



Using domestic financial and fiscal policy to mobilise private adaptation finance in ACP countries

Thursday 24 June 2021, 2:00 – 3:30 PM (CET)

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Background to this series of webinars and reports

1. “*Climate change is the most significant challenge to achieving sustainable development*”
2. ACP countries need to stimulate private investment for climate change adaptation.
3. Improving the ‘ease of doing business’ is a key to unlocking private sector development and the contribution by the private sector to sustainable development, including climate adaptation



Examples of ICR and BER

Macroeconomic stability	Business Environment	Human Centred
<ul style="list-style-type: none"> • Stable macro policies • Debt management • Transparent public financial management and domestic revenue mobilisation. • Political stability • Governance and rule of law, regulation and compliance, justice, anti-corruption 	<ul style="list-style-type: none"> • Simplified registration and licensing • Improved tax policy and administration • Attractive investment policy • Clear land and property rights • Trade facilitation • Better access to financial markets • Faster commercial justice and dispute resolution • Improved labour and employment laws • Reliable infrastructure including energy • Broad public-private dialogue • Access to market information 	<ul style="list-style-type: none"> • Human development; • Innovation (CCA, digital tech and services, entrepreneurship) • Addressing environment, climate change and migration.

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Adapted from DfID 2016, EU 2019, and World Bank 2015

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Our work to date

The ICR Knowledge Hub provides information on business environment and investment climate reform in African, Caribbean and Pacific countries. Our knowledge products - such as reports and online events - compile good practices and lessons learned from technical assistance. The ICR Facility thereby wants to contribute to promoting the debate among peers and public and private stakeholders in the ACP region.

ICR KNOWLEDGE HUB

- COVID-19 RESPONSE
- CLIMATE SMART INVESTMENT
- INNOVATIVE FINANCE
- FRAGILITY AND CONFLICT
- DEVELOPMENT FINANCE INSTITUTIONS
- WOMEN'S ECONOMIC EMPOWERMENT

- Series of papers
- Blogs
- Webinar recordings

<https://www.icr-facility.eu/climate-smart-investment>

INVESTMENT CLIMATE REFORM AND THE ADAPTATION FINANCE GAP
 Mobilising private investment for climate adaptation in African, Caribbean, and Pacific countries

ICReport – Series on Climate Smart Investment
 June 2021

Executive Summary

Many ACP countries are highly vulnerable to climate change and yet face shortfalls in funding for adaptation. Engaging the private sector and mobilising its investment is therefore vital to deliver climate adaptation in these countries. ACP countries typically have weak investment climates, however, bordering the private sector from playing a role in climate adaptation and putting at risk the countries' ability to achieve their sustainable development challenges.

In theory, enterprises can benefit from investing in adaptation either (a) by using adaptation solutions to manage risk and maintain business continuity—that is, as consumers of adaptation solutions—or (b) by fulfilling others' growing need for new technology products and services—that is, becoming producers of adaptation solutions. In practice, however, private sector investment in climate adaptation faces many, often overlapping economy-wide barriers. This report shows how investment climate reform and climate change adaptation can be complementary, supporting delivery of the objectives of each and ultimately accelerating the achievement of Sustainable Development Goals in ACP countries.

Key Messages

- More investment is needed to support climate change adaptation in ACP countries, and most of that investment will need to come from the private sector.
- Many barriers to private sector engagement and investment in adaptation have roots in general private sector development issues, including the need for investment climate reform, business environment reform, and access to finance. Enhancing cooperation and learning between adaptation and private sector development efforts can increase the efficacy of both.
- To prioritise their efforts to remove barriers to private investment in adaptation, ACP countries must better understand the motivations, opportunities, and barriers that enterprises face in the context of the countries' specific economies and adaptation needs.
- Access to finance and lack of supportive financial ecosystems are serious bottlenecks impeding private sector investment.
- Given ACP countries' vulnerability to climate change and their weak investment climates, increased development assistance should be made available to support them on the specific issue of mobilising private finance for adaptation.

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Time	Agenda
02:00-02:05	<p>Welcome speech and introduction</p> <ul style="list-style-type: none"> • Will McFarland, Global technical expert – climate and business, SNV, and ICR Facility team member • 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
02:05-02:10	<p>Presentation of the ICR Facility</p> <ul style="list-style-type: none"> • Will McFarland, Global technical expert – climate and business, SNV, and ICR Facility team member
02:10-02:25	<p>Using domestic financial and fiscal policy to mobilise private adaptation finance in ACP countries</p> <ul style="list-style-type: none"> • Charlene Watson, report lead-author, climate finance specialist
02:20-03:10	<p>Round Table</p> <ul style="list-style-type: none"> • Nadia Spencer Henry, Ministry of Finance, Antigua and Barbuda • Benedict Libanda, CEO of the Environmental Investment Fund of Namibia • Roger Calow, Water specialist, Research Associate, ODI • Thierry Kalisa, Senior Economist, Head of Macroeconomic Policy Division, Ministry of Finance, Rwanda
03:10-03:25	<p>Questions and Answers</p>
03:20-03:30	<p>Individual support offered by the ICR Facility</p>



Welcome Remarks

- Escipión Joaquín Oliveira Gómez, 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 DEVCO- Private Sector and Trade Unit, EU Commission

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Using domestic financial and fiscal policy to mobilise private adaptation finance in ACP countries

Charlene Watson, report lead-author, climate finance specialist

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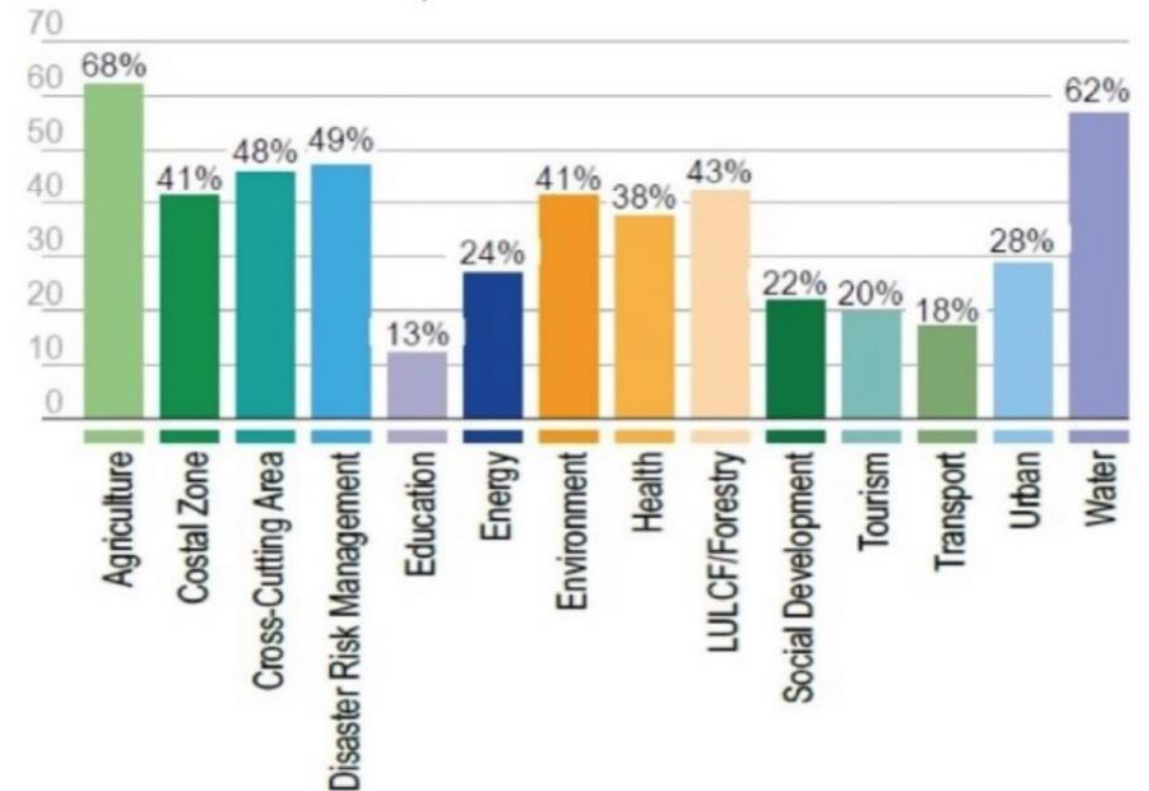
More investment in and finance for adaptation is needed

The ACP countries include some of the most vulnerable countries in the world to the effects of climate change

Despite increased domestic and international finance flows to adaptation, estimated flows remain far below needs

ACP countries can proactively mobilise private investment for climate change adaptation

ACP countries can use policy reform, blended finance and domestic finance skilfully to support the mobilisation of private finance for adaptation

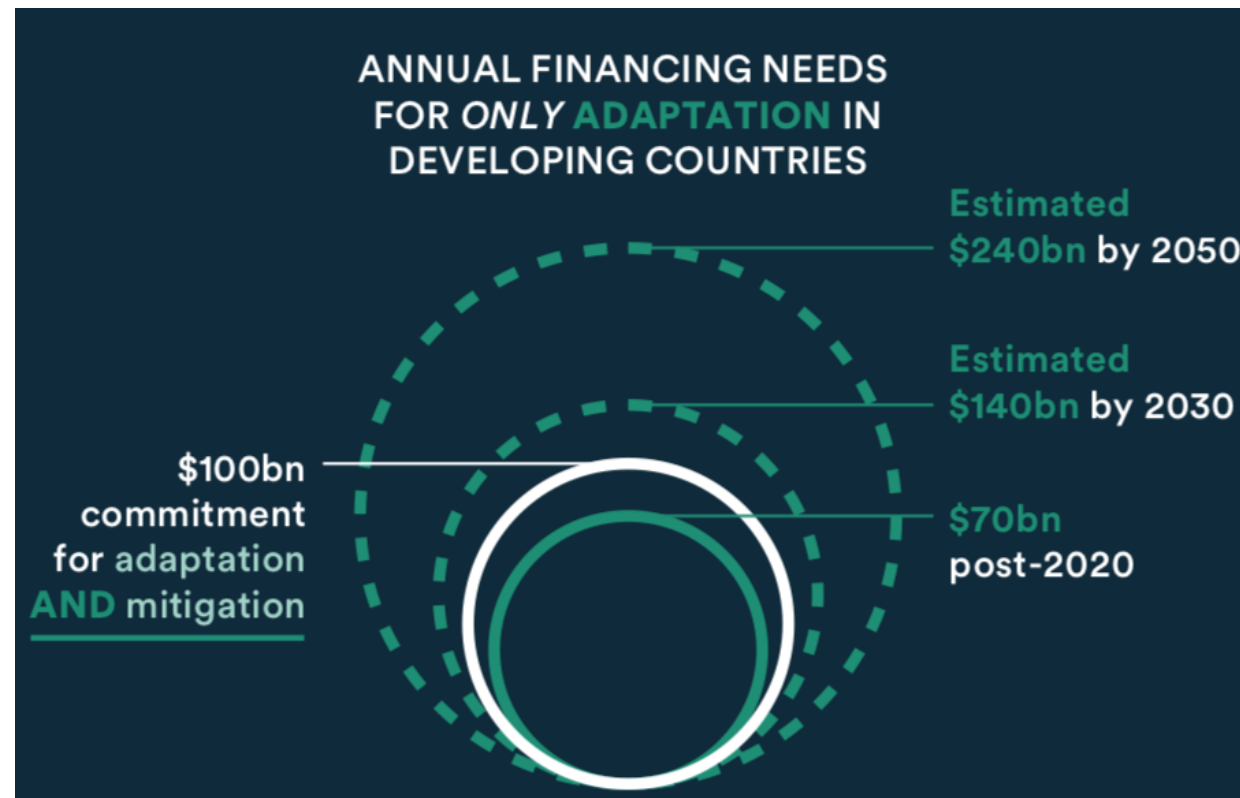


International Climate Finance is critical

In the 2009 Copenhagen Accord, developed countries committed to jointly mobilise \$100 billion a year by 2020 from public and private sources





What counts and how to count it is a matter of debate, but the target and meeting it is important to retain trust and faith in the UNFCCC system

\$100 billion a year remains far below estimated adaptation needs, it will be critical to put to best use international Climate Finance so that it can unlock greater flows to adaptation actions



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Government tools to mobilise private finance

 Financial policies and regulations	 Fiscal policy levers	 Public finance	 Information instruments
(primarily influence behaviour through force of law)	(primarily influence behaviour through price)	(primarily influence behaviour by shifting financial risk)	(primarily influence behaviour through awareness)
<ul style="list-style-type: none"> • lending requirements • accounting systems • mandates of supervisory authorities • standards • plans and strategies • disclosure requirements 	<ul style="list-style-type: none"> • taxes • levies • royalties • price support or controls • public procurement • budget support 	<ul style="list-style-type: none"> • grants • debt • equity • guarantees • insurance 	<ul style="list-style-type: none"> • certification and labelling • transparency initiatives • corporate strategies • awareness campaigns • statistical services • scenario analysis and stress testing • standards • plans and strategies • disclosure requirements

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Fiscal policy and financial policy and regulation for climate

Fiscal policy

- **Direct government expenditures and revenue collection used to steer country's economy**
- **Examples: direct budget spending on subsidies, research and public infrastructure, and revenue raising through taxes, fees and levies**

Financial policy and regulation

- **Policy and regulations for the financial system and financial institutions within it, including those that affect monetary supply and achieve macroeconomic stability goals**
- **Examples: disclosure requirements, stress testing and due diligence requirements as well as, credit allocation of central banks, capital and lending requirements**

What role for fiscal policy in adaptation?

Subsidizing adaptation action

e.g. subsidies or direct transfers for adoption of resilient technologies and measures, tax exemptions for adaptation measures

Direct public spending

e.g. research and advisory services for adaptation technologies, resilient infrastructure, green procurement

Fiscal resilience

e.g. contingency funds, credit lines, risk insurance pooling

What barriers might there be to implementation?

Fiscal policy is not easy to implement, neither is its reform

- Competing development, social and economic growth objectives
- Opposition from special interest groups
- A large informal sector that falls outside of revenue raising or subsidy schemes
- Less fiscal space as a result of the pandemic



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What role for financial policy and regulation in adaptation?

Strategies, governance and guidance

e.g. green finance roadmaps, taxonomies and green bond and loan guidance

Enhanced supervisory review

e.g. mandated climate-related financial disclosure, ESG disclosure and criteria

Adjustment of capital and liquidity requirements

e.g. pension and sovereign wealth fund criteria, enhanced capital and liquidity requirements

The Paris Agreement calls for consistency of finance flows

Article 2 contains three long-term goals:

- a) Holding the increase in the global average temperature to well below 2°C and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels
- b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience
- c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Climate consistency of finance flows

- The Coalition of Finance Ministers for Climate Action
- The Network of Central Banks and Supervisors for Greening the Financial System
- Paris Collaborative on Green Budgeting



Round Table discussion

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Nadia SPENCER HENRY
Ministry of Finance, Antigua and Barbuda



Benedict LIBANDA
CEO, Environmental Investment Fund of Namibia



Roger CALOW
Water specialist & Research Associate, ODI



Thierry KALISA
Senior Economist, Head of Macroeconomic Policy Division, Ministry of Finance, Rwanda

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Questions and Answers

Please type your questions or points for discussion into the question window.

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Information on 1-on-1 Clinics

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ICR Facility 1-on-1 Clinics

Targeted support virtual, individual support sessions

- **Eligibility:** public or private stakeholders based in ACP country
- **Slots** will be granted based on availability.
- **Support** will respect a regional balance across the ACP.



Exchange directly
with us and get
support for your
organisation

- **Register your interest until 8 July 2021 via info@icr-facility.eu**
- **Indicate your organisation and the questions you want to ask**

