STRENGTHEN RESILIENCE TO CLIMATE AND OTHER SHOCKS

The next administration has a significant window in the COVID-19 period to lead the world in a resilient recovery and “build back better.” Resilience-oriented international engagement can knit together the health, economic, development, food, nature, and climate agendas in an additive manner and demonstrate solidarity and build significant goodwill with developing countries.

Seven key areas to strengthen climate resilience capacities include:
1. Building on the Climate-Resilient International Development Executive Order (EO 13677);
2. Providing funding for international resilience efforts;
3. Supporting country leadership on adaptation and resilience;
4. Measuring resilience contributions in development and humanitarian assistance;
5. Including climate resilience as a principle for international public and private finance;
6. Supporting catalytic private sector investments in adaptation and resilience; and
7. Overseeing new efforts to prepare for and prevent climate change impacts wherever they harm our citizens and interests.

1. Building on the Climate-Resilient International Development Executive Order (EO 13677).

The U.S. Government has made progress in advancing efforts to evaluate climate risks in the development of policy and programs overseas under the EO13677. However, many challenges remain in moving from an evaluation of the risks to meaningfully addressing those risks. Any follow-on to the current Executive Order should substantively move the U.S. Government towards action.

There are multiple groups in different agencies experimenting and developing methodologies and interventions that allow U.S. Government Agencies and their overseas partners to better address climate risks, but these efforts are currently stove-piped and loosely coordinated through the U.S. Global Change Research Program, including its Federal Adaptation and Resilience Group and other Working Groups. In the development of a follow-on direction, the next administration should actively consult with these government stakeholders to ensure that lessons from existing efforts are integrated into the development of a new direction and that consideration is given to the challenges and constraints they face. It should also focus on supporting greater collaboration between domestic and international agencies, as well as between development and defense interests.

Some specific issues that will be critical to address in next steps include how to integrate climate risk management further upstream in strategic decision processes, as the current efforts focus too far downstream where climate risks are already locked in; supporting decision-making and planning under uncertainty; and ensuring that direct funding is provided to implement this agenda. It will also be critical to invest in climate science and applied climate impacts research as well as the development of a variety of tools that may be useful in different
contexts, such as integrating resilience criteria into cost-benefit analyses and supporting financial risk and vulnerability assessments. Lastly, it will be important to consolidate lessons about successful approaches to climate-resilient development, such as the co-creation of climate services, and ensure that new efforts build and expand upon successful development and policy responses.

2. **Providing funding for international resilience efforts** including through the Green Climate Fund, Least Developed Countries Fund, and bilateral assistance.

Dedicated international support for adaptation and resilience efforts, especially for countries that are especially vulnerable to climate change, is urgently needed. As communities around the world experience the adverse impacts of climate change, there is greater recognition that adaptation can help avert or reduce the risk of losses and damages associated with these impacts, with benefit-cost ratios ranging from 2:1 to 10:1, and in some cases are even higher. Investing in climate resilience makes smart economic sense. Finance needs for developing countries are projected to be between USD 140 billion to USD 300 billion annually by 2030. However, international public finance for adaptation currently falls short at an annual average of USD 30 billion in 2017/2018. U.S. leadership should, as it has done previously, encourage other donor countries to step up, especially at a time when ODA levels are at risk as a result of the pandemic and economic crisis and vulnerable countries and communities are facing multiple and compounding risks.

The new administration should push for specialized multilateral and bilateral climate funds to use their mandate to demonstrate how to integrate climate rationale into development and to model programs with the capacity to scale adaptation action with maximum impact. Funding to multilateral and bilateral sources can be used to help build awareness, capacity and expertise among sectoral experts and managers of how to take climate risks and vulnerabilities into account. This in turn will help officials decide when to adjust a project or program to make it more climate resilient, when it is smarter to abandon a planned project or program, and when more transformative approaches are needed.

Dedicated climate funds also have an advantage in demonstrating how devolved approaches to adaptation could work. Very little international climate finance is reaching the local level, and even when it does, the extent to which local actors have a say in decision-making is limited. The new administration should lead the charge for to increase the amount and quality of – as well as access to – devolved funding available to local actors to identify, prioritize, implement and monitor climate adaptation action. If climate funds, through guidance, priorities and funding decisions, support a more integrated approach to adaptation and development, and if countries generate proposals that support this shift, then supply and demand can align for a better way to spend scarce dedicated adaptation dollars.

The new administration should also lead efforts to restructure humanitarian assistance funding to improve the impact of programming in recovery and long-term relief programming. Multi-year predictable funding through assistance programs to private voluntary organizations and
multilateral humanitarian organizations could have a major impact in countries with long standing humanitarian crises. Recent efforts to test and scale up anticipatory and forecast-based risk finance such as the IDA Crisis Response Window and similar efforts by the Central Emergency Response Fund (CERF), Red Cross and WFP, all need to be significantly scaled up.

3. **Supporting country leadership on adaptation and resilience.**

The new administration should focus on supporting partner countries to define and implement their own approaches to addressing resilience to climate change. Although support at the project level can be useful, working with country leadership can help address systemic change that take project learnings to scale, such as changes in building regulations to improve infrastructure resilience. This support should be responsive to country-driven priorities, including as communicated in Nationally Determined Contributions, National Adaptation Plans, and Long-Term Strategies. It should include working with Ministries of Planning and Finance to support climate-informed analysis to guide selection of priorities and integrate them into choices around public expenditures. It should also include supporting capacity development in line ministries to turn priorities into action through improved risk assessment and management practices; selecting and implementing specific approaches, including cross-cutting approaches; and ensuring cross-ministry collaboration (for example, around provision of climate services to support decision-making). It may also include downstream project design, implementation, evaluation, and integration of this experience into future approaches. Lastly, it should include discussion around transformative adaptation pathways, supporting an evolving approach to building resilience, with adjustments over time to priorities and implementation.

4. **Measuring resilience contributions in development and humanitarian assistance,** including through programs in the Quadrennial Diplomacy and Development Review (QDDR).

As assistance programs increasingly integrate climate resilience, more systematic measurement of their contributions to resilience capacities and outcomes is needed. While there has been much done on metrics and taxonomies over the last few years – from the EU Sustainable Finance Taxonomy to the World Bank’s internal resilience rating system – it remains unclear to public and private decision makers what guidance to follow and how best to apply them. There are also gaps in objectively assessing adaptation and resilience. A new administration should provide leadership in this critical space.

The new administration can, for example, redouble investments in long-term monitoring of socio-economic indicators, such as food prices, nutrition, incomes, etc. through programs such as the Famine Early Warning Systems Network and investments in national and local loss and damage databases, promoted through the Sendai Framework for Disaster Risk Reduction. Better data on loss and damage, combined with high frequency data collection on development and humanitarian outcomes, will allow much improved resilience measurement and analysis. Moreover, greater investment in research into resilience capacities at different levels, including within the private sector are critical to guide future investments.
5. **Including climate resilience as a principle for international public and private finance.**

Climate risk has been and continues to be ignored in most investment decisions. The new administration should lead the way in demonstrating how the public sector can ensure that public spending is climate informed from the beginning – and in creating incentives to scale up private sector engagement in adaptation investments. It can help develop and deploy tools and strategies to systematically screen investments and to do so in a manner that is standard practice. The new administration should also consider requiring the disclosure by the private sector of climate risks, in line with the Taskforce on Climate-Related Financial Disclosures. It should explore ways to work with the private sector to create more efficient and effective blended finance vehicles for long-term adaptation solutions. Related to the previous recommendation, it can also lead the way in improving and harmonizing adaptation metrics and resilience rating systems to better enable both the public and private sector to quantify the costs and benefits of investing in adaptation and to track progress.

6. **Supporting catalytic private sector investments in adaptation and resilience**, including insurance and risk-finance mechanisms.

Currently little systematic investment is being made in helping private sector actors to become more climate resilient and lead adaptation efforts. Businesses typically lose more in post-disaster business disruptions than in lost assets caused by climate disasters. In addition, private sector actors, such as agribusinesses will need to make significant investments in new crops, new processes, and new markets in order for large scale adaption to occur.

Therefore, in addition to including climate resilience as a principle for international private finance, the new administration should also use all the mechanisms available, including through assistance programs, multilateral development banks, and the US Development Finance Corporation, to help de-risk private sector investments, lower the barriers to adopting more resilience business models, and support the evolution of the insurance and reinsurance markets to better enable private sector management climate risks. At the same time, investments are needed in catalyzing new markets that support climate change adaptation and mitigation, such as improved carbon markets, soil carbon sequestration, payment for environmental services, etc. Within this effort, the administration should learn from recent efforts to support blended finance, social impact investing and venture capital markets in developing countries and test new ways of incentivizing private investment (e.g. finding ways to limit dilution of equity investments by private sector investors).

7. **Overseeing new efforts to prepare for and prevent climate change impacts wherever they harm our citizens and interests** by building U.S. resilience to climate risks and reducing their scale and scope.

Towards this end, the next administration should launch a major Climate Security Infrastructure Initiative aimed at bolstering civilian-military cooperation to improve the climate resilience of our critical civilian and military infrastructure; plan and train for climate events; and strengthen
U.S. disaster response and recovery efforts. This should be overseen by the Department of Defense and including high-level stakeholders from the services and National Guard, Department of Homeland Security, Federal Emergency Management Agency (FEMA), combatant command (COCOM) leadership, Department of State, USAID, NOAA, and other relevant agencies.

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