Mainstreaming Climate Change into Planning

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• 15+ years of Supporting Adaptation
• More than $1 billion of grants from multiple sources
• More than 160 programmes/projects in over 90 countries
• Leveraging Finance and Partnerships
Resilience to Climate Change – a necessity

Scale of Damage in Thailand (2011)
Estimated Losses: $15-20 billion (Swiss Re/Munich Re)
$21 billion (prop. damage); $22 billion (opp. costs) (World Bank)

Climate Change can no longer be treated as only an environment issue
Figure 4.1 Average annual costs between 2010 and 2050 of adapting to 2°C warming globally by 2050, by world region (2010b)
Figure 4.5 Total adaptation costs for all sectors as a percentage of Africa’s GDP over time.

Source: own calculations using the AD-RICE model.
**Bangladesh** - $5b over next 5 years to address current climate change with costs rising each year

**Malawi** - The National Climate Change Investment Plan (2014) and includes a USD 5 billion investment over next 5 years in adaptation, mitigation, capacity development and research & technology.
Take away messages

1. Countries have established foundations for integrating climate change into medium- and long-term planning

2. Adaptation finance from multiple sources

3. Critical to focus on “whole of government” approach that supports iterative planning and budgeting that takes climate change into account
Changing with the World

UNDP STRATEGIC PLAN: 2014-17

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Objectives of the NAP process

i) To reduce vulnerability to the impacts of climate change, by building adaptive capacity and resilience;

ii) To facilitate the integration of climate change adaptation, in a coherent manner, into relevant new and existing policies, programmes and activities, in particular development planning processes and strategies, within all relevant sectors and at different levels, as appropriate.

Ref: Decision 5/CP.17, paragraph 1
A number of challenges to overcome...

- Making National Policy and Planning more coherent
- Strengthening governance and institutional capacity
- Co-ordination and Accountability – National and sub-national for a
- Transparency, Tracking and MRV - Links with national budget and reporting systems
- Supply driven vs. demand led – Getting communities more involved
- Programmatic vs. strategic approach
- Sectoral vs. National mainstreaming approach
- Evaluation
1. Countries have established foundations for integrating climate change into medium- and long-term planning

2. Adaptation finance will be from multiple sources

3. Requires “whole of government” approach that supports iterative planning and budgeting that takes climate change into account
1. **The NAPA Process**
- Going beyond urgent and immediate -

Advancing the NAP process: integrating CCA into policies, plans

- 47 LDCF projects integrate CCA into **106 national development policies, plans and frameworks** in 35 LDCs
- 49 projects will allow **33 LDCs** to enhance their national hydro-meteorological and **climate information services**
- Institutional, technical and human capacity building is being provided to **251 key, national and sub-national agencies/institutions**; with more than **460,000** people receiving training on CCA

Source: K. Sundstrom, GEF Sec, 2014
Foundations for integrating climate change into medium- and long-term planning

2. Through poverty reduction strategies and development strategies

Rwanda Vision 2020

UNDP

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3. Targeted capacity building initiatives

- **Capacity Building on Economics of Adaptation**
  - Global Water Partnership
  - CEPAL
  - Yale
- **Capacity building on Climate Expenditure and Institutional Reviews (CPEIRs)**
  - Sida

Institutional Support:
- Knowledge Brokering:
  - Technical Support:

Capacity building on Climate Information Systems in Africa

- United Nations Framework Convention on Climate Change
- UNDP
- UNEP
- gef
- giz (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH)
- Global Water Partnership
- IFAD
- UNISDR
- World Health Organization
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Catalyzing Adaptation Finance: Key Drivers

- **Source of finance for adaptation** - numerous

- **Public finance** – internal (domestic) and external (donor)
  - Public finance alone is not currently sufficient; Public finance alone is not going to be sufficient

- **Private Sector (Domestic, international)**
  - Innovative finance
Adaptation Finance is unlikely to be at the scale required without an effort to remove a few key barriers

- Need to *create conditions that attract finance* without compromising development goals and sharing cost burden on end-users.

- **Multiple stakeholders** (investors, end-users, policy makers, supply chains, etc)

- Broad *spectrum of policies, incentives and support mechanisms* to
  (a) reduce risks (i.e. lower cost of capital)
  (b) increase rewards (i.e. premium prices, credits, etc)
Making Systems and Institutions Climate Finance Ready is Important

<table>
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<tr>
<th>Financial Planning</th>
<th>Accessing Finance</th>
<th>Delivering Finance</th>
<th>Monitor, Report &amp; Verify</th>
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<tr>
<td>• Assess needs and priorities, and identify barriers to investment</td>
<td>• Multiple access channels</td>
<td>• Implement and execute project, programme, sector-wide approaches</td>
<td>• Monitor, report, and verify flows of results and funding</td>
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<tr>
<td>• Identify policy mix and sources of financing</td>
<td>• Blend and combine finance</td>
<td>• Build local supply of expertise and skills</td>
<td>• Performance-based payments</td>
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<tr>
<td>• Formulate project, programme, sector-wide approaches to access finance</td>
<td>• Coordinate implementation</td>
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- Elements are not one-size-fits-all
- Efforts don’t need to start from scratch
- Readiness is an ongoing process
Integrated Model ‘Blended Finance’

Domestic Sources:
- Innovative Sources
- Other Sources

Collect

Account For

Blend Funding Sources

National Climate Fund

International Sources:
- Multi/Bilaterals Sweden Cooperation
- Other Sources

On Budget

Joint Program

Project

National Budgets

Other Sources: National Transition Fund

Capital Market

Private Sector

Multi/Bilaterals Germany (ICl)

Vertical Funds: AF and LDCF

Source: UN-MPTF, 2014
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National Planning and Budgeting Cycle: Country X

Entry points and Tools for Addressing Climate Risk

**National Plan and medium term budget or expenditure framework**

1. **Sectoral Plans Medium Term**
   - Climate risk assessment/Valuation of costs and benefits –

2. **Annual Implementation (Priority sectors for Climate Adaptation)**
   - Estimate of additional adaptation budget needs.
   - Prioritization based on climate risk analysis

3. **Annual sectoral budgets**

4. **Annual Monitoring (Sectors)**
   - Evidence based results on impact of adaptation expenditures

5. **Mid Term Review of National Plan/ Sectoral Plan Reviews**
   - Value added of adaptation programmes reviewed –

6. **Plan adjustments/course correction for Implementation**
   - Adjustments to sectoral plans and valuation estimates in adaptation priority sectors

7. **Final Evaluation**
   - Evaluation of economic and social benefits from additionality of adaptation

8. **Evaluation of economic and social benefits from additionality of adaptation**
A Defining Framework for Medium and Long-Term Climate Change Adaptation Challenge

Key Barriers to Adaptation Finance

Catalyzing Adaptation Finance

NATIONAL DEVELOPMENT PLANNING PROCESS

NAP Process

Domestic Sources
- Innovative Sources
- Other Sources

Collect

National Climate Fund

International Sources
- Multi-Donor Trust Funds
- Sweden Cooperation
- Other Sources

Blend Funding Sources
- National Budgets
- Other Donor Assistance
- National Transition Funds

Domestic Sources

Private Sector

Efficient Markets

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So, What Does This All Mean?

Making Sure that Efforts Have an Impact on the Ground
Some lessons to bear in mind

Focus on the process – Inclusive national dialogue and strong ownership from multiple stakeholders

- Establish institutional structures and mechanisms that are demand led and enable innovation, accountability and transparency
- Strengthen capacities of national institutions to plan, budget, track and monitor climate finance
- Build public capacity to design and implement national programmes and projects that are results (benefit) based and sustainable
- Establish robust M&E systems to track and measure climate finance effectiveness
• National Climate Change Policies need to clearly link to development planning and finance. (CC Fiscal Frameworks, national co-ordination mechanisms and national capacity building initiatives)

• Innovative Instruments and financing modalities need to be explored

• Challenging political economy as discussion starts to involve non traditional stakeholders e.g. Private sector, Ministries of Finance and planning
  • Priority setting is **lengthy & complex** due to competing agendas among sectoral ministries

• Opportunity for South-South learning – How do we get this right?

• Use of country systems and effective institutions – Key issues to address also through the development effectiveness platform
• **Technical capacities** for iterative climate considerations in planning and budget required (to assess finance needs, first need to understand costs/benefits of adaptation over different time scales)

• **Elements are not one-size-fits-all** - Different configurations of these four components can exist within institutions, between institutions, or across national or sectoral systems.

• **Not starting from scratch** – Many countries have parts of these systems in place. The challenge is identifying them and organizing them to produce an effective system at the national level.

• **Readiness is an ongoing process** – requires long-term engagement and nurturing.
Focus of UNDP’s Work on Climate Finance Readiness

**ACTION ON THE GROUND**

- **Policy development**: How is CC policy formulated? Are national CC strategies developed?
- **Provide a framework** for sector-wide approaches & to incentivise private investments
- **Institutional structures**: What are roles & responsibilities of institutions involved in managing CC response & their interaction?
- **Public financial management**: How to quantify & track CC-related expenditures in the budget?
- Developing bankable adaptation projects including training on the economics of adaptation

**CAPACITY ENHANCEMENT**

- NAP-GSP, LECB, CPEIR
- LDCF/SCCF/AF/Bilateral financed projects

**BARRIER REMOVAL**

- NAP-GSP, LECB, CPEIR, LDCF/SCCF/Bilateral financed projects

**POLICY DIALOGUE**

- CPEIR
- Economics of Adaptation