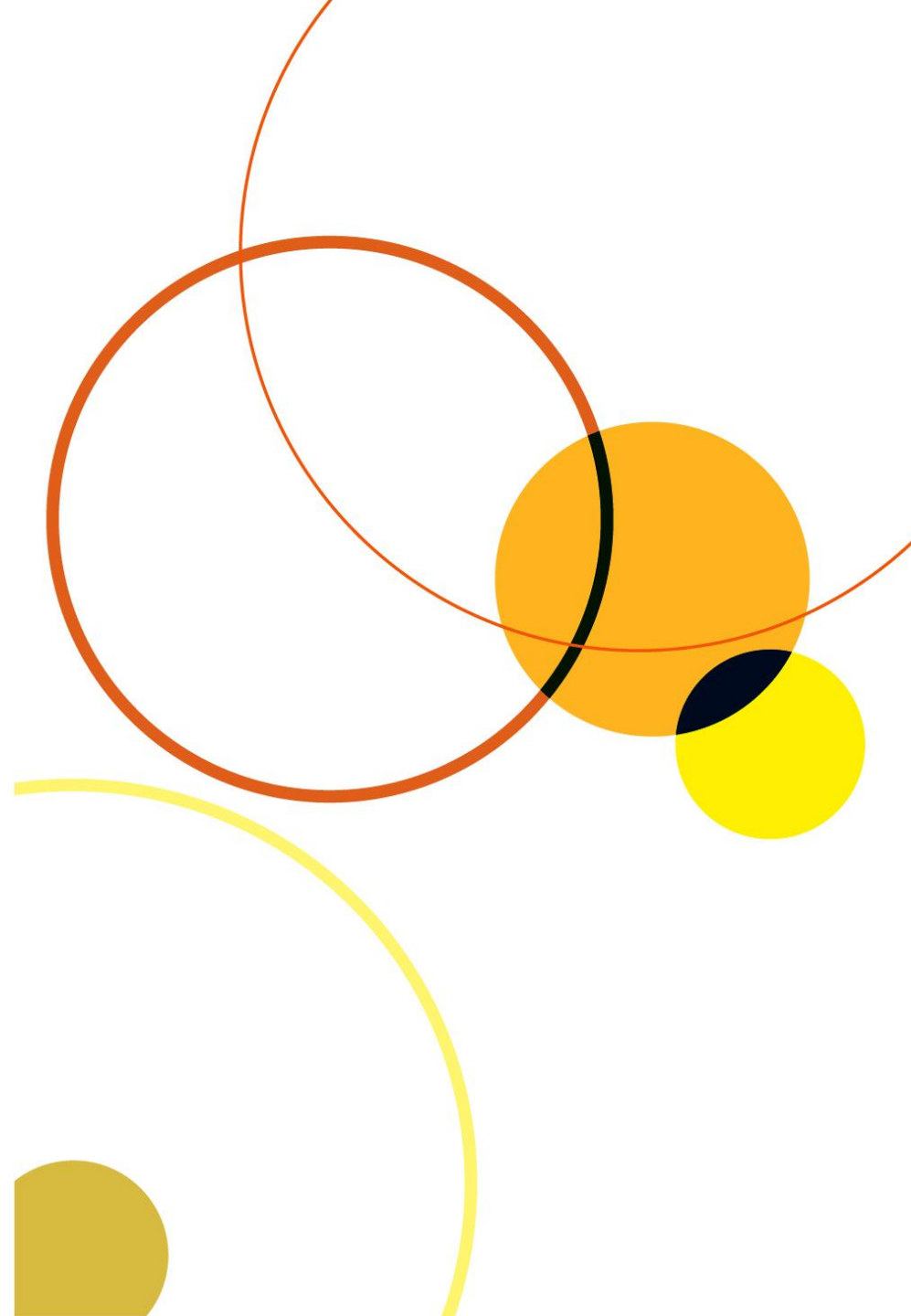


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Private sector investment in climate adaptation in developing countries

**Presentation prepared for World
Bank Brown Bag Lunch**

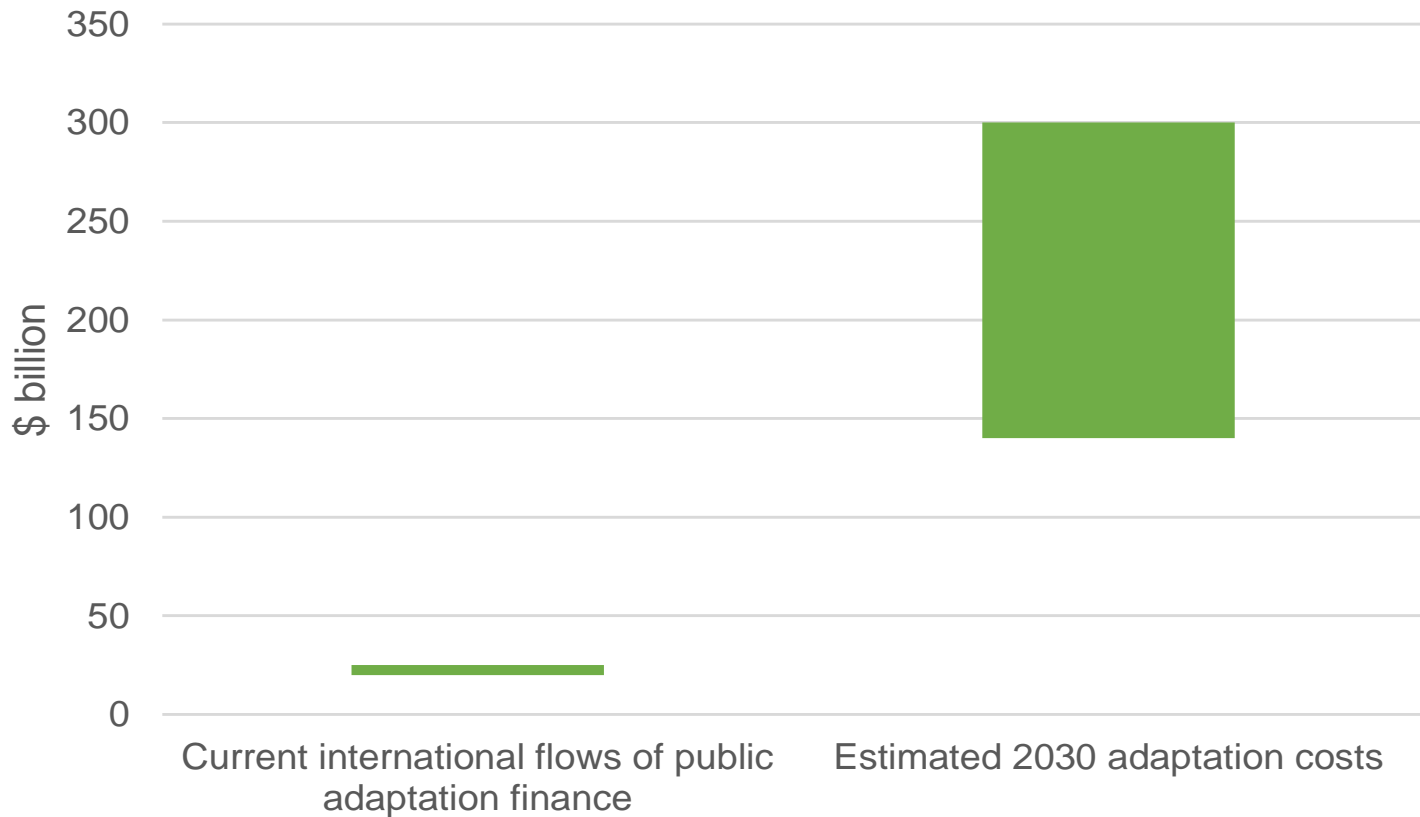
26th January 2016



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2. MDB roles in supporting private sector adaptation
 - the role of the PPCR
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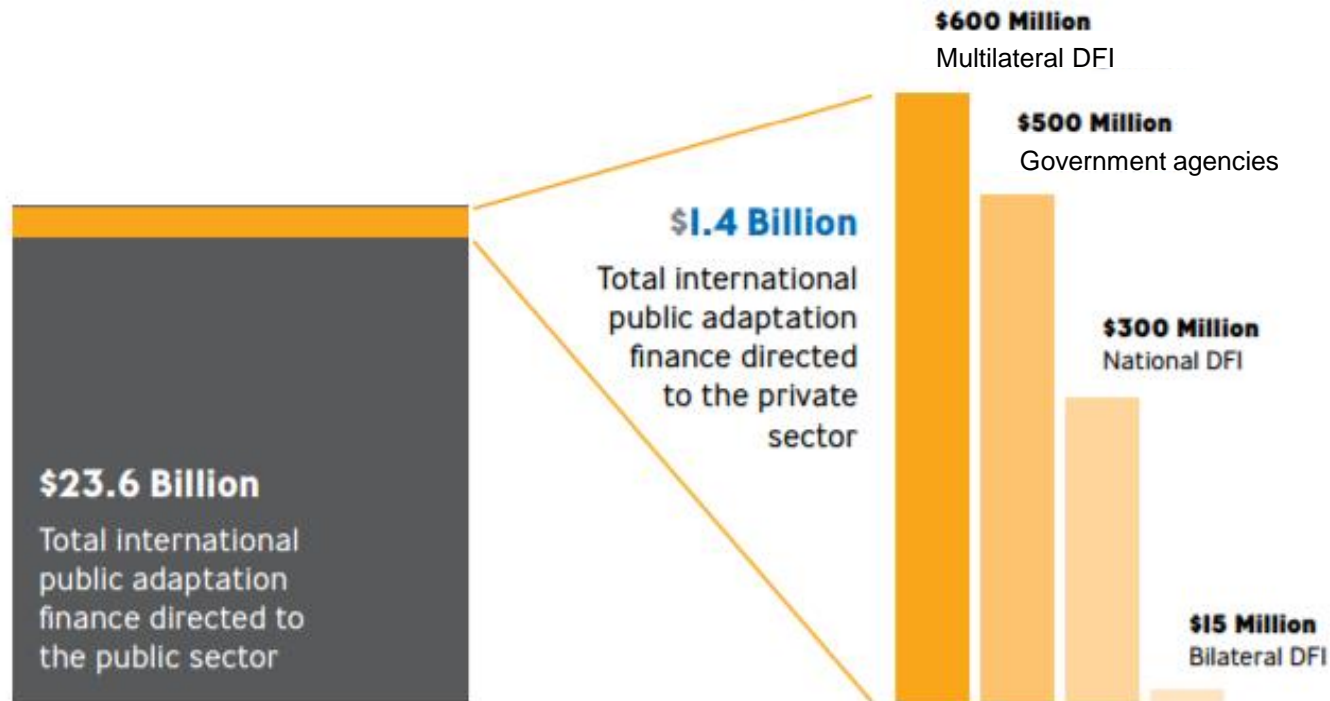
The private sector has a key role to play in supporting the scale up of adaptation in developing countries



Source: Buchner et al (2015), UNEP (2016)

Despite the challenges in private sector adaptation, very little public climate finance flows in this direction at present

DFIs are providing more of this private sector climate finance than others



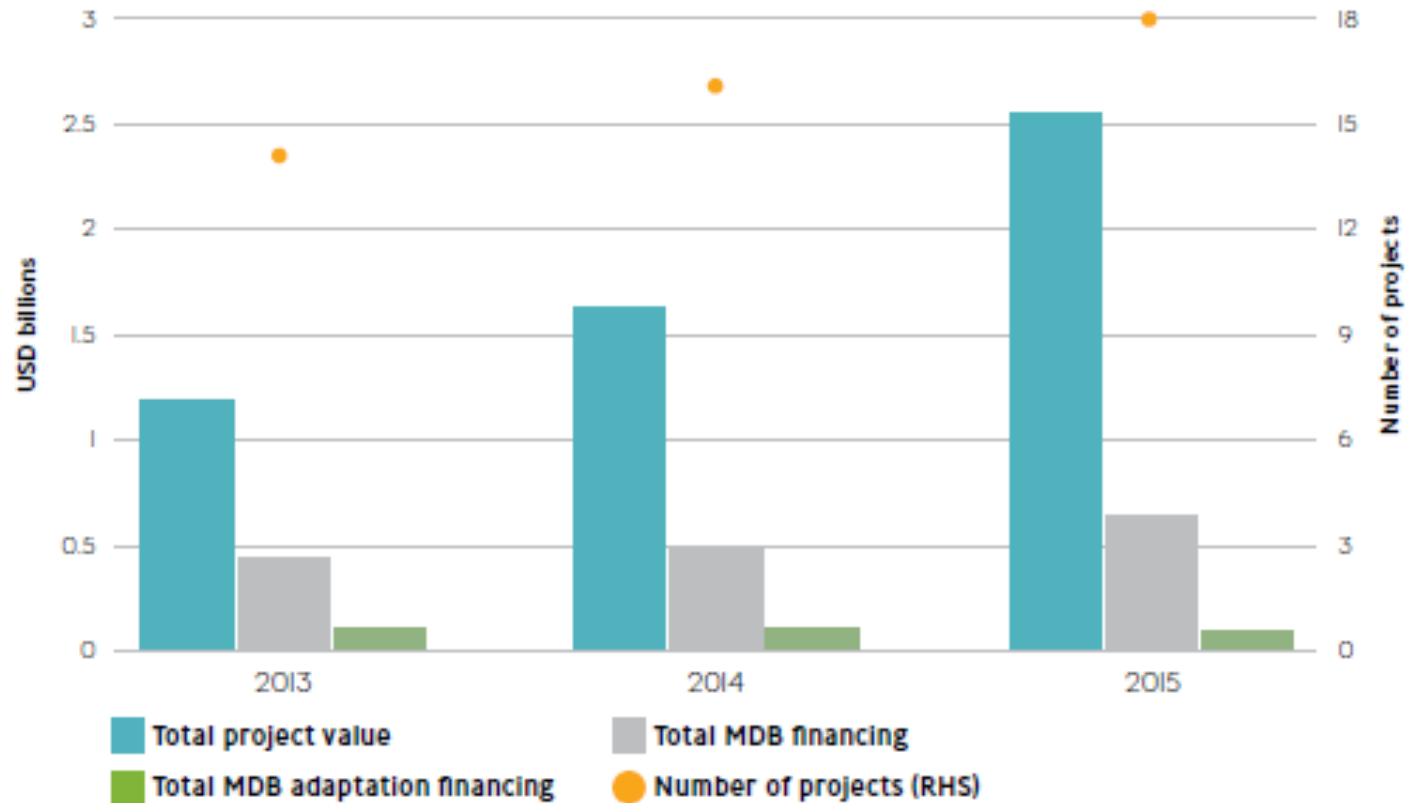
Source: Buchner et al (2015) & subsequent discussion with authors

Note: in this analysis, private sector adaptation finance includes funding to NGOs

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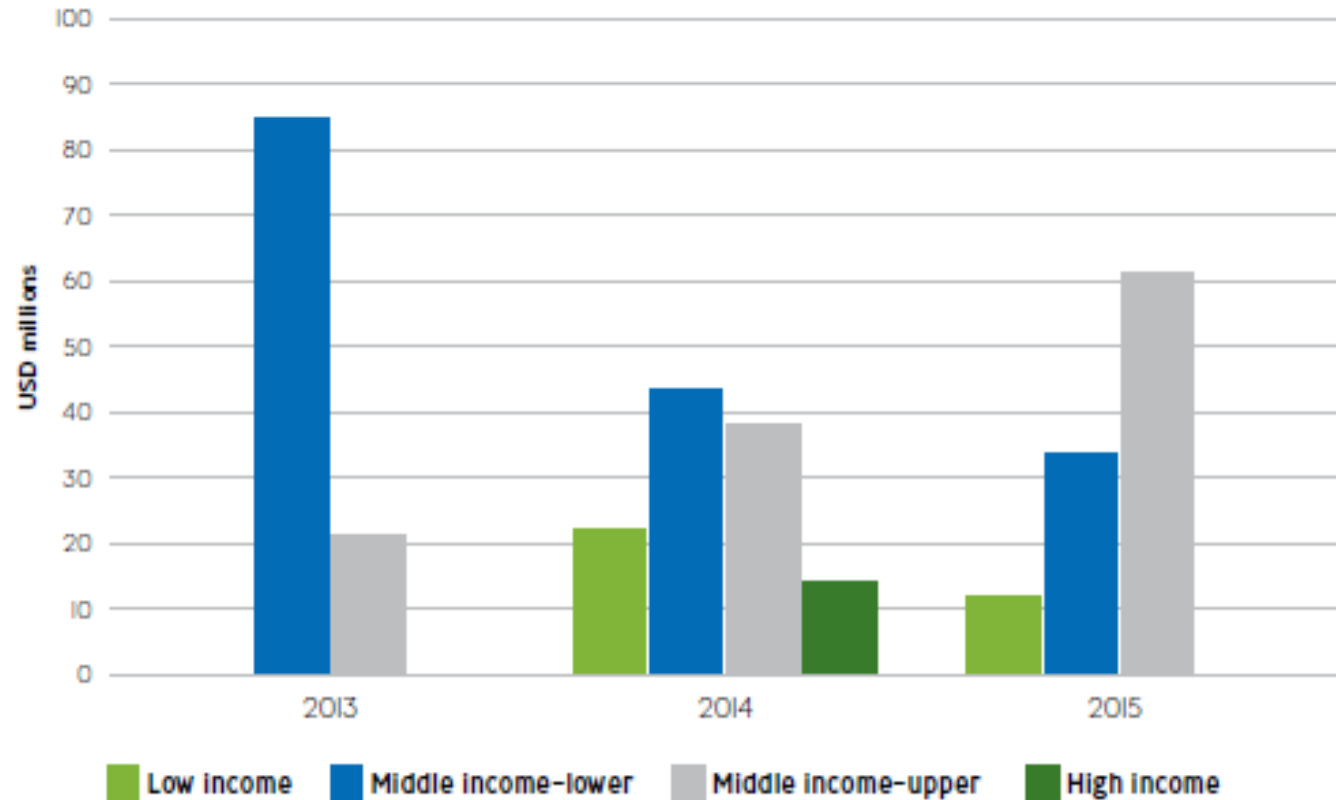
The amount of adaptation finance provided by the 'CIF' MDBs has been stable... but project values and numbers are increasing



Source: Vivid Economics

: [vivedeconomics](http://vivedeconomics.com)

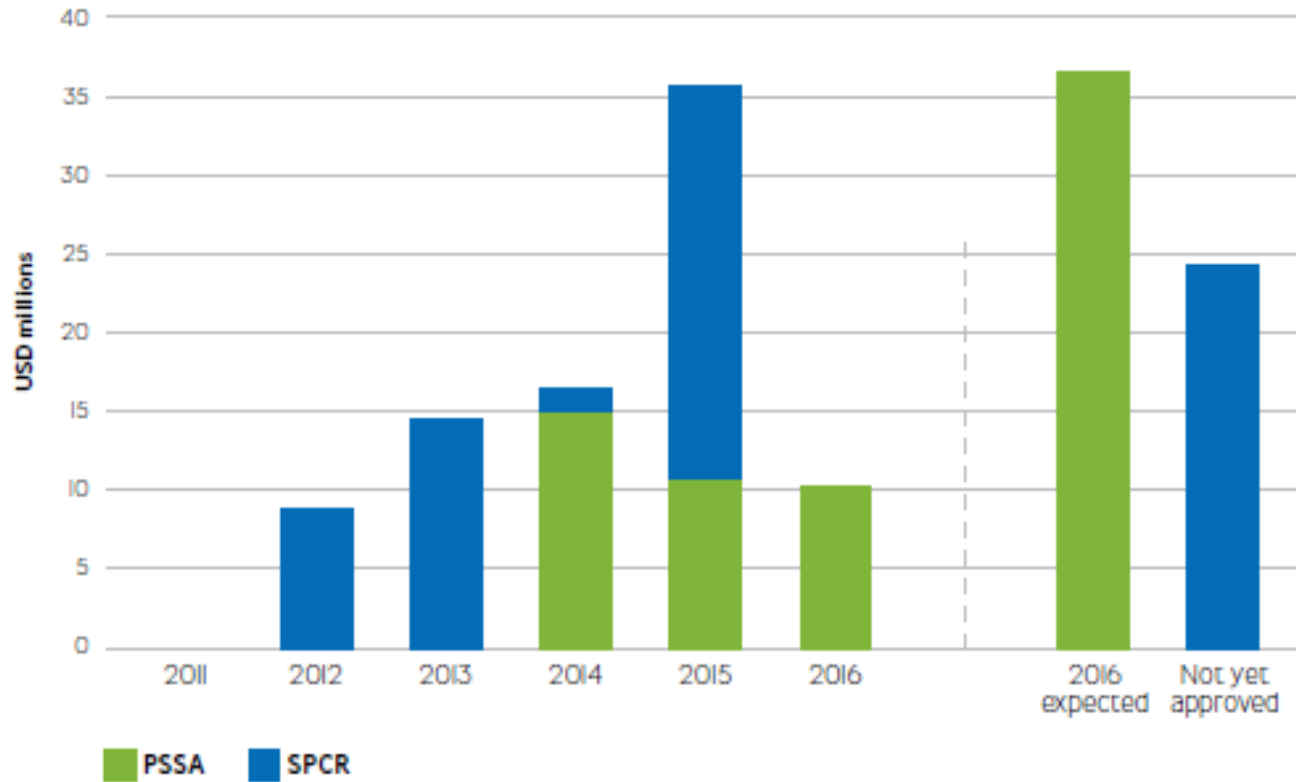
CIF MDB private sector adaptation is covering a wider range of geographies



Source: Vivid Economics

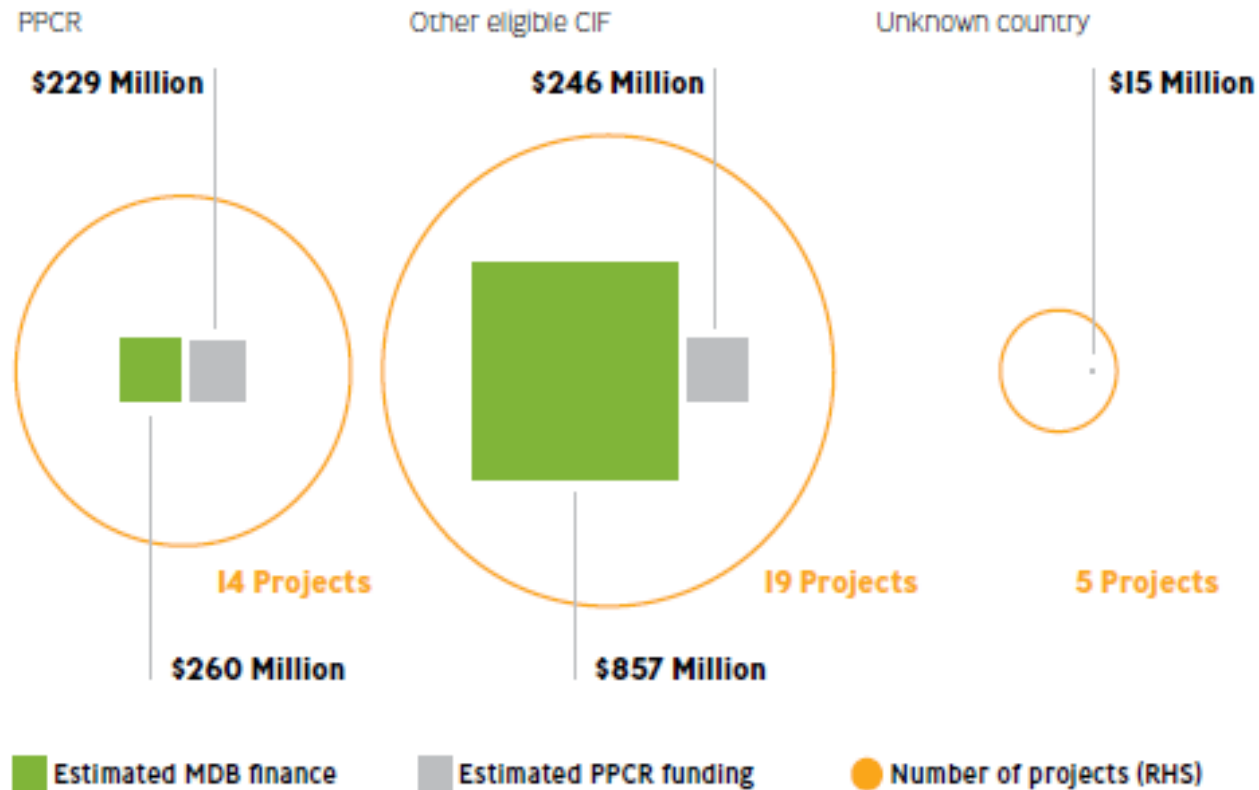
: [vivedeconomics](http://vivedeconomics.com)

MDBs are increasingly making use of the concessional resources provided by the PPCR to support PS adaptation



Source: Vivid Economics

And estimate that they have a pipeline of around \$1bn of PS adaptation projects that could absorb concessional finance



Source: Vivid Economics

: [vivedeconomics](http://vivedeconomics.com)

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5 operational lessons from MDB experience

1. Knowledge gaps can be addressed *using tools such as feasibility studies, business risk assessments, technical assistance and market studies*
2. Concessional finance is an important *financing tool where returns are long and/or uncertain*
3. Intermediated financing can be an *effective way to engage SMEs in adaptation activities*
4. Collaboration with other stakeholders *can help mitigate project risks*
5. There is often value in having an explicit *project facilitator role linking the public and private sector, which MDBs can help to play*

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All stakeholders can take action to support private sector adaptation

Donors



recognise that different funding vehicles have different comparative advantages in PS adaptation

- MDBs have an important role to play where financing and technical assistance is most needed
- merit in exploring different ways to channelling concessional resources to MDBs

CIF



systematic market-wide approach to identifying adaptation priorities within and/or across countries

- reflect PPCRs programmatic focus

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MDBs



focus on their comparative advantages in PS adaptation

- infrastructure finance, intermediated financing?
- clear gaps in infrastructure adaptation

acknowledge and reflect heavy transactions costs of PS adaptation projects

Governments



create a more conducive environment for PS adaptation

- providing climate and hydrological projections; creating fora for public private dialogue on private sector adaptation; augmenting building and infrastructure standards and codes; improving the cost reflectivity of energy and water prices

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Company Profile

Vivid Economics is a leading strategic economics consultancy with global reach. We strive to create lasting value for our clients, both in government and the private sector, and for society at large.

We are a premier consultant in the policy-commerce interface and resource and environment-intensive sectors, where we advise on the most critical and complex policy and commercial questions facing clients around the world. The success we bring to our clients reflects a strong partnership culture, solid foundation of skills and analytical assets, and close cooperation with a large network of contacts across key organisations.

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