

Establish Innovating Funding Mechanisms

Kanta Kumari Rigaud (World Bank)

ICCS

Break-out Group

Over-arching Messages

- Financial mechanism/systems have boundaries but climate system has no boundaries
- CIS as a global, national and local public good with a critical role for the private sector – connectivity between the 2
- Lion's share (for funding) is in and for the public domain
- CIS as critical part of input to development – and link to development agenda; need to be present in broader sector engagements
- Increase the value to decision-makers, policy and larger development community

What are the Current Business Models?

- Not just a public or private sector – but need to work on partnership.
- Products range from data to research products to climate services, including customized products – business models need to be for the different parts
- Private sector keen interest on customized products but hesitant to pay for the up-front costs (data, observations)
- Differentiate approach to funding: commercial (for profit entities) and the government (public entities)
- Business models for public and private sector need to be harmonized
- Myth that Climate services – money can be made from it, and that now there is lot of businesses springing-up.
- Businesses need to be aware of existing products – get the message out

Public-Private sector role in financing for climate services

- Private sector
 - High transaction costs (but so is public policy etc..)
 - Transform information into products
 - Needs products to be based on sound data and research
 - Restricted use subsequently
 - Work at smaller scale
 - Pay for service/products (contractual obligations)
 - Limited in developing countries
- Public sector
 - This is more than just the weather services, but includes the research, decision making aspects,
 - Information in public domain – US good practice on accessibility of information
 - Work at scale
 - Limited funding sometimes skews role towards more private sector like responsibilities
- RDBs- both as users and donors/development practitioners – reconciling these roles
- Need to further define the role, arrangement, and nexus of private and public engagements through case studies

Challenges – and funding needs (partial list)

- Issues that need to be tackled at a regional scale
- NHMS: O&M, limited core budgets,
- Limited number of observational stations
- Limited capacity to generate products
- Limited private sector
- Limited research – (call for funding by public sector)
- Need for cost-recovery models

Good Examples

- Africa initiative with Clim Dev (AfDB, AU, ACMADetc.)
 - Addressing policy makers
 - Challenge: governance of fund
- Weather based derivatives for clients
- Insurance as mitigation (Global FM – hospitals)
- Real estate – vulnerable 80% of real estate does not bounce back after disaster–partnership approach to pay for climate services
- Others: aviation

Suggestions to the Group

- Roundtable with key players including RDBs, and key stakeholders to engage them
 - Working group on economic benefits of climate services
 - Defining different business models: defining the business case
- Key sectors for piloting: food security, energy and tourism (latter 2 have a global reach)
- Facilitating partnerships among smaller countries to gain recognition from RDBS - Develop pilots for regional groupings: Caribbean, West Africa, East Africa, Mediterranean
- Exploring innovative financing: taxes (aviation), subsidies from energy sector