

LAHTI CONCLUSIONS

Chair's Summary

Ministers and senior representatives met in Lahti, Finland – the Green Capital of Europe 2021 – on 3-4 April to put climate adaptation finance at the forefront of climate discussions in 2022.

Mr Ville Skinnari, Finland's Minister for Development Cooperation and Foreign Trade, chaired the first ministerial dialogue of the Champions Group on Adaptation Finance since COP26. The meeting was welcomed as the start of a collaborative process with the attendees¹, to keep political attention on adaptation finance and drive action. It proved critical for discussing adaptation finance priorities, challenges and solutions for a common approach ahead of COP27.

Building on the outcome of COP26, the dialogue highlighted the need to increase the levels of climate finance for adaptation, mobilise private sector finance and enhance the quality and accessibility of finance, particularly for LDCs and SIDS, in the run up to COP27 and beyond. Discussions stressed the need and opportunity for enhanced collaboration between finance providers, delivery mechanisms and recipient countries to ensure the climate finance system was fit-for-purpose to enable investment in transformational adaptation efforts at all levels.

Over discussions, the Champions Group on Adaptation Finance formalised their vision and objectives, culminating in the [Lahti Ministerial Statement of Commitment](#). They engaged in dialogue with LDCs, SIDS, climate funds and other key stakeholders to agree on next steps, which were summarised in the [press release](#) published shortly after concluding the dialogue. Participants agreed to continue dialogue and work in partnerships to drive the wider global climate finance community towards creative solutions on adaptation finance priorities.

Collective plan and innovative approaches to increase the quantity of adaptation finance

Discussing how to progress the Glasgow Climate Pact call to double adaptation finance by 2025 on 2019 levels, participants agreed that all stakeholders need to be engaged and **a collective plan** is needed for delivery. The Champions Group, LDCs and SIDS discussed forming an informal sub-group to work together to drive political agreement and champion the development of such a plan. This must be done in collaboration with all climate finance providers, building on existing efforts. LDCs and SIDS stressed the importance of delivering this plan by COP27.

There was agreement that more ambitious and **innovative approaches** are needed to mobilize and channel adaptation finance. Issues critical to increasing the quantity of finance available include the need to increase the grant share of adaptation finance to avoid increasing unsustainable levels of debt, particularly in climate vulnerable countries. The need to think beyond Official Development Assistance was also brought up in the discussions. To bridge the gap in

¹ In addition to the Champions Group on Adaptation Finance (Australia, Belgium, Denmark, Finland, Germany, Ireland, Italy, the Netherlands, New Zealand, Sweden and the United Kingdom as well as the African Development Bank and European Commission), the attendees included the Least Developed Countries (LDC) Group, Alliance of Small Island States (AOSIS), United Kingdom COP26 Presidency, Egyptian COP27 Presidency Designate, the United Nations, and guests from Uganda, Rwanda, Maldives, Canada, the USA, Norway, Iceland, the Adaptation Fund, Green Climate Fund, Nordic Development Fund, OECD Development Assistance Committee, Global Center on Adaptation and the Coalition of Finance Ministers for Climate Action. E3G and the International Institute for Environment and Development acted as co-facilitators of the meeting.

adaptation needs, which are estimated to reach up to \$300bn per year in developing countries by 2030, finance flows need to come from variety of sources.

There was support from participants on the need to **mobilise the private sector** for adaptation. SIDS stressed that mobilising adaptation finance from the private sector is important but needs to consider the contexts of climate vulnerable countries, including the small size of economies, perceptions of high country risk as well as climate risks, which may hinder private sector interest. Often investment in adaptation is avoiding losses rather than providing returns. Funds gave examples how they are investing in innovation in adaptation and through cooperation have been able to scale up successful concepts. Finnish private sector representative, Vaisala, highlighted how cooperation between academia, private sector and government supports private sector involvement in the field of meteorology.

Participants raised that **political leadership** is needed to deliver adaptation finance commitments. One of the aims of the Champions Group is to bring other countries along, “make everyone a champion for adaptation finance”, as stated by Kitty van der Heijden, Vice Minister for International Cooperation at the Ministry of Foreign Affairs, Netherlands.

Easier access to adaptation finance required

Participants acknowledged the challenges to accessing climate finance as a major issue to address. Application procedures are considered cumbersome and lengthy by many LDCs and SIDS, requiring significant upfront investment. Sufficient resources are required for designing projects, and capacity in this regard needs to be built and kept. Practical ideas were put forward, such as **simplifying and harmonising application processes** of climate funds and sharing successful practices. Participants advocated **moving beyond project by project approvals**, and instead supporting nationally owned programmatic approaches through aggregating platforms for financing, where Rwanda’s representative raised the example of their Green Fund.

LDCs, SIDS and the Champions Group in particular agreed to collaborate together to better understand the issues and make progress towards solutions, including linking in to the **Taskforce on Access to Climate Finance** and using positions on boards and committees of multilateral development banks and funds to advocate for better access.

SIDS representatives particularly highlighted the challenges some higher-income SIDS have in accessing climate finance due to the eligibility criteria, and urging funders to move towards the use of **multidimensional vulnerability criteria** for concessional finance, beyond simply a focus on Gross National Income. The Champions Group, OECD DAC and LDCs and SIDS proposed to have an urgent follow up discussion on this issue.

Transparency, capacity building and cooperation to boost quality of adaptation finance

Champions Group representatives, LDCs and SIDS reiterated the importance of strengthening the **transparency of climate finance** to know if funding is reaching the most vulnerable. Improved transparency from donors, intermediaries and recipients is critical for building trust and enhancing accountability. LDCs and SIDS urged the Champions Group to include transparency as a priority within their work plan, and offered to work closely with them and the OECD DAC on strengthening transparency arrangements and implementing the [DAC Declaration on Climate the Environment and Biodiversity](#).

Participants stressed the need to better **connect climate and finance portfolios** within governments in discussion with the [Coalition of Finance Ministers for Climate Action](#) – a Finnish and Indonesia led coalition of 71 member countries that strives for integrating climate aspects as an integral part into economic and finance policy. Participants raised the importance of **mainstreaming climate impacts and risks into macroeconomic planning** and modelling economic scenarios, and ensuring long term climate strategies consider economic opportunities.

This requires **strengthening the capacity of Finance Ministries** to understand and engage with climate risk and information, and collaboration with Environment Ministries.

There was support from the Champions to work with LDCs and SIDS to really build understanding of how to strengthen the quality of adaptation investment overall, to learn from what works and why. LDCs reiterated that addressing the quality of adaptation finance was a priority for them, including through mechanisms such as the **LDC Initiative for Effective Adaptation and Resilience** (LIFE-AR), and they want to work with Champions Group members to document real-life examples. AOSIS called for a similar approach.

Creating the Lahti collaboration legacy

Strong partnership was a common theme throughout the day. There was strong ambition among participants to work together to explore and progress the priorities raised in Lahti. For example, participants discussed partnering in groups of 2-3 to take forward advocacy to wider parties on these issues and to progress the issues raised above on the quantity, quality and access to climate finance, including in discussions with climate funds and multilateral development banks. Further, the attendees agreed to collaborate to **influence progress on these priorities at major events and meetings** as listed in the Statement of Commitment.

As well as identifying concrete actions, participants also identified a number of initiatives that contribute towards achieving the outcomes from the discussions in Lahti, including:

- the UN Secretary General and WMO initiative to prepare an early warning financing package to be approved by COP27 and Finland reiterating its commitment to continue its support
- The UK highlighted its £100m contribution to the work of the Taskforce on Access to Climate Finance, including the Principles and Recommendations on Access to Climate Finance launched at COP26, and Taskforce country pilots in Fiji, Rwanda, Uganda, Bangladesh & Jamaica, and invited all partners to engage.
- Practical approaches incl. the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR); the need to build “Adaptation Partnerships” in analogy of the Just Energy Transition Partnership was brought up by the UN ASG
- Initiatives focused on Africa, such as the recently announced African Adaptation Acceleration Program’s Upstream Financing Facility, Adaptation Benefits Mechanism, and forthcoming replenishment of the African Development Fund
- New Zealand working with AOSIS and the Overseas Development Institute to support capacity to operationalise Article 2(1)(c) in three Small Island Developing States
- Egypt to hold a Finance Day on the margins of COP27 as well as table a number of initiatives related to Climate Finance, based on ideas related to debt swap and decreasing the cost of green borrowing for developing countries.

The discussions were fruitful and ambitious. At the conclusion of the event, all participants agreed the Lahti Adaptation Finance Ministerial was critical in building a shared agenda and priorities between participants and identifying opportunities to collaborate and leverage key moments through the year to land strong adaptation finance outcomes at COP27.

Finland will continue to work through the Champions Group on Adaptation Finance to drive progress on the issues raised at major moments this year.