



ACTION ON CLIMATE TODAY

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# Strategic Allocation of Climate Finance

How to plan funding the NAP implementation?

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# How to Fund NAP Implementation?

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# Need for Funding Strategies

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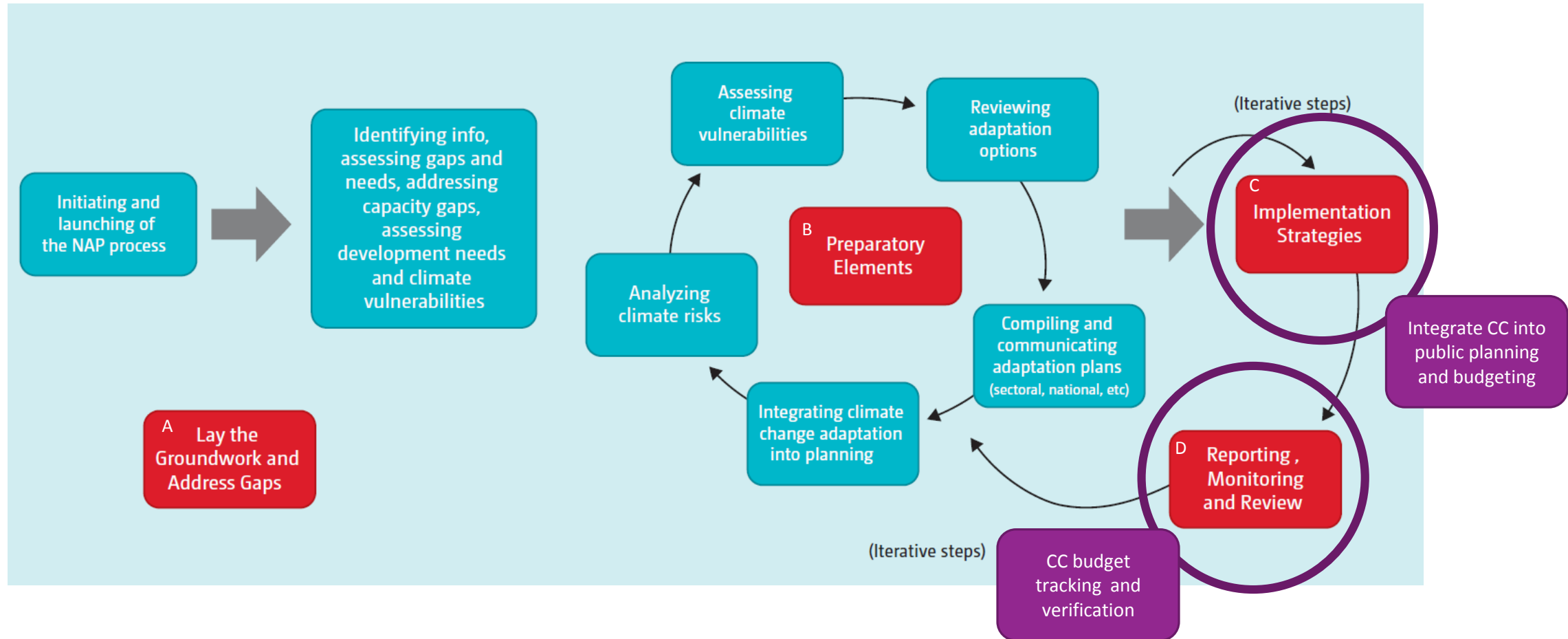
- Many CC action plans are '**shopping lists**' that do not take into account the funding constraints
- Likewise, where **adaptation actions** are ranked it is **rarely in order of their effectiveness** to address economic costs of climate change
- An **effective allocation strategy** should **start 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.

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# How CCFFs can support NAP Processes

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# Potential CCFF Entry Points



# Elaborating guidance on NAP implementation

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

# 1. Prioritisation

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- 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

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- 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

	COMPARATIVE ADVANTAGES	MOBILISATION STRATEGIES	FORECASTING FINANCE AVAILABILITY
GOV'T	<ul style="list-style-type: none"> <li>Investments which are integrated with ongoing services</li> <li>Investments with higher recurrent cost implications</li> </ul>	<ul style="list-style-type: none"> <li><b>Integration of CC in budget process</b>, including budget strategy papers and call circulars</li> <li>Use of <b>CC% info in budget negotiations</b></li> <li>Monitored through <b>CC expenditure tracking</b></li> </ul>	<ul style="list-style-type: none"> <li>Likely to be largest contributor</li> <li>Need for integrating <b>CC projections into MTEF</b> budgets and plans (Mid-term expenditure review)</li> <li>Fit timeline of budget cycle</li> </ul>
PRIVATE SECTOR	<ul style="list-style-type: none"> <li>Climate vulnerability assessments,</li> <li>Insurance</li> <li>Community vulnerability reduction</li> <li>CSR</li> </ul>	<ul style="list-style-type: none"> <li>Incentives</li> <li>Regulations</li> <li>Climatic information</li> </ul>	<ul style="list-style-type: none"> <li>Depending on global and local financial markets</li> <li>Price of carbon on global carbon markets is depressed</li> </ul>
CLIMATE FUNDS	<ul style="list-style-type: none"> <li>Investments that will benefit from international experience</li> <li>Catalytic investments</li> <li>studies and information services on climate change.</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of required <b>institutional set up</b></li> <li>Technical assistance to <b>proposal development</b></li> </ul>	<ul style="list-style-type: none"> <li>CC multi-lateral funds uncertain</li> <li>Bilateral funding is uncertain and not secure</li> </ul>

# 3. Enhancing adaptation capacity

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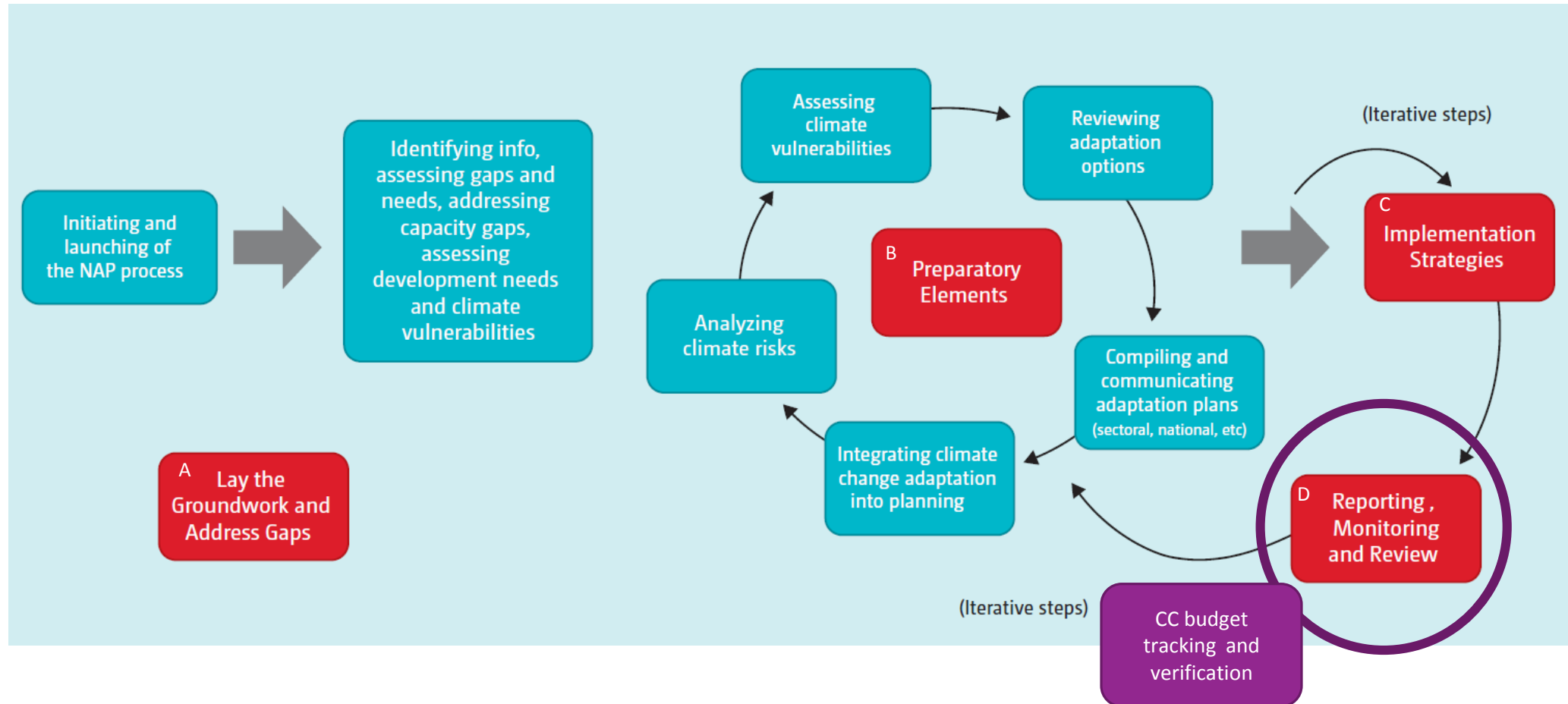
- Developing domestic capacity to integrate **CC into planning and budgeting**
  - Using **CC relevance** to assess different spending options
  - **Measuring and monitoring** CC public expenditure
  - **Application to and monitoring of** resources from CFs
  - Engaging in **peer-to-peer** learning
- Need to engage with **all levels of Government**
- Need to build **cross-sectoral** capacities

## 4. Promoting coordination & synergy

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- 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



# Element D: Reporting, monitoring & review

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- **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

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- 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 ...**

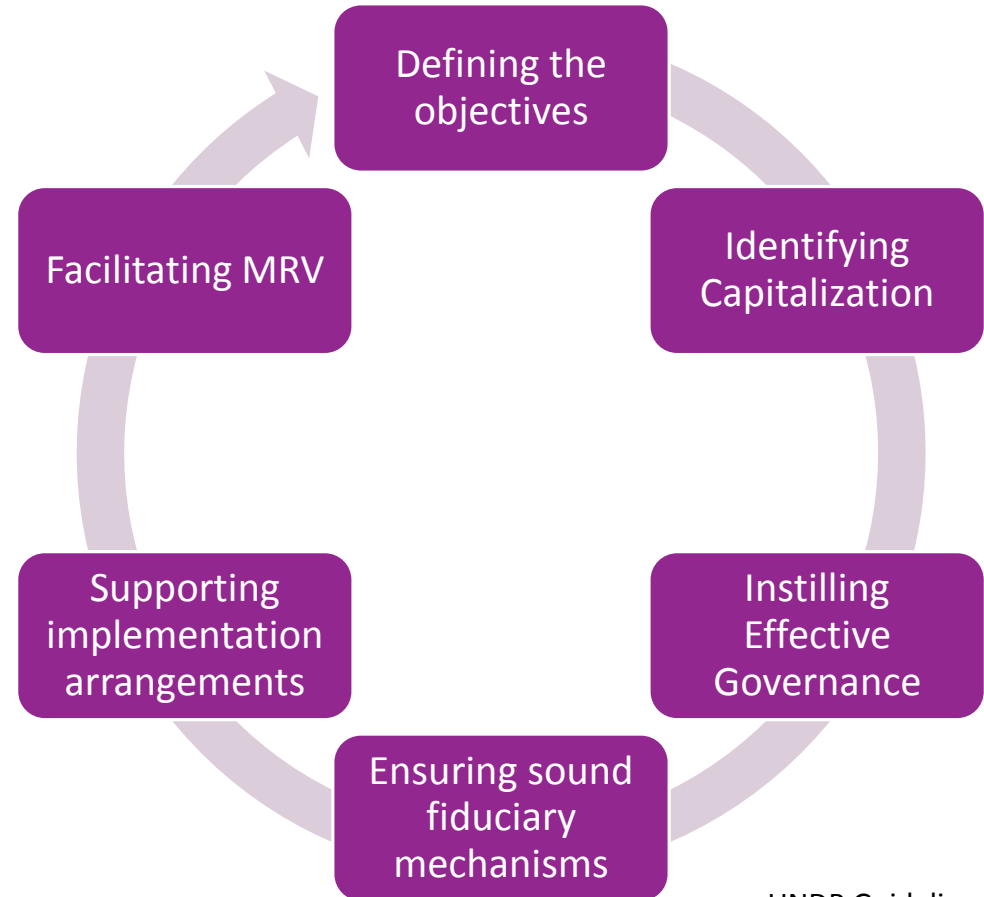
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Discussion: Arrangement Options for  
Strategic Allocations of Climate  
Adaptation Finance

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# 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)





# Discussion for Tables

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- 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

Thank you!

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# Back up - Details

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# Element D: Reporting, monitoring & review

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## **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

