Strategic Allocation of Climate Finance
How to plan funding the NAP implementation?

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How to Fund NAP Implementation?
Need for Funding Strategies

• Many CC action plans are ‘shopping lists’ that do not take into account the funding constraints

• Likewise, where adaptation actions are ranked it is rarely in order of their effectiveness to address economic costs of climate change

• An effective allocation strategy should start with the resource projections and work backwards, aligning available funding to national adaptation priorities

• Climate Change Financing Frameworks (CCFFs) are a promising means of integrating climate change into national planning and budgeting processes. They can be used to plan funding for NAPs.
How CCFFs can support NAP Processes
Potential CCFF Entry Points

A. Lay the Groundwork and Address Gaps

1. Initiating and launching of the NAP process
2. Identifying info, assessing gaps and needs, addressing capacity gaps, assessing development needs and climate vulnerabilities

B. Preparatory Elements

1. Assessing climate vulnerabilities
2. Reviewing adaptation options
3. Compiling and communicating adaptation plans (sectoral, national, etc.)
4. Integrating climate change adaptation into planning

C. Implementation Strategies

1. (Iterative steps)
2. Integrate CC into public planning and budgeting

D. Reporting, Monitoring and Review

1. CC budget tracking and verification
### Elaborating guidance on NAP implementation

<table>
<thead>
<tr>
<th>ELEMENT C: GUIDELINE COMPONENTS</th>
<th>CCFF SYNERGIES</th>
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<tbody>
<tr>
<td>1. Prioritizing climate change adaptation in national planning</td>
<td><strong>Robust framework for prioritisation</strong> linked to economic cost assessments and CC%</td>
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<tr>
<td>2. Developing a (long-term) national adaptation implementation strategy</td>
<td>Development of <strong>financing scenarios</strong>, and <strong>strategies for accessing and allocating funding</strong></td>
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<td>3. Enhancing capacity for planning and implementation of adaptation</td>
<td>Building <strong>Government capacity to institutionalise CC in planning and budgeting</strong></td>
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<td>4. Promoting coordination and synergy at the regional level &amp; with other multilateral environmental Agreements</td>
<td>Coordinating sectors around a <strong>central CC budgeting agenda</strong>, and opportunities for <strong>cross-country learning</strong></td>
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1. Prioritisation

• CCFF provides a robust framework for prioritising adaptation action based on:
  ➢ Scale of L&D being addressed – linked to location specific, sectoral forecasts
  ➢ Effectiveness of the action in reducing L&D – benefits based CC% scores
  ➢ Costs, readiness & feasibility to implement

• Not prescriptive

• Political factors will continue to have some influence
2. Financing scenarios

• Needs outstrip means for CF

• Financing scenarios are a key component of a CCFF

• Set out likely resources from:
  
  ➢ Government budget – linked to MTEF (dominant source)
  
  ➢ Climate funds / donors – forecasts based on commitments and disbursement projections, and assumptions around country shares
  
  ➢ Private sector – economic accounts with CC% weightings, increasingly important in MICs

• Compile into high/low scenarios to reflect uncertainty
## 2. Allocation strategies

<table>
<thead>
<tr>
<th></th>
<th>COMPARATIVE ADVANTAGES</th>
<th>MOBILISATION STRATEGIES</th>
<th>FORECASTING FINANCE AVAILABILITY</th>
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<tbody>
<tr>
<td>GOVT</td>
<td>• Investments which are integrated with ongoing services</td>
<td>• Integration of CC in budget process, including budget strategy papers and call circulars</td>
<td>• Likely to be largest contributor</td>
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<td></td>
<td>• Investments with higher recurrent cost implications</td>
<td>• Use of CC% info in budget negotiations</td>
<td>• Need for integrating CC projections into MTEF budgets and plans (Mid-term expenditure review)</td>
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<td>• Monitored through CC expenditure tracking</td>
<td>• Fit timeline of budget cycle</td>
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<td>PRIVATE SECTOR</td>
<td>• Climate vulnerability assessments, Insurance</td>
<td>• Incentives</td>
<td>• Depending on global and local financial markets</td>
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<tr>
<td></td>
<td>• Community vulnerability reduction</td>
<td>• Regulations</td>
<td>• Price of carbon on global carbon markets is depressed</td>
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<td></td>
<td>• CSR</td>
<td>• Climatic information</td>
<td></td>
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<tr>
<td>CLIMATE FUND</td>
<td>• Investments that will benefit from international experience</td>
<td>• Establishment of required institutional set up</td>
<td>• CC multi-lateral funds uncertain</td>
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<tr>
<td></td>
<td>• Catalytic investments</td>
<td>• Technical assistance to proposal development</td>
<td>• Bilateral funding is uncertain and not secure</td>
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<td>• studies and information services on climate change.</td>
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3. Enhancing adaptation capacity

- Developing domestic capacity to integrate **CC into planning and budgeting**
  - Using **CC relevance** to assess different spending options
  - **Measuring and monitoring** CC public expenditure
  - **Application to and monitoring of** resources from CFs
  - Engaging in **peer-to-peer** learning

- Need to engage with **all levels of Government**

- Need to build **cross-sectoral** capacities
4. Promoting coordination & synergy

- CCFF enhances ability to coordinate across sectors / ministries by engaging **centre of government** ministries
  - Anchoring CF reforms in **MOF / Min of Planning**
  - Helps ensure engagement from hard-to-convince sectors (e.g. infrastructure)
  - Collaboration with MOEnv/MOCC for CC expertise

- CCFFs non-prescriptive, but a **common approach** in some aspects (L&D, CC%, costing) would facilitate **consensus, comparison and aggregation**
Potential CCFF Entry Points

- Initiating and launching of the NAP process
- Identifying info, assessing gaps and needs, addressing capacity gaps, assessing development needs and climate vulnerabilities
- Assessing climate vulnerabilities
- Reviewing adaptation options
- Compiling and communicating adaptation plans (sectoral, national, etc.)
- Integrating climate change adaptation into planning
- Analyzing climate risks
- Preparatory Elements
- (Iterative steps)

A. Lay the Groundwork and Address Gaps
B. Assessing climate vulnerabilities
C. Implementation Strategies
D. Reporting, Monitoring and Review

CC budget tracking and verification
Element D: Reporting, monitoring & review

- Monitoring public expenditure:
  - CCFFs provide an entry point for tracking CC expenditure through government systems
  - Results to be compared against sectoral L&D forecasts and feedback into next budget cycle

- Monitoring the adequacy of the total effort in economic terms
  - Adaptation gap: Level of effort versus effort required to ensure growth is same as without climate change (“Climate-proof growth”)
Sustainable Development Goals

- CCFFs also invaluable in the SDG follow-up and review process and the monitoring of progress on **Goal 13 Take urgent action to combat climate change and its impacts**
  - 13.2.1 Number of countries that have (...) a **national adaptation plan**, nationally determined contribution, national communication, biennial update report or other
  - 13.3.2 ... **institutional, systemic** and individual **capacity-building** to implement adaptation, mitigation and technology transfer, and development actions
  - 13.a.1 Mobilized annual **amount** (starting 2020) accountable **towards the $100 billion commitment**
  - 13.b.1 ... least developed countries and small islands .. receiving specialized support ... for effective climate change-related planning and management ...
Discussion: Arrangement Options for Strategic Allocations of Climate Adaptation Finance
Options to Arrange Strategic Allocation

- What is a good arrangement of funding/financing at the national level?
  - Viable mechanism for securing sources and certain levels of funding
  - governed by adaptation priorities,
  - subject to monitoring and verification
  - as well as accountability mechanisms
- Example: Tanzania National Climate Financing Mechanism (NCFM)

UNDP Guidelines (Flynn, 2011).
Discussion for Tables

• Discuss experiences with planning funding of NAP actions:
  • E.g. Does NAP implementation in your respective countries depend on a particular arrangement of funding/financing?
  • Is it coordinated and synchronized at the national level?
  • Are funded projects/proposals subject to systematic monitoring and verification of their effectiveness/relevance?
  • Are there accountability mechanisms?

• Agree on one country and prepare a set of bullet points on its virtues and its disadvantages

UNDP Guidelines (Flynn, 2011).
Thank you!
Back up - Details
Element D: Reporting, monitoring & review

Monitoring public expenditure:

• CCFFs provide an entry point for tracking CC expenditure through government systems
• Use standard scoring/weighting approach (CC%)
• Applied through budgetary analyses or CC budget codes
• Timeliness and frequency is key
• Results to be compared against sectoral L&D forecasts and feedback into next budget cycle
Element D: Reporting, monitoring & review

Monitoring the adequacy of the total effort through the Adaptation Gap:

- difference between the adaptation needs (spending required to avoid projected L&D) and the adaptation supply (financing scenarios)
- Amalgamates methodological challenges, data limitations and complexities of individual CCFF components
- Indicative estimates, to be refined with better evidence and data