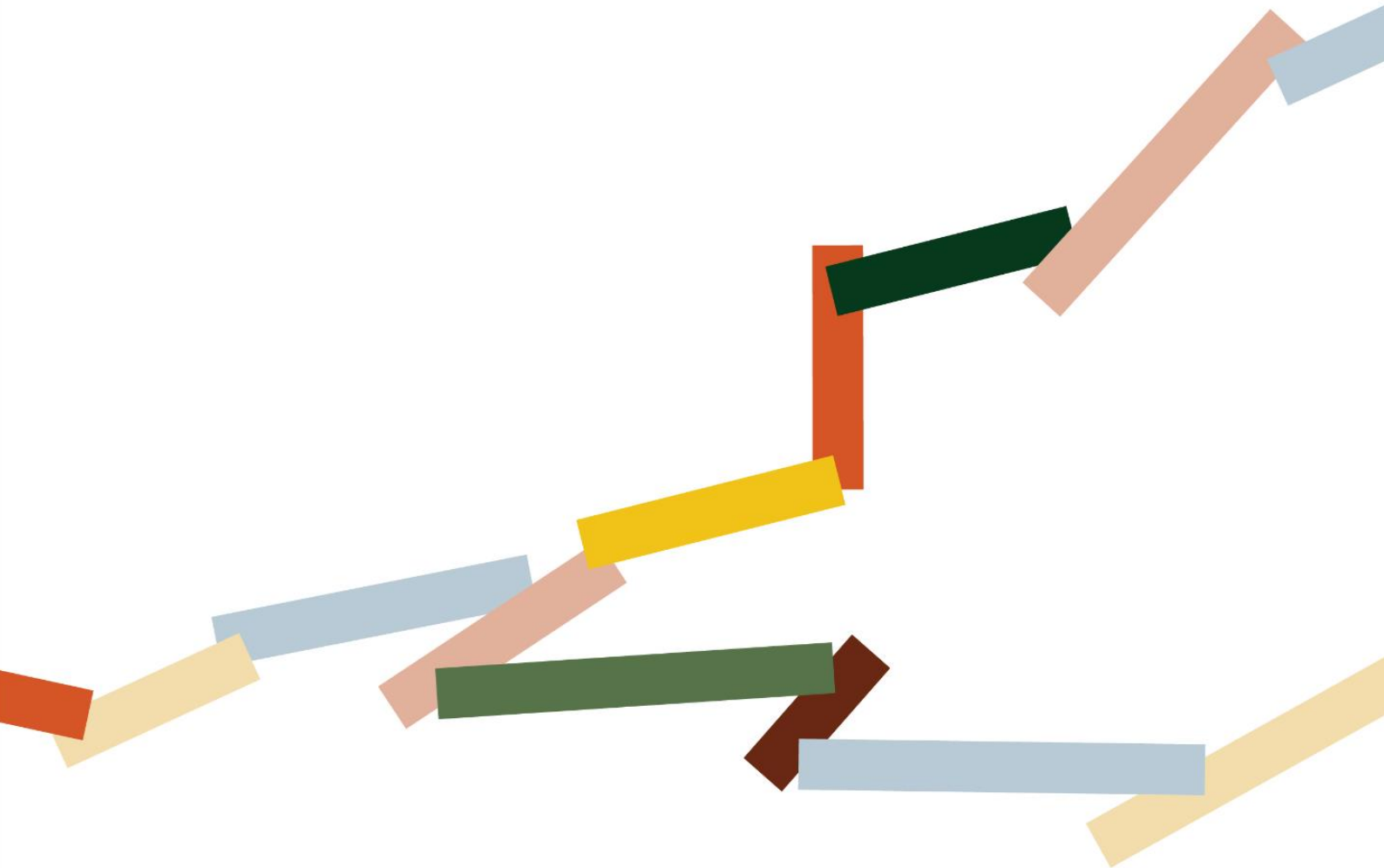




## Climate Action Partnerships

A new kind of humanitarian organization catalyzing public-private partnerships at the last mile.





## Welcome

Ten years ago, I joined UNHCR – the UN Refugee Agency – with a business school degree and some years of experience from the private sector. I was surprised by how little focus there was in the humanitarian sector on leveraging private sector solutions to solve complex challenges. After spending ten years in field and headquarter duty stations, I concluded that I can best support systems change from the outside-in. I therefore founded Last Mile Climate as a non-profit to support the humanitarian sector, including and in partnership with refugee-led and community-based organizations, in driving the change people want and need when it comes to climate change adaptation and mitigation. This white paper outlines the thinking behind Last Mile Climate’s push towards a new approach to tackling complex challenges in the humanitarian sector and paving the way for systems change. We call this approach “Climate Action Partnerships”.

Thank you for reading and please don’t hesitate to reach out with comments, ideas for collaboration or any other thoughts you might have.

Sincerely,

**Jakob Øster**

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## Introduction and Summary

Last Mile Climate is a humanitarian non-profit with a mission to enable people faced with climate related challenges in the global south to adapt to the realities of climate change and mitigate the negative impact on livelihoods and ecosystems. Last Mile Climate helps humanitarian and government organizations access and deploy solutions developed by the private sector in areas like energy, water, health, shelter and agriculture. It builds multi-stakeholder partnerships with the goal of enabling people living at the last mile to access climate-related solutions that would otherwise be out of reach to them.

Last Mile Climate wants to create a new paradigm that does not look at people in humanitarian contexts through the traditional lens of beneficiaries with needs, but rather as people who have climate-related challenges that can be overcome by leveraging proven solutions developed by the private sector in ways that “create shared value”<sup>1</sup>. The type of challenges that Last Mile Climate focusses on are the most complex or “wicked”<sup>2</sup> problems that are linked to climate change within sectors where private sector companies already have invested billions of dollars to develop the required solutions but are often not deploying them in “Last Mile communities”<sup>3</sup>. We want to be the partner of choice for the humanitarian sector when it comes to designing multi-stakeholder public-private partnerships for solving complex climate-related challenges. That is what we call Climate Action Partnerships (CAP).

As a catalytic intermediary between the humanitarian and private sectors, Last Mile Climate partners with humanitarian actors to enable them to more effectively and efficiently leverage proven solutions that exist in the private sector through a phased approach of 1) problem definition, 2) solutions piloting, 3) scale-up financing. As a non-profit that brings additional funding from independent third party donors, Last Mile Climate can partner with UN Agencies, Governments or INGOs through “Operational”<sup>4</sup> partnerships wherein LMC is not a contracted implementing partner for the humanitarian sector, but rather a non-transactional partner that brings a novel approach to engaging with private sector companies in ways that the traditional humanitarian sector organizations are effectively unable or unwilling to do because of (sometimes idiosyncratic) policy, financial, and cultural barriers. This role of an intermediary between the humanitarian and private sector allows Last Mile Climate to overcome the barriers that currently prevent humanitarian actors from engaging smoothly with private sector companies.

In essence, Climate Action Partnerships operates on three foundational steps for solution delivery: identifying critical climate challenges, forging robust public-private partnerships, and implementing proven solutions with a sustainable financial model. The envisioned outcomes of this approach are multi-fold: tangible adaptation and mitigation impact for communities in the global south, a platform for private sector climate solutions to scale, and a blueprint for a new paradigm for humanitarian climate action.

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<sup>1</sup> “Creating Shared Value” is a concept first outlined in a Harvard Business Review article in 2011 that essentially describes how business can profitably solve societal issues through business models that are inherently self-sustainable due to their profitability. See M. Porter and M. Kramer “Creating Shared Value”, 2011, HBR

<sup>2</sup> “A wicked problem is a problem, usually social or cultural, that is challenging or impossible to solve either because not enough is understood about the problem, the number of stakeholders involved, the number of varying opinions, the economic burden, or the impact of these problems with other problems.” <https://wicked-problem.press.plymouth.edu/chapter/what-is-a-wicked-problem/>

<sup>3</sup> Last Mile Communities refers to people who are either geographically or economically living on the edge of society, marginalized and in poverty and who are disproportionately impacted by climate change.

<sup>4</sup> Unlike “Implementing” partnerships where a non-profit receives funding from e.g. a UN agency to undertake a specific project, “operational” partners are non-profits that bring funding from other sources (e.g. private donors) and engage with a UN Agency or Government through partnerships based on MoUs or even just organically developed agreements to collaborate.

## The Problem

### Barriers to Solutions Reaching People at the Last Mile

Climate change has a disproportionate effect on vulnerable people and those in humanitarian situations in the global south, but until recently the majority of ODA climate financing has been spent on mitigation<sup>5</sup> and not in humanitarian contexts. Furthermore, while humanitarian organizations are increasingly interested in addressing climate change, efforts are isolated and far from systematic. The technological solutions to overcome the effects of climate change are almost always developed by the private sector, but there are several barriers and path dependencies that prevent effective and efficient partnerships between humanitarian organizations and private sector companies.

These barriers can be categorized as follows:

#### 1. Policy and Practice in the Humanitarian Sector

In the humanitarian sector there is a strict dichotomy, reflected in policies and practices, between for-profit *suppliers* (companies) and not-for-profit *partners* (NGOs). This dichotomy is a historic relic that makes increasingly less sense in the age of social entrepreneurship, but it largely remains in place and often forces companies with solutions into a supplier framework of engagement that relegates them to procurement. Should staff in humanitarian organizations try to seek genuine partnerships with a for-profit company, they are usually met with a bureaucratic framework of policies that makes the design and implementation of the partnership highly inefficient and prone to failure.

As an example of how policy hinders collaboration with private sector companies, one can imagine a technical staff in a humanitarian organization who, after a thorough assessment of most fit for purpose and cost-effective solutions to a given problem, wants to provide grant funding to cover the pilot cost for a social enterprise that happens to be registered as what is considered “for-profit”. The staff is then told by the head of programming/partnership in the operation that such a collaboration must be pursued through procurement and that the staff should therefore engage with supply colleagues instead. Supply colleagues will then inform the technical staff that a competitive procurement process must be initiated and that the social enterprise in question might be precluded from submitting a bid as they would have had unfair access to information through conversations with the technical colleague. Even if a procurement process is pursued and the most appropriate social enterprise wins the bid, the possibilities for the technical staff to engage with them as partners is significantly hampered through an inability to, for example, meet with them as required without supply staff present, modify the agreement as per contextual changes, and work to ensure the right enabling environment for the success of the collaboration.

#### 2. From Funding to Financing

Most climate adaptation solutions require some degree of up-front financial investments, but the humanitarian sector is largely unable to move from funding to financing, which limits its ability to raise the required capital for solutions that are better but require higher capital expenditure. Humanitarian organizations and operations rely on short-term budgeting cycles – often annual. This stems from the original purpose of humanitarian interventions to be short-term, assuming that people in need would soon be able to return to normalcy (e.g. refugees returning post-conflict). The reality today is that most humanitarian situations are protracted, with the average time that someone is in asylum after having fled his/her country of origin being close to 20 years. The fact that budget cycles remain short leads humanitarian actors to pursue solutions

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<sup>5</sup> <https://www.oecd.org/dac/climate-related-official-development-assistance-update.pdf>

that are cheaper in the very short term, while ruling out solutions that require up-front investments to reduce medium to long-term costs. The same barrier applies to end-users who have even shorter budget cycles and limited access to credit, forcing them to choose what is cheapest on a weekly or even daily basis. For refugee contexts, the short-term approach of the humanitarian sector is linked to the political reality that most host governments do not want to see investments into long-term solutions that incentivize people to stay through local integration. However, climate adaptation financing might support humanitarian actors in furthering a policy dialogue about local integration as climate change action in most cases will be politically welcomed and have positive spill-over effects on the country's environment and climate goals.

Finally, many costs associated with choosing a solution that is not climate-smart are externalized, shifted to a different budget line and/or postponed. For example, cutting down trees to cook with firewood yields an externalized environmental and climate cost that is not borne by the person cutting down the tree and thus externalized. Similarly, providing refugees with a cookstove that does not eliminate household air pollution creates a medium to long-term health cost that is not borne by the humanitarian actor in short-term and is not considered under the energy budget line, but instead shifted to become a long-term health cost.<sup>6</sup>

### 3. Cultural

The lack of understanding of private sector enterprises by nature of the experience of the majority of people that make up the humanitarian sector is a root cause of distrust towards any company that wants to “make money on the back of poor people”. The reality is that without private sector companies making money on solutions for people in humanitarian contexts there wouldn't be any solutions at all – even for emergency aid where donor funds are used to procure core relief items produced by the private sector on commercial terms. While “for-profit” has become accepted within the realm of *procurement*, a deep mistrust remains when it comes to *partnerships* where most humanitarian agencies operate with a de jure policy or de facto practice of partnering only with not-for-profit actors that are presumed to share their humanitarian values. When individuals within humanitarian agencies overcome this mistrust and try to engage in partnerships with companies they are often faced with institutional mistrust, which in turn renders the implementation of the partnership prone to failure.

Furthermore, the traditional humanitarian mindset views people of concern as “beneficiaries” that should be provided with free goods and services based on “needs assessments”. The problem is that while this might work well for short-term lifesaving emergency aid, it has a harmful impact on long-term market-economies and job creation, as well as the ability to find solutions to complex problems such as climate change adaptation. Humanitarian actors often inadvertently disincentivize private enterprise by putting up signs that say “all services are free” while distributing items that undermine the ability of private sector companies to compete (including entrepreneurs from the very communities they are trying to help). Fortunately, there is an ongoing shift towards “cash-based-interventions” (CBI) that, all else equal, stimulate demand and crowd in the private sector with efficiency gains from increased competition of various products and services due to the inherent fungibility of unrestricted CBI. However, while CBI will automatically lead to increased demand and supply of basic goods and service, it will not automatically stimulate demand and supply of complex solutions for climate change adaptation within e.g., energy, water, agriculture, and health. Similarly, the “needs-based” approach tends to pre-define what solutions people need as opposed to focusing on defining the problem and then letting the market supply alternative goods and services in open competition. As an

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<sup>6</sup> For research on the “true” cost of cooking with traditional fuels see e.g. <https://unepccc.org/publications/the-true-cost-of-using-traditional-fuels-in-a-humanitarian-setting-case-study-of-the-nyarugusu-refugee-camp-kigoma-region-tanzania/>

example, if a humanitarian worker asks “beneficiaries” about their “need” for cooking, they might get the response that they need 2 kg of firewood per day for cooking and then pursue procurement and distribution of firewood. The problem is addressed by giving humanitarians the time and support to take a holistic approach to focus on the problem analysis where, in the example of cooking, it would likely be that the problem is cooking food in a way that A) does not expose women to sexual violence while gathering fuel, B) does not pose a serious health risk from household air pollution, and C) does not degrade the environment nor lead to excessive CO2 emissions.

#### 4. Physical

Reaching people at the “last mile” often includes overcoming physical barriers such as geographical distances to remote locations (e.g. refugee camps) where companies tend to have weaker experience and distribution networks. In the case of refugees, private sector companies will sometimes be outright banned from entering – let alone operating a business within – a camp setting by host governments. This is where public-private partnerships are needed, and humanitarian actors have a unique access to people at the last mile that can be leveraged through multi-stakeholder partnerships with private sector solution providers and innovative financing.

## The Solution

### Climate Action Partnerships

Inspired by the two concepts of “Innovative Procurement<sup>7</sup>” and the “Venture Client Model<sup>8</sup>”, Last Mile Climate seeks to overcome the barriers for climate-smart solutions to reach the people at the last mile who need them the most through the below three steps. Central to all steps is involvement of the last mile communities and local civil society organizations representing them, such as refugee-led organizations (RLOs). We call this approach “Climate Action Partnerships” (CAP) and are committed to implementing this with people at the last mile through partnerships with humanitarian organizations.

#### 1. Problem-Based Approach

There needs to be a shift from a “needs-based” approach to a “problems-based” approach when it comes to tackling the complex climate-related problems facing people in humanitarian contexts. Many of the challenges related to climate change are “wicked problems” and therefore not well supported by the traditional humanitarian approach of “procure and distribute” that follows a needs-based approach, but instead require cross-sectoral multi-stakeholder partnerships. A problems-based approach is inspired by the concepts of problem-based learning as well as Innovative Procurement, where tendering for pre-defined solutions based on needs assessments is discouraged. Instead, problems and functions are communicated to the market, which in turn responds with how to best solve this. Innovative Procurement emphasizes mapping and defining problems, inviting the market for dialogue and challenging it to come up with smart solutions.

Therefore, the initial step of the Climate Action Partnership approach is to engage with a humanitarian organization around a particular complex problem and to analyze this problem in depth together with relevant partners and the people of concern before proceeding to step 2. In short, unlike what often happens in efforts to engage private sector companies, the Climate Action Approach ensures that the initial primary focus is on the problem and not the solution.

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<sup>7</sup> <https://innovativeanskaffelser.no/about/>

<sup>8</sup> <https://hbr.org/2017/07/what-bmws-corporate-vc-offers-that-regular-investors-cant>

## **2. Rapid piloting of promising solutions**

In seeking effective and efficient solutions for known problems, the humanitarian sector can learn from the private sector, such as the Venture Client Model. This approach, pioneered by companies like BMW, involves directly purchasing technology from startups to rapidly find out what works best to address specific challenges, bypassing traditional equity investments. This model has proven successful in rapidly identifying and implementing innovative and cost-effective solutions. By emulating this way of thinking, the humanitarian sector can more precisely and efficiently target and solve its existing challenges, leveraging the most fit-for-purpose technologies from the private sector.

Unlike engineers at BMW, people living at the last mile do not necessarily need the latest technology and, importantly, it could be unethical to pilot technologies that are unproven and untested. However, the core thinking behind the Venture Client Model – i.e. that rapid testing, in the real context, of product-market fit before committing to a promising solution at scale – is something that the humanitarian sector needs in order to overcome the problem of "picking a winner" through a desk-based exercise (either a procurement or partnership process) that ends up identifying one solution which is then implemented. With the rapid piloting at small scale of the most promising solutions, Climate Action Partnerships can – in close collaboration with end-users – determine which solution(s) are most fit-for-purpose and cost-effective in the real-life contexts of the people at the last mile. Only after successfully identifying solution(s) that work can the 3-step process of Climate Action Partnership be completed with financing and scale-up.

## **3. Finance and scale what works**

Although many interventions suffer from a solution-problem misfit, a solution-financing misfit can be just as detrimental, where a solution may solve the given problem, but is then unable to scale and achieve financial sustainability given a lack of committed funding or financing. The final and often most challenging step of the Climate Action Partnership approach is structuring a financing facility to ensure the scale up of a solution proven to work in a particular context. Last Mile Climate works with experienced actors within blended and innovative financing to ensure that either the humanitarian partner agency or the targeted end-users have the means to sustain and scale up the identified solutions. Ideally, the solution should be purchased on market terms directly by end-users, and here the key challenge is to ensure access to capital for either the end-users or the company to cover the capital expenditure of a given solution, as well as full information about the solution vis-à-vis alternatives for end-users. Sometimes the situation will require the solution to be procured by a humanitarian agency and then the challenge will be to deliver a financing facility that matches the budgetary cycles of the organization as well as its procurement policies.

To address the procurement and budgetary challenges faced by humanitarian agencies, Climate Action Partnerships will pursue innovative financing facilities designed to be flexible and adaptive, aligning seamlessly with the budgetary cycles and procurement policies of these organizations. By leveraging a blend of private sector investments, grants, and low-interest loans, such facilities can ensure that financing is not a barrier to implementing climate solutions. Our model prioritizes efficiency and impact, ensuring that funds are channeled swiftly and effectively to where they are needed most.