

MDBs and Climate Adaptation Finance

Engaging the private sector in Adaptation

Inter-American Development Bank Group

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MDBs GOAL TO INCREASE CLIMATE FINANCE



IDB-IIC ANNUAL MEETING 2016
Nassau, Bahamas



CLIMATE-RELATED FINANCING TO INCREASE TO 30% OF THE APPROVALS FOR 2020

- Subject to demand from borrowing countries and clients to access to external sources of concessional financing.
- By 2018 proposed investments will undergo a climate-risk screening process to identify opportunities to include climate-resilient elements.

Climate Finance Adaptation and Private Sector 2015 (in USD million)

	Mitigation Finance			Adaptation Finance			Total MDB Climate Finance		
	MDB Own Resources	External Resources	Subtotal	MDB Own Resources	External Resources	Subtotal	MDB Own Resources	External Resources	Total
Public	12,822	829	13,651	4,130	410	4,540	16,952	1,239	18,191
Private	6,029	392	6,421	466	18	484	6,495	410	6,905
Subtotal	18,851	1,221	20,072	4,596	428	5,024	23,447	1,649	25,096

- ▶ IDB Group Adaptation Finance: USD 576 Million (21.4% of total)
 - ▶ US \$536 mln are IDB resources and US \$40 mln from External Resources (CIF and others)
 - ▶ US \$542 mln were invested by the public sector and US \$33 mln by the private sector

Gaps holding back private Investments in adaptation

Regulatory, policy
& institutional
gaps

Non-existent or
deficient
regulatory
frameworks

Knowledge gaps

Inability to evaluate
and incorporate
climate change risks
into investment or
financing decisions

Funding, viability
and risk coverage
gaps

Inadequate access to
finance, uncertainties
about investment
returns,
additional/higher
upfront costs, risk
aversion

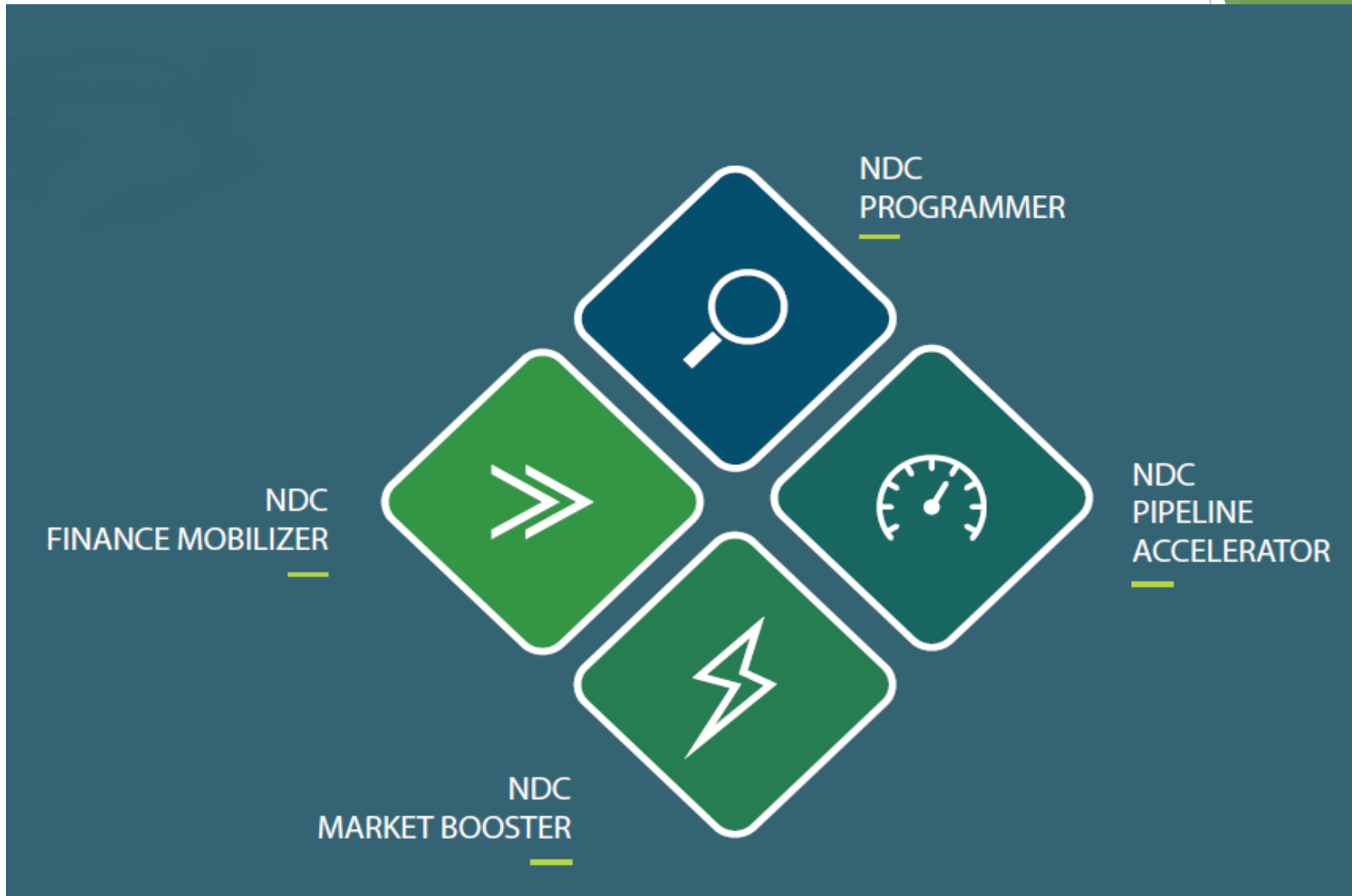
Public sector-oriented climate action

NDCs and Adaptation in LAC



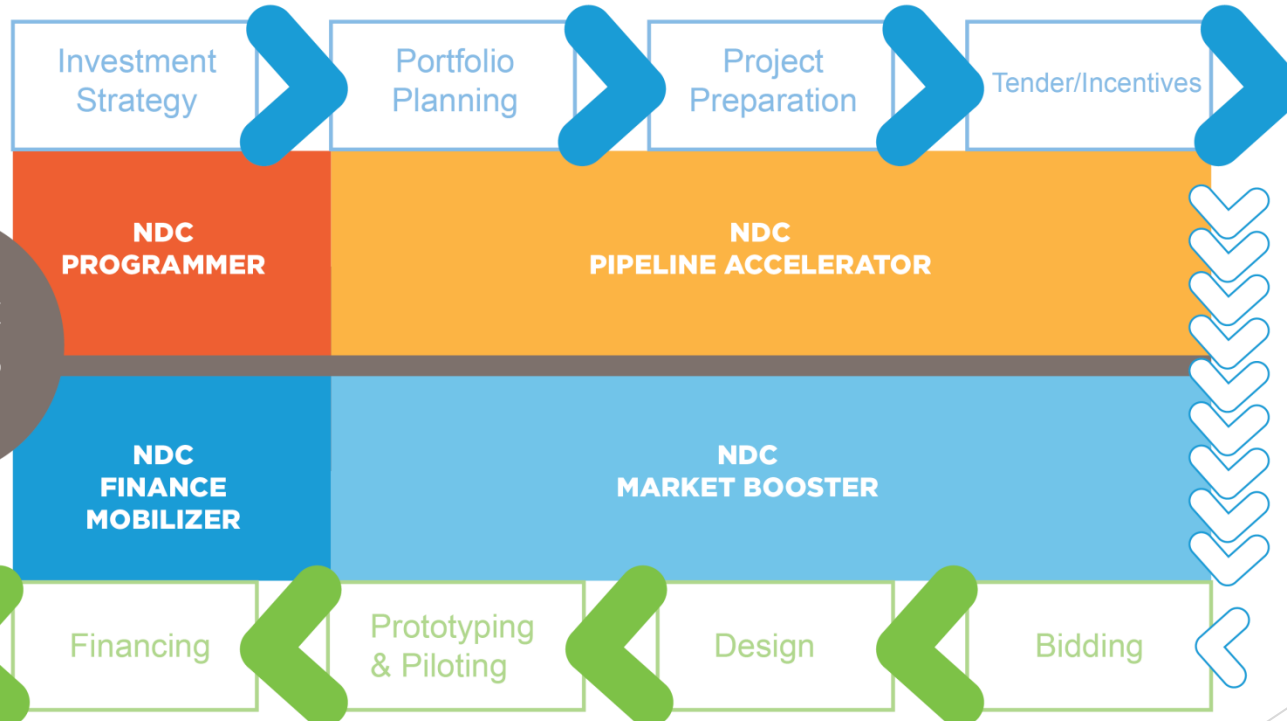
- ▶ More detail is generally provided on adaptation than mitigation in the iNDCs, especially by smaller / more vulnerable nations requiring greater external assistance
 - ▶ Nonetheless not all countries included an Adaptation component in their NDCs, even if highly vulnerable
- ▶ The most common physical interventions relate to water resource management, ecosystem based adaptation, agriculture and food security, resilient infrastructure and forest management
- ▶ Systems and infrastructure for disaster risk management, early warning of risks and monitoring and evaluation of actions are all frequently cited
- ▶ Knowledge and Institutional capacity building remain a key trigger to ensure the design and implementation of adaptation investments

The NDC Invest Platform



The NDC Invest Platform in the context of the IDB Project Cycle

UPSTREAM - Public & Private Clients






DOWNSTREAM - Project Sponsors & Funders

IDB/IIC
TOOLS

Private sector-oriented climate action

IIC: CLIMATE-RELATED THREATS FACING CLIENTS

 FINANCIAL INSTITUTIONS	 INFRASTRUCTURE	 CORPORATES
<p>Rising temperatures and erratic precipitation patterns threaten agricultural yields</p> <p>Systemic risk in FIs portfolio, especially for FIs with large agribusiness and rural exposure</p>	<p>Floods, heavy storms, temperature changes cause damage to infrastructure, pose operational risks and lead to increased maintenance costs</p>	<p>Flooding, droughts and other pose operational risk and threaten productivity for agribusinesses and their value chains</p>

FINANCING for ECOSYSTEM SERVICES BASED ADAPTATION



Company: Banco de las Microfinanzas Bancamía S.A. ("Bancamía")

Financing: IDB Loan US\$20 million

Including parallel financing of up to US\$1.6 million from the GEF Climate Smart Agriculture Fund and advisory services.

Sector: Financial Services

Country: Colombia

- Expansion of Bancamía's portfolio to provide greater access to financing for small-scale farmers and micro-entrepreneurs in Colombia
- Financing to rural small-scale farmers for working capital and productive investment needs as well as to finance the working capital needs of micro-entrepreneurs
- Advisory services to design the new financial product dedicated to the small farmers investment portfolio and for establishing the differentiated tenors of the GEF Climate Smart Agriculture Fund tranche.
- \$1.6 million GEF Climate Smart Agriculture Fund: fund a new financial product intended to support small-scale farmers in adopting ecosystem-based measures climate change adaptation measures

ECOM Coffee renovation Facility

Financing: IDB A Loan US \$40 million, other co-financing \$40 mln; local counterpart \$20 million; Partial credit guarantee: C2f US c12.2 and GAFSP 7.8

Sector: Agribusiness, Coffee

Countries: Nicaragua, Costa Rica, Honduras, Mexico, Peru

- Response to reduced productivity of coffee farms in Central America, Mexico and Peru caused by climate change impacts
- Provide affordable long-term loans and TA required for farmers to renovate coffee plantations affected by the coffee rust fungus with disease-resistant varieties
- Jointly developed with Multilateral Investment Fund (“MIF”), International Finance Cooperation (“IFC”) and Global Agriculture and Food Security Program (“GAFSP”) and ECOM
- First sub-project with subsidiary of ECOM- Atlantic- a major coffee trader in Nicaragua



MANZANILLO CONTAINER PORT CLIMATE RISK ASSESSMENT



Financing: IDB Loan US \$90 million

Sector: Infrastructure, Port

Country: Mexico

- Design, construction, operation and maintenance of new greenfield container and logistics facility in the state of Colima in Western Mexico
- Climate Risk Management Study offered to Port Authority APIMAN
- Answer to extreme weather events such as cyclones, surface water flooding, increased sedimentation that disrupt the ports operations and damage infrastructure and equipment
- Study included risk and opportunity assessment, climate risk management strategies, key climate related factors, prioritization of adaptation actions, collaboration options etc.



<https://publications.idb.org/bitstream/handle/131197639/Port-of-Manzanillo-Climate-Risk-Management-Executive-Summary.pdf?sequence=1>

MIF: ProAdapt Platform

- ▶ Launched in 2013 with by the Multilateral Investment Fund of the IDB (MIF) with a contribution of
 - ▶ EUR3, 500,000 from the Nordic Development Fund (NDF), and \$5,000,000 from the MIF.
- ▶ Proadapt works in the region to support climate resilience in smaller firms, in anchor firms and their supply chains, and to foster business and investment opportunities in private resilience solutions, i.e. products and services that reduce buyers' vulnerability to climate risks.
 - ▶ Proadapt also supports the development and dissemination of practical tools that highlight opportunities for business and investment in climate resilience.
- ▶ Present in 11 countries: Argentina, Bolivia, Brazil, El Salvador, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay and Saint Lucia.
- ▶ For 2017, Proadapt will add projects on transforming climate threats into business opportunities in the Bahamas, Belize, Brazil and a regional project with the Rockefeller Foundation 100 Resilient Cities Initiative.

PROADAPT project examples

Country	Objective	Investment size (USD mln)
Proadapta Sertao Brazil	Developing climate smart agriculture solutions in the northeastern semi-arid region of Brazil <i>Project awarded for its innovative approach to climate resilience</i>	3.1 - of which 1.4 from counterpart
Proadapt Gran Chaco Argentina, Brazil, Paraguay	Building climate resilience in the largest semi-arid in LAC through the identification and analysis of resilient solutions and technologies, and by developing technological solutions that facilitate the access of small producers to improved climatic data	2.8 - of which 1.2 from counterpart
Nicaragua	Building climate resilience in the cocoa and honey sectors in Nicaragua through the provision to improved climate data, resilient practices/investments, and credit	2.6 - of which ~1 from counterpart
Jamaica	Promoting resilient water systems to be integrated in new housing projects through a loan facility and technical assistance supporting the creation of businesses that provide goods and services aimed at building climate resilience	6.0

Thank you

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Let's talk about climate change and sustainability

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