
Translating Needs into Action:
**AN UPDATE OF
THE NEEDS-BASED
FINANCE PROJECT**





*Validation workshop in the Melanesian Island States
Port Vila, Vanuatu*



*Technical Workshop on Climate Finance in Southeast Asia
Quezon City, Philippines*



*Technical Workshop on Climate Finance in the Arab Region
Cairo, Egypt*



*Technical Workshop on Climate Finance in Southern Africa
Johannesburg, South Africa*



*Mr. Ovais Sarmad, UNFCCC
Deputy Executive Secretary
hands the MSG Climate
Finance Strategy to Director
General Ambassador
Amena Yauvoli*

*Asia-Pacific Climate Week
– Bangkok, Thailand*

PROJECT BACKGROUND

The Conference of the Parties (COP) at its twenty-third session in 2017, in its decision pertaining to **long-term climate finance, 6/CP.23, paragraph 10**, requested the secretariat, in collaboration with the operating entities of the Financial Mechanism, United Nations agencies and bilateral, regional or multilateral channels, to explore ways and means to assist developing country Parties in assessing their needs and priorities, in a country-driven manner, including technological and capacity-building needs, and in translating climate finance needs into action.

In response to the COP mandate the UNFCCC secretariat launched the Needs-based Finance (NBF) project with the key objective of **facilitating the implementation of priority mitigation and adaptation needs identified** by developing countries.

Support implementation needs of developing countries

ANALYSE COUNTRY AND REGIONAL SITUATION



Climate finance needs
Existing initiatives and plans

DEVELOP AND ENDORSE STRATEGY



Linkages with UNFCCC process
Endorsement at the highest political level

MOBILIZE FINANCE



Match priorities to funding
Reach out to key institutions

EXCHANGE EXPERIENCES

REGIONAL AND NATIONAL NEEDS-BASED FINANCE PROJECTS

The UNFCCC secretariat, through its Regional Collaboration Centres (RCC) in Bangkok, Dubai, Kampala, Lomé, Panama and St. George's, and in collaboration with its partner institutions, is implementing the NBF project in 10 regions or sub-regions, covering a total of 92 countries. In 2018, the project was launched in the Melanesian Island States and in 2019, the project was launched in the six regions: Arab States, Eastern Caribbean States, Small Island Developing States in the Indian Ocean, Southern Africa and Southeast Asia. Further projects were launched for specific countries: Antigua & Barbuda, Honduras, Lebanon and the Philippines. In 2020, the project will be launched in East Africa, West Africa, Least Developed Countries in Asia and in Polynesia, as well as in Belize and Uruguay.

Regional NBF projects

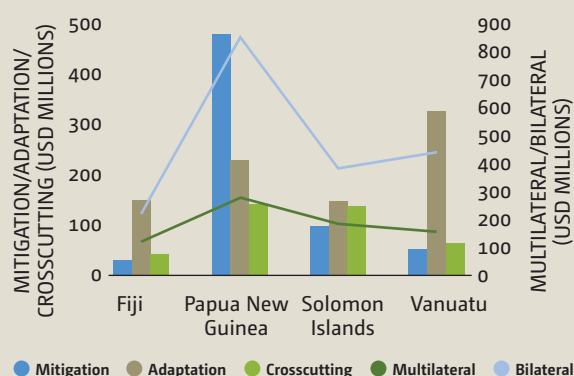
NBF final phase projects

Melanesian Island States

The four Melanesian island States of Fiji, Papua New Guinea, Solomon Islands and Vanuatu, under the auspices of the Melanesian Spearhead Group (MSG), have developed a sub-regional Climate Finance Strategy through the NBF project. The MSG Climate Finance Strategy (2019 – 2021) will be used as a guide for these countries to collectively steer through the process of accessing climate finance through the UN climate funds, multilateral and bilateral channels and unlocking regional and international and private climate finance. The Strategy outlines six strategic areas and actions for each strategic area, which include the following: 1) Identifying and mobilizing effective and appropriate financing for climate action in the subregion; 2) Designing a financing vehicle to catalyze and mobilize private sector investment in climate action in the subregion; 3) Building on existing financing mechanisms to mobilize climate finance for the subregion; 4) Strengthening coordination and collaboration to enable effective mobilization of climate finance for the subregion; 5) Capacity-building for developing and implementing mitigation and adaptation projects; and 6) strengthening and developing measurement, reporting and verification systems for means of implementation.

FIGURE 1

Total climate finance committed to Melanesian countries in 2010–2017: Allocations of bilateral/multilateral and mitigation/adaptation/cross-cutting funding per country.



NBF projects underway

Arab States

Climate change presents significant challenges for Arab States who are already water stressed, with severe implications on desertification and land degradation. Thus, adaptation is a key priority for the region by pursuing sustainable development in the context of economic diversification, food and water security and the provision of basic services such as transport and electricity.

One of the main challenges Arab States are facing is the mobilization and access of climate finance from climate funds to adapt to the impacts of climate change and address the incremental costs of climate action. As reported by the Organization for Economic Co-operation and Development (OECD), of climate finance received between 2013-2017, international public finance averages USD 3.5

billion a year, of which 36% derives from bilateral sources favoring the use of concessional loans with more grants allocated to adaptation projects, 60% is derived from multilateral development banks which focus on non-concessional loans, and 4% was received from climate funds which are a significant source of grant funding and concessional loans.

A preliminary analysis of the needs, as articulated in 12 national reports submitted by the member states to the UNFCCC, estimates a total need of at least USD 190 billion by 2030. Another 18 countries have yet to lay out the costs of their identified needs and priorities. These estimates amplify the requirement for support to rapidly scale up finance to match the needs articulated by the region and for supporting member states to cost and articulate their needs.

The proposed Arab Climate Finance Mobilization and Access Strategy aims to address some of the key obstacles identified by the region through unlocking access barriers and diversifying the sources, channels and instruments of climate finance to pursue sustainable development and the goals of the Convention and the Paris Agreement.

The NBF project in the Arab States is implemented in collaboration with the League of Arab States (LAS) and the United Nations Economic and Social Commission for Western Asia (ESCWA) with the LAS member states Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, the State of Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen.

FIGURE 2
International public finance by channel

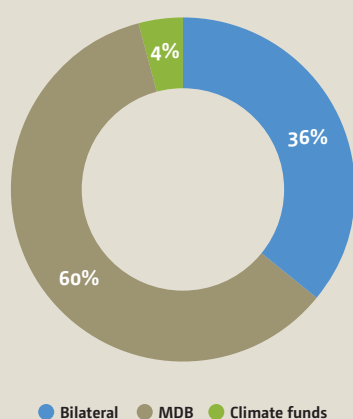
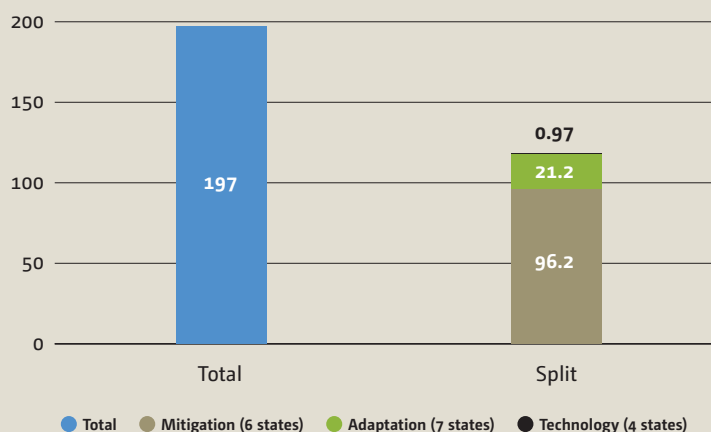


FIGURE 3
Needs articulated in national reports by thematic area





Eastern Caribbean States

The Caribbean Regional NDC Finance Initiative (NDCFI) aims to catalyze investments in resilient and low-carbon infrastructure across priority sectors as identified in the Nationally Determined Contributions (NDCs) submitted by Member States of the Organization of Eastern Caribbean States (OECS).

The NDCFI seeks also to increase the number of infrastructure projects implemented in key sectors for low-carbon, resilient development in the OECS. In collaboration with the OECS Commission and GIZ, work is being undertaken to integrate the elements of the NBF project with the ongoing activities of the NDCFI with

the aim of developing a first draft of an OECS Regional Needs Based Climate Finance Strategy based on available information generated by different national, regional and international stakeholders and with inputs from national and regional finance experts.

Small Island Developing States in the Indian Ocean

The six small island developing states in the Indian Ocean – Comoros, Madagascar, Maldives, Mauritius, Seychelles and Sri Lanka – provide a negligible contribution to climate change yet are amongst the most vulnerable to its impacts. Sea level rise, coastal erosion, storms and floods, and increasing temperatures and droughts will have severe implications on the islands' economic activities, such as export of agricultural products

and tourism, and pose severe threats to their survival.

There is an urgent need to enhance the provision of finance, technology and capacity-building and to ensure predictability and alignment of finance for nationally defined climate and sustainable development goals. The NBF Project, through the development and implementation of the proposed Climate Finance

Access and Mobilization Strategy, is designed to deliver regional clarity on mobilization and access of climate finance, including to support the needs identified by this group of island States, regarding the implementation of priority adaptation projects and investments in accordance with the goals outlined in their NDCs, national adaptation plans (NAPs) and other relevant national policies and/or strategies.

Southern Africa

The Southern African Development Community (SADC) has experienced sustained economic growth and increasing prosperity largely driven by demand for natural resource-based commodities and facilitated by a prolonged period of peace and stability. However, the region also faces significant climate change challenges and vulnerabilities (e.g. Cyclone Idai). These difficulties are compounded by socio-economic constraints that are directly related to energy, transport, and water – over 60% of people in this region do not have access to a clean, regular, and sustainable water supply.

As reported by the OECD, between 2013-2017 total international public climate finance flows into the SADC region were USD 13.4 billion with an average inflow of USD 2.7 billion per year. Climate finance flows into the region are equally split between adaptation and mitigation, mainly for energy, agriculture, and water and sanitation sectors. Total disclosed climate finance needed for both mitigation and adaptation, as stated

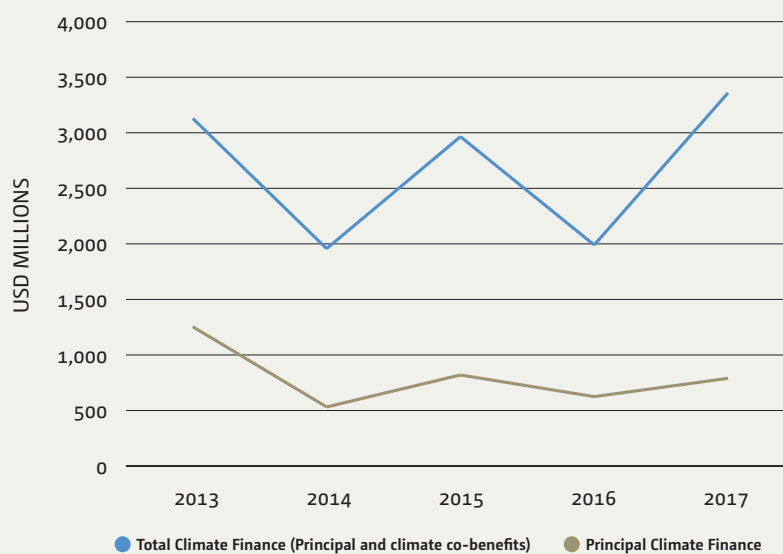
in the NDCs of SADC countries, ranges between USD 197 billion and USD 202 billion by 2030, indicating a need for enhanced climate finance in the region.

A proposed SADC Climate Finance Mobilization and Access Strategy aims to improve access to climate finance for the sub-region, enabling climate finance resource mobilization at the regional level

and enhance capacity of countries to mobilize climate finance resources at the national level.

The approach is being driven by SADC member states comprising of Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe.

FIGURE 4
SADC Region: Climate Finance Inflows



Southeast Asia

Southeast Asia is highly vulnerable to climate change as a large proportion of the population and economic activity is concentrated along coastlines that are among those most vulnerable to climate change-related sea level rise. The region is heavily reliant on agriculture, natural resources and forestry for livelihoods, and the level of extreme poverty remains high. The region is also projected to be affected by heat extremes.

The lack of capacity to generate quality project proposals is among the major barriers to accessing finance. In the Association of Southeast Asian Nations (ASEAN) region, OECD data shows that from 2013–2017, international development climate finance flows to the region averaged USD 3.2 billion annually while, as per Bloomberg New Energy Finance, private sector investment in renewable energy averaged USD 6 billion annually. The region has issued USD 5 billion in green bonds and governments spend 3–6% of their annual budget to addressing climate change. There is an almost even split between finance from bilateral sources and multilateral development banks (MDBs). Bilateral flows are predominately concessional loans, with more grants allocated to adaptation projects proportionally. MDBs focus financing on non-concessional loans, particularly in mitigation.

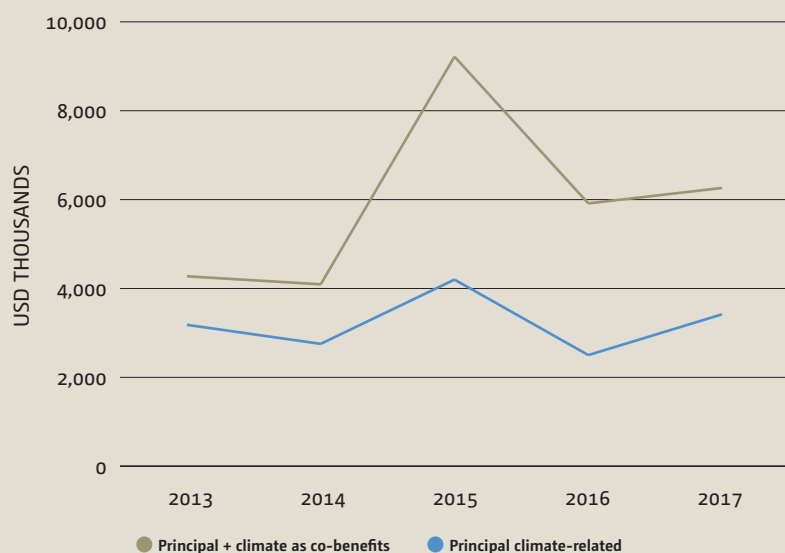
The ASEAN Working Group on Climate Change (AWGCC) Action Plan identifies the capacity to conduct gap analyses and needs articulation as key challenges itself. In addition, capacity-building to participate in future market mechanisms, technology development and transfer, research and development, development of GHG inventories, the establishment of Measurement, Reporting and Verification (MRV) systems and monitoring and evaluation systems, and increasing outreach and awareness raising are among other needs identified.

The proposed ASEAN Climate Finance Mobilization and Access

Strategy aims to address some of the identified needs by enhancing access to technology, signaling for investment at scale, enhancing cooperation and alignment between member states and ensuring equal and inclusive access to institutions and services for all member states.

The NBF project in Southeast Asia is driven by the ASEAN member states Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. The key partners are the ASEAN Working Group on Climate Change, the ASEAN secretariat and the UN Economic and Social Commission for Asia and the Pacific.

FIGURE 5
ASEAN international public finance flows (recent trend)



NBF projects planned

East Africa

Adverse effects of climate change are threatening to undo decades of development efforts by the East African Community (EAC) Partner States, causing food insecurity, land degradation, loss of biodiversity, water scarcity, conflicts and damage to infrastructure. Working towards improved resilience and adaptive capacity, as well as mitigation of the region's emissions, climate change plans and strategies, including NDCs and the EAC Climate Change Master Plan, have been developed. Wherein the EAC has identified and prioritized needs in agriculture (crops, livestock and fisheries)

and food security; water security; energy security; ecosystems services and biodiversity; tourism; infrastructure (buildings, roads, railways, waterways and airways); human health, sanitation and settlements; trade and industry; education, science and technology (Climate Change Master Plan, 2011 - 2031). In order to ensure the successful implementation of those plans, access to and mobilization of climate finance from multiple sources is needed, building capacity and deploying innovative financial mechanisms. Current flows of climate finance into the region include bilateral,

multilateral, public and private sources, as well as efforts by EAC Partner States to finance climate initiatives through national budgets and special funds. Analyzing the status quo, exchanging experiences, and identifying common needs is essential and helps the development of an effective Climate Finance Access and Mobilization Strategy for the region. The inception of work in East Africa will be a country-driven approach from and for EAC Partner States which include Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.

West Africa

In 2020, the NBF project is planned to be implemented with the West African states Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal, and Togo.

Least Developed Countries in Asia

Preparations are underway for the launch of the NBF project in the Least Developing Countries in Asia, with Afghanistan, Bangladesh, Bhutan, Cambodia, Lao, Nepal and Timor-Leste.

Polynesia

Discussions are underway to include a further region in the eastern Pacific with Cook Islands, French Polynesia, Niue, Samoa, Tonga, and Tuvalu.



NBF National projects

Antigua & Barbuda

In Antigua & Barbuda, the NBF project supports the development of an overview and assessment of climate finance flows which will, among others, serve as a key input into the development of a programmatic approach towards making finance flows in Antigua & Barbuda consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, in line with Article 2.1(c) of the Paris Agreement. In addition, the project is facilitating a preliminary analysis aimed at obtaining a better understanding of the risk of physical asset stranding in Antigua & Barbuda. The key partner for this project is the Department of Environment, Antigua & Barbuda. This project which started in June 2019 is expected to be completed in February 2020.

Belize

In Belize, the NBF Project is part of a collaborative initiative comprised of various donors and organizations to develop and implement Belize's NDC financial strategy. Key partners of this support are the World Bank, the Commonwealth of Nations, NDC Partnership and Rocky Mountain Institute. This project is being implemented in partnership with the Ministry of Agriculture, Fisheries, Forestry, the Environment, Sustainable Development of Belize and will have an expected one-year timeline starting in January 2020.

Honduras

In Honduras, the NBF Project will support the NDC implementation plan through the development of a methodology for the elaboration of a Climate Investment Plan. In collaboration with other key partners such as the NDC Partnership, the NBF Project seeks to offer a platform to exchange lessons learnt from other countries and organizations that have had experience in developing investment plans. The Presidential Office for Climate Change of Honduras will be the key partner for this project. It is expected to commence in December 2019 and conclude in December 2020.

Lebanon

In Lebanon, the NBF project supports an assessment of climate finance needs within the framework of costing energy-related NDC initiatives. This includes support to the identification of the gaps and challenges in accessing, and processing climate finance and of ways to overcome underlying technical, legal, governance and institutional barriers that might hinder the achievement of the renewable energy NDC target. Following an expert dialogue with key government actors and a multi-stakeholder consultation meeting, a roadmap and action plan will be developed. The project, which began in September 2019, will be implemented in partnership with the Ministry of Environment, Lebanon.

The Philippines

The NBF Project in the Philippines will support the development of pipeline climate projects for Haiyan-affected

provinces/regions and the climate finance transparency and tracking system and assess the fiscal and monetary implications, including investment costs, of the priority adaptation and mitigation actions. It will also look into the macroeconomic policy, fiscal planning, budgeting, public investment management, and procurement practices to support the priority adaptation and mitigation actions. The NBF project was launched in June 2019 through a Roundtable Dialogue on Climate Finance which was attended by about 100 participants composed of senior officials of government, private/banking sector, multilateral and bilateral agencies and civil society.

Rwanda

Discussions are underway to implement the NBF project in Rwanda with the Ministry of Environment.

Uruguay

In Uruguay, the NBF Project is supporting the ongoing activities of the government of Uruguay in analysing, identifying and implementing a financial strategy for their NDC. This project will be delivered in close collaboration with the country engagement strategy of the NDC Partnership and the support requested to the Climate Action Enhancement Package (CAEP). The Climate Change Division of the Ministry of Housing, Land Planning and Environment of Uruguay will be the key partner. This project is expected to start in January 2020 and end in January 2021.

NEXT STEPS

In 2020, the NBF Project, for most regions, will culminate in the mobilization of resources for the implementation of the respective country and regional Climate Finance Mobilization and Access Strategies by fostering partnerships and facilitating arrangements between climate finance providers and countries. Furthermore, the NBF Project, in collaboration with key partners, will provide opportunities for peer-to-peer learning to transfer tools, methodologies, and lessons learned from already completed country and regional projects. Further information on peer-to-peer learning support will be made available in early 2020 on the NBF Project webpage.





Further information related to the NBF Project
is available on the UNFCCC webpage

https://unfccc.int/NBF_Project



United Nations
Framework Convention on
Climate Change