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 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 derivates 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