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Private Sector Engagement & Finance Instruments for Adaptation

Federico Gallopin, Private Sector Facility

Korea Global Adaptation Week

8-12 April, 2019 Songdo, South Korea

OUTLINE

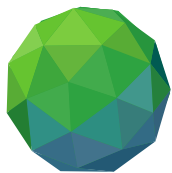
1. The Adaptation Finance Need
2. Opportunities for Private Sector in Adaptation
3. Barriers to Engage Private Sector in Adaptation
4. GCF Approach to Overcome Barriers



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1 | The Climate Finance Need






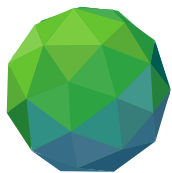
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Climate Change

The Inconvenient Reality

1	\$\$\$	✓ Annual investment required to meet Paris: \$ 7 T (until 2030) But only 6% p.a. is currently met
2	GAP?	✓ Why aren't private and public sector investing more?
3		✓ Who can invest and fill the GAP?

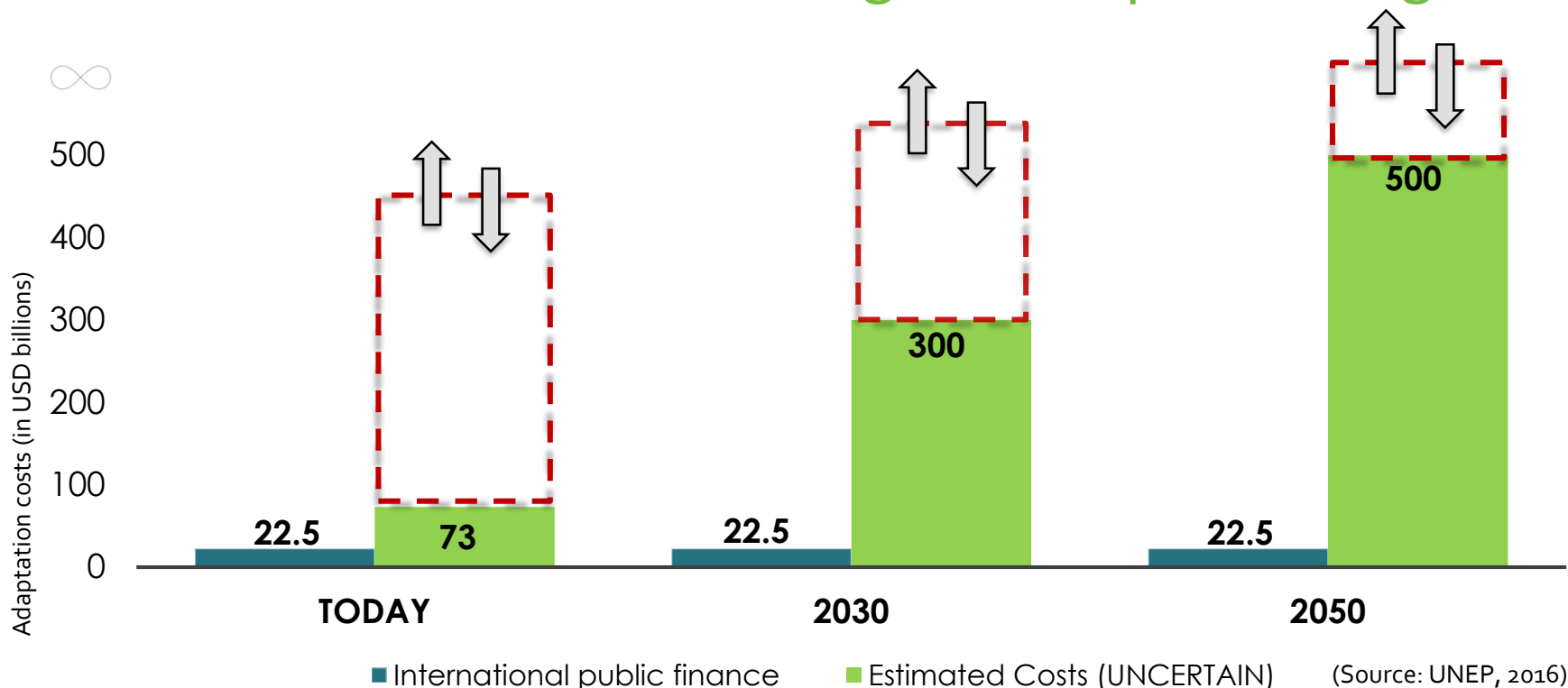
*Source Bloomberg New Energy Finance – Mapping the Gap: The Road from Paris, 2016. Recent studies estimate that the global annual infrastructure investment required from 2016 to 2030 to remain below 2 degrees Celsius is estimated between USD 6.9 (OECD) and 7.0 (NCE) trillion. These figures indicate that developing countries account for about US\$4 trillion per year, representing roughly two-thirds of global infrastructure investment, while the associated annual incremental up-front cost of future infrastructure investments consistent with the below 2 degrees Celsius' scenario is estimated to less than 9%.



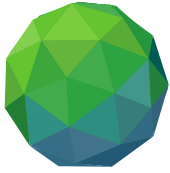
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ADAPTION FINANCE GAP

Costs 3 times higher & expected to grow



- Actual finance gap for adaptation could be much **GREATER** due to the high level of uncertainty in the estimates
- Need to mobilize private sector and institutional investment critical to address adaptation finance needs.



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PRIVATE SECTOR

Relevance for Climate Action for Adaptation

- Current and projected public **resources are limited** and might not be enough to cover the adaptation gap
- **Private capital is essential** for investments and technological innovation to fill the adaptation finance gap
- What are the private sector investment opportunities in adaptation?



2 Opportunities for Private Sector in Adaptation

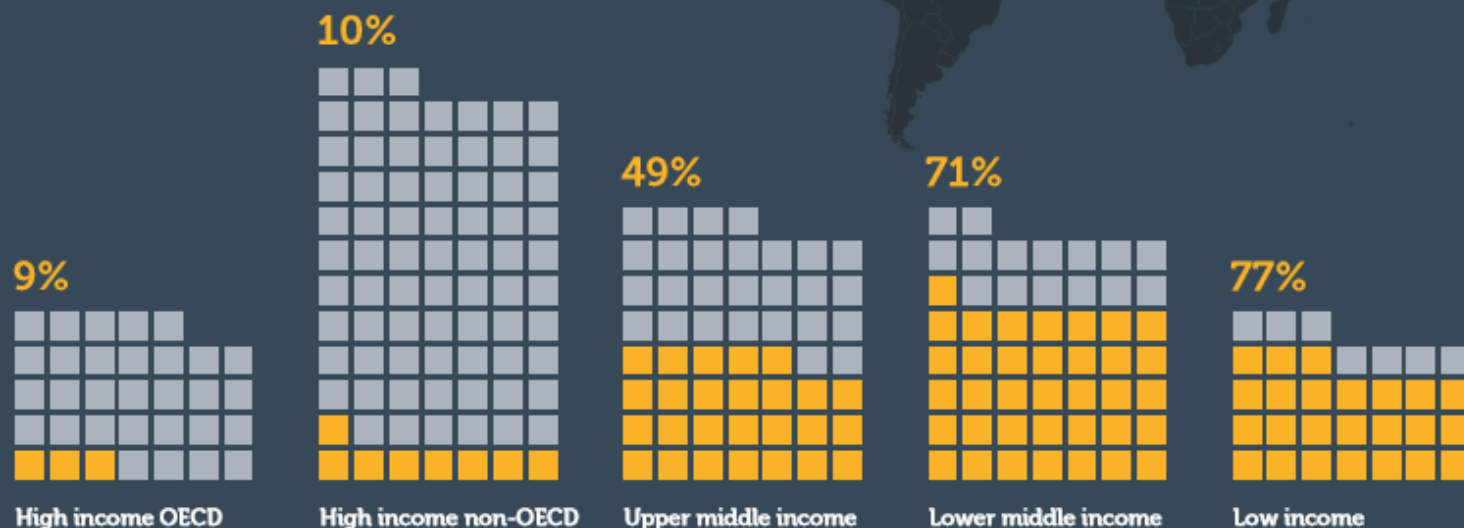
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Adaptation Component in NDCs

FIGURE 1

Number and share of countries by income grouping that include an adaptation component in their INDCs

- Countries that have not submitted an INDC, or where INDC does not include an adaptation component
- Countries that have submitted an INDC and include an adaptation component



Sources: UNFCCC (2015a), World Bank (2015)

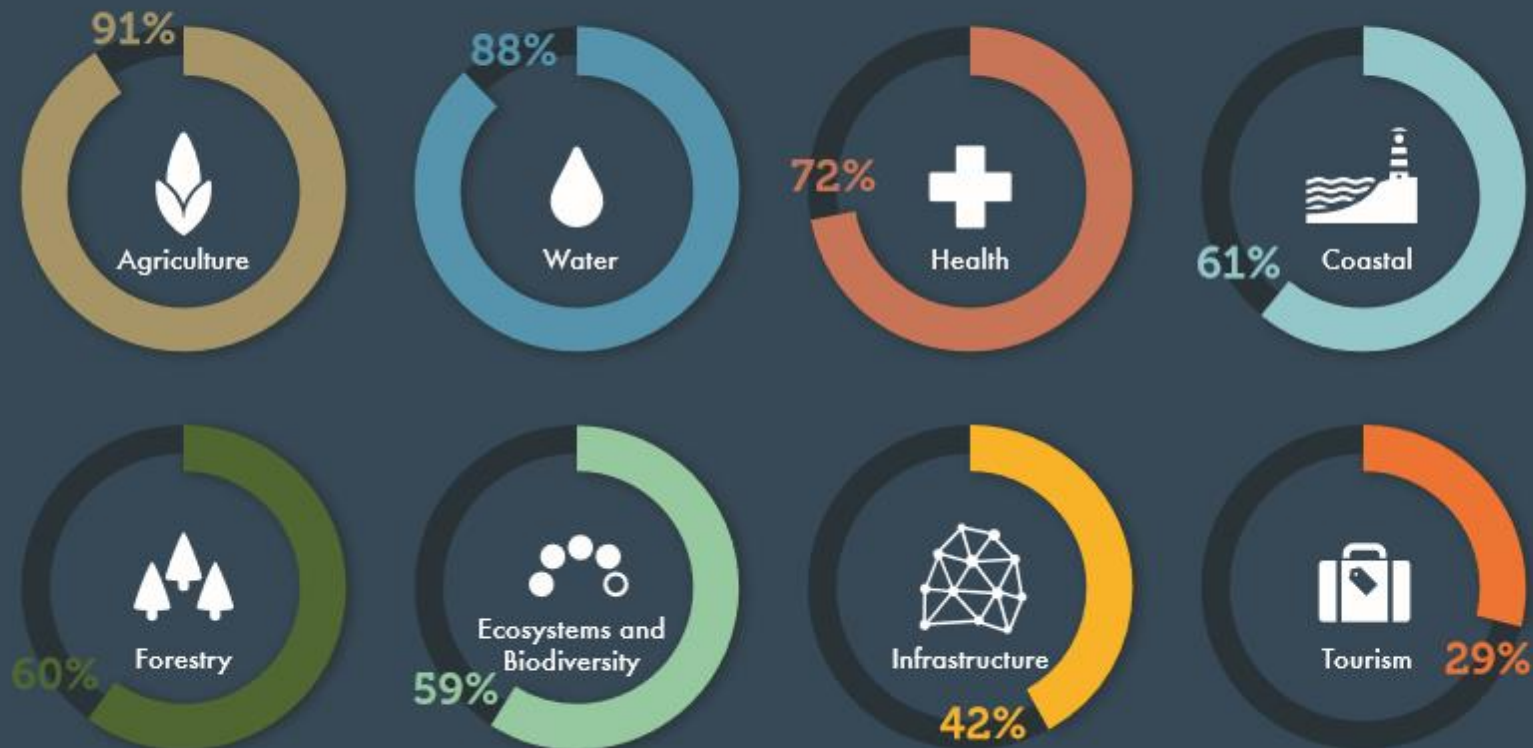
(Source: UNEP, 2015)

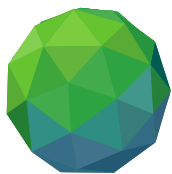
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Adaptation Sectors Prioritized in the NDCs

FIGURE 3

Key adaptation sectors prioritized in the INDCs





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CLIMATE INVESTMENT POTENTIAL

NDCs Key Sectors Relevant to Private Sector Investments

Relevant to Adaptation:

1. Agriculture

2. Forestry

3. Water

4. Buildings

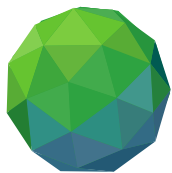
		Renewable energy	Agriculture	Forestry	Energy efficiency	Transport	Waste	Water	Industries	Buildings	Urban
All		130	126	120	107	107	101	101	70	66	51
EAP		24	18	19	19	18	15	13	7	7	9
ECA		10	13	12	10	9	12	5	12	8	3
LAC		26	27	27	19	24	19	23	15	13	7
MENA		17	14	12	17	14	14	15	12	14	3
SA		7	7	7	6	7	5	5	3	5	5
SSA		46	47	43	36	35	36	40	21	19	24

Source: IFC – Investment opportunities in 21 EM (2016)

Note: EAP = East Asia Pacific; ECA = Europe and Central Asia; LAC = Latin America Caribbean; MENA = Middle East and North Africa; SA = South Asia; SSA = Sub-Saharan Africa. This table accounts only for World Bank Group client countries. As a result, numbers in the table may differ from numbers throughout chapter 1, which take into consideration NDCs from all countries.

A close-up photograph of a chain-link fence. A horizontal metal pipe crosses the fence, secured by a rusty chain and a silver padlock. The background is a blurred outdoor scene with a blue sky and some greenery. A white diagonal graphic element is overlaid on the left side of the image.

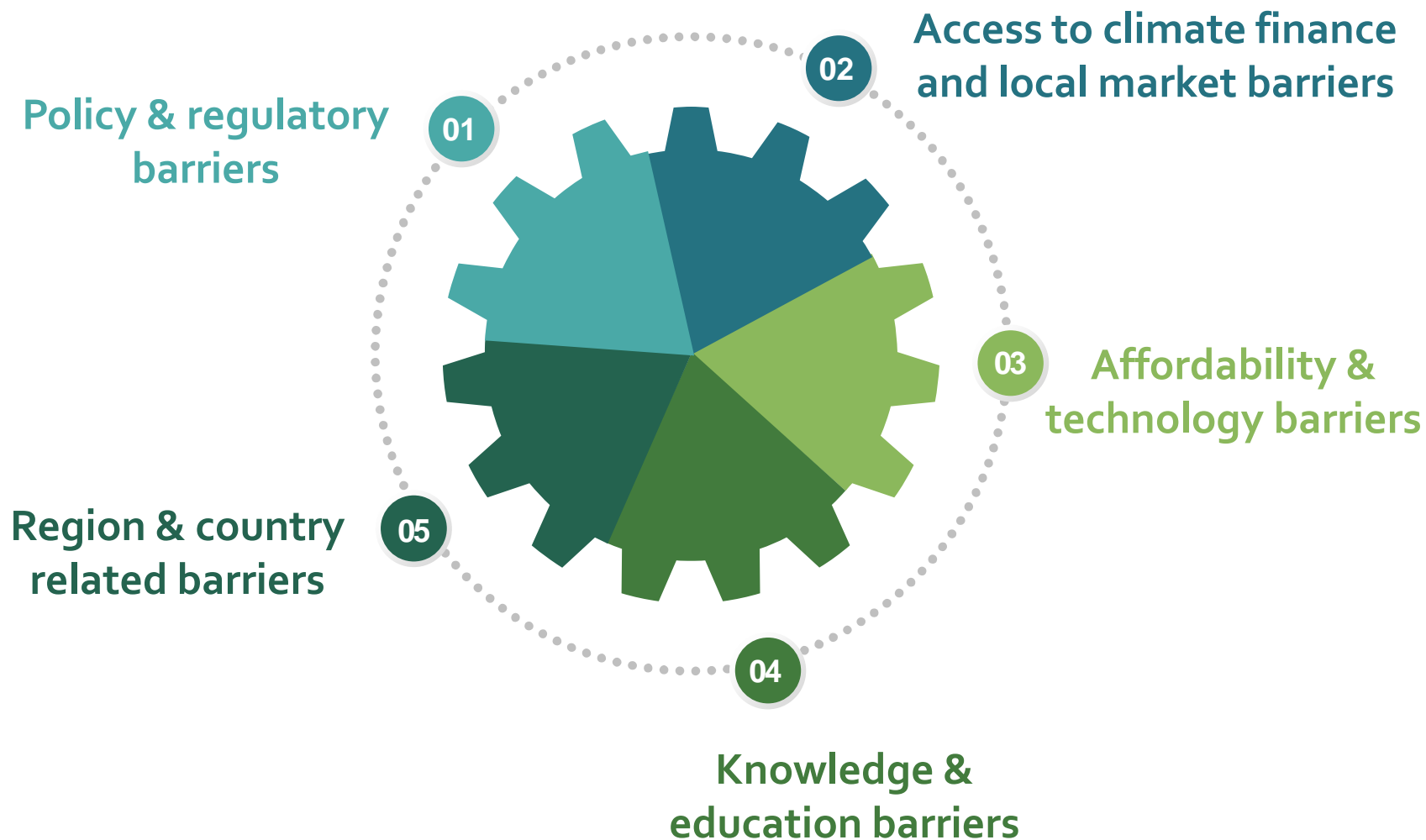
3 | Barriers to Engage Private Sector in Adaptation



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OVERVIEW OF BARRIERS

In engaging the Private Sector

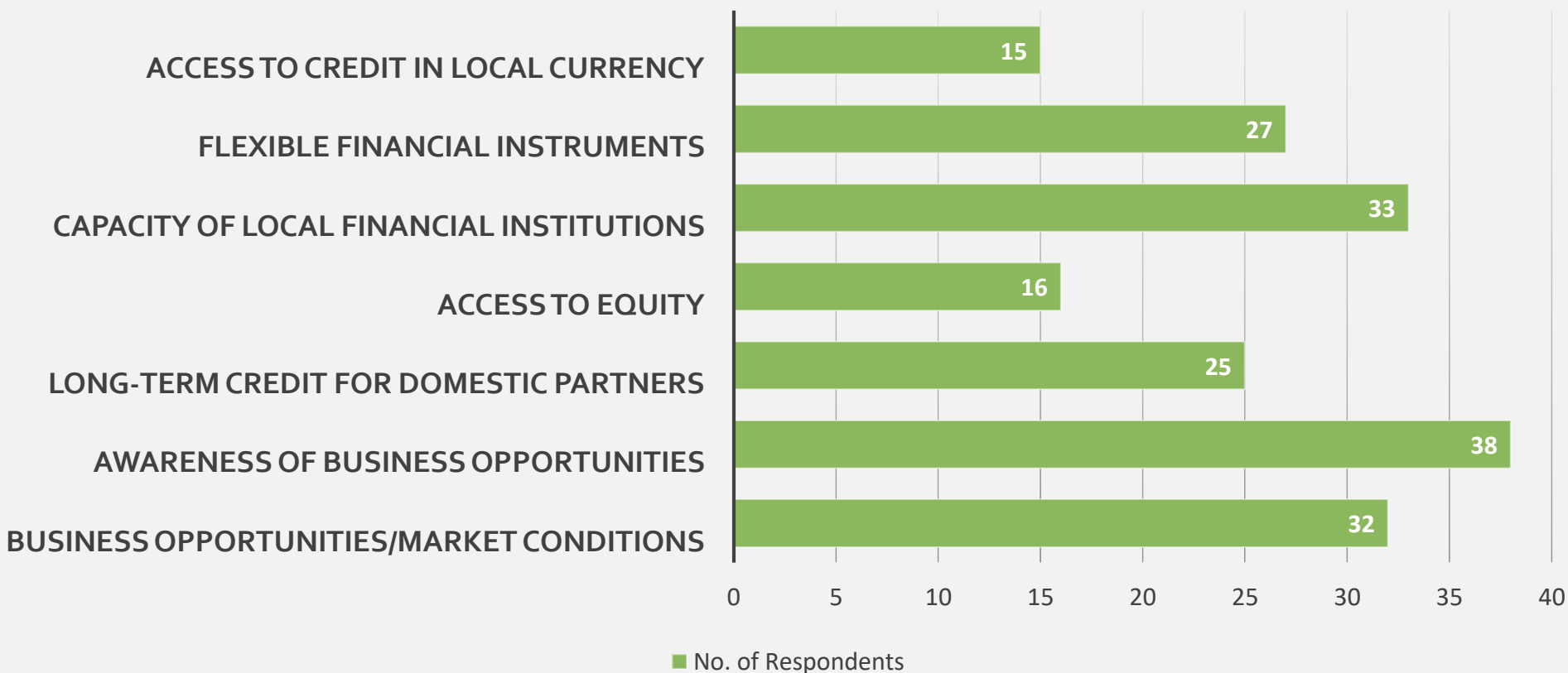




OVERVIEW OF BARRIERS

In engaging the Private Sector

Private Sector Investment Hurdles

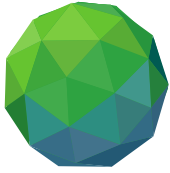


(Source: GCF Survey, 2018)

4 | GCF Approach to Overcome Barriers



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GCF can help governments to:

I.

Get climate policies right

- › Put in place clear and consistent policies
- › Integrate NDC commitments into national development strategies and other sector policies (ex. NAPs)

II.

Strengthen the PS Investment Climate

- › Create a robust enabling environment for private investment
- › Reduce transaction costs and risks associated with PPPs
- › Introduce investment policies and incentives

III.

Strategically use limited budget

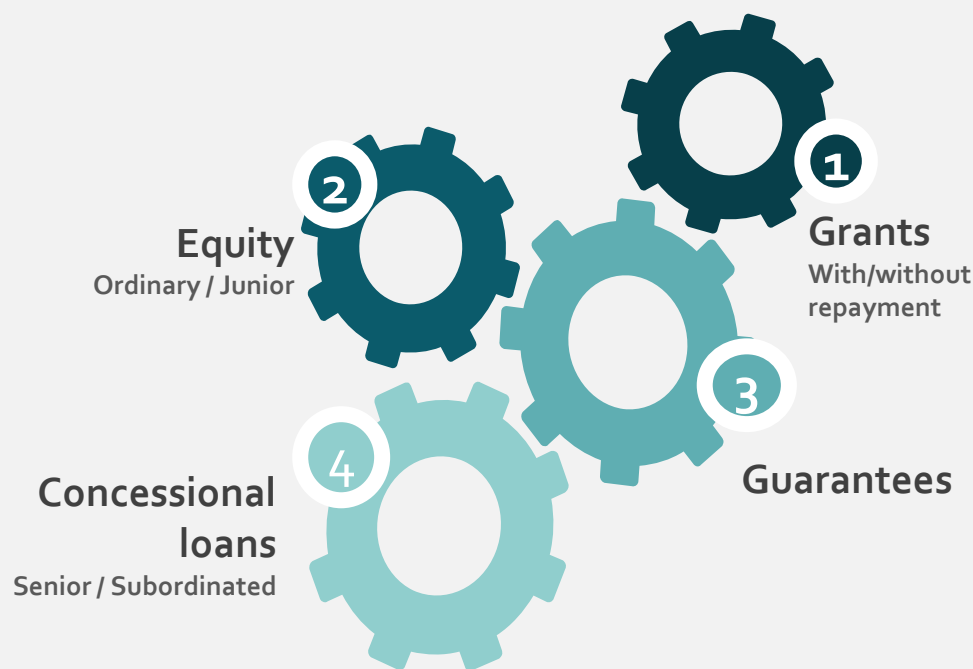
- › Use public funds to mobilize larger sums of private capital
- › Support project development to mobilize private capital
- › Design financial mechanisms to attract institutional investors



PSF's financial instruments

How we Invest

- We invest through a range of financial instruments, including equity, debt, guarantees and grants
- These can be combined into a variety of financing structures, e.g.:
 - Project-based (SPVs)
 - Direct equity/debt funds
 - Fund-of-funds
 - Structured finance vehicles
 - On-lending





Adaptation Projects

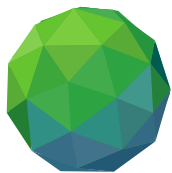
Such as CAMBio II & ARAF



USD 15.5m loan & grant to promote adaptation activities for agricultural MSMEs



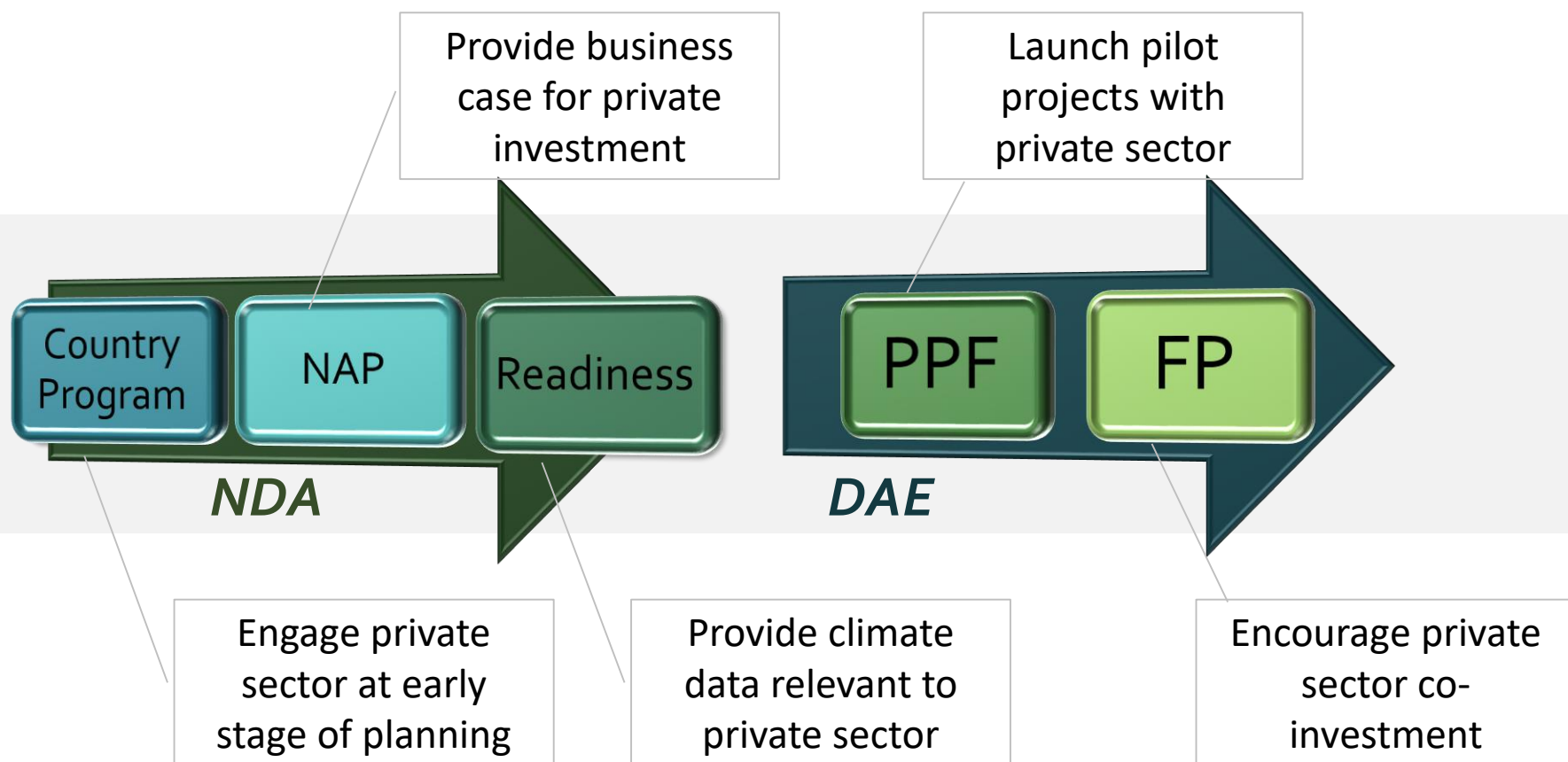
USD 26m equity & grant for adaptation impact fund to support and scale up agribusinesses

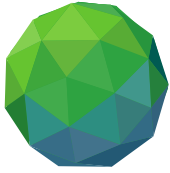


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How You Can Work with Us

From Country Programs to Funding Proposals

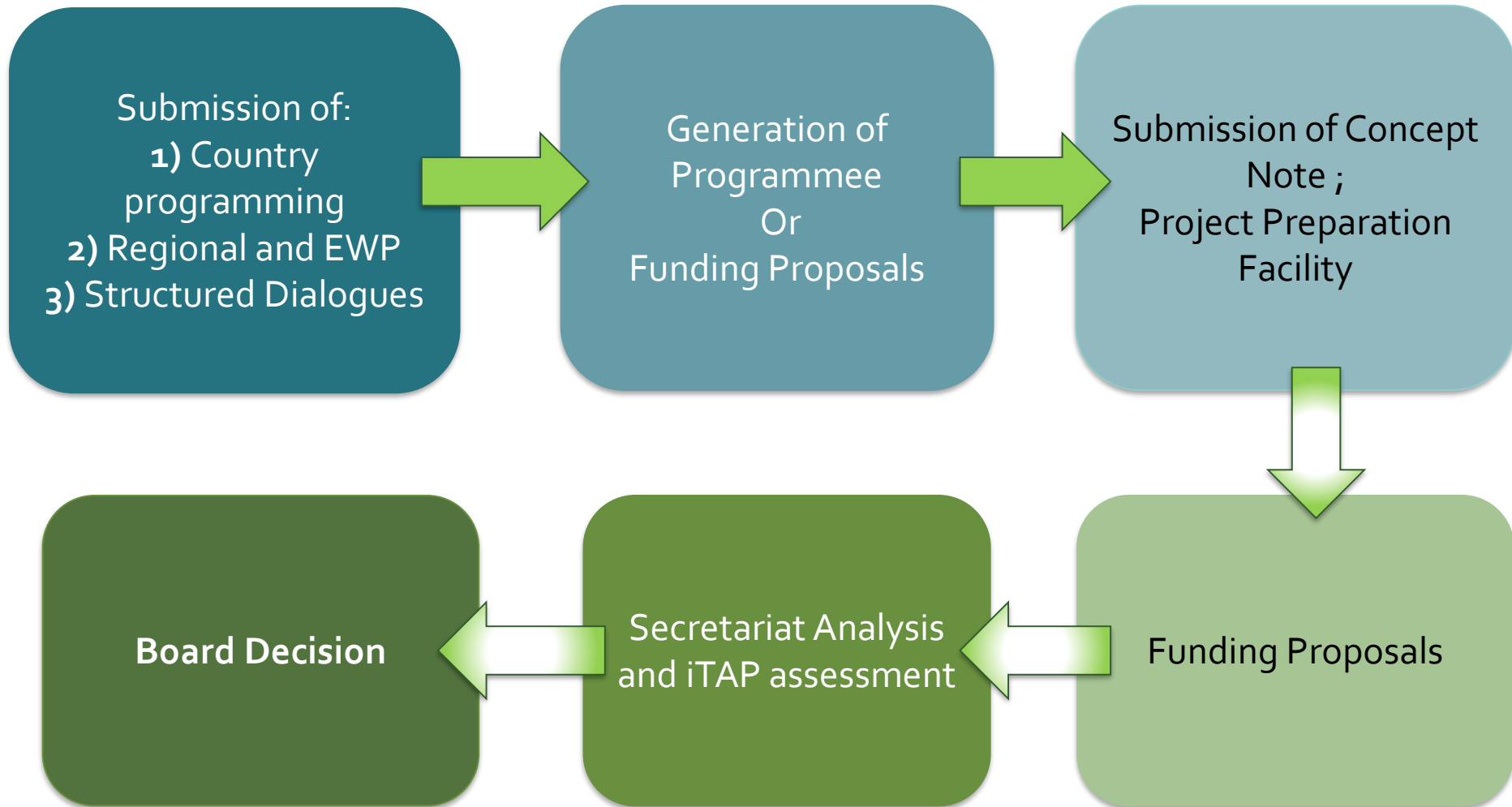




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Proposal Approval Process

Catalysing private sector investments





Contact



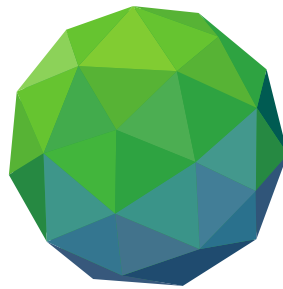
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