CIF CLIMATE INVESTMENT FUNDS

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CLIMATE RESILIENCE PROGRAM - ADVANCING TRANSFORMATIONAL ADAPTATION TO BUILD RESILIENCE AT SCALE (SUMMARY)

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1 Increasing climate risk requires comprehensive approach for climate risk management.

1. The adverse impacts of climate change are being felt across the globe and posing serious threats to the achievement of the Sustainable Development Goals. In the next few decades, climate risk is likely to intensify and occur both sooner and at a larger scale than previously assessed. Mid and long-term impacts are expected to be multiple times higher than currently observed across food, water, and health systems, urban and rural infrastructure, and natural ecosystems. Many impacts are expected to be non-linear, cascading, and unprecedented, as certain thresholds and tipping points are reached, and may have catastrophic consequences.

2. Climate risk disproportionately impacts the poor and vulnerable populations. Millions of people in developing countries are expected to be pushed back into poverty due to climate change. Women and men are impacted differently, with poor women and girls being more at risk due to pre-existing vulnerabilities and limited capacity. Small and medium enterprises, which often form a key part of the economy in developing countries, are hurt by disruptions to production processes and supply chains. The economic costs of climate risk will continue to increase in the near and medium term, especially for developing countries, whose sovereign creditworthiness may be threatened. The financial impacts of climate change may propagate through markets before the physical impacts occur.

3. The increasing level of climate risk calls for a comprehensive approach to climate risk management through investments in adaptation to reduce risk and improvements in systems to manage residual risk—those that remain, even when effective risk reduction measures are in place, and for which emergency response and recovery capacities must be maintained.

2 Adaptation must go beyond incremental actions to facilitate transformation.

4. Adapting to climate change in developing countries could cost between USD 140 billion–300 billion by 2030 and USD 280 billion–500 billion by 2050. However, adaptation finance remains limited. Estimates suggest that for developing countries, adaptation finance currently falls short by a factor of 5 to 10 times. Private financing is especially lacking, which hinders efforts to adapt on a larger scale.

5. While recent years have witnessed some increase in the implementation of adaptation interventions, the focus has largely been on adjusting existing development activities to manage climate risks. There have been limited efforts to scale up implementation of targeted investments that have a key objective of adaptation. Analysis shows that most adaptation interventions tend to focus on the short-term and a single hazard. They do not adequately address the root causes of exposure and vulnerability, and they are usually implemented at a smaller scale. Moreover, it is generally easier to finance no- and low-regret, reactive and incremental adaptation and much more challenging to finance transformational adaptation due to difficulty in generating revenue and expected financial returns.

6. These gaps underscore the need to strengthen resilience by urgently scaling up financing for strategic and targeted adaptation interventions that go beyond incremental actions. There is urgent need to enable transformation across systems and unlock opportunities for aligning wider financial flows toward climate resilient development.

3 CIF's Climate Resilience Program will enable MDBs to act at scale and with speed.

7. In response to increasing climate risk and gaps in the implementation of adaptation, the Climate Investment Funds (CIF) proposes to establish a new Climate Resilience Program (CRP) that covers the entire resilience spectrum. CRP focuses on transformational approaches for building resilience through interventions that invest in climate adaptation to reduce risk and that build systems for managing residual risk.

8. Building on CIF's successful country-led, programmatic, and partnership-based approach, the proposed CRP will enable the multilateral development banks (MDBs) to support developing countries with concessional financing in two ways. First, upstream support will strengthen the enabling environment in client countries for scaling up investments in

resilience by the public and private sector. Second, downstream support will finance targeted investments in resilience. Combining upstream and downstream support of targeted resilience investments will enable the MDBs to move beyond the project-by-project approach of primarily climate-proofing of development projects. They will be able to identify and finance a pipeline of synergistic projects, especially in climate-sensitive sectors, that have adaptation as a key objective. They will be able to demonstrate action at scale and with speed.

9. Recognizing the importance of upstream support, CRP will also help countries to articulate their resilience needs and mobilize financing from other financial institutions. This can help widen financial flows toward the adaptation needs identified in Nationally Determined Contributions and National Adaptation Plans. Further, by facilitating strong MDB partnerships in strengthening the enabling environment for adaptation investments, co-identifying priority adaptation investments, and mobilizing institutional support and resources toward common adaptation priorities, CRP will also enable the MDBs to go beyond what they would otherwise do in isolation with their own resources and achieve greater impact.

10. CRP will include three components:

- **Component 1: Undertake climate resilience diagnostics and develop a holistic adaptation investment strategy.** This component will help countries to strengthen the enabling environment for adaptation investments by improving the use of climate analytics for decision making, developing an adaptation investment strategy to mobilize public and private financing, introducing standards to enable verification of resilience benefits and drive private sector investments in adaptation, and embedding investments in adaptation and strategies to manage residual risk in wider country planning and budgeting systems.
- **Component 2: Finance dedicated adaptation investments that enable transformation.** This component will support project preparation, establish project preparation facilities for private sector investments in adaptation, and finance implementation of transformational adaptation solutions across sectors using a range of financing instruments and modalities. Special emphasis will be on adaptation investments that promote gender-responsive solutions, locally-led solutions, and private sector engagement.
- **Component 3: Build country systems to manage residual climate risk.** This component will help identify actions to manage residual risk, strengthen policies for

residual risk management, scale up interventions in disaster risk financing, and support communities in documenting climate impacts.

4 Concessional financing will help unlock opportunities for transformational adaptation.

11. CRP will provide concessional financing channeled through partner MDBs. The availability of predictable concessional finance through CRP will enable the MDBs to support developing countries in scaling up investments in resilience, while providing incentive to developing countries to take up transformational adaptation measures. CRP can also influence the allocation of wider MDB financing for the poorest countries to focus on adaptation. This approach will help creditworthy low- and middle-income countries that may not have easy access to concessional finance, but face high climate risk, to undertake strategic and targeted adaptation investments that can unlock public and private sector investments in adaptation.

12. CRP concessional finance will also encourage countries to move from project-focused adaptation to a programmatic and systemic approach. This shift will be critical for achieving scale and prioritizing transformational measures. Upstream engagement will help countries identify priority adaptation investments and appropriate financing sources, including the private sector. It will also help develop approaches, methodologies, and certification processes that will attract private sector investments in adaptation. Concessional financing for downstream investments will help overcome the barriers that adaptation projects face in delivering outcomes that are public goods or non-market or are in public-dominated sectors. It will also help to de-risk catalytic, first-of-their-kind private sector investments to support adaptation projects that may not otherwise be feasible for private investors.

5 CRP will fill a critical gap globally as a dedicated program on adaptation and resilience at scale and help developing countries overcome barriers in accessing climate finance.

13. CRP will complement adaptation support provided by other global climate funds and other development partners and enable coherence and synergy among different programs and investments. CRP's programmatic approach through upstream support will allow countries to develop an adaptation investment strategy that can serve as the basis of all adaptation support (of various scales and degrees of importance) by different partners, including the

global climate funds and MDBs (though CRP and beyond). Such approach will help build capacity of developing countries to identify adaptation investments that can be potentially financed by different global climate funds, thereby help countries overcome capacity barriers in accessing climate adaptation finance.

14. While adaptation is embedded across CIF's new strategic programs, a dedicated adaptation and resilience program will enable stakeholders to move beyond the sector-by-sector approach for building resilience and increase dedicated transformational investments in climate resilience at the scale, volume, and urgency needed to adequately address severely increasing climate risks. By delivering finance through a country-driven programmatic approach, CRP will be able to directly address the primary adaptation challenges vulnerable countries face.

The Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. To date, 14 contributor countries have pledged funds to CIF that have been channeled for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. The CIF is the largest active climate finance mechanism in the world.

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