

Engaging the Private Sector in Financing Adaptation to Climate Change

The costs of adaptation to climate change in developing countries have been estimated to reach \$70 - \$100 billion per year between 2010 and 2050. Unlocking private finance can support public decision-makers facing constrained public budgets to achieve climate resilience by leveraging the ingenuity, skills, and financial resources of businesses and the larger financial sector. Moreover, the private sector itself is gradually becoming aware of the physical risks and opportunities arising from a changing climate. Hence, there is a growing recognition of the need for the private sector to mainstream climate resilience across its activities but also re-direct financial flows to avoid climate-induced economic and financial shocks.

The Action on Climate Today (ACT) programme has been working across South Asia to integrate climate change adaptation into development planning, and delivery. An important objective of ACT is to leverage finance for climate action. This learning brief focuses on the ways in which the private sector can be engaged to unlock finance for adaptation; highlighting the drivers, barriers and enablers that impact private sector participation. The ACT learning brief presents a framework of five approaches that policymakers, practitioners and donors can use to motivate the private sector to invest in climate change adaptation. The framework is illustrated with examples from ACT, highlighting the lessons learnt, and presenting key recommendations to mobilise private sector engagement and private finance in adaptation.

A full description of ACT's work can be found in the associated ACT learning paper, **Engaging the private sector in financing adaptation to climate change**.

ENHANCING ACCESS TO TECHNICAL RESOURCES Maharashtra, India

Through its analysis of climate-resilient agriculture value chains, ACT identified a key issue as the gap and trust deficit between Farmer Producer Companies (FPCs) and Institutional Financial Lenders (IFLs). To address this, ACT has partnered with the World Bank-funded Project on Climate Resilient Agriculture (PoCRA), and analysed 21 FPCs in four districts and developed an FPC rating tool that could be used by PoCRA and by IFLs, for credit to be made available to FPCs while promoting climate-resilient agriculture practices. ACT developed FPCs' and IFLs' skills to write and evaluate business plans, in addition to building the capacity of IFLs to use the FPC risk rating tool, and helping FPCs access credible finance for their business operations. ACT also prepared a business planning template, which draws on existing best practices and considers climate and gender-related information.



ENHANCING ACCESS TO FINANCE Maharashtra, India

As part of ACT's work on Public Private Partnerships (PPPs) in Maharashtra, the team provided technical support to develop a detailed proposal for a pilot project identified with Ambuja Cement Foundation (ACF). As a result, a PPP was facilitated by ACT between the Chadrapur District Authority in Maharashtra and ACF to implement a project around 'Water Resource Management', in line with one of the Government's major water conservation programmes. This pilot contributes both to improving water availability to communities, as per the state's objective, while also benefitting a water-dependent cement industry. This PPP agreement enhances private sector access to finance, as ACF will invest money upfront into the project, and be later reimbursed by Government authorities.

RAISING AWARENESS Bihar, India

ACT supported the Government of Bihar and stakeholders to understand that river silt should not simply be considered as 'waste', but rather as an important resource. ACT carried out a comprehensive analysis of the costs and opportunities associated with the excessive silt forming in the Kosi river. This included a policy review and governance assessment, an institutional needs analysis, and a cost-benefit analysis of different options for using sediment (e.g. for ceramic products, bricks and tiles), including input costs and primary benefits such as higher agriculture yield, commercial development, livelihood creation and economic growth. As a result, the Government adopted an ACT-developed sediment management framework with clear entry points for private sector investment and a self-sustaining supply-chain for silt.

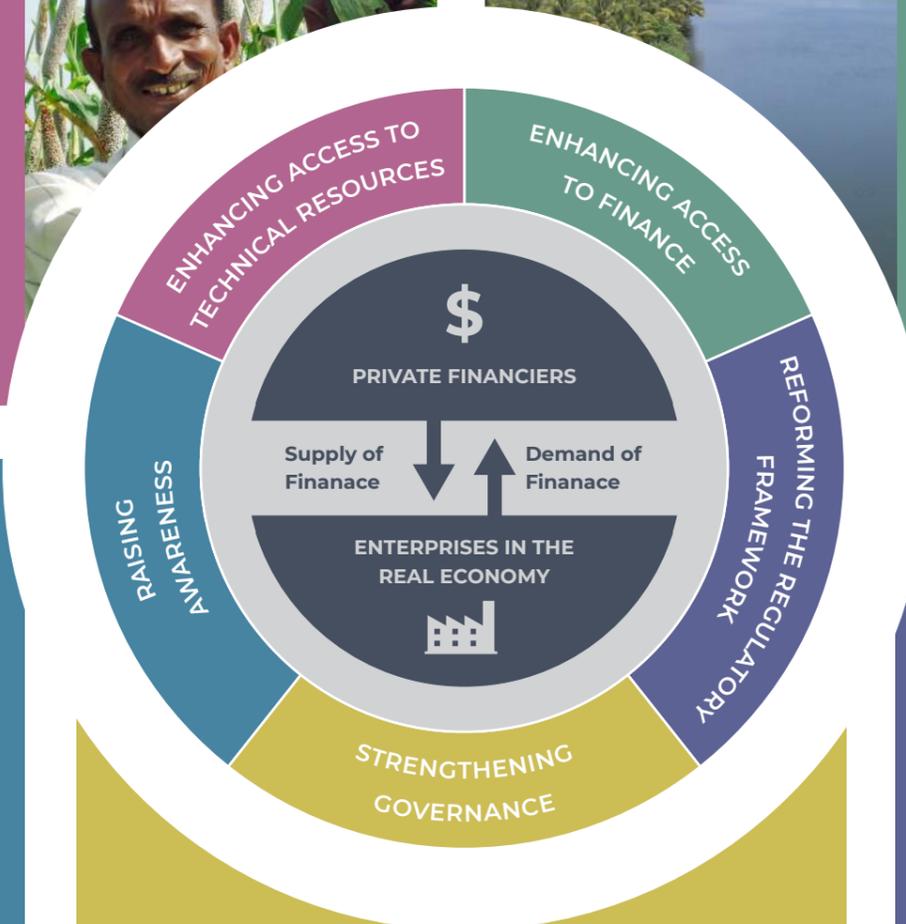


STRENGTHENING GOVERNANCE Nepal

As an output of ACT's engagement with the tourism sector, a Tourism and Climate Action Forum is currently being conceptualised, to enable all private tourism actors to come together and share lessons learnt and best practices to address climate risks. Similarly, a platform under the leadership of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) is under development, to foster corporate sector engagement in catalysing climate finance, through instruments such as corporate social responsibility. The platform could raise finance as required through the development of funding ideas, and linking individual organisations with potential funders.

REFORMING THE REGULATORY FRAMEWORK Nepal

On behalf of the Ministry of Culture, Tourism and Civil Aviation (MoCTCA) ACT undertook an economic impact assessment of climate change on the tourism sector, which kick-started discussions on developing a comprehensive climate resilient tourism strategy and action plan. Private tourism operations such as the Trekking Agencies' Association of Nepal (TAAN), have developed a code on responsible trekking operations in Nepal. However, such codes of conduct were not endorsed by the regulatory authority, thus hampering their implementation. ACT's recommendations have facilitated the consideration of climate resilience in these codes of conduct, and their inclusion in the revised Tourism Act, securing high-level buy-in and hence their effective application on the ground.



Key Lessons from ACT's Experience:

A set of five broad considerations on engaging the private sector for financing climate change adaptation, drawing on ACT's learning, offer guidance to practitioners and those seeking to design and implement technical assistance programmes on climate change adaptation.

1. Construct a relevant narrative: For example, use businesses' experience with a recent and local extreme climate event as a starting point, highlighting its impacts on their operations, in a language tailored to the private sector.

2. Build a shared vision between the public and private sector: Identify overlaps between the government's priorities and private sector interests. High-level political buy-in, through incentives and/or the regulatory framework, constitutes a necessary foundation for private sector investments in adaptation to thrive.

3. Develop the capacity and expertise of private sector champions to take action: Provide industry champions with decision-support tools to help them understand and assess risks and opportunities and identify potential adaptation measures. This will help them make more informed decisions to manage and minimise existing or emerging risks, while taking advantage of investment opportunities emerging from a changing climate.

4. Bridge the gap between the demand and supply of private finance: Bring together corporations that require lending to invest in the real economy (e.g. small and medium size enterprises) and those that can provide finance (including large corporates, commercial banks, private financiers, the public sector and national/international climate funds).

5. Allow adequate time and resources to influence or shape the governance and regulatory framework: The programme timeframe should align with the time required for stakeholder consultations as well as awareness-raising and capacity-building needs. Time needs to be invested at the initial stages in building buy-in, trust, and credibility with both public and private partners. This provides an enabling environment for private sector investment in climate change adaptation and helps improve the risk-reward profile of these investments.

These and other lessons from the ACT programme are elaborated in the ACT learning paper: [Engaging the private sector in financing adaptation to climate change](#)

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