Private Sector & Development
A blog coordinated by Proparco

How important is adaptation finance for a just transition?

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December 6 2022

Climate adaptation entails responding to climate impacts that result in deteriorating living conditions. It requires private sector investment to scale alongside public investment, to supplement public resources. This is especially the case in developing countries – the most vulnerable being in Africa – where there is an increasing frequency and severity of climate-related shocks.

"Just Transition" is one of the many buzzwords that has sprung up over the past few years as part of the latest woke capitalism movement. This one has a ring of familiarity to it, however, **as our need to transition away from "dirty energy" towards more sustainable power needs to include both environmental and social priorities**. The first mention of just transition is attributed to US trade union leader and environmental activist, Tony Mazzocchi (1993) who pleaded for a "superfund" to provide financial support for workers displaced by environmental protection policies. The term 'superfund' was seen to have too many negative associations, so it was changed to 'just transition'.

What does this have to do with climate adaptation? Everything. The burning of fossil fuels for decades has accelerated the amount of greenhouse gas (GHG) emissions in the atmosphere, essentially killing the very planet we rely on for our sustenance as a species. Therefore, we are under massive pressure to transition away from carbon-intensive fossil fuels as our primary energy source to a mix of low-carbon, renewable energy sources. These moves towards cleaner energy sources are known as climate mitigation measures. But, while there is a clear and urgent need to transition, **we cannot ignore the present negative impacts of climate change. Dealing with these is known as climate adaptation.**

Climate adaptation refers to responding to the climate impacts that entail a steady deterioration in the environmental conditions required for daily living. It includes access to water, energy, air quality, and tolerable working temperatures. The lack of these may arise because of short-term shocks, such as storms, floods and wildfires, which often have abrupt and devastating consequences. **Adaptation focuses on building the resilience and protective capability to limit or eliminate the negative and intolerable impacts of climate change on lives and livelihoods.**

Africa bears the brunt

Africa is the most vulnerable continent, with an increasing frequency and severity of climate-related shocks. In Southern Africa, we experience prolonged drought conditions and cyclones, impacting millions of people. West and Central Africa battle with temperature increases and reduced rainfall. And in East Africa, locust swarms cause severe crop destruction. **Yet the global climate financing needed to address these issues is lacking**, despite the many pledges at Conference of Parties (COP) meetings. Historically, financial support has been directed predominantly towards climate mitigation measures, rather than adaptation. Data from the OECD published in 2020 shows that **only 33% of climate-related finance commitments to Africa have targeted at adaptation**. Furthermore, adaptation finance tends to be in the form of loans that need to be repaid, which increases the debt burden for developing countries, which have limited public finances available. In terms of climate justice, these countries should receive grant-based funding given that they had little to zero responsibility for the carbon emissions created in the past century and should therefore be financially assisted by the developed world.

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But public spending and grants alone cannot meet the adaptation finance gap. We urgently need private sector investment to scale alongside public investment, and supplement limited public resources. **A wider range of funds will mobilize further investments to build climate resilience.** Financing options range from highly concessional terms with lower return expectations and longer tenors to commercial terms with market-related returns and shorter tenors.

A mix across the spectrum is known as blended finance, and this is where the MDBs and DFIs play a critical role. **They evaluate climate risks and vulnerability, while assisting country governments in building capacity and drawing in private capital from commercial banks**, which are restricted by international capital standards. Besides providing further capital, commercial banks leverage their critical banking relationships with farmers, cooperatives, and SMEs – all of whom contribute valuable adaptation solutions.

Diversity delivering resilience

With the many challenges to be overcome – such as regulatory barriers and a lack of climate data–investment must be activated from an extensive range of public and private sources. According to the Stockholm Environment Institute, **agriculture and water supply and sanitation account for half of all adaptation commitments to Africa**. Support for the basic development sectors, such as education and health, is negligible in comparison, and only a tiny fraction of adaptation-related funding targets biodiversity.

There are, however, also many adaptation finance opportunities. For example, there is the potential to help highly indebted countries through general-purpose debt financing linked to climate impacts. This concept is like a corporate sustainability-linked loan but at the national level. Debt challenges could also be addressed by linking credit ratings with a reduction in climate risk to incentivise resilience and lower the cost of debt. When considering all of these financing opportunities, **it is imperative to ensure that adaptation funding reaches the most vulnerable and supports equitable development**.

Until his death in 2002, Mazzocchi sought to mobilise the just transition campaign and mitigate the inequitable effects on livelihoods caused by transformations in energy systems and resource use. Two decades later, we have never been more acutely aware of the need for a just transition. **Decisions made today will affect how climate impacts play out in the future.** Immediate and ambitious action is needed across the full range of potential adaptation finance sources to respond to ongoing climate impacts and build a more climate-resilient and equitable future.