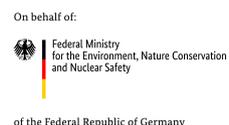




Translating Climate Risks into Investments and Resilience

Concept Note for the NDC Support Cluster
Thematic Working Group: Financing

Draft version



Introduction to the approach

Private (climate-change) investment activity has largely disregarded developing countries' most pressing adaptation needs and rarely met the needs of the most vulnerable and poor communities. This should come as no surprise. Private companies by nature tend to approach any issue from the standpoint of their vested interest—and without considering the full spectrum of interventions (including those that might be leveraged by a public sector intervention) that could achieve social and economic benefits essential to building resilient societies. On the one hand, as a prominent investor has stated "A corporation's responsibility is to maximize profit, not to spend money and figure out how to save the planet". Yet on the other, as he has also stated, "We deforest the land, we degrade our soils, we pollute and overuse our water and we treat air like an open sewer, and we do it all off the balance sheet," and "Capitalism and mainstream economics simply cannot deal with these problems. Mainstream economics largely ignore [them]".¹

Although private investment is generally assumed essential for delivering on national adaptation targets, little attention is given to how this will be achieved, based on a comprehensive understanding of how the private sector approaches its investment decisions, and little is known about the efficacy of specific instruments in use—or proposed—that may increase the contribution of the private sector to meeting the adaptation needs of developing countries. Private companies and potential investors are often excluded from the public policy conversations about the need for adaptation (and how to fund it) and rarely, if ever, is information localised or immediate enough to translate into impact on their vested interests.

In summary, the problem that this approach seeks to address is the fact that:

“Financial literacy is lacking in climate focal points and climate literacy lacking in financial focal points, and *vision-alignment* is lacking in both.”

Approach overview

With this central construct in mind, this concept note describes an approach for achieving the active participation of the private sector in adaptation investments. It targets geographically localised communities experiencing (or anticipating) a climate-induced risk. For our purposes “the community” will include the “*unusual suspects*” as it specifically seeks to bring together actors who don’t usually sit at the same table. Nevertheless, all have something in common: they have some “skin in the game” i.e. some form of vested interest, essential service or investment that is at risk. This community not only shares common interests but collectively it can unlock opportunities for adaptation action (and investment) that are not apparent or available standing alone. The response is localised, relevant, and built through skilled facilitation and the best available scientific evidence and technical support; it will thus be climate-smart, sustainable, and capable of attracting climate funding. This last factor, in turn and amongst others, will incentivise private sector funding. In addition, because the problem area being addressed is multifactorial and has already attracted investments, the new solution will present a pipeline of investable projects across a spectrum of intervention areas.

¹ Imbert, F. 2108. Capitalism is killing the planet and needs to change, says investor Jeremy Grantham. *CNBC Investing*, 13 June 2018. Online, available at <https://www.cnbc.com/2018/06/13/gmos-grantham-capitalists-need-to-wake-up-to-climate-change-reality.html> (Accessed 11 September, 2018).

The approach will be initiated by climate-aligned intermediaries (CAI)² able to convene and facilitate the ‘community’ conversations (including private sector investors, local and national authorities, affected community members, insurers, climate finance institutions, researchers and practitioners). Working alone or, more probably, in a team, the CAIs will base their approach on their proven climate expertise, systems thinking, and change management experience. The CAI will help the community define—and build the business case for—a suite of adaptation/climate responses that are separate from (but aligned with) the SDGs, and development-as-usual interventions, and are informed by other regional and international adaptation initiatives or best practice. To use a phrase currently in fashion: the CAIs will climate-proof the adaptation investment, and perform an “alignment assurance” function.

The adaptation responses to a defined climate challenge, supported with climate and adaptation knowledge provided through the CAI, using climate-smart methodologies and informed by best practices, will

- **Give access to existing pools of climate finance** through accredited institutions such as commercial banks, development banks (e.g. DBSA), and National Implementing Entities (NIE’s) **which will**
- Help **unlock public and private sector investment** (either re-investment or new investments) **to create impact**, through providing existing players, facing real problems, with innovative solutions, that
- Contribute to **building a sustainable local climate adaptation ecosystem**.

The innovation of this approach—that in turn supports its replicability—is that it:

- Is data rich (a community with investments facing a climate challenge), and granular, *from the outset*, that
- Establishes the baseline for the impact monitoring and evaluation of the
- innovative process (climate-aligned intermediary services and facilitation), and
- allegiance to local basic needs and developmental aspirations, founded on principles of social justice and economic relocalisation
- outcomes (focussed on a consensus-driven, research-based, climate-smart adaptation design) that
- Attracts climate funding that leverages public and private sector investments that
- Supports the ultimate impacts, including community adaptation and resilience.

Collectively these build impact matrices at the macro level and delivery matrices at the process and local levels that support on-going monitoring and evaluation and refining of good practice in the development or support of adaptation ecosystems. Both sets of matrices are capable of aggregation to the policy level.

Further, over time the range of climate-smart adaptation responses in a range of communities and geographies, across a range of sectors, affecting a range of populations, will collectively support the implementation of adaptation NDCs (a-NDCs) and ambition.

At a practical level, the granularity of the approach lends itself to the creation of a range of knowledge products that are grounded (literally) in specific geographies (likely to be representative of a climate “hotspot” e.g. watersheds, wetlands, river basins), and/or economic sectors, and/or population nodes. This will support the compilation of data- and evidence-based intervention types that are, effectively, proven investment templates.

² See ANNEX 1 for more detail on Climate Aligned Intermediaries.

Rationale for the approach

As CAIs, our opening premise is that safeguarding, re-shaping or expanding existing private sector investment (as opposed to a focus on attracting new capital) is the right starting point for increasing investment in adaptation by the private sector in line with long-term resilience and low carbon development strategies. These investments will increasingly be at risk due to climate-related effects that arise from increasing temperatures, variability in rainfall patterns, increased frequency of extreme weather events and other related externalities.

We are also cognizant of the view that “Encouraging private sector to invest in adaptation is a mismatch for two reasons: externalities and tyranny of the discount rate.”³ In brief, with discounting we adjust future benefits (and costs) to express them in equivalent terms to current costs, using a standard formula. If the World Bank or DFID is looking at a project, it has to pass a cost-benefit analysis (CBA) ‘test’ to ensure a rationale (economic) investment; these entities use a discount rate of 10–12%. Country governments often use a similar rate for looking at investment and budgeting, e.g. Rwanda: Ministry of Finance works with a 13% discount. Therefore, it is harder to justify projects that have costs now but lead to benefits in the future, especially if these are uncertain. From a business point of view, it doesn’t make sense to ‘climate-proof’ everything, e.g. rural roads and bridges, hydro-plants.⁴ Discount rates that apply to businesses make it irrelevant to value the returns beyond five years. Climate risk is therefore devalued and will never meet private sector investment return criteria. And climate typically operates on timeframes from 5–40 years.

Regarding externalities: Externalities equals investment in risk reduction but an investment in the commons that is not owned by the private sector. The private sector just does not do this unless they are regulated. Even if an externality is pressing, it’s an investment in something which is uncertain. Until the private sector are forced by policy/regulation or through some other innovation to bring the discount forward—the climate adaptation business case will never look, feel, and sound real to investors.

The growing awareness that transformative approaches will be necessary to prosper, provides multiple opportunities for climate-smart engagement (to identify both risk mitigation strategies and totally new investment responses), that, collectively and over time, will contribute to a-NDC implementation.

The opportunity centres on the common interests of a collection of known actors: private and public sector operators that face uncertainty associated with the nature and timing of climate change and need to innovate to stay in business and remain relevant. This includes an audience of financiers/investors who already have ‘skin in the game’ and will want to secure their investments; insurers who might face increased future claims; local authorities whose revenue and economic development targets are threatened; and broader society, whose socio-economic and political capital is at risk. Added to this is the potential for renewed investment and profits through sustainable business practices, the potential of capital to attract capital; the potential to engage various actors—who don’t normally problem-solve together but do share common interests—to develop a shared language around the complex climate ramifications of a problem, shared responses, and a shared knowledge base.

Therefore, what is needed is a *process* convened around localised climate impacts, to identify innovative (private sector-led) solutions that will include targeting key (NDC-aligned) sectors and the policy or finance mechanisms necessary to realise them.

³ From ideas contained in <http://www.futureclimateafrica.org/wp-content/uploads/2015/02/Rwanda-technical-report.pdf>

⁴ Watkiss, P. 2015. As above

As CAIs we would provide

- Guidance on the principles underlying such a process and how to initiate and conduct it;
- Brokering services to bring in the required range of actors, and then play a role in facilitation some or all of the engagements, either throughout the process or at critical points in the process;
- The vision and understanding of what of climate-smart impacts would look like and require, and examples of successful interventions to inform the process;
- Information on the possibilities for climate funding and how this could be leveraged to attract an/or de-risk private sector funding; and
- Direct or indirect support on access to funding.

Our approach encompasses defining the mechanisms, the ways these actors are convened, and the subsequent facilitation of the engagement—including the engagement with the science, economic data, adaptation knowledge and vision of a climate-smart ecosystem—to inform robust decision-making. This will demonstrate foresight, responsibility, and best practice in a-NDC implementation. It will enable vested actors to have sufficient confidence in the value-add to explore the implications aligned to their respective interests and identify a collective climate-smart solution to a climate-risk situation. The solutions might underline the need for investment in individual or collective risk mitigation measures, and/or new opportunities that should result in positive social and economic benefits such as income, employment and contribution to GDP. These investments should be quantified and tied back to the realisation of commitments under national policies framed under the over-arching guidance of NDCs.

Challenges and barriers addressed by the approach

Even though the challenges and barriers will differ between the concrete cases, there are some similar underlying challenges this approach looks to tackle. Typically they include lack of collaboration among ecosystem actors; lack of access to relevant information and skills; mismatches in investment size, supply and demand; poor access to markets, excessive cost of physical infrastructure; and limited access to finance, especially climate finance.

Given their central role in this approach, understanding of the challenges from a private sector point of view is essential. While our approach is based on the firmly held belief that “current and future climate change impacts are now part and parcel of [any] system management”,⁵ this understanding is not necessarily shared by the private sector, which traditionally has perceived or experienced risks across five domains: strategic, operational, financial, political and physical.⁶ Businesses’ understanding of the following issues can inform their approach to investment:⁷

⁵ Kelly, A. 2018. Electricity access must be climate resilient. Online, available at <https://www.powerforall.org/insights/energy-policy/electricity-access-must-be-climate-resilient> (Accessed 31 August 2018)

⁶ Kaminskaite-Salters, G. 2009. *Meeting the Climate Challenge: Using Public Funds to Leverage Private Investment in Developing Countries Section 4 – Spending public finance to leverage private investment: specific instruments for specific challenges*. DFID. Online, available at www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2014/02/sectionfour.pdf (Accessed 26 August 2018).

⁷ IDRC. 2016. The Private Finance Gap: Challenges and Opportunities in Funding Adaptation. Panel discussion presented at COP 21, Paris, on 3 December 2015. Online, available at <http://enb.iisd.org/climate/cop21/enbots/3dec.html#event-2> (Accessed 26 August 2018).

- Climate change as a risk management issue, rather than one of resilience, pointing to the need to translate science for business actors.
- The distinctions between adaptation and mitigation, the need to address barriers to accessing finance, and to “slice down” adaptation.
- The key role of the private sector in taking research to fruition, pointing to the disconnect between the innovation community and research users.
- The need to look at adaptation from an actor-based perspective and that businesses “want to take risks and to get paid for it”.
- The need for “thinking big” about adaptation, for a coalition of businesses across sectors and geographies to influence governments for climate resilient development.
- The need for brokers to “push the project to the money and the money to the project”.
- The role of capacity building and awareness raising, so that businesses understand the added value of what they do; and
- The need to harness women’s potential for economic development.

In an implementation scenario, these would be unpacked further as we (an envisaged CAI team) engaged with affected businesses and together explore the climate risk areas or problems we identify collectively and seek to transform into climate-aligned investment opportunities. As CAIs, we expect to add to and refine this as the basis for framing a Theory of Change for effective interventions that result in transformative adaptation responses.

That “financial literacy is lacking in climate focal points and climate literacy lacking in financial focal points, and vision-alignment is lacking in both” can be seen in the:

1. Limited understanding in the investment community—if no climate-smart intervention is made—of the costs and risks of externalities (e.g. climate risks and impacts, climate policies, and climate finance risks and impacts, and climate finance policies), and because they are not well understood, are ignored or underestimated in traditional investment assessments.
2. Limited understanding and capacity within the climate community of how to produce bankable and financially viable climate-smart responses and/or project proposals
3. Disconnect between different institutional actors, especially around the requirements of accessing climate funding, the critical first step required to leverage further private sector funding.
4. Inability to deal with the complexities of the climate problems.
5. Inability to deal with the rigorous requirements set by the financiers, both in the climate and investment arenas.
6. Limited access to relevant, digestible and tailored climate data to inform localised, long-term decision-making.
7. Limited inclusion of research/technical expertise in the formulation of locally relevant solutions which are also supportive of regional and national climate agendas i.e. that are adequately aligned with and supportive of these agendas.
8. Limited engagement of private sector around incentives needed: risk, business opportunity, regulation.
9. Lack of capacity to develop appropriate responses or projects.
10. Lack of resources to convene dialogue/design solutions.

Summary of the approach

The approach helps overcome the barriers in the following ways. It:

- Targets climate-stressed communities where there are already significant levels of investments that are at risk from climate-induced phenomena.
- Tackles the gaps (identified above) around convening conversations to design solutions to secure existing investments and/or simultaneously offer an opportunity for new, de-risked sustainable investment. These solutions will be, de facto, adaptation solutions.

The starting point

This needs to be **the geographic- and sector-specific climate challenge**, which will have degree of certainty about potential outcomes if there is no new intervention, and which provides a baseline of information to work with. The data needs to be detailed enough to convince actors involved that usually do not have a deep understanding of the ramifications (including costs) of the climate challenge, or ways of measuring and comparing the impacts of different investment strategies. In the short-term, the thinking is that the approach would be piloted and honed in South Africa; over the medium term CAI teams could be identified for convening on a country-by-country, sector, or geography basis. For example, a “cities” CAI team would have specific skills sets around urban governance, funding of infrastructure, sustainable city planning etc.

Step 2

The implications for existing business-as-usual operations need to be explored with the community of actors. At this stage—even if their interest is already apparent—it is important to reiterate the implications of the current and future climate risks **to establish a common baseline and the motivation necessary for all the actors involved to commit to the collective process** of identifying solutions.

Finally

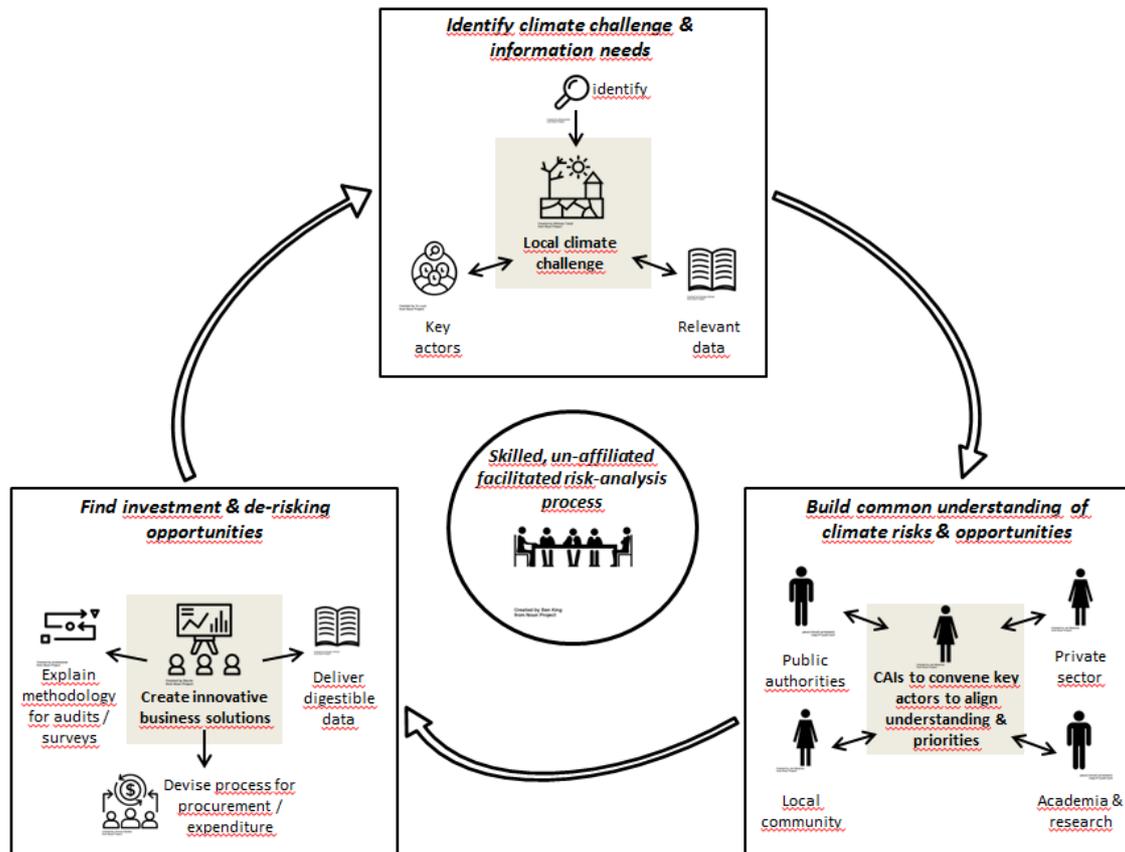
A process is needed where the actors involved then work collectively and creatively to find new (or changes to existing) investment or de-risking opportunities for investment that helps address the challenge.

Therefore the approach envisaged would provide

- A skilled, un-affiliated facilitated process which results in consensus building and joint planning
- Professional, resourced, targeted convening of key actors aligned to private and public sector priorities in an area where specific climate-induced risks are already apparent or threatening
- An intermediary role between research, public and commercial interests, and vested capital; this is likely to include actors such as public decision-makers (e.g. local and regional authorities), academic and research staff, service providers (e.g. engineers etc.) and the affected local community groupings e.g. landowners, workers, unions, civic interest groups etc.
- Explanations of our methodology for audit/survey of current climate risks and opportunities.
- Delivery of technical and research data in digestible form.
- A methodology of convening to identify the adaptation business opportunities inherent in the risk situation and

- A process for rapid and targeted procurement and expenditure.

These steps are shown in the graphic below:



Existing good practices and potential synergies

Mitigation Actions Planning Scenarios (MAPS)

Mitigation Actions Planning Scenarios (MAPS) led by SouthSouthNorth (SSN) in Latin America, which was a follow on from a similar project (Long Term Mitigation Scenarios (LTMS) in South Africa. These programmes convened multi-year, national, politically mandated processes at the most senior levels, supported by university researchers and economic modellers to enable long-term decision-making and prioritisation.

National Roundtable on Economy and the Environment (Canada)

The National Round Table on the Environment and the Economy was an independent policy advisory agency to the federal Government of Canada. The Round Table brought together leaders and experts from a diversity of areas, including members from businesses, industry, universities, environmentalism, labour, public policy, and community life from across Canada. Its main objective was to offer advice to the government on how best to reconcile and integrate the often divergent challenges of economic prosperity and environmental conservation.

Development Bank of South Africa (DBSA)

The mission of the Development Bank of Southern Africa (DBSA) is to advance the development impact in the region by expanding access to development finance, and effectively integrating and implementing sustainable development solutions.

In the early 2000s the DBSA, through its Sustainable Communities Unit, adopted a Development Facilitation approach, to assist local authorities in convening and managing collaborative and consensus-driven decision-making forums (Joint Development Forums), where diverse stakeholders could participate in designing the economic futures of their communities in increasingly uncertain contexts.

Development Facilitation (creating Development Charter) became the foundation of the Sustainable Communities approach and philosophy of the DBSA, since it gave ownership of the development process to the community and the responsible authorities.

Often, good plans land on the shelf because of a lack of ownership or because no mechanisms are in place to pursue and oversee their implementation. The Sustainable Communities Unit had to find ways of bridging divisions in communities by building consensus on the objectives, approaches and priorities in relation to development, and by creating a process that would lead to implementation. The notion of a Development Charter was used successfully in the Franschoek Empowerment and Development Initiative in the late 1990s to bring a divided community together around a development agenda. The essence of a Charter lies in the understanding of a community and its development sponsors that they need to plan and implement together, pursuing the same objectives, to maximize the impact for all stakeholders. Acknowledging the interdependence of stakeholders in the community is the key to partnerships and synergies in implementation. The Charter brings about a realistic, sustainable development plan which acknowledges that government must be based on the needs of the people.

The Development Facilitation approach proved to be an effective instrument for placing ownership with the stakeholders and gaining their commitment to work, plan and implement together. It provides a vision to guide planners and a framework and mechanism to measure progress in the journey to development. This approach was mainstreamed to cut across all projects and programmes of the DBSA. The key to its success was in the convening (picking the key stakeholders and players), providing complex information, data and knowledge in digestible form, taking the time to build consensus one step at a time, and then making firm agreements and implementable plans.

More broadly, this approach builds on the growing global experience of complex problem solving through facilitated engagement that builds on the self-determined, mutually reinforcing interests of a set of diverse actors. These kinds of processes and their outcomes are growing in acceptance and are seen as offering (and generating) greater value in modern society than alternative 'winner-take-all' alternatives. Perhaps the best commonly understood example is the growth of the alternative dispute resolution industry, where mediation services serve creative, self-actualised solutions to societal problems in everything from private (marriage) problems to broader community, corporate and even inter-governmental challenges.

Depending on the uptake and resourcing available down the line, SSN is considering the establishment of a facility that can actively market and further develop the approach off the back of practical experience gained through implementation.

Innovative characteristics

This approach is different from existing/conventional approaches in the following key areas:

- The climate challenge is global and complex; therefore climate solutions must involve a "complex" and integrated "global" approach even when the identified problem is being tackled locally. Consequently this approach will involve affected parties across the board, and include parties not normally seen in the same local environment, to provide the "global context" (e.g.

private sector actors, academics and climate practitioners, service providers, institutional investors, local government, insurers, civil society social partners) and arrive at a consensus-driven “global” solution.

- Bringing together different actors from across different sectors will lead to a common ownership of the NDC commitments across a region/industry etc. at a level of granularity, where vested interests drive action beyond the normal reach of ministries of environment or planning.
- The intention is to ensure collaboration from the outset, from defining the full scope of the identified problem through to solution implementation, within a framework that is geared towards realizing investment-driven climate risk solutions, new markets, and public sector levers.
- The approach may work better than conventional approaches because it aims at interpreting the language of all the actors involved instead of focussing on industry-speak, e.g. “NDC implementation” or “internal rates of return”. It does not seek to “own” or “sell” intellectual property, but collaborate to put the collective intellectual property to use in arriving at a collective solution and/or a collection of interventions that might be driven independently.
- The project will tackle the need to reduce complexity by focusing on geographic- or sector-specific projects which have disproportionate impacts (financial, social, developmental). An example of such a local problem with substantial impact potential is the climate-ravaged Western Cape deciduous fruit (e.g. apples, pears) farming industry in South Africa which is competing with a growing population for scarce water resources, and accounts for a large percentage of the provincial economy and indeed national GDP.

Success factors and replicability

The approach acknowledges—as a starting point—the interests of the different actors involved in a localised problem. It does not seek to ‘market’ NDC implementation or a ‘climate response to NDC ambition’ or similar vaunted phrases. The NDCs are in fact aggregated to policy, not investment, interventions. Therefore the approach seeks to support the development of a host of investable business cases that collectively will aggregate towards NDC implementation.

The success factors of the approach and its replicable features include:

- A problem focus that comes with already-galvanised passions; properly facilitated, these can be harnessed into commitment and action.
- Rapid solutions development, by convening the “right people” (connectors, champions, innovators, decision-makers and those affected, including the investors whose investments are at risk) in one room to solve a problem.
- Feed in to national priorities but focus on a specific (bite-sized) local geography or sector.
- Evidence of results, including the levels of private sector investments (either renewed or new investment). As noted above, these investments should be quantified and tied back to the realisation of commitments under national policies framed under the over-arching guidance of NDCs and SDGs.
- Despite context specificity, the process itself, including its methods of initial problem identification, is replicable. Over time, the role-players will themselves become more “literate” (either climate- or finance-literate), thus improving their ability to engage with and co-create future climate-smart investment solutions.

- Use of appropriate and available technologies and local competencies as essential components in a quest for best practices and a “global” solution.

Key stakeholder groups

For the purposes of this approach, stakeholders are viewed as active participants in mandating the parameters of the analysis that help define the problem; co-developing approaches that address the problem; facilitating the enabling environment; resourcing; and in the realisation of investments and actions to implement to solutions.

Given the commitment to a consensus-driven “global solution” (i.e. sustainable, SMART, climate-appropriate) the outcome of the process should ensure that the needs of all affected parties are recognised and addressed to the best possible extent.

Given the problem-focus approach, the most immediate stakeholders are those affected: an community experiencing climate stress, including community members (e.g. labour groupings, interest groups, civil society organisations, NGOs, business and industry associations), the regulators and public authorities (national, sub-national and local government agencies), the risk management cohort (insurers, risk management practitioners, disaster management personnel), the knowledge brokers (academics, researchers and research institutions, statisticians), the service providers (engineers, planners), and finally (and critically for the stated objective) the private companies within the geography/sector which hold existing investments that are at risk.

In the short-term, the thinking is that the approach would be piloted and honed in South Africa, before being rolled out to other geographies on a case-by-case basis.

Given the aim of unlocking private sector investment into the identified problem, the affected investors (personal and institutional) are the key stakeholders, including:

- Financial institutions and DFIs
- Donors and funding agencies
- Related small- and medium-size businesses.

The Climate-Aligned Intermediaries

This concept has been developed by a multi-disciplinary team comprising climate intermediaries from various countries and is the outcome of an innovation lab convened under the auspices of the Thematic Working Group: Finance of the IKI-funded NDC Cluster. Together these institutions have the capacity to provide or source the collective skills required to drive this approach.

In closing

There are mismatches between and lacks of understanding in stakeholders that impede private sector funding into community resilience: the self-same communities in which the private sector actors already have a substantial presence. Frequently, there is no lack of money, willingness, or incentives to engage, or of a shared commitment to a better future. Addressing the climate challenge from the perspective of those with much to lose from their investments and facilitating informed collaboration between non-traditional partners, is an innovative departure point for attracting finance to a-NDC implementation.

Next steps

The next steps include:

- Submission of final concept draft to external reviewers for comment.
- Presentation of concept at IKI Thematic Clusters meeting and preparation for the Global NDC Conference 2019, Berlin, September 2018.
- Working towards moving this from concept to product.
- Identifying potential collaborators and creating a CAI team.
- Presenting the CAI approach to stakeholders, especially the climate funding, and local government communities.
- Running a mock CAI process on a local problem to test the approach.
- Engaging broadly to find funding for the development and realization of the approach, and ultimate creation of a Climate Aligned Intermediaries Services Facility.

Imprint

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This is a conceptual outline of an idea that a group of participants helped develop at a recent IKI NDC Cluster workshop on climate finance. The initial framing was taken further by SouthSouthNorth (SSN) and is based on merging a Development Facilitation approach (championed by the DBSA's Sustainable Communities Unit and others), and the long-term Scenario Planning Approach (developed by the MAPS project). Experts from the International Institute for Sustainable Development (IISD), GIZ Uganda and GIZ headquarters contributed to the development of the concept note. The overall process was facilitated by adelphi. This current draft is further informed by inputs from a range of additional development professionals.

09 / 2018

Annex 1: Climate Aligned Intermediaries

“Aligned intermediaries” operate within a chosen (generally complex) ecosystem, and inhabit a specific niche within that ecosystem. In this case, the chosen ecosystem is climate change impacts, and the specific niche is convener around adaptation solutions for climate-stressed communities, including mobilising private sector investment. Thus, the role of Climate Aligned Intermediaries (CAIs) is to:

1. Convene and stimulate a shared public-private awareness and understanding of adaptation, viable adaptation responses, and sustainable investment possibilities.
2. Improve enabling environments for private adaptation by brokering relationships between key stakeholders around climate and adaptation issues.
3. Mobilise more private investments for adaptation, especially from so-called long-term investors—pension funds, sovereign funds, endowments, insurance companies, family offices, and foundations—as collectively they command approximately \$80 trillion of investable capital.
4. Improve the tracking of adaptation investments; and
5. Educate long-term investors and the public with investor materials, lessons learned, and successes based on the AI model.

Investment intermediaries typically act as a matchmaker between developers, companies, and projects that seek debt and equity capital with committed. Specifically, they would source, screen, provide due diligence and structure transactions for their institutional backers so that each deal satisfies specific goals related to financial rate of return and positive environmental impact.

As climate aligned intermediaries, we would bring together (convene) a bespoke range of actors with the right skills sets to innovatively address the common issues facing the selected target group: climate induced risk to their livelihoods, sustainability and investments. The target group themselves are involved in generating solutions and are supported by a team of CAIs who provide facilitation, information and where necessary research data, modelling and even bespoke expertise. Essentially, the multifaceted problem requires a multifaceted mind- and skills-set that the CAIs will convene. This engagement is designed to result in adaptation investments that both secure current assets (or at the very least, limit losses) and promote future resilience.

Part of the CAI role is that of educator. More research is required, based on a bottom-up approach from specific needs to specific tools and instruments. It is important to explore how different tools relate to and complement one another in order to make intelligent investment decisions near term.⁸ Ultimately, the CAI approach should result in a pipeline of evidence-based, investable, adaptation responses in specific contexts. These indicators would contribute to the development of a common methodology to record and track private finance, including adaptation finance, and provide impact matrices for attracting and deploying adaptation investments to envisaged climate-induced investment-risk situations.

⁸ Potential indicators that would support this research may be based on ideas from <https://ecosystems.andeglobal.org/global-ecosystems/>, with specific reference to the country snapshots, as illustrated in <https://ecosystems.andeglobal.org/snapshot/ghana/2017/tab/data/>. (Accessed 28 August 2018)