Financing from the Ground Up – Experiences in Adaptation Finance from Southeast Asia

Like many vulnerable regions, Southeast Asia depends on climate change adaptation finance to lessen the impact of a warming world on its people and economies. Yet there are several barriers to accessing adequate amounts of adaptation finance and governing funds once they have been allocated. As a result, adaptation priorities can often be set by national-level institutions where relatively high capacity exists and may then be disconnected from the contexts and needs of local people.

Policy Pointers

- Increase connectivity between local stakeholders/decision-makers and national actors in order to ensure local needs are accounted for
- Develop national climate funds that make use of small-grants facilities to bridge the gap between local needs and international funding mechanisms
- Simplify access to climate adaptation finance at the international and national level, while continuing to build the capacity for engagement among local actors

Over the past several decades Southeast Asia has seen an economic boom, followed by extensive land-use change and rapid urbanization. Yet the region also has one of the world's largest populations still directly dependent on natural resources for subsistence living. Because of this, adaptation to climate change in the region depends on grappling with issues of stressed infrastructure in quickly developing cities and highly vulnerable rural peoples. Considering that the tremendous economic gains in the region have been unable to keep pace with development needs, and that economic growth has not been evenly distributed, climate finance is a critical resource for Southeast Asian countries.

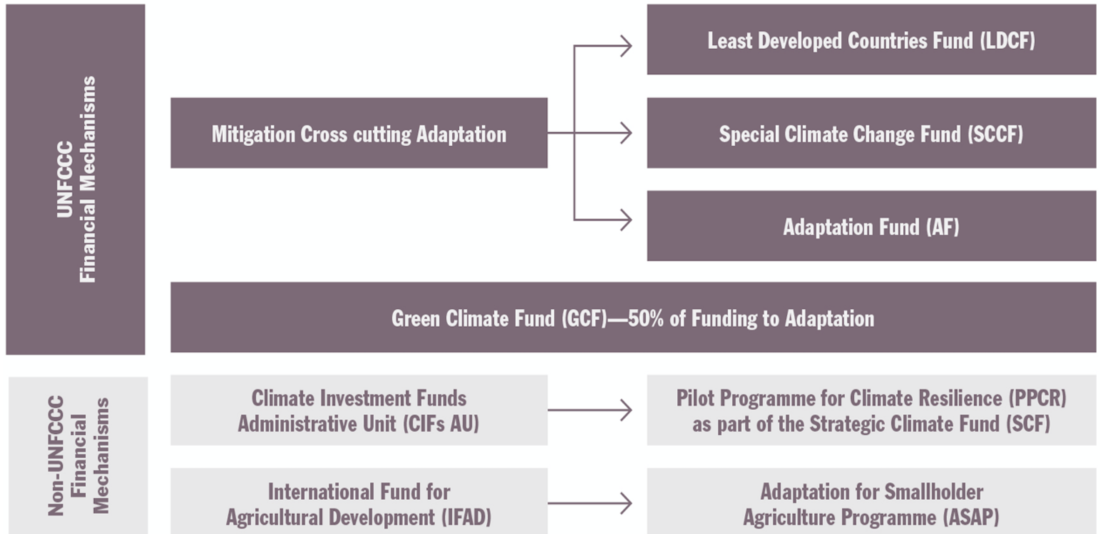
Drawing on experience from nearly a decade of work in the region, work by the Institute for Social and Environmental Transition (ISET) highlights several common barriers to the successful provision of climate adaptation finance and governance across Southeast Asia. ISET's work points to five key barriers to the provision of finance for climate adaptation.

First, definitions of climate adaptation are constantly evolving, making it difficult to understand how much adaptation finance is currently flowing and how much is needed.

Second, the multi-scale nature of climate change is a problem for adaptation finance. Models of climate change are often most accurate at the global level, but are less specific for nations or sub-national units. Similarly, higher-level decision making tends to be better equipped to handle time scales over decades, while local decision-makers may work best from months to years. Yet communities are more in touch with important local circumstances and needs, which is critical to successful adaptation. It is crucial to connect local needs with international and national policy structures.

Third, climate adaptation finance is provided through a fragmented network of institutions, some of which operate under the UN, and others which don't (Figure 1). This, in conjunction with grants and loans provided directly through bilateral finance pathways, can make it extremely difficult for actors with less capacity to successfully

Figure 1: The Fragmented Network of Climate Finance Institutions



Adapted from: Bours, D. (2017, September 6). Program evaluations of the LDCF and the SCCF. Retrieved September 8, 2017, from https://www.climate-eval.org/blog/program-evaluations-ldcf-and-sccf

engage with multiple financing institutions or partners.

Fourth, there are a limited number of actors who are approved to deal directly with large climate funds. In Southeast Asia, most are regionally focused. There are some designated "national implementing entities" who have gained increased access to adaptation funds. However, because relatively few implementing entities are currently approved by climate funds, it is sometimes difficult to secure funding for smaller projects that are relevant at the sub-national scales most relevant to adaptation need.

Fifth, some climate funds have stated that it is difficult to define and recognize bankable adaptation projects. Effective assessment of the costs and benefits of adaptation projects is central to receiving finance, yet without clear guidelines on what adaptation is or how to measure its benefits, there is a tendency submit project proposals which are similar to standard development projects.

These barriers are not unique to Southeast Asia, and are indicative of issues around the world with receiving adequate climate adaptation finance that addresses local contexts and needs.

To read the full chapter on this research, look for the 2017 AdaptationWatch Report, to be released at COP23 in November 2017.

Authors

Ken MacClune
Institute for Social and Economic Transition (ISET)

AdaptationWatch Partners

Adaptify (Netherlands)
Both ENDS (Netherlands)
Brown University’s Climate and Development Lab (USA)
Centre d'Etudes du Développement durable, Université Libre de Bruxelles (Belgium)
ENDA Tiers Monde (Senegal)
Grupo de Financiamiento Climático para América Latina y el Caribe (LAC Region)
International Centre for Climate Change and Development (Bangladesh)
Institute for Social and Environmental Transition (Nepal & USA)
Nur University (Bolivia)
Oxford Climate Policy (UK)
Pan African Climate Justice Alliance (Kenya)
Stockholm Environment Institute (Sweden)
Transparency International (Germany)
University of Colorado-Boulder's Environmental Studies Program (USA)

SEI STOCKHOLM ENVIRONMENT INSTITUTE
Publication and outreach support provided by the Stockholm Environment Institute.