



Deutsches Institut für German Development  
Entwicklungspolitik Institute

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

An analysis of the UNFCCC's Private Sector Initiative

**Deutsches Institut für Entwicklungspolitik/ German Development Institute (DIE)**

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### Outline of presentation



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## Background (I)

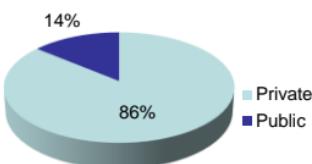


- Current efforts to mitigate climate change insufficient to limit global warming to 2°C (OECD, 2012)
- Increasing focus on adaptation at international climate negotiations and at national levels
- Developed countries pledged to mobilize USD 100 bn per year from 2020 onwards to assist developing countries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

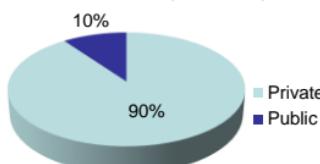
## Background (II)



Overall global investments  
(UNFCCC, 2007)



Dependent on private sector  
for income (SER, 2011)



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