



Catalysing private sector investment into climate change adaptation in ACP Countries

Thursday 25 March 2021, 2 – 4 pm (CET)

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Time	Agenda
02:00-02:10	Welcome speech and introduction <ul style="list-style-type: none"> Diego Borrero-Magana, Technical lead – Business Environment Reform, ICR Facility Mr. Escipi3n Joaqu3n Oliveira G3mez, Under-Secretary General in charge of the Structural Economic Transformation and Trade Department, OACPS Miguel Campo-Llopis, Policy Officer – Private Sector Development, SME support, Business Development Services, Green Economy, INTPA - European Commission
02:10-02:15	Presentation of the ICR Facility <ul style="list-style-type: none"> Diego Borrero-Magana, Technical lead – Business Environment Reform, ICR Facility
02:15-02:40	Mobilising finance to catalyse private sector engagement for climate change adaptation in ACP countries <ul style="list-style-type: none"> Richard McNally, International climate expert – SNV
02:40-03:30	Round Table <ul style="list-style-type: none"> Charlene Watson – ODI Research Associate on Climate Finance Tigere Muzenda, Regional Investment Officer for Africa – The Dutch Fund for Climate and Development Muhammed Sayed Ph.D., Specialist – Climate Finance Unit at Development Bank of Southern Africa (DBSA) Lad3 Araba, Managing Director Africa – Convergence Tirhas Mebrahtu, Director of Resource Mobilization – Ministry of Forest & Climate Change, Ethiopia
03:30-03:50	Questions and Answers
03:50-04:00	Individual support offered by the ICR Facility

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Welcome words

Mr Escipi3n Joaqu3n Oliveira G3mez

Assistant Secretary-General of the Department of Structural Economic Transformation and Trade
ORGANISATION OF AFRICAN, CARIBBEAN AND PACIFIC STATES (OACPS)

Miguel Campo Llopis,

Policy Officer-DG INTPA- Unit E2 Micro-economic Analysis, Investment Climate, Private Sector, Trade and Employment, EU
Commission

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Investment Climate Reform Facility (ICR Facility)

Funding	EU, OACPS in the framework of the 11th EDF, with BMZ and the British Council
Objective	Support African, Caribbean and Pacific countries and regional institutions in their public-private dialogue process to create a more favourable and sustainable investment climate.

Technical assistance of up to 90 days for interventions:

- **Reform of the business environment** 
- **Business Environment for Sustainability** 
- **Public-Private Dialogue (PPD)** 

Applications must :

- aim to improve the business and investment climate in an ACP country
- be part of a broader strategy, reform process or DPP mechanism
- have a PPD component 
- To be submitted by government organisations, business associations, development finance institutions (DFIs) and EU delegations in ACP countries

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Key challenges and responses

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The ICR Facility Climate Smart Investment Knowledge Series

- This series focuses on how to mobilise private investment in order to build resilience to the impacts of climate change in ACP countries.
- *Paper one* sets the scene by identifying why engaging the private sector is vital to deliver climate adaptation in ACP countries.
- *Paper two* explores the role and solutions that international concessional finance can provide in stimulating private adaptation investment.
- *Paper three* illustrates the role of domestic financial and fiscal policy in directing and incentivising private finance towards adaptation.



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Key Trends: Despite wide variation in the geographic and economic context of ACP countries, there are similarities between adaptation priorities

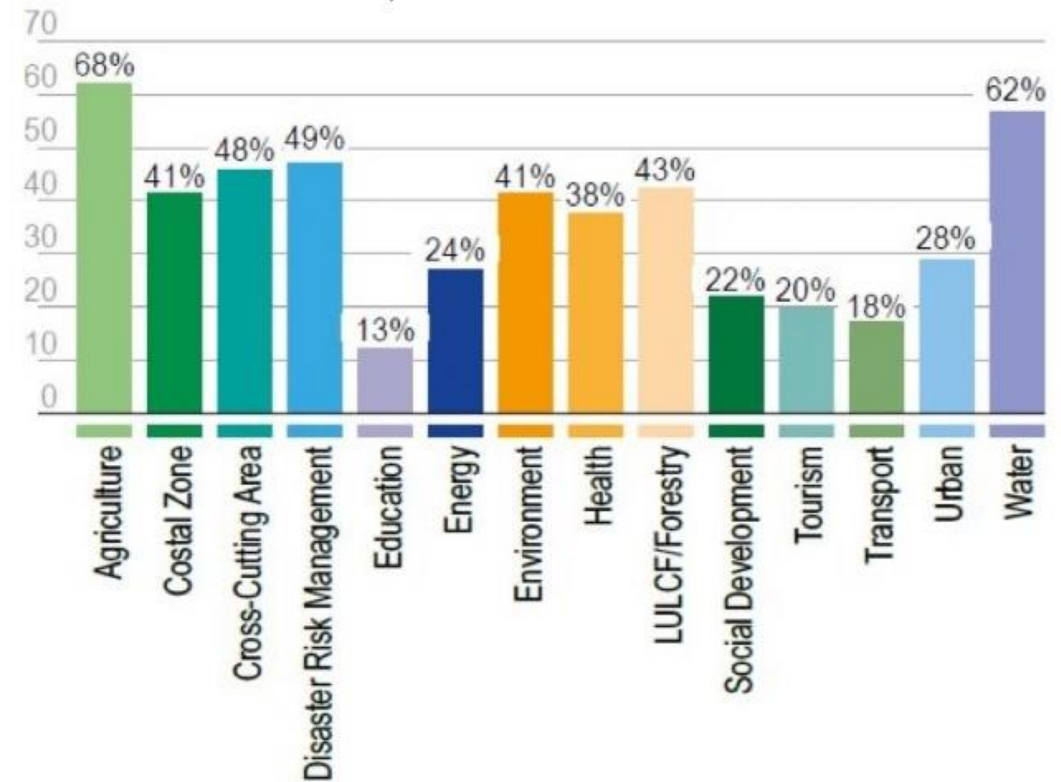
ACP countries are highly vulnerable to climate change. LDC and SIDS high priority for adaptation finance under the UNFCCC.

Adaptions priorities are outlined in *National Adaptation Plans (NAPs)* and/or *Nationally Determined Contributions (NDCs)*.

The graphic shows adaptation priorities for ACP countries through the process of setting NDCs.

Indicates two-thirds of ACP countries cover agriculture and water, making these the highest priority sectors for CC adaptation.

Also high importance attached to DRM, LULUCF/forestry and coastal zone.



Source: GCCA+. 2018.

The urgent need for significant scaling-up of both public and private adaptation finance

There is a major shortfall in investment into climate change adaptation.

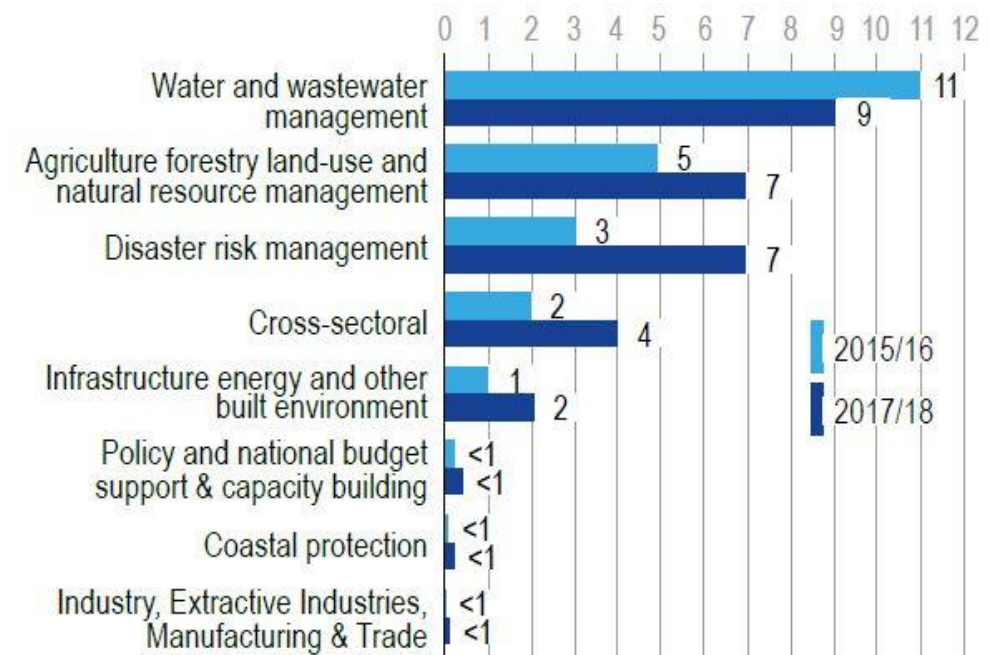
The tracking of finance flows for climate change adaptation identified US\$30bn a year, on average in 2017/2018 (*CPI 2019*).

In contrast, estimated financing needs remain in the hundreds of billions annually (*UNEP Adaptation Gap Report 2021*).

Vast majority of the funds are from public sector (in particular DFIs). Very little private sector flows, especially for ACP countries.

The scale of adaptation finance needed cannot be met by public resources alone. Require large-scale private sector resource mobilization.

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Source: CPI 2019.

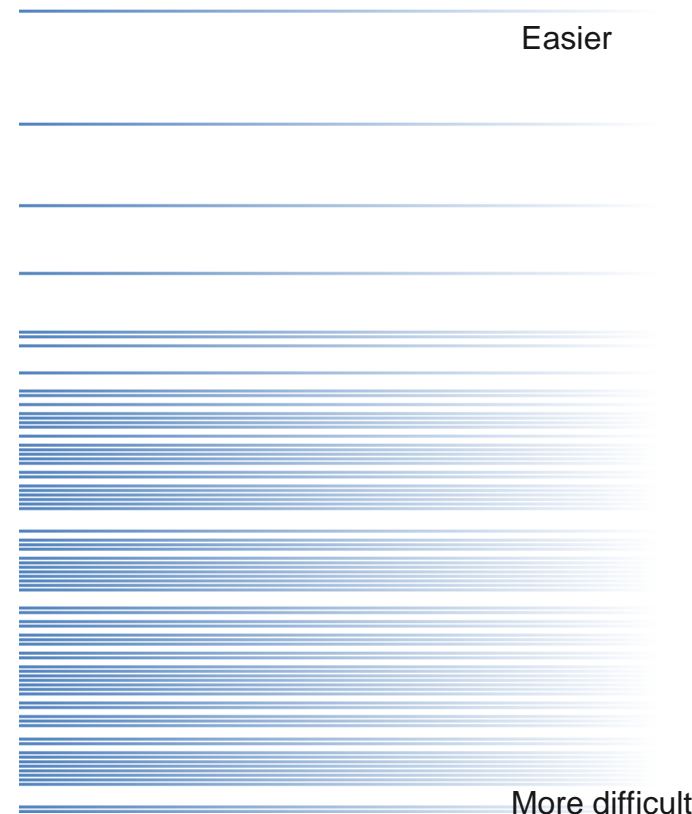
While there is a need to stimulate the private sector it is highly challenging in ACP countries

Businesses, financial institutions, investors etc all have a increasingly important role to play in innovating and providing climate solutions.

Private sector actors are demonstrating increased interest. E.g the Task Force on Climate-related Financial Disclosures; Adaptation Impact Funds etc.

However, the investment climate in ACP countries is typically weak. The graphic depicts the “ease of doing business” in 2019. Blue lines represent the ACP countries.

Harder to attract investment let alone climate investment.



Ease of doing business index

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How can we stimulate more investment into adaptation in ACP countries?

Paper 2 examined this primarily from the perspective of attracting external flows of finance. We identified three important issues hindering private sector investment. [In addition to weak business and investment climate, which is examined elsewhere].

1. National Adaptation Plans are not being translated into clear investment opportunities which can provide a clear signal to the private sector

2. Investors regularly struggle to find a deep and broad pipeline of potentially investible projects supporting climate change adaptation.

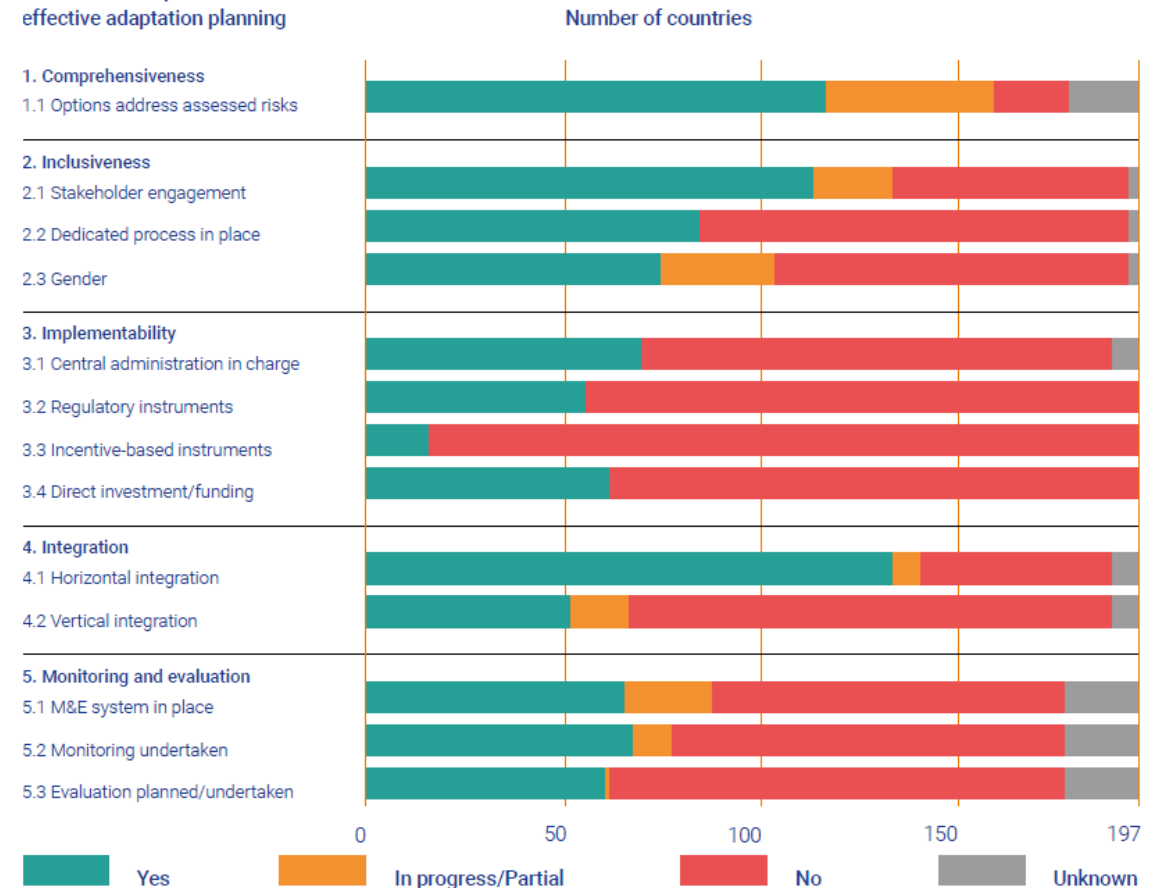
3. Current financial instruments, may not always be the most suitable for encouraging investment into high risk countries and projects, such as climate change adaptation in ACP countries.

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Response: translate NAPs into investment plan (and potentially investible projects)

- NAPs and adaptation priorities are not being sufficiently translated into priority investments
- *UNEP Adaptation Gap Report 2021*: growth in NAPs not many have attached financing; even fewer have investment plans.
- Growing number of interesting initiatives. E.g. CIF PPCR, Ethiopia.
- The need to translate NAPs into priority investment areas, possible pipeline, barriers, and appropriate financial instruments linking to sources of finance.
- Also need to make clear what is not investible, Requires public investment.

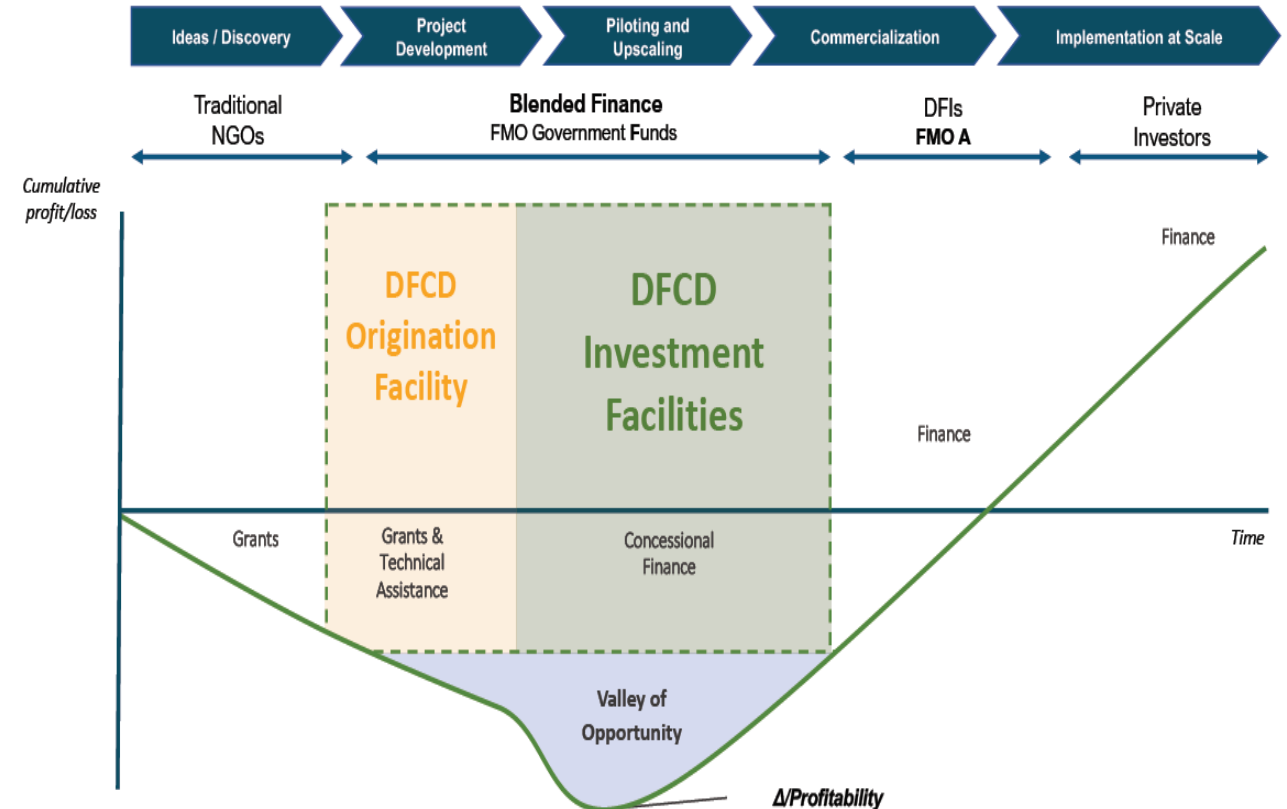
Criteria for adequate and effective adaptation planning



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More support for project preparation and life cycle financing

- ACP countries lack mass of private sector players and prospects; suffering from underdeveloped financial and capital markets.
- SMEs particularly prevalent; especially in sectors vulnerable to climate change. e.g. agriculture, water etc. The missing middle.
- Need for targeted (longer term) support to build pipeline of projects (linked to NAP). Design funding; business development services; project preparation facilities etc.
- Also need to link investors to pipeline development through full life cycle financing (e.g. Dutch Fund for Climate and Development (DFCD Origination Facility)).

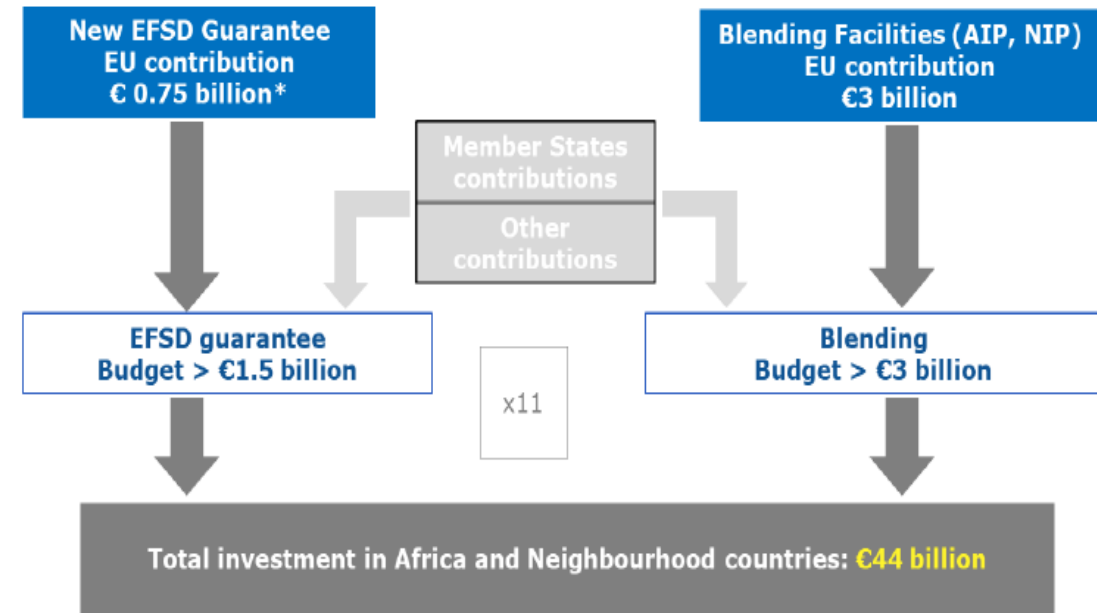


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The need for the right financial instruments and innovative blended facilities

- Catalyse private finance through pooling of public and private finance in structured blended finance vehicles. (e.g. EFSD).
- Current financial instruments (e.g. senior debt) not always suitable for investment info riskier, smaller projects, such as CC adaptation in ACP.
- Need for financial instruments such as equity, risk sharing facilities and/or grants to mitigate early stage risks; use innovative blended finance structures (e.g. CFM Climate Investor 1&2, UNCDF LDC Investment Platform) able to better deal with risks and reach most vulnerable groups.
- As flows of adaptation finance set to increase (COP26). EFSD+. It is critical DFIs/FI adopt financial instruments and structures that deliver support to areas and people that need it most.

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European Fund for Sustainable Development

These ideas and others will be examined and reflected on by the expert panel.

Thank you

If you seek support please get in touch.
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Round Table discussion

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Round table discussion

- **Charlene Watson** – ODI Research Associate on Climate Finance
- **Tigere Muzenda**, Regional Investment Officer for Africa – The Dutch Fund for Climate and Development
- **Muhammed Sayed Ph.D.**, Specialist – Climate Finance Unit at Development Bank of Southern Africa (DBSA)
- **Ladé Araba**, Managing Director Africa – Convergence
- **Tirhas Mebrahtu**, Director of Resource Mobilization – Ministry of Forest & Climate Change, Ethiopia

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Questions and Answers

Please write your question in the Chat.

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Upcoming events

Start up Act (Innovative Finance series)

- Date and time: 22.04.2021
- Language : French
- More details to come on www.icr-facility.eu

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Clinics of the ICR Facility

Targeted support: virtual and individual support sessions

- Eligibility: public or private actor based in an ACP country
- Slots will be allocated according to availability.
- Aid will respect a regional balance across all ACP countries.



Exchange directly
with us and get
support for your
organisation

- Express your interest until 8 April 2021 via info@icr-facility.eu.
- Indicate your organisation and the questions you wish to ask.



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