Plenary Session 2: Adaptation Finance in South Asian Countries: Progress, Challenges and Way Forward

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Overview

Adaptation to climate change is imperative to achieve sustainable growth of South Asian countries. However, complex institutional structures, inefficient policy delivery mechanism, high vulnerable areas, rapid & unplanned urban growth and increasing population further enhances the challenges to build a robust climate resilient society.

Apart from technology and policy mechanism, mobilizing billion dollars of finance from conventional and new sources has been a challenge amongst South Asian countries, especially for adaptation. Through both public and private sources, climate finance could potentially help increasing resilience against climate change impacts. Yet, discrepancies in financial information reporting and sharing, the difficulty of implementing contracts at the international level, and uncertainties over recipient capacities and outcomes, further enhances the transaction costs of accessing climate finance. Cost minimization of climate finance not only depends on the technological innovation but also on institutional innovation.

Private investments in climate-change adaptation are important. First, because the costs of adaptation are too high to be met by the public sector alone. And second, developed countries pledged to mobilize USD 100 billion annually by 2020 to support developing countries’ climate change mitigation and adaptation; the private sector is described as a source of finance. Moreover, private sector is also exposed to the climate induced risks, causing economic/financial losses.

Except large companies generally small enterprises faces difficulties to quantify climate change risks to their business. Whereas, there are two side of adaptation and private sector finance: First, private finance to help communities adapt; Second, private finance to help the businesses/operations/infra/value chain to adapt to climate impacts to reduce risk. Many institutions at different levels of governance directly affect mobilization of climate finance. Yet, private adaptation has not been mainstreamed in key government policies.

GCF’s flexible financial instruments (including debt, equity, and guarantees), when linked with new and innovative financial instruments with concessional funding can promote private sector investing in adaptation. However, many challenges are limiting the access of climate finance for adaption. No internationally or even regionally agreed definition for climate finance for adaptation; funds are still risk averse; involvement of private sector with national designated authorities is limited, because of fragmented and bureaucratic structure and low private sector awareness; lack of transparent and analytic framework to assess impact of enabling environment for private sector mobilization.