The online event focused on scaling up private sector climate financing for climate adaptation and disaster resilience.

Cynthia Wang, intern, CWRD Environment and Resources Division (CWER) presented the key findings of her project that identified potential approaches for scaling up private sector-driven adaptation, resilience investments and activities. It included a summary of existing frameworks for identifying and measuring private sector adaptation, barriers, and drivers for private sector adaptation. Cynthia also presented case studies of earlier development projects such as The Southeast Asia Disaster Risk Insurance Facility, CLIMADAPT (Tajikistan), and the Arbaro Fund (global).

Participants raised questions regarding prospective future projects, opportunities in private sector investment, forms of interventions, climate finance tracking, ADB's entry points and types of adaptation projects.

“ADB sovereign support can help to create an enabling environment for mainstreaming private sector resilience investments.”

CYNTHIA WANG
Intern, Central and West Asia Regional Department, ADB
In 2019, nine multilateral development banks announced a collective commitment to double total levels of climate adaptation finance by 2025. Scaling up private sector climate finance will be key in achieving ADB’s ambitious climate finance targets of $100 billion between 2019 and 2030.

Investors generally favor mitigation projects since success is measurable through quantified greenhouse gas (GHG) emission reductions and returns may align better with traditional business models. Climate risks and complex adaptation needs are emerging rapidly, and the private sector can play a critical role in implementing DMC climate resilience priorities.

The rise of sustainable finance with the incorporation of key performance indicators (KPI) such as environment, social and governance is an emerging trend in the private sector that can motivate private sector adaptation. These influence credit ratings and reputational risks. The Task Force for Climate Risk Financial Disclosures (TCFD) encourages companies and private entities to disclose fiscal climate risks.

Scaling up private sector engagement in resilience requires an understanding of barriers, drivers, and possibilities of private sector adaptation activities. Types of barriers include informational, technology, financial, institutional, markets, regulatory, cultural, and social.

Private sector adaptation may include climate proofing of infrastructure and supply chains, integrating adaptation investment or planning considerations, and readjusting risk models. Private sector has opportunities to support adaptation through new finance products and services in forms of insurance, advanced and resilient technologies, and other climate services such as early warning systems.

ADB can support its DMCs to create an enabling environment for private sector investment. Achieving this requires sovereign policy support for long-term adaptation planning, development of risk-informed project pipelines, market assessments, project preparation support, and downstream transaction demonstration and financing.

Climate and disaster resilience requires a holistic and transformational approach covering both adaptation and mitigation. ADB can leverage blended finance, resilience bonds, adaptation funds to pool more private sector financing.

Further Information
