SIDE EVENT: Scaling-up Finance for Adaptation and Just Transitions
Second G20 Sustainable Finance Working Group Meeting
25th March 2025 | George, South Africa

Presidency & Co-Chairs' Summary

The G20 Sustainable Finance Working Group (SFWG), in partnership with the South African Presidential Climate Commission (PCC) and the Banking Association South Africa (BASA), hosted a side event during the 2nd SFWG meeting in George, South Africa. The event brought together policymakers, financial institutions, development partners, and private sector to discuss practical approaches to scaling up finance for adaptation and just transitions, with a focus on:

- Integrating adaptation considerations into national transition strategies
- Mobilising private capital for adaptation at scale
- Strengthening the role of multilateral institutions and development partners
- Addressing sector-specific financing barriers, particularly in water infrastructure

The event started with a keynote address from the Executive Director of the PCC, followed by four sessions of presentations and panel discussions examining country experiences, private sector mobilisation, institutional roles, and sectoral challenges. Participants from the South Africa Just Energy Transition Project Management Unit, NinetyOne, FirstRand Group, Rand Merchant Bank, South Africa's National Business Initiative, National Treasury South Africa, Brazilian Ministry of Finance, Netherlands Ministry of Finance, African Development Bank, Adaptation Fund, OECD, UNDP, World Benchmarking Alliance, UNEP FI and a member of the Technical Expert Group of the Taskforce on Net Zero Policy brought a wide and diverse range of experiences.Five key themes emerged:

First, successful adaptation financing requires breaking down institutional silos and adopting integrated, whole-of-society approaches. Panellists emphasised that adaptation and mitigation efforts often overlap in practice and require coordinated planning across ministries and sectors. Brazil's transformation and investment plan, launched in 2024, exemplifies this approach by combining climate action with economic development goals across multiple administrations and sectors. South Africa's experience with the Climate Investment Funds' accelerating coal transition plan demonstrated how grant finance (USD 50 million) and concessional funding (USD 450 million) can leverage significant private investment when properly coordinated.

Second, creating bankable adaptation projects remains a fundamental challenge that requires clear taxonomies, robust data, and innovative financial instruments. Private sector representatives highlighted the need for standardised frameworks and technical guidance to distinguish between different types of investments (e.g., transition, mitigation and adaptation). Participants noted that adaptation investments often lack clear revenue streams, making blended finance instruments with first-loss tranches essential for attracting private capital. Successful examples of such innovative instruments included Ghana's 2020 green bond (40% guaranteed by the World Bank) for climate-resilient infrastructure and Belize's catastrophe bonds with parametric insurance features that provide immediate liquidity in the aftermath of a natural catastrophe.

Third, accurate climate data, improved modelling capabilities and cross-institutional engagements are required to adequately price risks and thereby increase investments in adaptation. The disconnect between physical climate risks and financial risk assessments prevents proper pricing and allocation of capital. Panellists called for investments in granular, localised climate data and open-source risk models. Credit rating agencies' limited presence in emerging markets was identified as a factor contributing to risks' mispricing. The role of insurance industry was discussed, particularly how insurance can support investments in adaptation and resilience by aligning insurance pricing and availability with proven mitigation and adaptation measures that reduce risks and losses. Panellists raised concerns on the over-reliance of financial institutions on insurance, and the risk when insurance coverage is withdrawn.

Fourth, addressing sector specific financing gaps requires comprehensive policy reform and innovative governance structures. In the water sector, the Netherlands' multi-layered security approach and independent Delta Commissioner model demonstrated how depoliticised, coordinated governance can effectively channel adaptation investments. South Africa's water sector challenges, including infrastructure deterioration and governance issues, underscored the need to use climate adaptation imperatives to drive broader institutional reforms. Panellists emphasised that basic service delivery improvements often constitute adaptation measures, requiring a "back to basics" approach before pursuing complex financing mechanisms.

Fifth, geopolitical tensions and the associated economic challenges, coupled with the need for sustained political will, pose constraints to adaptation finance. Panellists noted that both advanced and emerging economies struggle with short-term political cycles that can undermine long-term climate commitments. The importance of promoting a strong and continued G20 leadership to provide globally coordinated responses to adaptation challenges was emphasised, particularly given cuts to Official Development Assistance in some regions and weakening international cooperation. Building public support through transparent communication about adaptation benefits and ensuring just transitions that bring communities along were identified as essential for maintaining political momentum.

In closing, the PCC Executive Director emphasised the importance of whole-of-society approaches to ensure adaptation does not lag mitigation efforts and that "just resilience" must focus on livelihoods beyond economic metrics. The need for clarity on private sector investment opportunities through common disclosure metrics and taxonomies was highlighted, while recognising that grants remain necessary where private finance cannot reach. The SFWG Co-Chair summarised that successful scaling requires coordinated approaches tailored to country contexts, systemic solutions through subsidies, blended finance, and first-loss mechanisms. Making projects bankable and insurable requires continued work on taxonomies, data infrastructure, and fintech solutions, with a focus on sectors most relevant and bankable for adaptation to achieve deeper impact.