



Private finance for adaptation: do private realities meet public ambitions?

An analysis of the UNFCCC's Private Sector Initiative

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Outline of presentation



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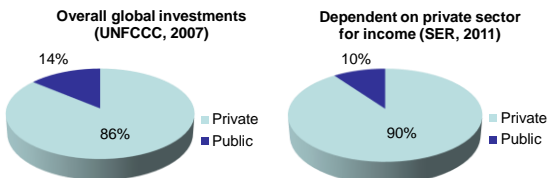
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Background (I)



- Current efforts to mitigate climate change insufficient to limit global warming to 2°C (OECD, 2012)
- Increasing focus on adaptation at international climate negotiations and at national levels
- Developed countries pledged to mobilize USD 100 bn per year from 2020 onwards to assist developing countries to mitigate and adapt to climate change
 - Adaptation no longer public domain: private sector indicated as one of the sources of 'climate finance'

Background (II)



- Public funding alone is likely to be insufficient to address climate change (AGF, 2010)
- *'unique expertise, a 'capacity to innovate and produce new technologies for adaptation', and 'financial leverage'* (UNFCCC, PSI text)

Background (III)



- Mismatch between: 1) emphasis on private sector at international CC forums; and 2) knowledge + experience private sector engagement in adaptation, and readiness of LDCs (Pauw & Pegels, 2013)
- Role of PS is inevitable and potentially significant – yet depends on how adaptation is framed (Pauw, 2014):

Constitute adaptation	Contribute to adaptation
Stand-alone activities, investment and financing with adaptation as main aim	strong link to development; contributions particularly from domestic PS

Method



- Can private sector be expected to contribute to adaptation financing along the lines of UNFCCC agreements?
 1. **Distilled** 10 adaptation finance criteria from UNFCCC documents and decisions
 2. **Interpreted** and '**translated**' these criteria in private sector realities using literature
 3. **Matched** criteria with 100 private sector submissions to the Private Sector Initiative (PSI) of the UNFCCC Nairobi work programme on impacts, vulnerability and adaptation to climate change

Private Sector Initiative - registry



- Case studies 2-6 pages long, self-written, unverified → but high quantity (N=100), comparability (same format) and accessibility (UNFCCC website)
- Representative?
 - 86 case studies analysed
 - E.g. water resources (52% of cases) overrepresented; tourism (7%) underrepresented
 - Front runners → but closest to UNFCCC
- ... not aimed at measuring *effectiveness*

Private Sector Initiative - examples



- Some examples:
 - Ericsson, in cooperation with MetOffice, MTN, Govt of Uganda: providing SMS weather forecasts to fishermen
 - Cafédirect and GTZ: supporting small-scale farmers in DCs to make their production more climate-resilient
 - PepsiCo: direct seeding of rice for its growers (10.000 acres), saving 7 billion litres of water
 - Scotch Whisky Association and Scotch Whisky Research Institute: scoping study to assess risks and adaptation options; raise awareness

10 criteria for adaptation finance



- Copenhagen Accord as basis, refined with Cancun Agreement

Copenhagen Accord	Interpretation of criterion
1. Adequate	Sufficient financial resources to cover relevant adaptation costs in developing countries
2. Predictable	Enables recipients' to anticipate on financial resources for formulating adaptation strategies and implementing activities
3. Sustainable	The amount of adaptation finance stays the same or increases over the medium to long term
4. Scaled up	A 10-fold increase of climate finance between 2010 and 2020
5. New and additional	Adaptation funding is new and additional to ODA
6. Improved access	Improved access for the poorest people in vulnerable developing countries
7. Balanced allocation between adaptation and mitigation	Balanced allocation under the current situation means increasing the allocation of climate finance to adaptation
8. Prioritized for the most vulnerable DCs	At least 60% of adaptation finance flowing to LDCs, SIDS and Africa, and at least 78% of those countries covered.
9. Mobilizing	A pro-active role of public entities in mobilizing climate finance, institution building, creation of incentives to increase private climate financing, etc.
10. Transparency on implementation	Transparency source of adaptation finance to its final use; including MRV

Results (I)



- **Deliberate adaptation?**

- 55% of the case studies describe climate change impacts.
- Not single case study defines concept of adaptation
- 5 case studies do not mention climate change

1. Amount of finance (criteria: *adequate, predictable, sustainable, scaled-up*)

- Investments in all sectors, including in DCs
- Amount and predictability unclear
- Limited commitment to up-scaling (12) and sustainability (14); lack of detail

Results (II)



2. **Recipients of investments** (criteria: *improved access, prioritization*)
 - 33% in MVDCs (representing 94 countries)
 - Win-win situations: 78% projects 'reach out'; 59% 'inclusive' (N=80)
3. **Overarching** (criteria: *transparency, mobilization, new and additional*)
 - Limited evidence of 'mobilizing' policies (8); some PPPs
 - Investments 'new and additional'
 - Lack of 'transparency' on generation, governance, delivery and use of finance

Conclusion



- Private sector invests in adaptation, including in priority sectors
- UNFCCC climate finance indicators vague and without official definitions
- Indicators *still* not met by PSI case studies
 - Private reality does not meet public ambition
- Close gap in realistic way? Public ↔ private frames, motivations and expectations

Discussion



- UNFCCC alters definitions (not realistic)
 - Adaptation agenda already burdened by conceptual issues
 - Even current criteria lack clear definitions
 - DCs do not benefit from such definitions
- Private sector → effort to better understand UNFCCC
 - Does not happen naturally. Lack of benefits/incentives?
 - Private sector adaptation embedded in other investments
 - Disclosure of commercial confidentiality?
- Only monitor and report private finance principally planned for adaptation?
 - Philanthropy + publicly mobilised finance
 - Limits private adaptation finance



Thank you for your attention

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