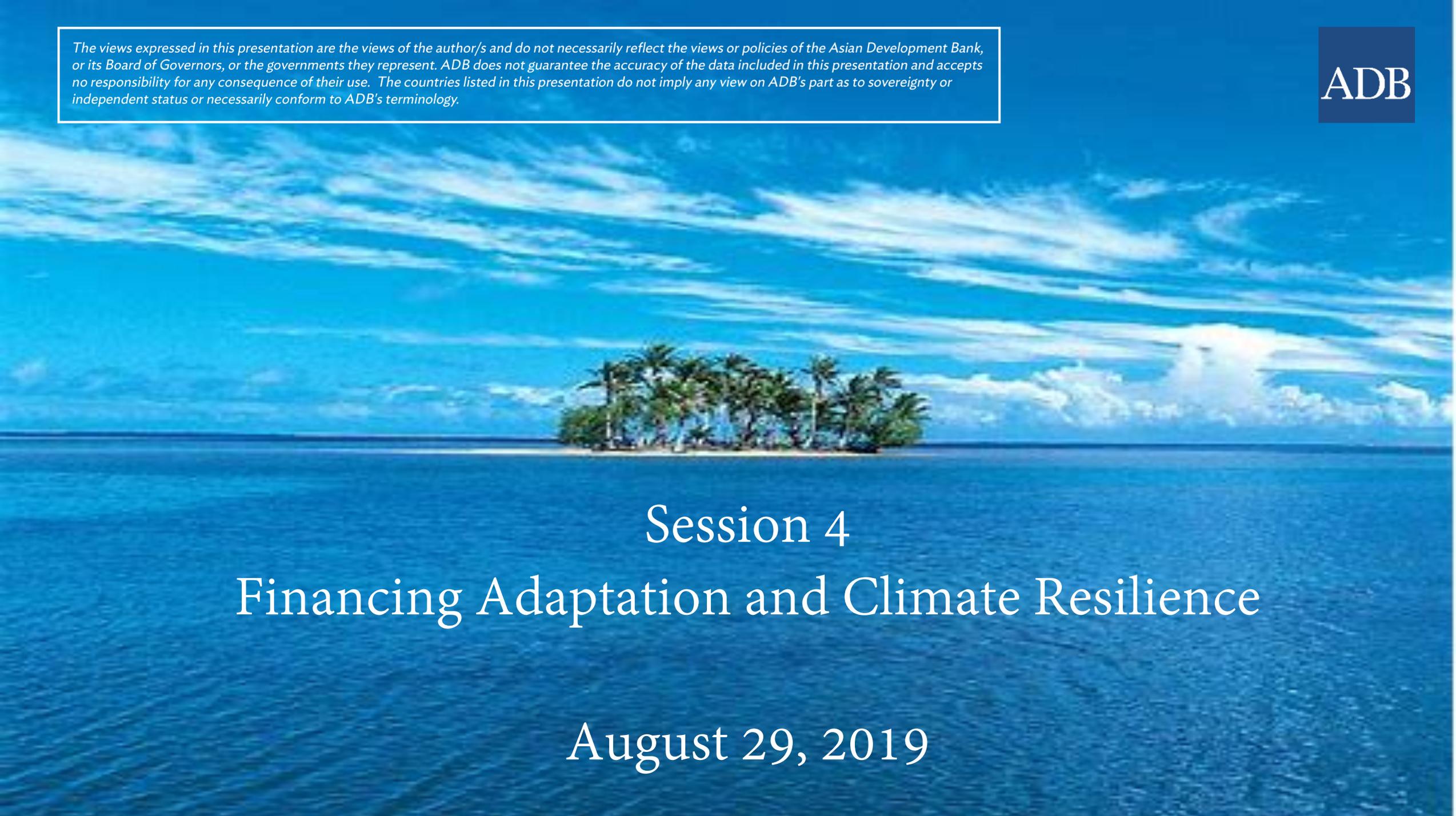


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ADB



Session 4

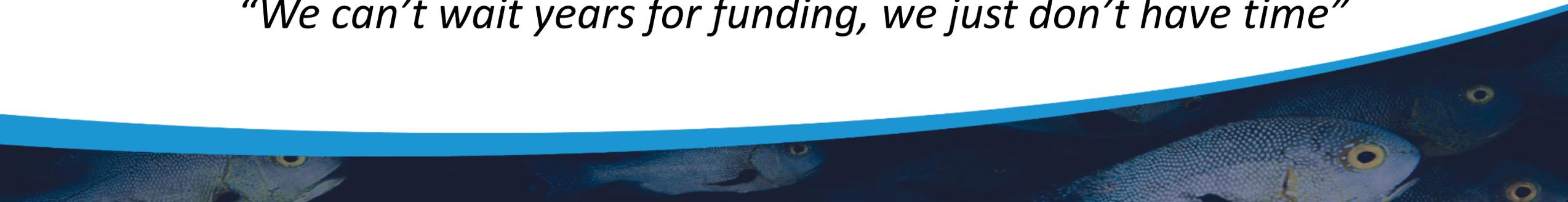
Financing Adaptation and Climate Resilience

August 29, 2019

Urgent finance needs for Atoll nations

- Need for urgent and scaled-up climate finance for Atoll nations
- Adaptation will be very costly relative to national GDP
 - E.g. Coastal protection: Over 5 times the GDP per capita for Kiribati and the Marshall Islands (cumulative cost at PPP)
- Climate finance needs to be more accessible, more timely.

“We can’t wait years for funding, we just don’t have time”



Traditional Public Finance Options

- Governments
 - Prioritize direct budget allocations
- Bilateral institutions
 - Typically provide finance from one developed country to multiple developing countries.
- Multi-lateral institutions
 - Provide funds using their own capital or on behalf of multiple government donors and through their dedicated funds
 - Works with and through international environmental finance mechanisms and funds
- Multi-lateral climate funds
 - Green Climate Fund, Global Environment Facility – amounts contingent on consistent replenishment



How to develop blue finance options?

- What is the value of the blue economy?
- What enabling conditions need to be in place?
- What are investors looking for?
- What instruments can we use?



Bankable projects



Innovative instruments



Access to funds



Session 4: Presenters

1. Mr. John Tanzer:

Global Oceans Practice Leader, WWF International.

2. Mr Michael Adams

President, Ocean Assets Institute





Action Plan for Healthy Oceans and Sustainable Blue Economies

Investing in Sustainable Marine
Economies for Poverty Alleviation
in Asia and the Pacific

ADB's Action Plan commits to expanding investments and technical assistance in ocean health and the blue economy to

\$5 billion

between 2019–2024



FOCUS AREAS



Blue Economy

Creating inclusive livelihood and business opportunities in sustainable tourism and fisheries.



Ecosystem Management

Protecting and restoring coastal and marine ecosystems and key rivers.



Pollution Control

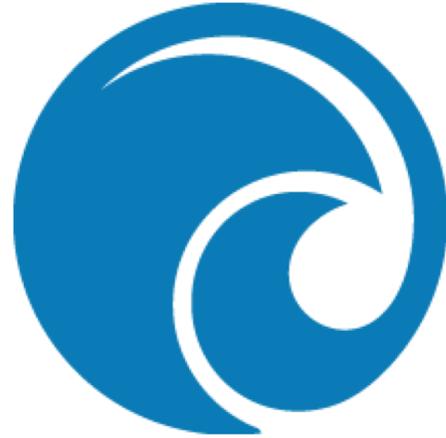
Reducing land-based sources of marine pollution including plastics, wastewater, and agricultural runoff.



Sustainable Infrastructure

Improving sustainability in port and coastal infrastructure development.





OCEANS FINANCING INITIATIVE

Accelerating investment in projects by mobilizing finance and using innovative instruments to attract financing and partnerships with the private sector.

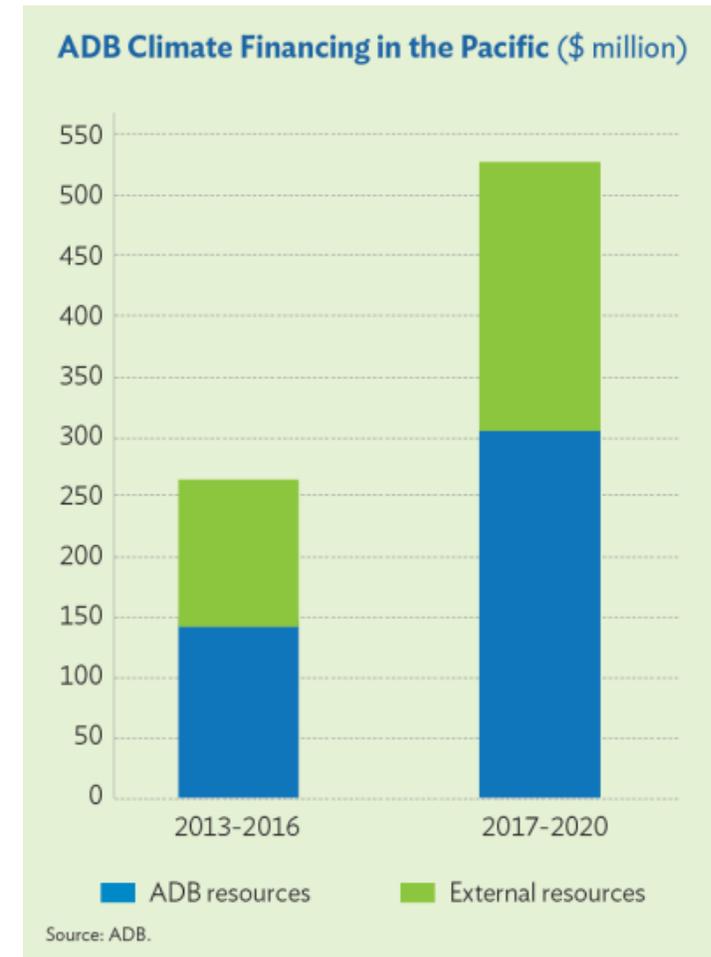
Instruments: Blue bonds and blended finance approaches, with use of guarantees, credit lines, concessional finance,



- Last ten years, ADB projects in the 4 atoll countries = \$107 million (\$54 ADB and \$53 million external climate change finance).
- In 2016, ADB's Pacific Department set a goal to mobilize > \$500 million in climate finance from 2017 to 2020, double the amount secured in the previous 4 years.
- Under ADB's Strategy 2030, operational priority to tackle climate change, build climate and disaster resilience, and enhance environmental sustainability
- By 2030
 - 75% of the number of committed operations supporting climate change mitigation and adaptation
 - \$80 billion cumulative climate finance from own resources (from 2019)

ADB's Climate Finance in the Pacific

- In 2016, ADB's Pacific Department set a goal to mobilize > \$500 million in climate finance from 2017 to 2020, double the amount secured in the previous 4 years.
- The Pacific Department is on track to meet this target.
- In 2017 and 2018, climate finance from ADB's Pacific projects totaled \$235 million (\$155 million from ADB's internal resources), and greater amounts are projected for 2019 and 2020.



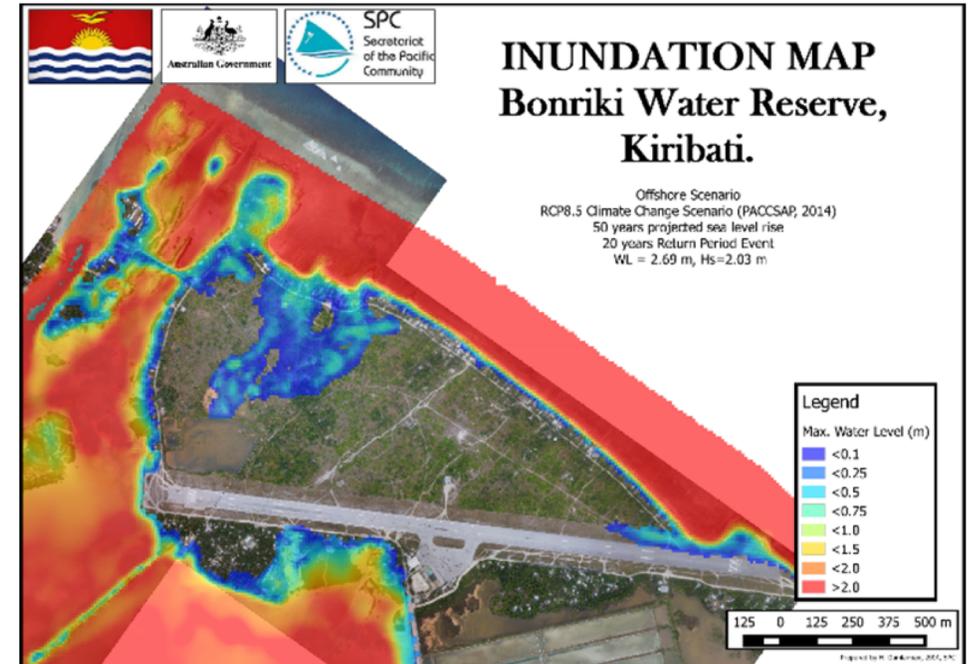
Adaptation Cost Considerations



- Adaptation will be very costly
 - Costs of protecting atoll countries would be very high relative to national GDPs
 - Coastal protection: Over 5 times the GDP per capita for Kiribati and the Marshall Islands (cumulative cost at PPP)
- Tradeoffs and prioritization
 - Large initial expenditures for protection versus emergency relief and recovery programs when disasters occur
 - Geographical allocation of expenditures (not everything can be protected)
- Mix of adaptation options, backed by economic analysis
 - Flood defenses, raising land and/or buildings, or both?
- Resilience as the fundamental focus
 - Food, water, and health security; early warning systems and disaster risk-reduction measures; fiscal and financial resilience and innovative financing instruments

Kiribati - South Tarawa Water Supply Project

- Problem: Sea level rise will threaten the underground lens, which communities rely on for fresh water.
- ADB Support: Project will provide the entire population of South Tarawa with climate resilient water supply through:
 - Seawater desalination plant, powered by solar energy; and
 - Rehabilitated and expanded water supply network.
- ADB: \$13 million; Co-financing: \$41.59 (GCF and WB)
- Key points: Desalination is the most cost-effective climate-resilient option. Project will also build sustainability and capacity, including strengthening tariff regime and revenue collection capacity.



RMI - Majuro Power Network Strengthening Project



- Problem: Key fuel handling and storage facilities are located close to ocean and are at risk from flooding from storm surge.
- ADB Support: Project will provide improved sea wall that will protect facilities from coastal inundation.
- ADB: \$12.7 million; Co-financing: \$1.3 million
- Key point: Diesel is still vital source of fuel for power generation and transportation in RMI.



Tuvalu - Pacific Disaster Resilience Program



- Problem: Many remote island countries have limited resources and capacity to invest in DRR and to facilitate timely recovery and reconstruction after a disaster.
- ADB Support: Ongoing regional program facilitates the flow of contingent disaster financing in immediate aftermath of a disaster for early response, recovery and reconstruction activities.
- ADB: \$3 million (for Tuvalu)
- Marshall Islands to join this year.
- Key Point: Contingent financing is cost-effective in addressing risks for events that would exhaust annual contingency budgets but are too frequent to be covered cost effectively through insurance.



Maldives – Outer Islands for Sustainable Energy Development Project

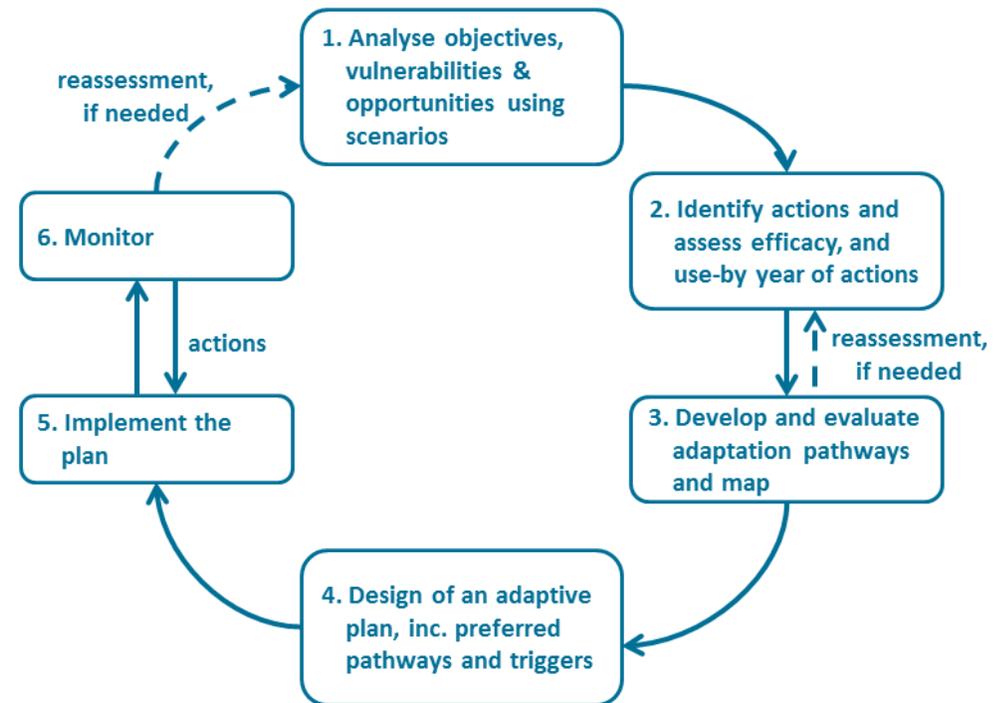


- Problem: Reliance on diesel makes the country dependent on costly oil imports and also results in high carbon emissions per unit of electricity.
- ADB Support: Throughout country, project is replacing diesel-based power generation grids with hybrid systems of both renewable energy and diesel.
- ADB: \$50 million; Co-financing: \$65 million
- Key point: Transition to renewable energy has strong economic rationale, as it will improve the financial situation of the government while at the same time lowering costs for consumers.



Adaptation Pathways Approach

- With limited finance to address massive adaptation needs, funds must flow to projects that offer effective and economical long-term solutions to improve resilience.
- Key steps
 - Multi-hazard risk assessment
 - Long-term strategic vision
 - Step-by-step adaptation options (e.g. integrated protection, strategic filling, relocation) with triggers
- Prioritize security, well-being, identity, self-determination, human rights, and survival



Source: <https://www.deltares.nl/en/adaptive-pathways/>

Other Potential Finance Options



- Green bonds?
- Insurance pooling?
- Debt-for-climate/debt-for-nature swaps?