Comments on Financial Innovation to Unlock Private Capital for Resilience and Adaptation

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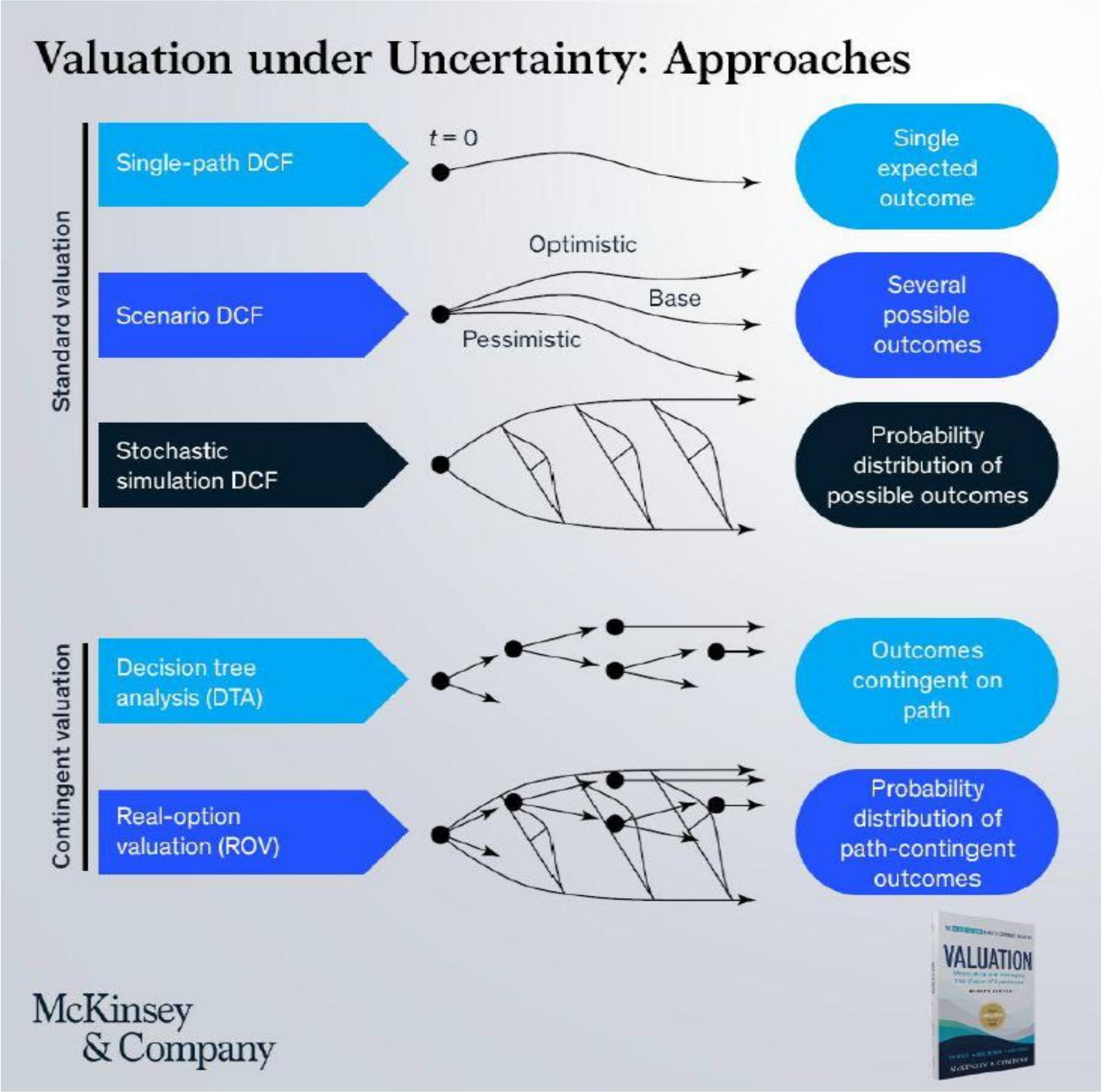
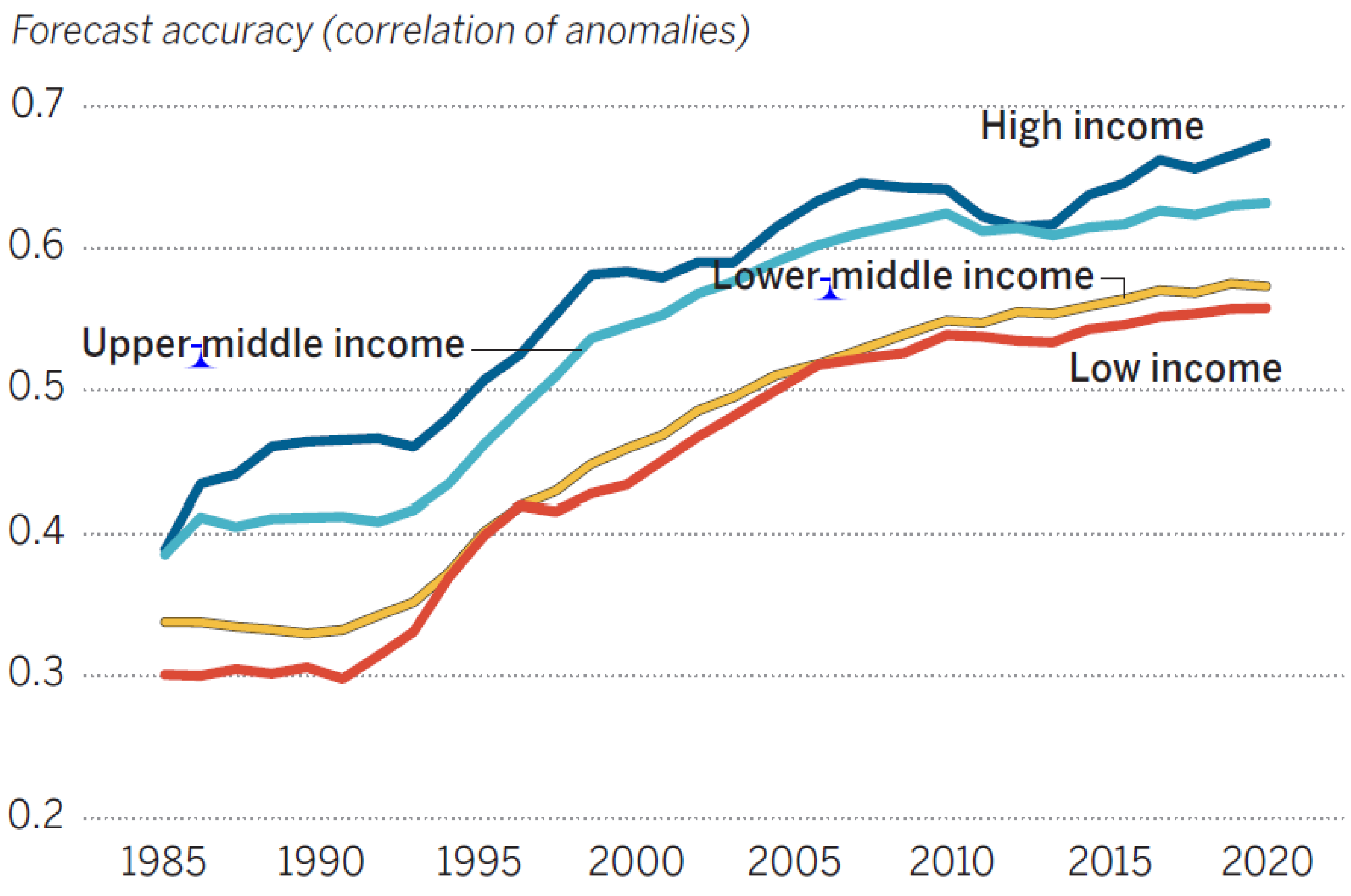
Private capital in resilience investment

- High climate uncertainty, limited private finance
- Real options analysis provides an important way to figure out the project returns
  - Flexible
  - Estimates of resilience values

Weather distribution is not stable. Lots of uncertainty

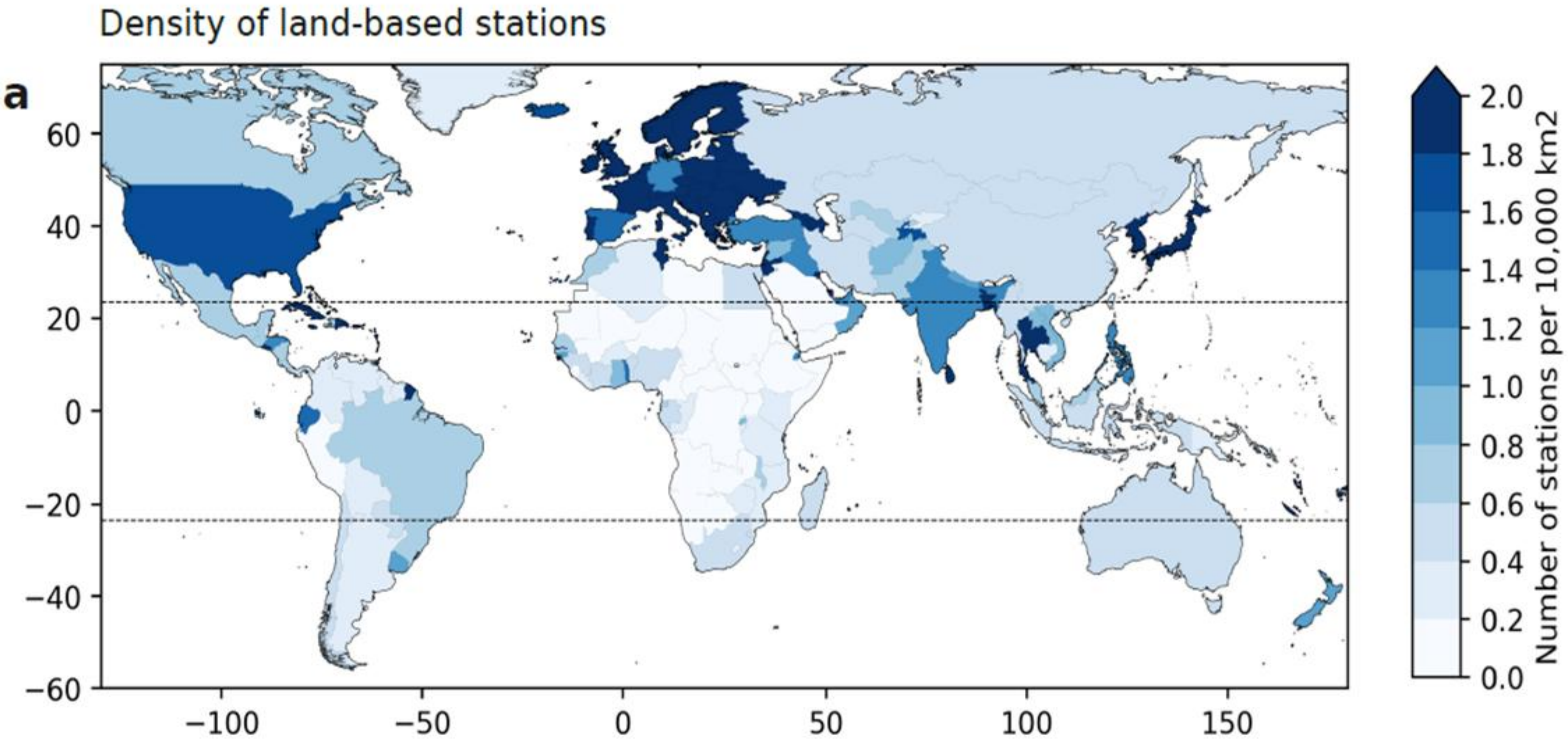


Accuracy of Weather forecast



Source: Linsenmeier and Shrader 2023.

Sub-Saharan Africa: Information dessert



Source: Linsenmeier and Shrader 2023.

Adopting real options analysis

- Better Weather information
- Human capital: modelling skills required for:
  - Climate projections
  - Real options analysis
- Complex models and less transparent. Building trust will be important.