POLICY BRIEF

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Pathways to Integrating Adaptation and Resilience into Financial Transition Plans for Climate-Resilient Development

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Samson Mbewe, Programme Lead, SouthSouthNorth (South Africa)
Phatsimo Rahman, Programme Lead, SouthSouthNorth (South Africa)
Mairi Dupar, Senior Technical Advisor, Climate and Development Knowledge Network (CDKN) (UK)
Dr Shehnaaz Moosa, Director, SouthSouthNorth (South Africa)

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Accelerating Climate Action and the Just Energy Transition

Abstract

Adaptation remains severely under-prioritised in global financial transition planning, exposing a gap in attention and a deeper failure across financial systems. As climate impacts accelerate, especially for least developed countries (LDCs) and small island developing states (SIDS), the economic and social losses grow more severe. A convergence of five systemic, institutional and epistemic barriers drives this imbalance: institutional bias towards mitigation, fragmented data infrastructure, misaligned financial incentives, lack of standardised adaptation metrics, and return-on-investment models that omit resilience co-benefits.

The G20, given its influence over global financial norms, is well positioned to shift this trajectory. Building on the G20 Sustainable Finance Roadmap, Indonesia's 2022 Transition Finance Framework, and Brazil's 2024 Principles for Financial Institution and Corporate Transition Plans – alongside the forthcoming Global Goal on Adaptation (GGA) indicators under the UAE-Belém Work Programme – there is now a foundation for embedding adaptation within transition planning.

This brief proposes three mutually reinforcing policy recommendations for G20 members to champion:

- mandating adaptation-inclusive transition plans aligned with TCFD and national strategies (NDCs and NAPs) to steer finance toward resilience;
- strengthening institutional capacity in climate-vulnerable countries, with a focus on local risk data and tools to assess the resilience dividend; and
- aligning monitoring systems by linking financial disclosures with GGA-compatible tracking frameworks to improve transparency and accountability.

This is not a call for incremental reform but a demand for a systemic reset to confront the equity crisis embedded in adaptation finance. G20 members should take up this challenge to strengthen macro-economic resilience and lead a shift toward more inclusive, just, and climate-resilient development.

Keywords: Adaptation Finance, Resilience, Financial Transition Plans, Climate Risks, LDCs/SIDS, Monitoring Mechanisms, Climate Data Systems, Institutional Capacity

Diagnosis

The imperative for adaptation and resilience in financial transition plans

The rising frequency and severity of climate-related events have made it urgent for all financiers of adaptation – public development banks, international financial institutions, commercial banks, insurers, asset managers, and domestic financial actors – to integrate adaptation and resilience into their transition plans. Aligning capital flows with climate-resilient development pathways is no longer optional.

However, adaptation remains marginalised in the financial transition discourse. Mitigation still dominates global financial frameworks, leaving adaptation under-prioritised, particularly in low-income and climate-vulnerable countries.[1] This imbalance reflects more than technical or financial complexities. It signals innate systemic gaps[2] in *how* adaptation-related risks are defined, assessed, and managed – gaps that shape the strategies of financial institutions and their approach to climate risk.[3]

For least developed countries (LDCs) and small island developing states (SIDS), the costs of loss and damage are already material. Ignoring adaptation and resilience in transition planning risks deepening vulnerabilities, exacerbating fiscal constraints, and increasing exposure to future loss and damage. These countries often face high debt burdens and limited fiscal space, where climate impacts

[1] Network for Greening the Financial System. *Conceptual Note on Adaptation*. Technical document. November 2024. https://www.ngfs.net/system/files/import/ngfs/medias/documents/ngfs_conceptual_note_on_adaptation.pdf.

[2] B. Argueta, *NCQG: The Role of Different Sources for Adaptation Finance* (Germanwatch, September 2024), https://www.germanwatch.org/en/91541.

[3] Financial Stability Board (FSB), *The Relevance of Transition Plans for Financial Stability* (2025), accessed March 28, 2025, https://www.fsb.org/uploads/P140125.pdf.

erode government revenue, threaten macroeconomic stability, and deepen inequality.

Structural, institutional, and epistemic barriers[4] continue to hinder meaningful integration of adaptation into financial decision-making processes and long-term sustainability goals.

- **Institutional inertia:** Financial systems remain mitigation-heavy, with nascent adaptation practices and awareness.
- **Fragmented data systems:** Climate risk data remains siloed and inconsistent across institutions and actors, impeding policy design, project design, investment targeting, and the effective measurement of adaptation outcomes.
- **Misaligned incentives:** Financial institutions prioritise short-term returns over long-term resilience, with few regulatory frameworks to incentivise adaptation investments.[5]
- **Lack of standardised methodologies:** Globally accepted metrics and frameworks for adaptation-focused transition planning are absent, especially for different contexts.
- **Narrow framing of 'returns on investment' for adaptation:** Many adaptation benefits – such as reduced vulnerability, ecological restoration, and community resilience – are not adequately valued in traditional cost-benefit analyses.[6] This undermines investment cases for socially and ecologically oriented adaptation efforts.

[4] World Bank, *Rising to the Challenge: Climate Adaptation and Resilience* (Washington, DC: World Bank, 2024), https://www.worldbank.org/en/publication/rising-to-the-challenge-climate-adaptation-resilience (accessed March 15, 2025).

[5] OECD, *Climate Adaptation Investment Framework*, Green Finance and Investment (Paris: OECD Publishing, 2024), https://doi.org/10.1787/8686fc27-en.

[6] Mairi Dupar, Elvina Henriette, and Eric Hubbard, *Nature-Based Green Infrastructure: A Review of African Experience and Potential* (London: ODI, 2023).

Together, these barriers prevent the ability of LDCs and SIDS to access, mobilise or attract financing for adaptation, perpetuating cycles of vulnerability. The 2024 UNEP Adaptation Gap Report estimates that developing countries will require between $187 billion and $387 billion annually by 2030 to meet their adaptation needs.[7] Priorities lie in agriculture, water, and infrastructure, where financing gaps are most acute due to rising climate impacts and chronic underfunding of resilience measures. Current levels of international public finance fall well below this,[8] representing a growing threat to development and macro-financial stability.

These systemic barriers and finance gaps are particularly acute in LDCs and SIDS, where limited adaptation finance is compounded by limited capacity to assess climate risks and access or secure funding. Without targeted support for risk assessments, particularly for diverse communities and production systems, adaptation planning, institutional strengthening, and investment in resilience will continue to fall far too short.[9] This brief proposes developing adaptation-inclusive transition planning frameworks for financial institutions that reflect developing countries' lived realities and needs. The principles of equity, local ownership, and alignment with national climate strategies must guide these frameworks.

Relevance to G20 agenda

Given its influence over the global financial architecture, the G20 is well placed to address the imbalance of mitigation and adaptation in transition planning. The G20 Sustainable Finance Roadmap provides a foundation for embedding adaptation into financial sector transition plans. South Africa's G20 presidency, emphasising 'Solidarity, Equity, and Sustainability', highlights scaling finance for

[7] UNEP. *Adaptation Gap Report 2024*. United Nations Environment Programme (2024).

[8] Standing Committee on Finance (SCF), *Sixth Biennial Assessment and Overview of Climate Finance Flows (2024)* (Bonn: UNFCCC, 2024), https://unfccc.int/sites/default/files/resource/UNFCCC_BA6_Report_Web_FINAL.pdf.

[9] Climate Policy Initiative. *Global Landscape of Climate Finance 2024: Insights for COP29*. October 2024.

adaptation and just transitions, and supporting inclusive and climate-resilient development in the Global South.

While recent presidencies (Indonesia, India, and Brazil) advanced work on financial transitions, adaptation remains peripheral in G20 deliverables. Brazil's *2024 Sustainable Finance Report*[10] introduced the 'Principles for Financial Institution and Corporate Transition Plans', building on Indonesia's 2022 Transition Finance Framework,[11] which outlines five pillars:

- identification of transition finance activities;
- reporting of information on transition activities and investments;
- transition-related financial instruments;
- design of policy measures; and
- assessment and mitigation of negative social and economic impacts.

These efforts mark progress but still centre mitigation. For instance,

- Pillar 2 focuses on emissions disclosure but does not require institutions to report on physical climate risks or adaptation efforts.
- Pillar 5 addresses socio-economic harms but omits key considerations such as climate vulnerability, adaptive capacity, or exposure to climate shocks.

These omissions reflect a persistent bias towards net-zero and emissions-centric planning. To respond to escalating climate shocks, G20 members must help shift the focus – embedding adaptation and resilience in financial decision-making, regulatory tools, and investment norms. This moment presents a clear opportunity for G20 members to anchor adaptation within transition planning frameworks and drive a global agenda prioritising resilience and equity.

[10] G20 Sustainable Finance Working Group. 2024 G20 Sustainable Finance Report. September 2024.

[11] G20 Sustainable Finance Working Group. G20 Transition Finance Framework (TFF). 2022.

Recommendations

Building on the G20 Transition Finance Framework, this brief proposes three interlinked policy actions to strengthen the integration of adaptation and resilience into financial transition plans, particularly in LDCs and SIDS. These actions aim to remove barriers and offer strategic pathways for G20 members to support global progress on climate-resilient development.

Recommendation 1: Mandate robust adaptation-focused transition planning frameworks

Lead actors: *G20 finance ministries, central banks, financial regulators, in coordination with sherpas and environment ministries.*

G20 members should require financial institutions to develop inclusive transition plans incorporating adaptation and mitigation. These plans should:

- embed adaptation-specific indicators that reflect sector-specific climate risks and resilience goals;
- incorporate gender, social equity,[12] and just transition considerations; and
- align with national priorities, including National Adaptation Plans (NAPs) and other national strategies.

To guide this, G20 finance ministries should endorse a shared adaptation-inclusive transition planning framework, drawing on established approaches like the UN Framework Convention on Climate Change (UNFCCC) adaptation processes,[13] the Task Force on Climate-Related Financial Disclosures (TCFD), the Network for Greening the Financial System (NGFS), the Carbon Disclosure Project (CDP), and other relevant financial and standard-setting bodies. The CDP's evolving work on

[12] Global Center on Adaptation and Climate and Development Knowledge Network, *Stories of Resilience: Lessons from Local Adaptation Practice* (Rotterdam and Cape Town: GCA and CDKN, 2023).

[13] The framework should support the operationalisation of the Paris Agreement's finance goals and mechanisms, including Article 2.1(c), the Global Goal on Adaptation (GGA), and the New Collective Quantified Goal on climate finance (NCQG).

physical climate risk disclosure, including tools like Water Watch,[14] offers practical models for integrating resilience in financial and policy decision-making. This approach signals to financial systems the importance of climate risks beyond mitigation while allowing flexibility for national circumstances, institutional capacities, and jurisdictional considerations.

The UNFCCC's UAE-Belém Work Programme,[15] focused on developing indicators to track progress towards the Global Goal on Adaptation (GGA), is expected to produce a basket of common adaptation indicators[16] by COP30. These indicators will measure progress in reducing vulnerability, strengthening resilience, and enhancing adaptive capacity. They will also provide metrics, data standards, and methodologies for compiling progress indicators across thematic (eg, water and food security, ecosystem integrity, and public health) and dimensional targets (including planning, implementation, and other parts of the iterative adaptation cycle).

While these indicators are intended primarily for country-level reporting, they will be aggregated for regional and global tracking to inform broader monitoring and stocktaking processes under the Paris Agreement. This policy brief affirms that alignment between the GGA indicator framework and financial disclosure systems such as the TCFD is both possible and necessary and recommends that these systems be designed to complement one another. The GGA framework's extensive draft indicator package complements existing financial disclosure systems like the TCFD, which remains critical for widespread, market-driven reporting. These frameworks should be aligned and mutually reinforcing, allowing TCFD disclosures to feed into the broader GGA tracking system and ensuring

[14] Carbon Disclosure Project (CDP), "Water Watch," accessed May 23, 2025,

[15] UNFCCC. Global Goal on Adaptation. Accessed May 25, 2025.

[16] UNFCCC. Consolidated List of Indicator Options, UAE-Belém Work Programme on Indicators. May 22, 2025.

coherence between private sector reporting and country-level adaptation monitoring.

G20 members should champion the immediate integration of these indicators into financial transition planning and disclosure frameworks. Their adoption will not only improve transparency and comparability but also inform the global stocktake processes of the Paris Agreement. However, success will rely on sustained investments in data handling, knowledge management systems, and capacity building in vulnerable countries, such as LDCs and SIDS. Without this foundational support, even the best frameworks will fail to translate into meaningful action.

Recommendation 2: Strengthen institutional capacity and data systems

Lead actors: *G20 environmental ministries and development cooperation agencies*

Unreliable data and limited technical understanding of non-financial climate risks impede the integration of adaptation metrics into financial transition plans. G20 members should:

- Call for and, where appropriate, directly provide upstream support to enable these countries to develop NAPs and access adaptation finance. Support should come through multilateral financial institutions, bilateral financial mechanisms, and development partners, providing capacity building, technology transfer, and direct financial assistance to help governments define priorities, formulate robust strategies, and attract investment in resilience.
- Support financial institutions to invest in generating and accessing data, technical assistance, and the analytical tools required for comprehensive cost-benefit analyses. These analyses should quantify near-term economic

returns from reducing climate risk, showing how adaptation investments save money and deliver a 'resilience dividend'. This approach will support the adaptation shift from being viewed as a cost to a strategic economic opportunity.

Recommendation 3: Implement monitoring and evaluation mechanisms

Lead actors: *G20 finance and environmental ministries, financial regulators*

G20 members should champion the development and standardisation of monitoring and evaluation (M&E) systems that track the impact of adaptation investments by financial institutions over time. Such systems must provide clear methodologies for identifying, defining, valuing, and managing adaptation-related risks. They should:

- Define context-specific benchmarks, metrics and indicators that can assess the performance and impact of adaptation investments across institutions and sectors. This includes enabling financial institutions to evaluate whether their investment reduces climate risk and enhances resilience.
- Support disclosure mechanisms that are transparent and accessible, particularly in countries with nascent or developing financial sectors. This could include templates for voluntary adaptation reporting and guidelines for aggregating data for national or regional assessments.
- Facilitate iterative learning. M&E systems should capture both progress and gaps, enabling governments and financial actors to refine policies and approaches in response to new data, risks or priorities.

These systems should align explicitly with emerging global frameworks, particularly the GGA. Coordination with the GGA's indicator architecture will support consistency across jurisdictions, enable data aggregation for global stocktakes, and strengthen the credibility of adaptation finance tracking. At the same time, national systems must retain enough flexibility to reflect local priorities, institutional capacity, and data realities. A coherent approach across these levels will enhance trust in adaptation finance and improve the evidence base for decision-making within and beyond the G20.

T20 South Africa convenors

The Institute for Global Dialogue (IGD)

The South African Institute of International Affairs (SAIIA)

The Institute for Pan-African Thought and Conversation (IPATC)

For publication enquiries, please contact t20@t20southafrica.org

Website: www.t20southafrica.org