

A Glimpse on Adaptation Finance Flows & Emerging Solutions to Drive Private Investment

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Outline

1. Updated view on the adaptation finance landscape
2. Insights on how public climate finance can be deployed to make climate resilience a private sector business
3. Highlight opportunities for scaling up private investments

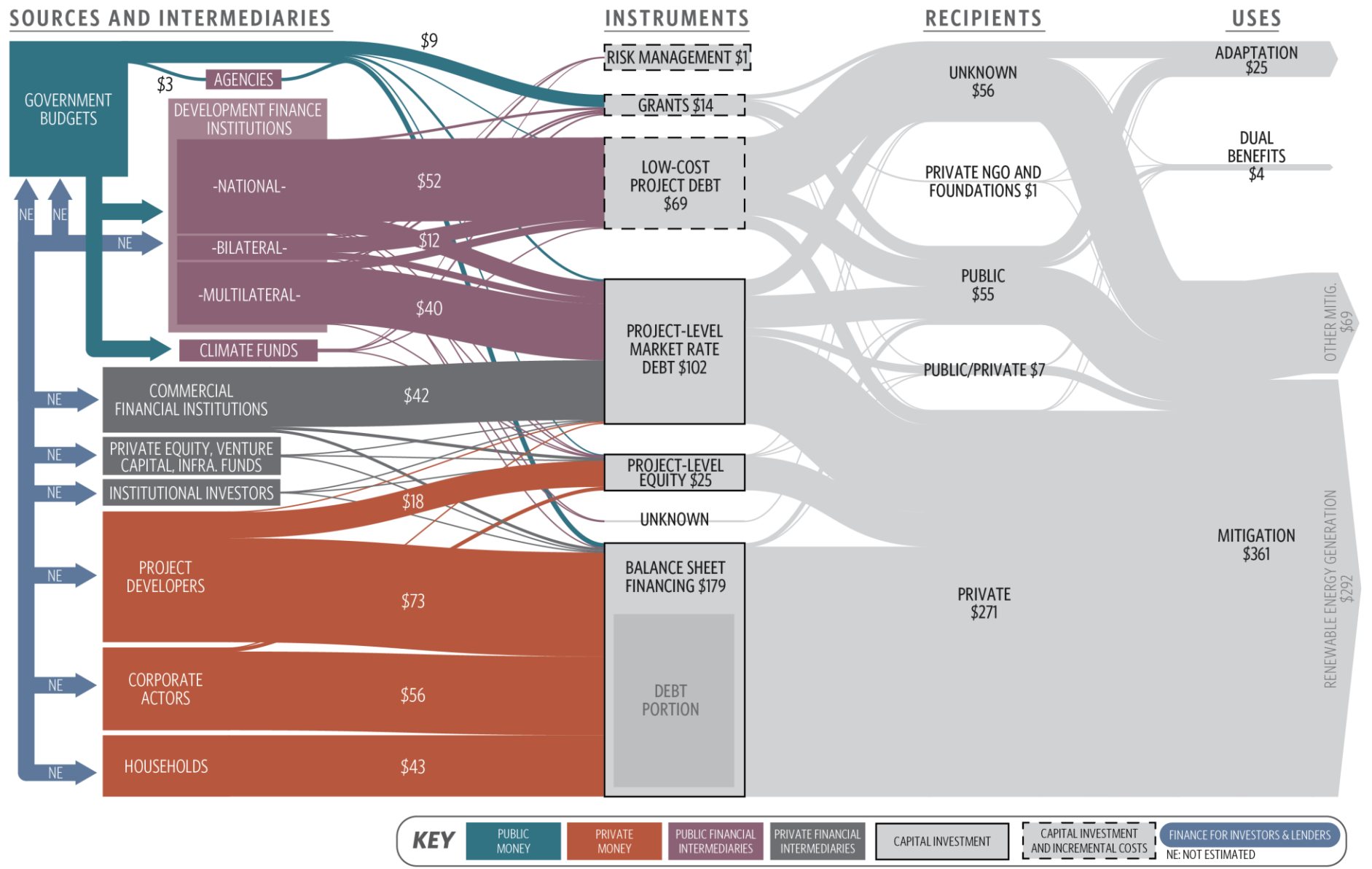
GLOBAL LANDSCAPE OF CLIMATE FINANCE 2015

Landscape of Climate Finance 2015 illustrates climate finance flows along their life cycle for the latest year available, mostly 2014, in USD billions

USD 391^{BN} TOTAL



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THE LANDSCAPE OF ADAPTATION FINANCE 2015

The Landscape of Adaptation Finance 2015 illustrates adaptation finance flows along their life-cycle for the latest year available, mostly 2014, in USD billion.

USD 25 BN TOTAL



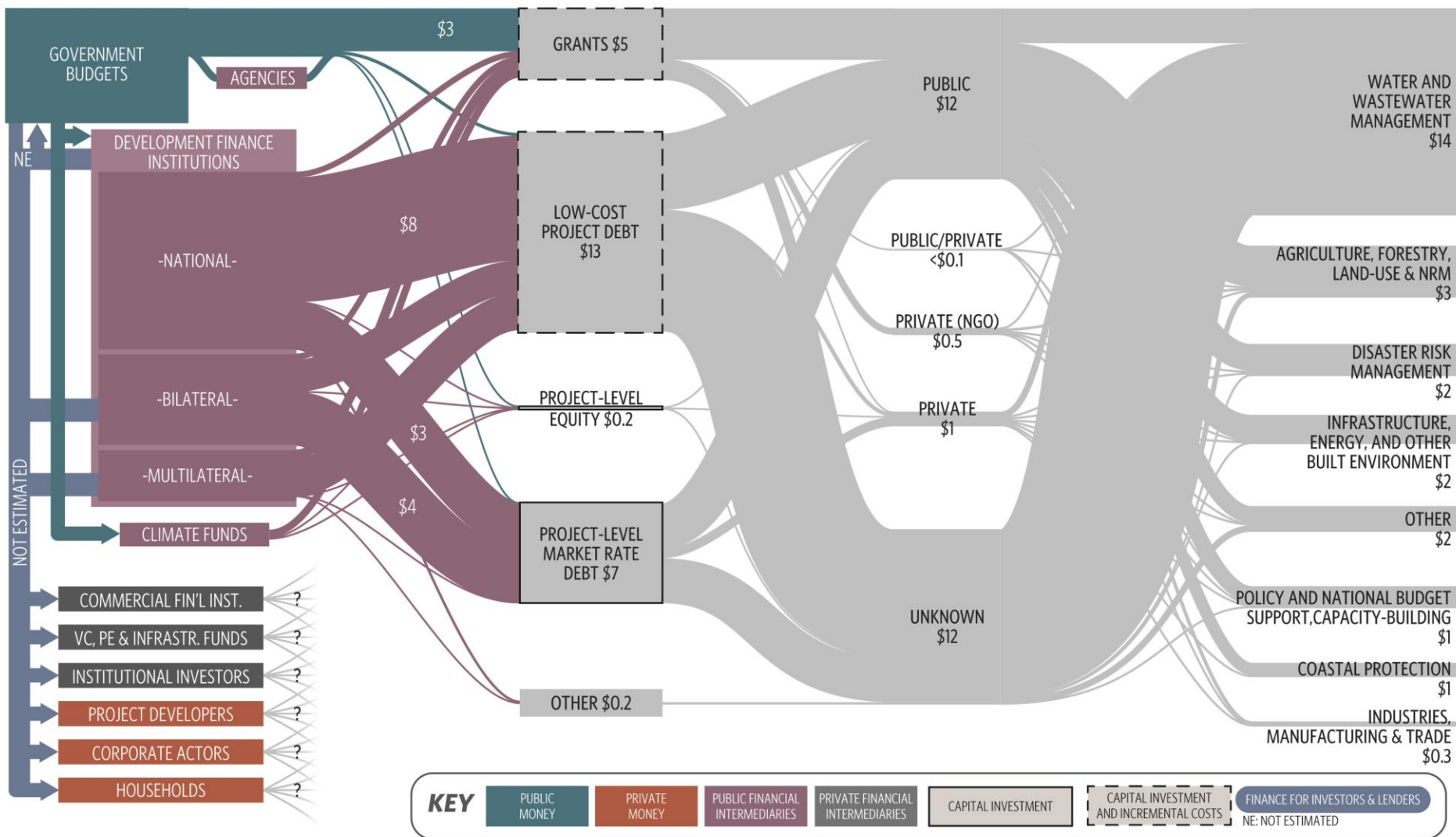
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SOURCES AND INTERMEDIARIES

INSTRUMENTS

RECIPIENTS

SECTORAL USES



Who provided adaptation finance?



\$3 bn

**Government
Budgets**



<1 bn

Climate Funds

Development Finance Institutions

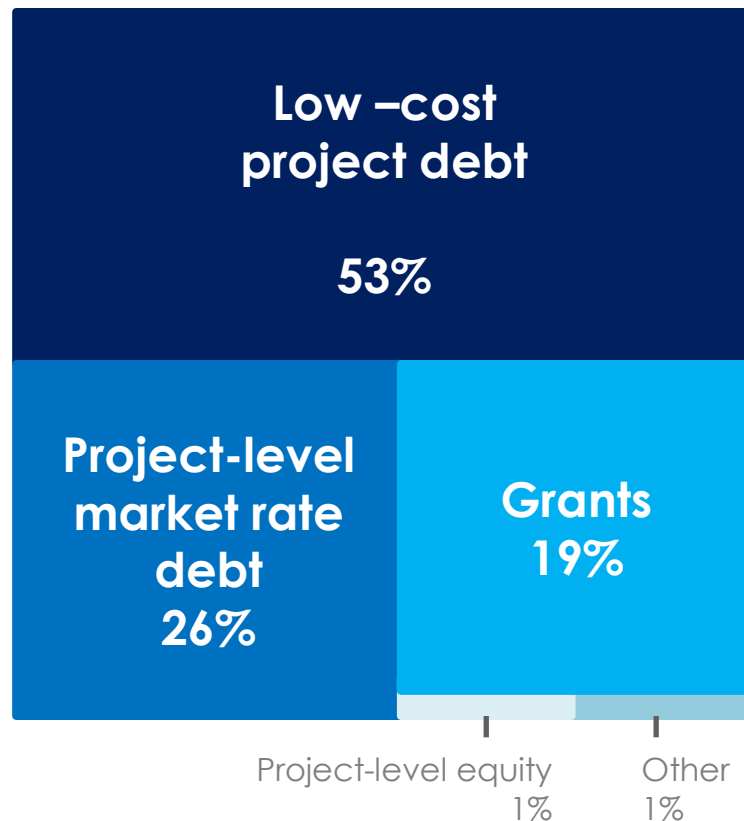
contributed **\$21 billion or
84%** of adaptation
finance



Government bodies beyond DFIs
provided **\$3 billion (13%)** and
Climate Funds provided **~\$1 billion (3%)**

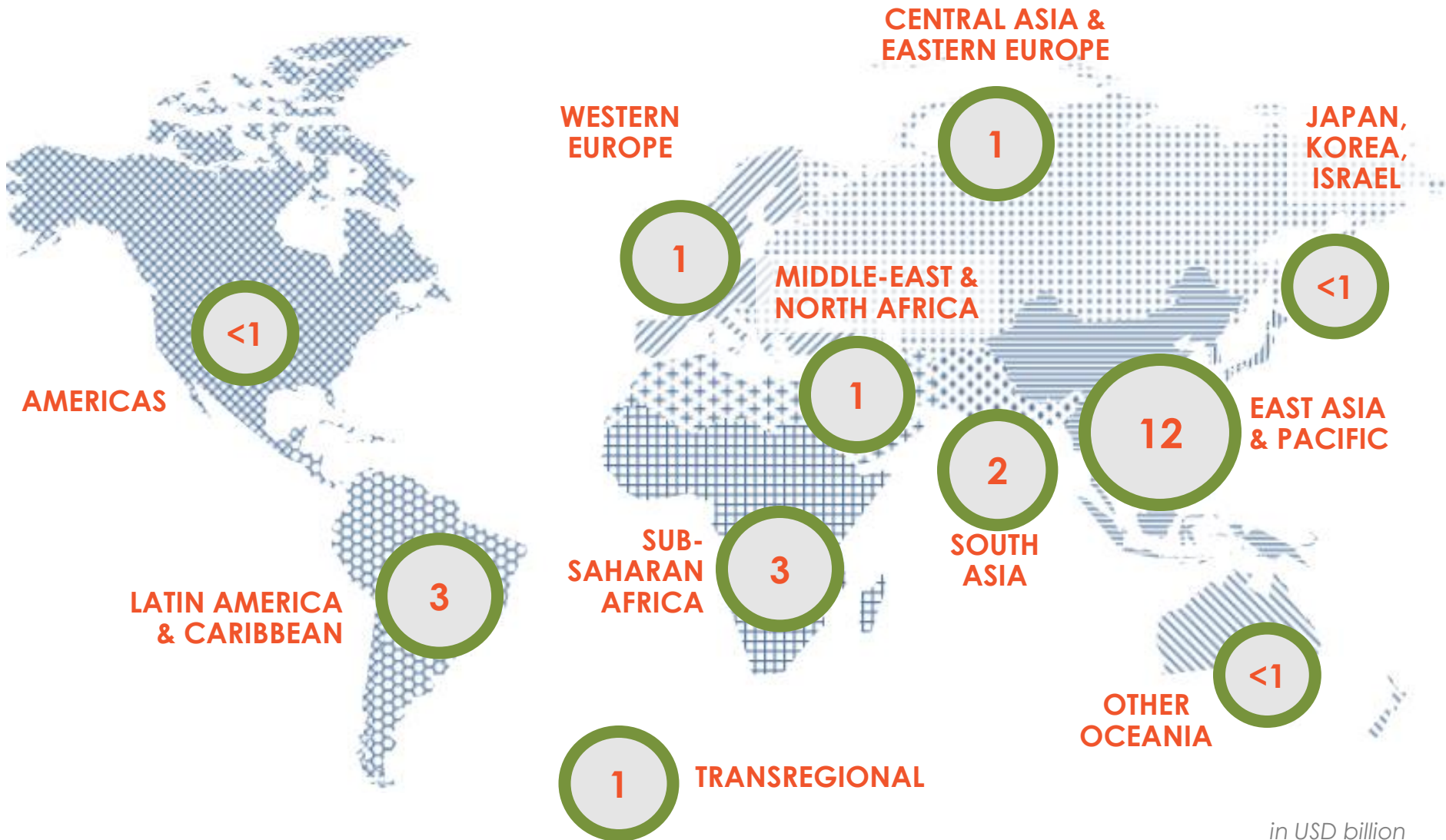
What financial instruments were used to finance global adaptation investment?

Around **72%** was provided in the form of **low-cost project-level debt and grants** (\$18 billion)



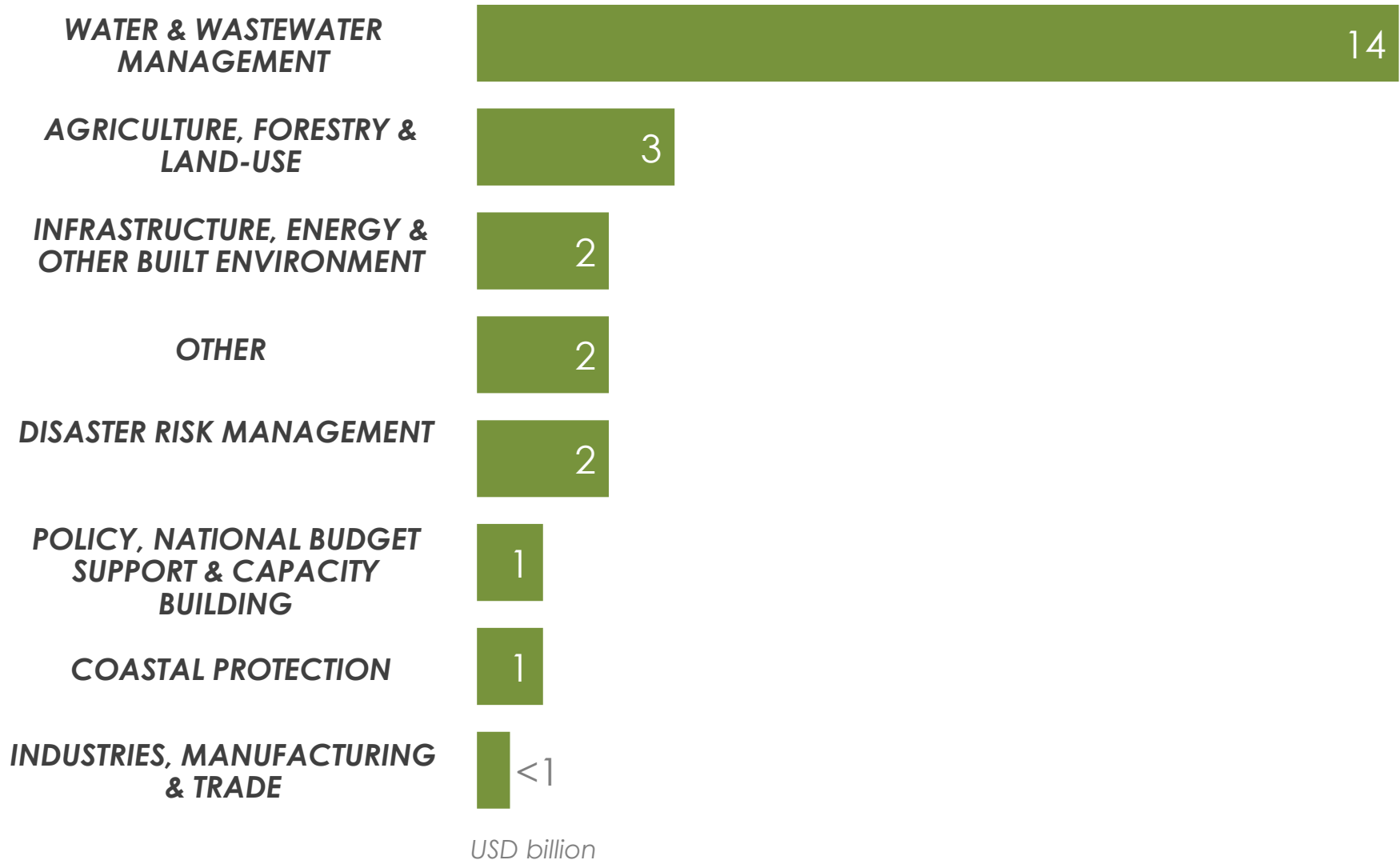
Market rate project debt accounted for 26% (\$6.6 billion)

The bulk of adaptation investments targeted particularly vulnerable countries in East Asia and the Pacific region

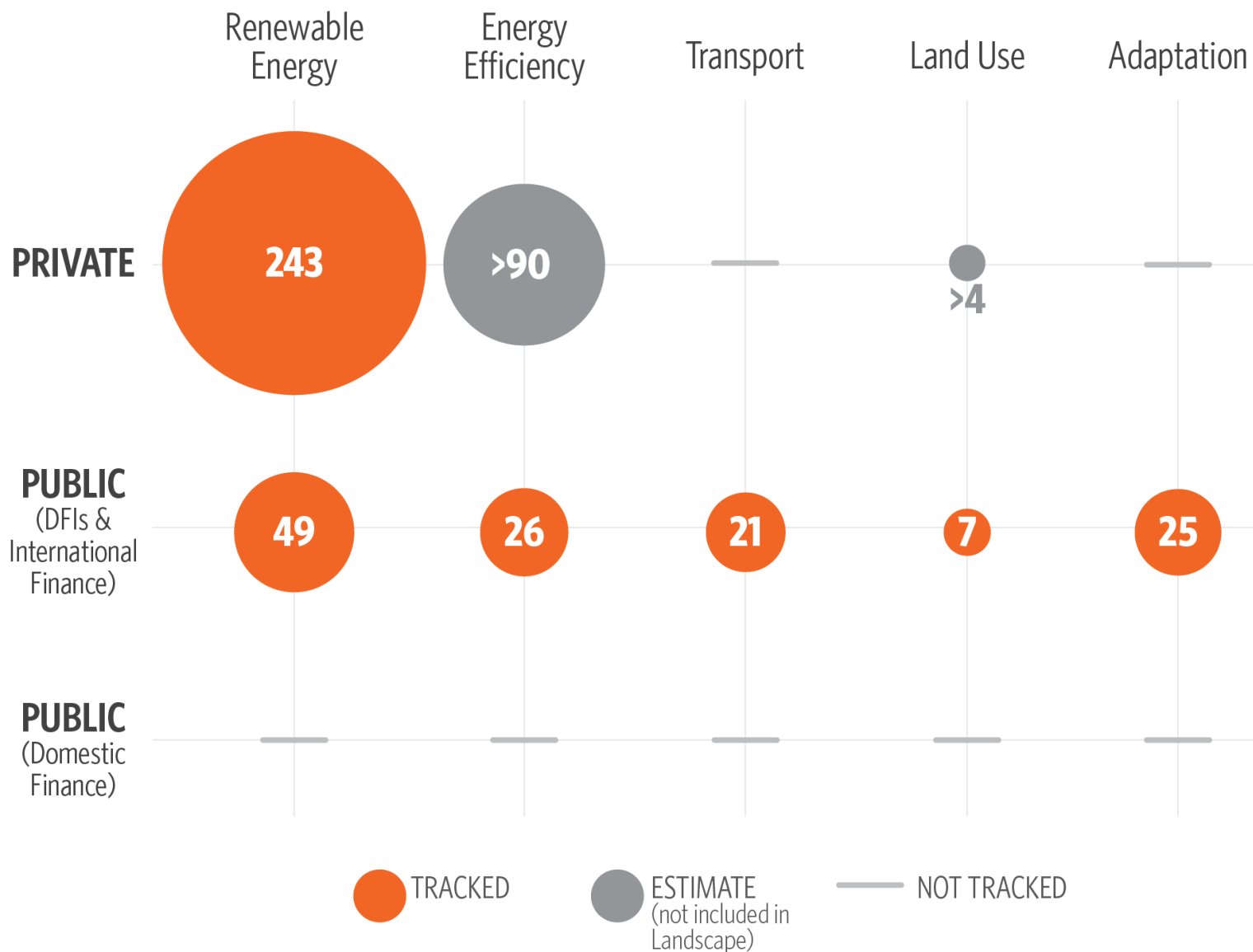


in USD billion

Water and wastewater management attracted half of adaptation finance flows



Despite progress in tracking climate finance, there are still significant data gaps



Several barriers can affect private actors' incentive and ability to invest in climate resilience

Policy Gaps

- Non-existent or deficient regulatory frameworks can inhibit the incentives for investment

Knowledge gaps

- Inability to evaluate and incorporate climate change risks into investment or financing decision making

Funding, viability & risk coverage gaps

- Inadequate access to finance or uncertainties about the returns of investments and risk aversion

➤ **Barriers vary by type of private actor & level of climate exposure**

To understand how public climate finance can be used to tackle such barriers, we examined the portfolio of DFIs

59
**PROJECTS
ANALYZED**

Between 2011 and 2014

Water, infrastructure, and agriculture
sectors

Private sector entities (including SOEs)
are the **first recipient/borrower**

DFIs covered:

Multilateral

**ADB, IFC,
IDB, EBRD,
EIB**

Bilateral

OPIC

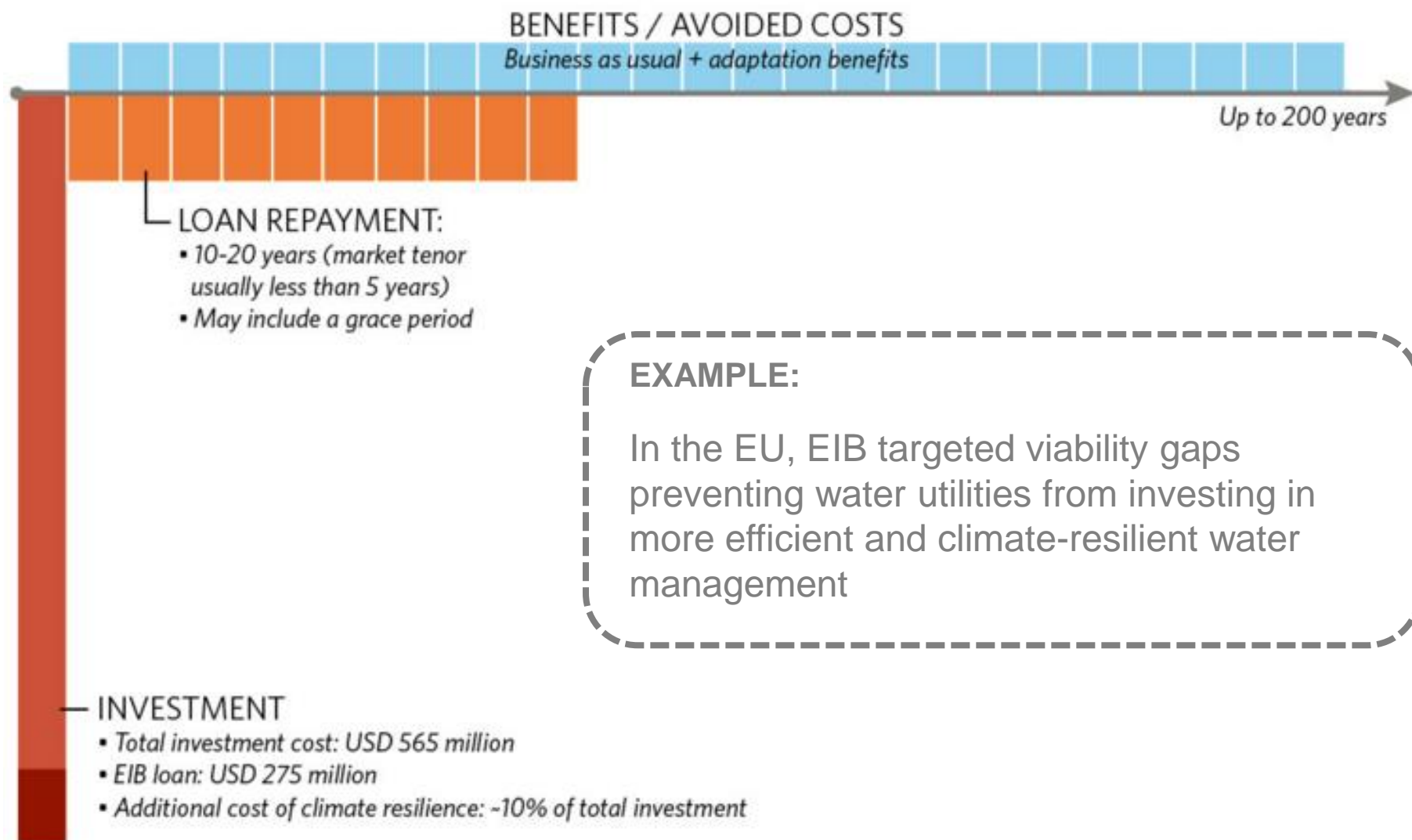
National

BNDES

DFIs developed a variety of approaches to bridge the gaps associated with both the pre-investment and investment phases

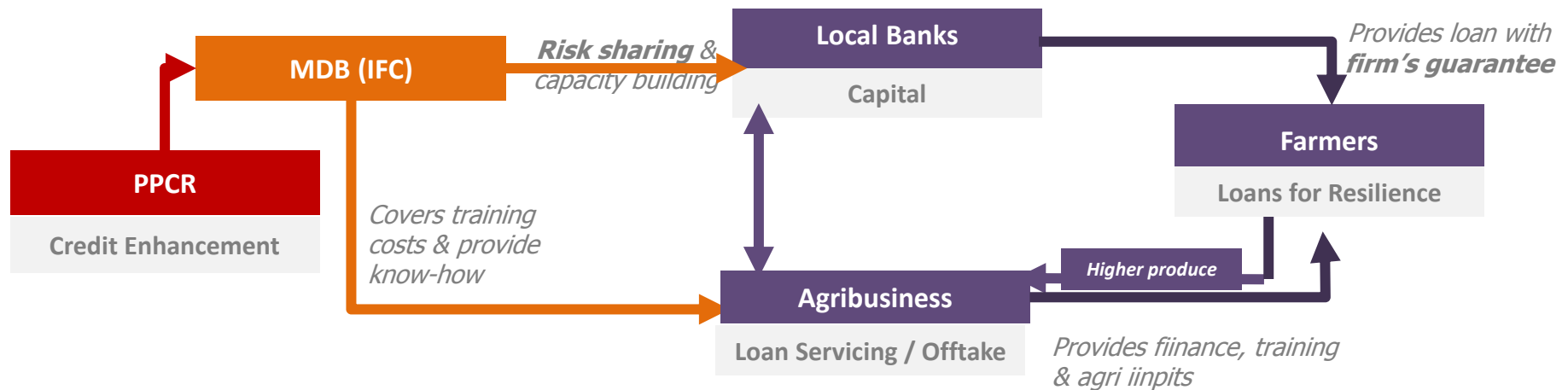


In developed countries, a combination of policies, regulations, and longer-term debt from DFIs can trigger private investments

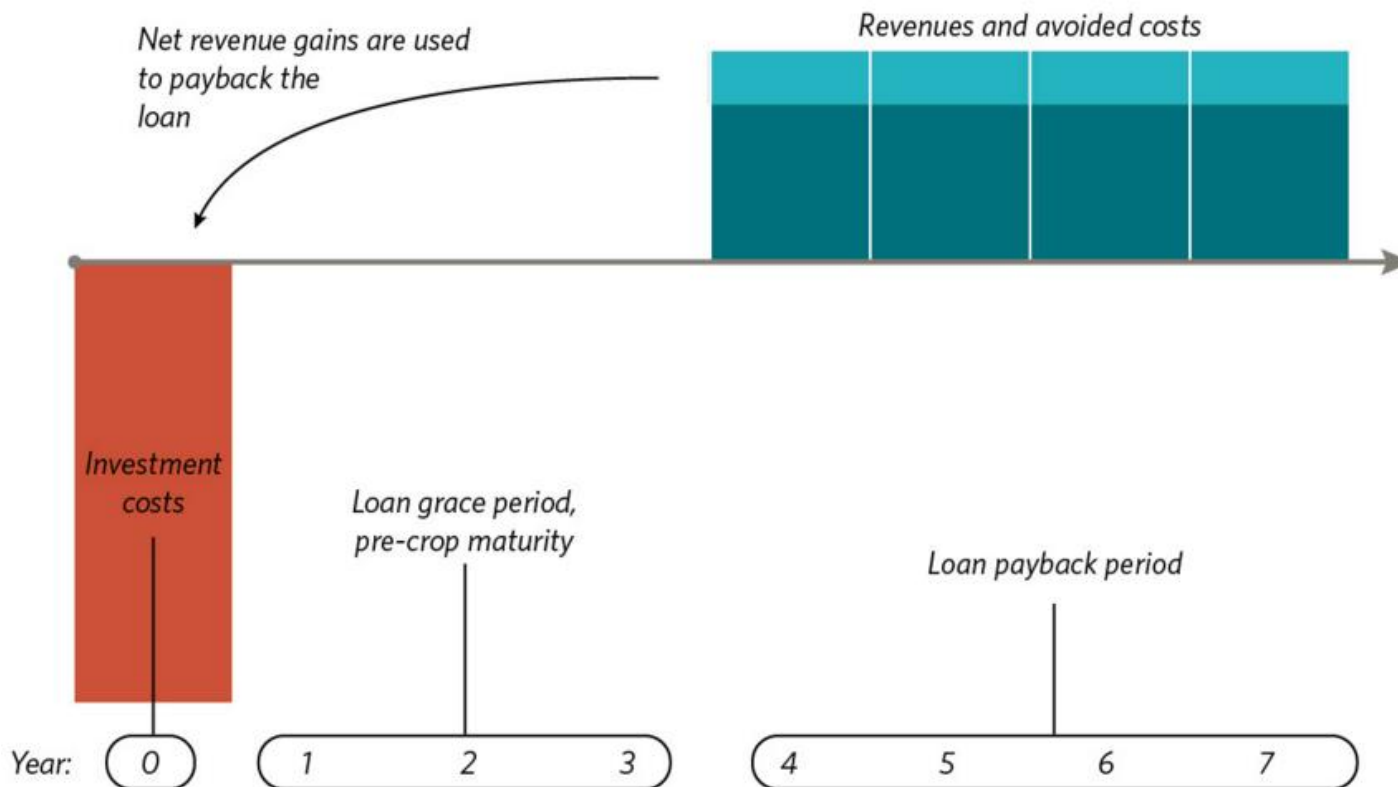


In dev'ing countries, TA, finance for on-lending and credit enhancement are helping to address the debt funding gaps preventing micro- SMEs from investing

Strategy



Aligning loan terms with the payback profile of investments is essential to fill viability gaps



EXAMPLE CASE: PROFILE OF AN INVESTMENT IN THE RENOVATION OF COFFEE PLANTATIONS

Four opportunities to scale up private investment in climate resilience

1 **Adjust regulatory frameworks** to create stronger incentives for private investment

Equip businesses with the information and tools they need to integrate climate change considerations into investment decisions

2

3 Further **integrate climate change** considerations into the financial system

Support piloting to demonstrate, to create the track record needed to encourage private investment

4

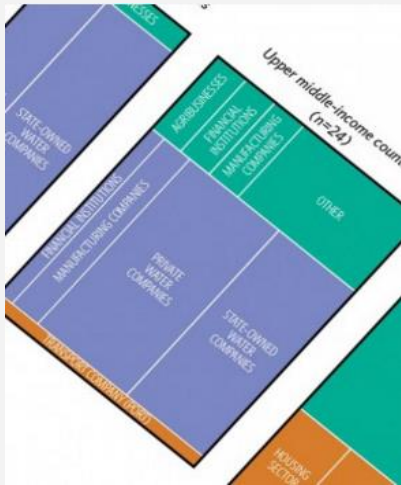
The Lab is at the forefront in developing new initiatives to unlock private investment in climate resilience



- ***OASIS - Platform for Catastrophe and Climate Change Risk Assessment and Adaptation***
- ***Climate-Smart Finance for Smallholder Farmers***
- ***WFF - Water Financing Facility***

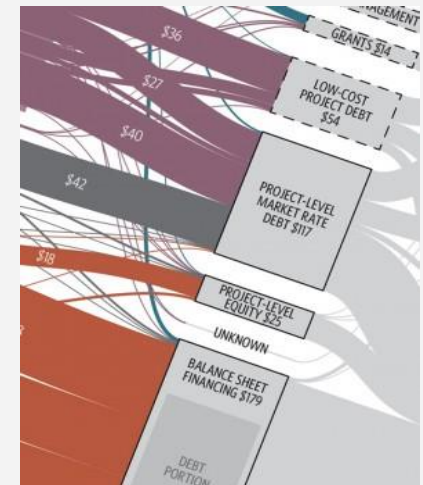
➤ **WORK IN PROGRESS - STAY TUNED!**

Thank you!



Emerging Solutions to Drive Private Investment in Climate Resilience

The Global Landscape of Climate Finance 2015



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