

Synthesis report on efforts of developing countries in assessing and meeting the costs of adaptation

Draft annotated outline

Recommended action by the Adaptation Committee

The Adaptation Committee (AC), at its 21st meeting, will be invited to consider the draft annotated outline of the synthesis report as contained in the annex document and provide further guidance towards its completion.

1. Mandate and background

1. The CMA, in its decision 11/CMA.1, requested the secretariat, under the guidance of the AC and the LEG and in collaboration with relevant stakeholders, to prepare synthesis reports every two years starting in 2020 on specific adaptation themes, focusing on relevant lessons learned and good practices in developing country Parties. This mandate was issued in the context of the CMA's consideration of recognizing adaptation efforts of developing countries.¹
2. The first one of these synthesis reports was issued at the end of 2020 on the theme of "*How developing countries are addressing hazards, focusing on relevant lessons learned and good practices*".² At its 19th meeting, the AC agreed on the theme for the second synthesis report, due in 2022, as: "*Assessing and meeting the costs of adaptation*".
3. At its 20th meeting, the AC agreed on the broad outline of the report as contained in document (AC20/INFO/5D) and requested the secretariat to prepare a first draft for consideration at AC 21. A draft annotated outline of the synthesis report is contained in the annex.

2. Next steps

4. The AC will be invited to:
 - a) Consider the draft annotated outline of the synthesis report as contained in the annex to this document and provide further guidance;
 - b) Consider a first draft of the synthesis report in the inter-sessional period;
 - c) Approve the final draft at AC22.

¹ Decision 11/CMA.1, para. 13.

² <https://unfccc.int/documents/267818>.

Annex: Draft outline of the synthesis report on “Efforts of developing countries in assessing and meeting the costs of adaptation”

1. Summary

1. A 3 to 4-page summary, aligned to findings from the four sections of main study.
2. Key graphics / results:
 - a) Number of countries which have reported adaptation costs (number) – with a split by geographical region or LDC/non LDC. Split of countries in NDC versus other submissions;
 - b) Methods used to produce adaptation costs (Number/% by each method);
 - c) Analysis of which sectors countries have reported adaptation costs;
 - d) Analysis of which sectors covered;
 - e) Total costs of the adaptation costs by all countries reported:
 - i) Costs reported for sector and by region.
 - f) Current expenditure on adaptation. USD and/or % of GDP.

2. Introduction and background (4 pages)

2.1. Background and objectives

3. The Adaptation Committee, at its nineteenth meeting, agreed to merge the suggested topics of assessing the costs of adaptation and meeting the costs of adaptation for its second synthesis report. It requested the secretariat to prepare a synthesis report on the theme of “Efforts of developing countries in assessing and meeting the costs of adaptation” for consideration at AC 20.

2.2. Outline of the report

4. The Adaptation Committee produced a background note/outline ([AC20/INFO/5D](#), version 01.0 from 30 August 2021) on ‘Recognizing the adaptation efforts of developing country Parties: Assessing and meeting the costs of adaptation’. This set out the report outline as below:
 - a) The scope for the report was defined as follows: It will recognise efforts taken by developing countries in assessing and meeting the costs of adaptation, based on the review of the following as the main sources of input:
 - i) Countries self-reported documents, including Nationally Determined Contributions (NDCs), National Communications (NCs), Adaptation communications (AdComms), National Adaptation Plans (NAPs), and National Adaptation Programmes of Action (NAPAs);
 - ii) Other relevant reports under the UNFCCC, including the SCF Needs-based Finance project, Determination of the needs of developing country Parties and Fourth Biennial Assessment and Overview of Climate Finance Flows;
 - iii) Reports from operating entities of the UNFCCC financial mechanism (e.g the Green Climate Fund, Global Environment Facility, and Adaptation Fund), UN organizations multilateral agencies, and multilateral development banks, including information from the Pilot Program for Climate Resilience (PPCR).
5. This should aim to provide a solid reference to the efforts of developing countries, despite the challenges, in appraising the costs of adaptation and investing their resources and efforts into it.

2.3. Methodological issues with the costs of adaptation

6. This chapter will set out:

2.3.1. Definitions and framing of the cost of adaptation

- a) Concept of future impacts, adaptation costs, and residual damages;
- b) Economic versus financial costs.

2.3.2. How adaptation objectives / targets affect the costs of adaptation

- a) Economic efficiency versus acceptable levels of risk versus return to current;
- b) Equity and allowable trade-offs, and differing views between funders and impacted;
- c) Framing: if - then frameworks versus real world (and uncertainty).

2.3.3. Assumptions and factors that influence the costs of adaptation

- a) Level of climate change and uncertainty;
- b) Site and context specificity;
- c) Temporal changes;
- d) Baselines (including development scenarios);
- e) Adaptation deficit (included or not);
- f) Aggregation (or not) of risks and opportunities.

2.3.4. Additional issues that are important

- a) Coverage of risks (monetary and non-monetary effects);
- b) Distributional impacts;
- c) Discount rates and time horizons;
- d) Economy-wide impacts;
- e) Hard versus soft adaptation options, building capacity vs delivery adaptation;
- f) Ancillary Benefits (co-benefits);
- g) Public versus private adaptation;
- h) Mitigation and adaptation linkages and trade-offs;
- i) Limits of adaptation.

3. Assessing the costs of adaptation (30 pages)**3.1. Introduction****3.2. Methods for assessing the costs of adaptation**

- 7. Outline of potential methodological approaches:
 - a) Integrated assessment modelling;
 - b) Computable general equilibrium (CGE) modelling;
 - c) Econometric modelling;
 - d) Investment and financial flow analysis;
 - e) Sector integrated assessment;
 - f) Bottom-up impact assessment;
 - g) Needs based assessment;
 - h) Other forms of vulnerability or adaptation assessment;

- i) Decision making under uncertainty.
8. Each method briefly described:
- a) Analysis of how choice of method addresses the challenges above;
 - b) How do methods compare, outline their strengths and limitations?
 - c) How do methods affect the size of costs?

3.3. Estimates of the costs of adaptation

9. This section will provide insights into developing countries' estimates of costs of adaptations, followed by a description of how developing countries have applied them with case studies in boxes.

3.3.1. National estimates from NDCs and NAPs

10. Analysis of estimates from developing countries in UNFCCC submissions, and analysis of methods and assumptions.

3.3.2. Estimates from other relevant reports under the UNFCCC (incl. SCF)

11. Analysis of estimates from developing countries in other relevant reports and estimates under the UNFCCC, including the SCF Needs-based Finance project, Determination of the needs of developing country Parties and Fourth Biennial Assessment and Overview of Climate Finance Flows, and analysis of methods and assumptions.

3.3.3. Reports from operating entities of the UNFCCC financial mechanism

12. Analysis of estimates from developing countries from operating entities of the UNFCCC financial mechanism (e.g the Green Climate Fund, Global Environment Facility, and Adaptation Fund), UN organizations multilateral agencies, and multilateral development banks, including information from the Pilot Program for Climate Resilience (PPCR) and analysis of methods and assumptions.

3.3.4. National estimates from the literature for developing countries

13. Compilation of academic and grey literature studies for country costs of adaptation Comparison to country values above.

3.3.5. Analysis of data

- a) Mapping of which methods have been used by developing countries;
 - b) Analysis of data – which methods used more commonly;
 - c) If countries are not yet making use of the methodologies listed above, this could be mentioned as a general observation;
 - d) Lessons and further needs.
14. Analysis and summary of data analysed above:
- a) Total costs of the adaptation costs by all countries reported:
 - i) Cost reported for sector (and region) and analysis of where costs are highest.
15. (Question if we should try and extrapolate to aggregated total developing country estimate).

3.4. Experience with estimating adaptation costs

16. Discussion of results.
17. Discussion of challenges, insights, lessons and further needs.

4. Meeting the costs of adaptation (10-15 pages)

4.1. Developing countries' domestic expenditure on adaptation

18. This section will look into how much each of developing countries spends on adaptation activities. (Note there are only around 20 countries that have done such analysis).
19. It will include country experiences (e.g. boxes/case studies) as well.
20. Methods and issues with estimating expenditure on adaptation.
21. Country studies of adaptation related expenditure (CPIER/CBT) (for countries where available)
22. Reported as USD and as % of GDP.

4.2. Developing countries efforts to create enabling conditions to access and mobilize funding for adaptation

23. Summary of efforts by developing countries to create enabling conditions to access and/or mobilize support for adaptation, including from domestic and international funds.
24. Recognise all possible aspects of adaptation efforts by developing countries while focussing on relevant lessons learned and good practices.
25. List options for establishing enabling conditions for accessing/mobilizing the various sources of adaptation finance and describe how developing countries have implemented them (with case studies):
 - a) Current finance flows for adaptation, and split by source;
 - b) Barriers and constraints to adaptation finance;
 - c) Enabling conditions to address these barriers;
 - d) Public sector finance – stock take, lessons and good practices (sources, use of public finance, instruments, etc);
 - e) Private sector and blended finance – stock take, lessons and good practices (sources, use of finance, instruments, etc);
 - f) Activities to enhance finance at political level - including summary of initiatives and good practice, to include:
 - i) Activities to enhance finance at operational level – including;
 - ii) capacity building for facilitating access to finance;
 - iii) shift to strategic planning (including finance ministries);
 - iv) Macro-economic and fiscal issues and opportunities;
 - v) Transparency of finance flows.

4.3. Overall experience with domestic expenditure

26. Overall experiences with domestic expenditure and establishment of enabling conditions.
27. Lessons and further needs.

5. Key findings, experiences and insights (5 pages)

5.1. Key findings and insights

5.2. Lessons and further needs

6. References.

Documentation information

| <i>Version</i> | <i>Date</i> | <i>Description</i> |
|-------------------------|---------------|--|
| Draft annotated outline | 24 March 2022 | AC21 The annex of this document contains a draft annotated outline of the synthesis report for further guidance by the AC towards the completion of the report. |

Keywords: Resilience, developing country Parties, costs, Adaptation
