



Mobilising Adaptation Finance:

The status of public finance related to national funding for developing countries

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Mobilising Adaptation Finance



- What public adaptation finance flows exist at different levels?
- Is public adaptation finance linked to development finance, and how?
- What opportunities and barriers exist in terms of access to public adaptation finance (from the perspective of both providers and recipients)?
- What role can/do public finance institutions play in mobilizing adaptation finance?
- How can public resources leverage private sector financing on adaptation?
- How can the dissemination of information on adaptation finance from public sources be enhanced?

Tracking Global Adaptation Finance Flows



- Climate Policy Initiative (2013) shows that mitigation flows far outstrip adaptation finance
- Private financing for adaptation are essentially non-existent; investments made *ad hoc* by end-users

SOURCES & INTERMEDIARIES		MITIGATION (USD BILLION)	ADAPTATION (USD BILLION)	TOTAL
PRIVATE FLOWS	Project developers	102	NE	102
	Corporate actors	66	NE	66
	Households	33	NE	33
	Institutional investors	0.4	NE	0.4
	Commercial financial institutions	21	NE	21
	VC, PE, and infrastructure funds	1.2	NE	1.2
PUBLIC FLOWS	Governments budgets	9	3	12
	National Development Banks	61	8	69
	Multilateral Development Banks	31	7	38
	Bilateral Finance Institutions	12	3	15
	Climate Funds	1.0	0.6	1.6
TOTAL		337	22	359

Tracking Domestic Adaptation Finance Flows



- Climate public expenditure & institutional reviews (CPEIRs) link policy development, institutional structure & financial management
- CPEIRs are a useful tool to examine who is spending money on what type of climate expenditure & why they doing it
- This information can assist in the development of low-emission climate-resilient plans & policies like NAPs

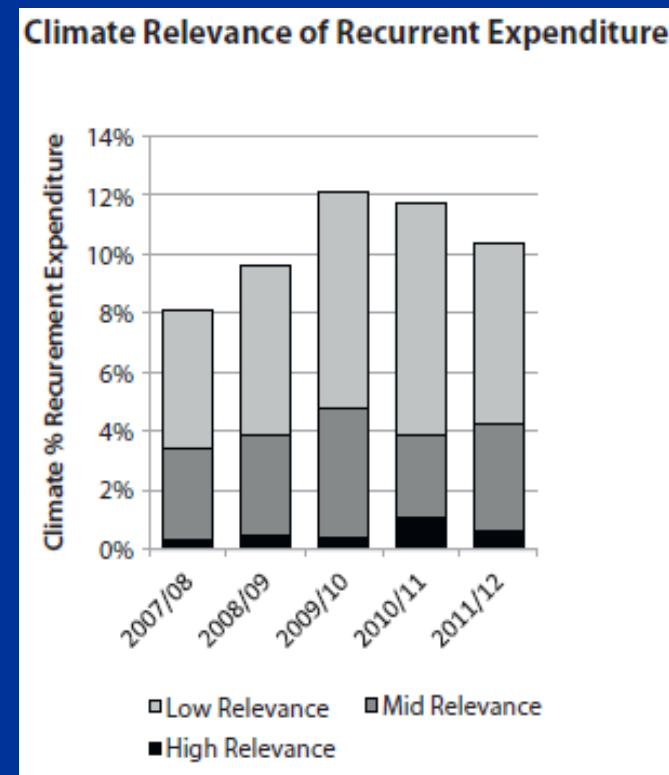
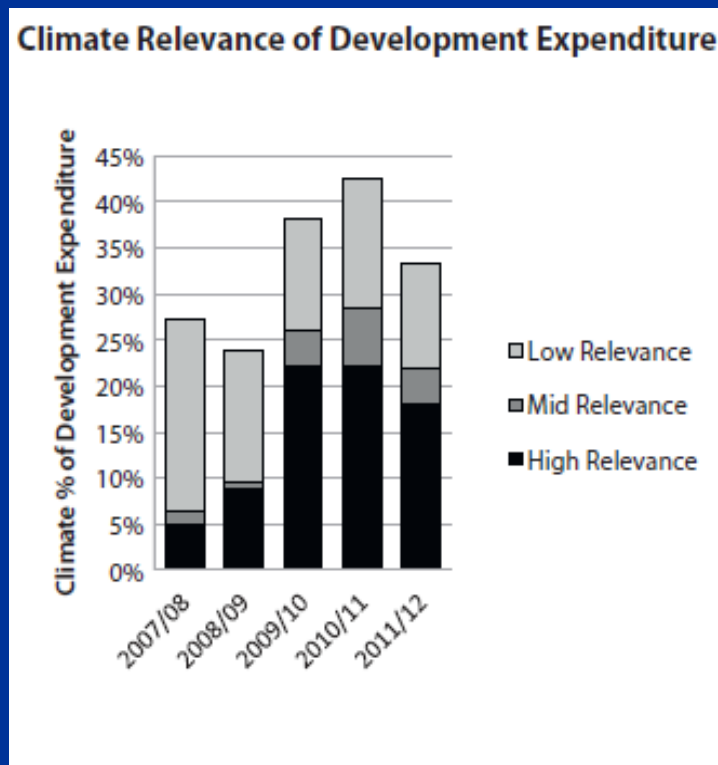
	Proportion of total expenditure defined in CPEIR analysis		Proportion of 'climate relevant' expenditure	
	Financed by domestic revenues	Financed by external grants or loans	Financed by domestic revenues	Financed by external grants or loans
Bangladesh	86%	14%	77%	23%
Cambodia	33%	67%	13%	87%
Nepal	73%	27%	44%	56%
Samoa	68%	32%	41%	59%

Proportion of expenditures financed by domestic & external resources over three years

External vs. Domestic Adaptation Finance Flows



- Developing countries use domestic sources for projects with co-benefits from own budgets (e.g. infrastructure)
- Adaptation finance often delivered at the local level (Nepal – 80%) yet without comprehensive budgeting or planning



Samoa: Comparison of climate relevance of development vs. recurrent expenditures

Barriers to Increased Adaptation Finance Flows



Recipient countries face climate finance challenges despite nominal increased financial flows from a variety of sources, both international & domestic:

- **Lack of national capacities** to navigate complex financial landscape to access, manage, deliver, track & report on different forms of finance
- **Limited alignment between climate & development** inhibits economy-wide transformation; climate finance is not mainstreamed into business, planning & development policy
- **Inability to catalyse private finance** to address the climate challenge
 - Most adaptation investments by business & households; therefore difficult to monitor & align with development plans
 - Private finance faces considerable risks (high cost of capital) & a dearth of rewards (low prices, no tax credits)

Mainstreaming Climate Finance Capacities



Busan Partnership for Effective Development Cooperation (2011):

*“...support national climate change policy and planning as an **integral part of developing countries’ overall national development plans**, and ensure that ... these measures are financed, delivered and monitored through **developing countries’ systems...**”*

Paragraph 34

Climate Resilient Planning & Budgeting Frameworks



- **Policy development:** How is CC policy formulated? Are national CC strategies developed? Are adaptation needs mainstreamed?

NAP-GSP, LECB, CPEIR

- **Provide a framework** for sector-wide approaches & to incentivise private investments

LDCF/SCCF/AF/Bilateral financed projects

- **Institutional structures:** What are roles & responsibilities of institutions involved in managing CC response & their interaction?

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

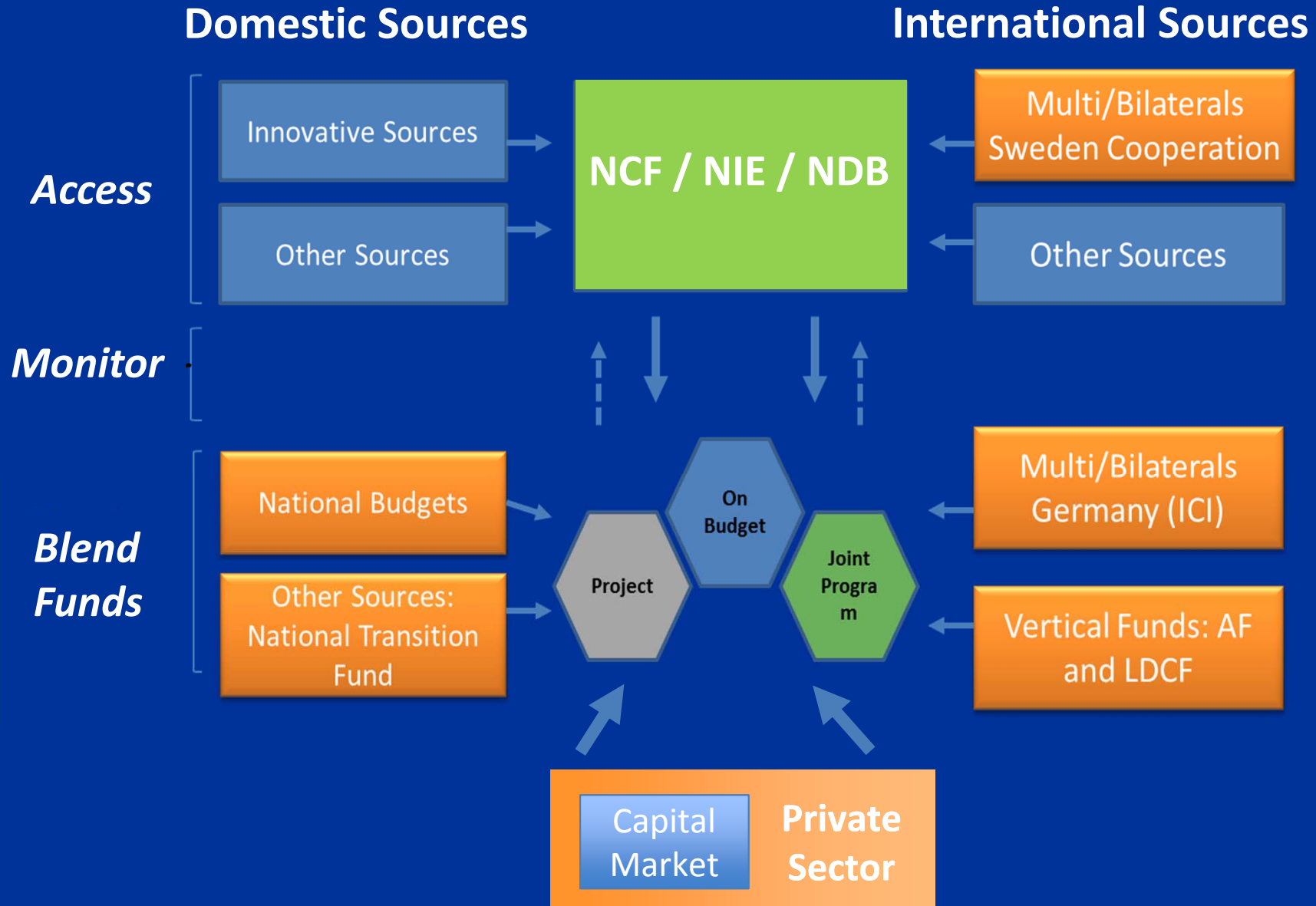
- **Public financial management:** How to quantify & track CC-related expenditures in the budget?

CPEIR

- Developing bankable adaptation projects through implementing CBA tools, training on the economics of adaptation

Economics of Adaptation (Africa- with Global Water Partnership), (Asia-Pacific – with USAID)

Financial Management Capacities



LECRDS, LEDS, NAMAs & NAPs



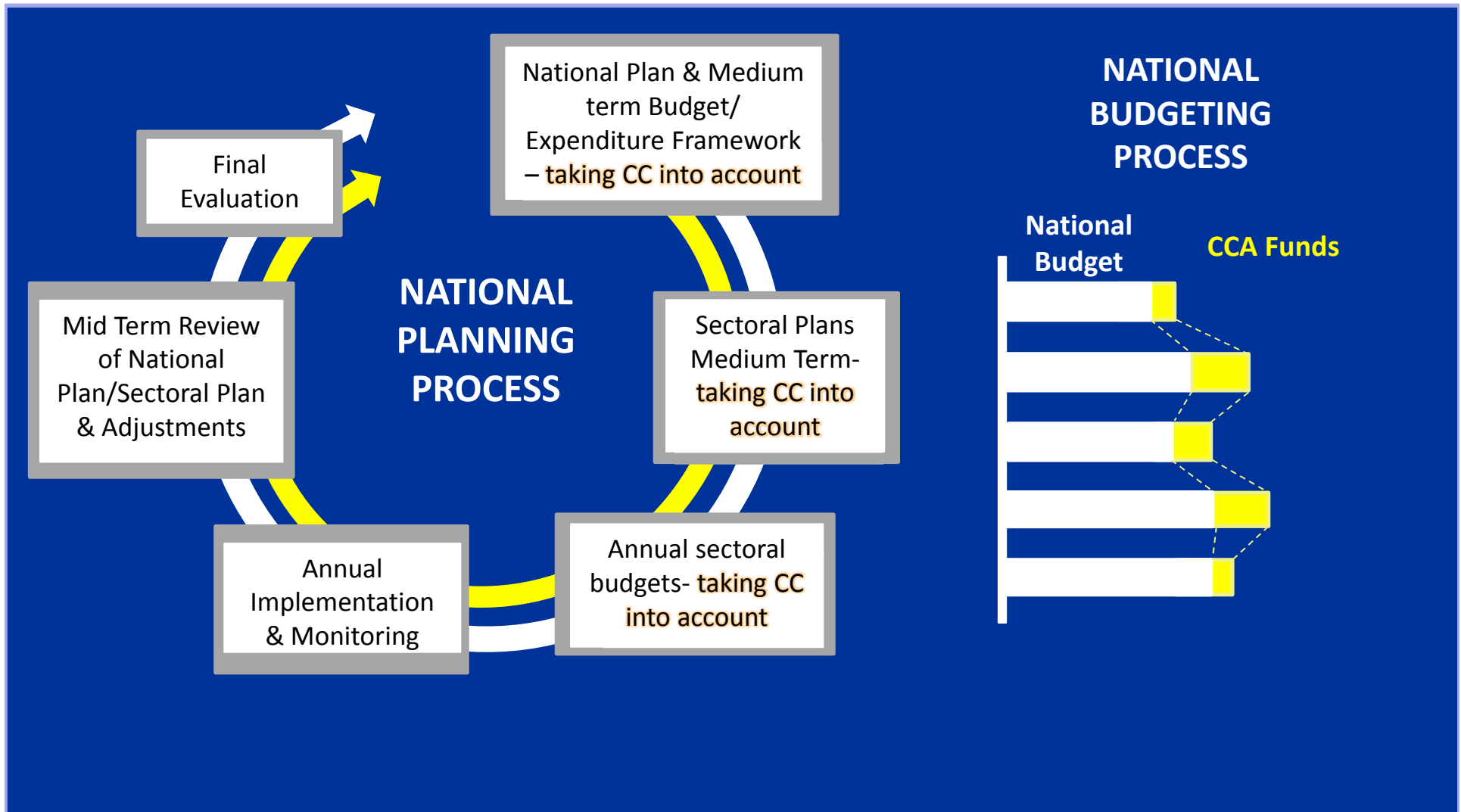
- **Bottom-up national ownership**
- **Bridging needs assessments & priority setting processes**

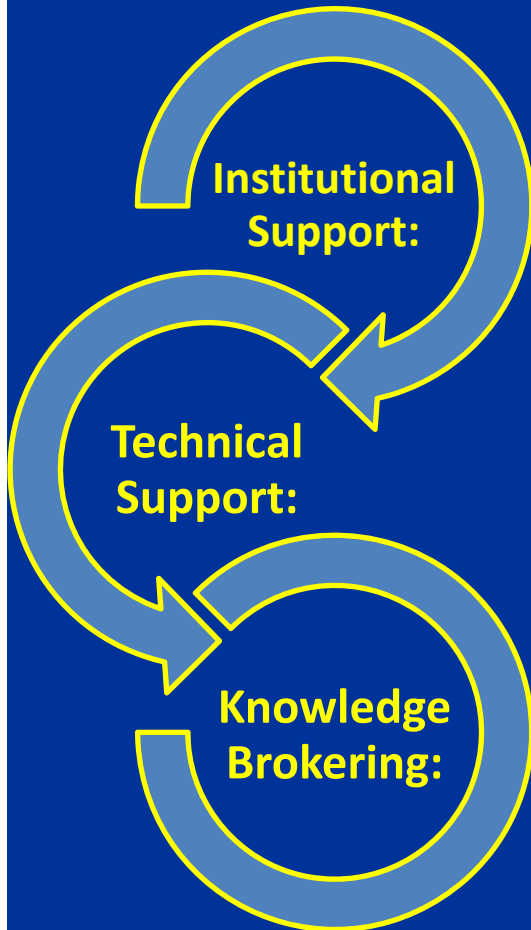


- **Incorporate human development goals**
- **Long-term, integrated planning**



Integrating CC into Planning and Budgeting





IN-COUNTRY INSTITUTIONAL SUPPORT :

- Promote common understanding of the UNFCCC NAP guidelines among Ministries of Environment, Planning, Finance & key sectoral ministries
- Support to developing NAP preparation strategies (“roadmaps”)
- Support stock-taking of existing initiatives and gap analysis
- Support identification of entry points in existing planning processes
- Capacity assessments of institutional gaps for long-term adaptation planning

REGIONAL TRAININGS:

- Thematic Regional Workshops on Elements of NAPs: All LDCs in each region: Asia, Pacific, Africa. → Knowledge sharing clinics
- Mobilization of **technical experts to deliver training** on planning skills in the context of adaptation (GWP in Rwanda; Economics of Adaptation training programmes in Asia, Africa, and the Pacific)

PARTNERSHIPS TO SUPPORT ADVANCEMENT OF NAPs:

- South/South **global dialogue & knowledge exchange**
- Outreach and dissemination of lessons and best practices, enhancement of practitioners’ networks and peer-to-peer learning

Insights from UNDP's Work



Use country-driven, multi-stakeholder, and cross-sectoral processes that define how climate finance is prioritized and implemented

- Integrating climate change into national development policies & strategies & across ministerial plans
- Providing long-term clarity & stability
- Including realistic policy goals & delivery plans
- Allowing climate finance to flow autonomously as well as for planned investments – align with national strategies, but welcome innovation

Insights from UNDP's Work



Ensure a pipeline of projects that deliver results, based on & mainstreamed into national plans & policies

- Developing bankable projects with tools such as economic and social impact analyses
- Establishing robust M&E systems to track and measure climate finance effectiveness – demand-side & supply-side efficiency
- Using public finance catalytically to leverage private finance, including policy measures to de-risk investment scenarios

Insights from UNDP's Work



Strengthen capacities and coordination to manage climate finance in the long-term

- Developing capacities to plan for, access, deliver, monitor, report and verify climate finance
- Providing coherence among actions in different sectors/levels and ministries
- Sharing lessons and knowledge both nationally and internationally to build capacity and strengthen commitment

Existing UNDP Tools and Guidance in English – some available in French, Spanish, Russian



<http://www.undp.org/climatestrategies>



Thank you