increase budget allocations for adaptation and to improve the investment climate for private investment, many of these types of interventions are beyond the purview of stand-alone strategies for financing adaptation (Environment, Forest and Climate Change Commission, 2020). Actions that are included in financing strategies to generate new revenue for adaptation—such as green bonds, guarantees, debt payments, or a carbon tax that earmarks a portion of income for adaptation actions—need to be part of a national financing strategy that accounts for the country’s wider macroeconomic situation, public financial management system, and domestic capacity for revenue generation and collection.

Account for a country’s existing debt burden. The global situation in early 2023—impacted by the lingering effects of COVID-19, Russia’s invasion of Ukraine, and inflationary pressures—has resulted in rising debt burdens and limited fiscal space in many developing countries (United Nations, 2023). Adaptation actions that are proposed to be supported through loans or government guarantees should be considered within a country’s broader economic framework, including levels of sovereign debt. The debt vulnerabilities in many developing countries mean that they may not have room for additional borrowing to address adaptation. This situation highlights the need for financing strategies for adaptation that consider the most strategic and effective use of grant and concessional finance and the need for scaled-up international finance for adaptation (United Nations Conference on Trade and Development, 2022).

Align with national strategies for private sector engagement. Efforts to scale up private sector investment for adaptation must be considered within the broader national financing framework. Ministries of finance are often responsible for the enabling environment that is required to encourage private investment and for leading discussions on this topic with development partners. As such, decisions around financing for adaptation and engaging the private sector need to be part of larger financial decision-making processes that are typically led by ministries of finance.

Critically, the improved coordination and management of financing processes for different but related objectives (such as climate adaptation, SDGs, and biodiversity) may increase the engagement of finance and planning ministries in the coordination or preparation of finance strategies for adaptation. This engagement can help bring adaptation efforts into “the heart of economic decision making” and highlight adaptation as a domestic development priority (Amach, 2021).

Emerging Lessons

Encouraging alignment between a country’s financing strategy for adaptation and other relevant strategies can help governments adopt a coordinated and strategic approach that considers the best use of public and private finance across sectors. Emerging lessons, set out below, can guide developing-country approaches to preparing financing strategies for adaptation going forward.
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Financing strategies for adaptation need to be aligned and integrated with financing plans for NDCs, other Rio Conventions, the SDGs, and national development. Common adaptation priorities across various financing strategies can provide consistent messaging to potential technical and financial partners that deliver international public finance (both climate and development finance streams) and work to overcome fragmentation in the delivery of climate and development finance for adaptation and other purposes.

Engaging planning, finance, and relevant line ministries and subnational governments in the preparation of financing strategies for adaptation can help adaptation practitioners convey priorities and build awareness of the importance of taking adaptation actions. It can help to ensure that climate risks are considered in national investment decisions and create high-level buy-in of the need to allocate domestic budgets to address these risks.

Adaptation planners and practitioners can benefit from participating in processes to mobilize resources for SDGs and national development plans. This engagement could provide opportunities to improve an understanding of how climate resilience is perceived in planning and finance ministries. It could also demonstrate the costs and benefits of adaptation action, including how to make post-pandemic economic recovery and SDG investments more resilient to climate change. Continued research on the costs and benefits of adaptation measures is needed.

Financing strategies for adaptation might include explicit guidance on how to link their objectives to broader policies, such as those targeting private investment. Research is needed to understand how strategies could evolve from an emphasis on accessing international climate finance (such as proposal development) to how to link to broader national policies to encourage investment in adaptation in areas of national priority (such as upgrading building and transport codes to guide infrastructure investment). As well, research is needed on how to move from a stand-alone project approach to a sector or portfolio approach to financing adaptation.

**Conclusion**

Making the link between the financing strategy for adaptation and the broader national financing landscape is critical to ensuring that the strategy has an impact—and that it does not remain a document prepared by the ministry responsible for climate change that is not taken up by stakeholders.

Financing strategies for adaptation need to be aligned and integrated with financing plans for (among other priorities) NDCs, other multilateral environmental agreements, SDGs, COVID-19 pandemic recovery, and national development. This facilitates stronger prioritization, resource allocation (domestic and international), and monitoring and evaluation of the impacts of financing for adaptation. Common adaptation priorities across strategies can encourage political buy-in with finance, planning, and line ministries and encourage the integration of climate adaptation actions into public budgeting and planning at national and subnational levels.
Ideally, a financing strategy for adaptation can help us get to the point where all investment considers climate change risks—incentivizing the financing of adaptation action that ensures the achievement of national development goals in a changing climate.

References


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