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.
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 are doing it
- This information can assist in the development of low-emission climate-resilient plans & policies like NAPs

<table>
<thead>
<tr>
<th>Country</th>
<th>Proportion of total expenditure defined in CPEIR analysis</th>
<th>Proportion of 'climate relevant' expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Financed by domestic revenues</td>
<td>Financed by external grants or loans</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Nepal</td>
<td>73%</td>
<td>27%</td>
</tr>
<tr>
<td>Samoa</td>
<td>68%</td>
<td>32%</td>
</tr>
</tbody>
</table>

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**
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
• **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

**Domestic Sources**
- Innovative Sources
- Other Sources

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

**Access**
- NCF / NIE / NDB

**Monitor**
- National Budgets
- Other Sources: National Transition Fund

**Blend Funds**
- On Budget
- Joint Program
- Project

**Private Sector**
- Capital Market

**International Sources**
- Multi/Bilaterals
- Germany (ICI)
- Vertical Funds: AF and LDCF
Adaptation readiness is more than the ability to implement projects; readiness implies ability to scale-up for transformational change.

- Sector-wide strategies & plans can form basis of support to national systems to integrate climate & development
- Help countries to plan & allocate finance, as well as identify appropriate sources of finance & policy mechanisms
- Require a "whole-of-government" approach
- Incorporate human development goals
- Long-term, integrated planning

LECRDS, LEDS, NAMAs & NAPs

1. Develop Partnership & Coordination Structure
   - Climate scenarios
   - Vulnerability scenarios
   - GHG emissions scenarios

2. Prepare Climate Change Scenarios
   - Identify mitigation & adaptation options through a multi-stakeholder consultative process

3. Assess Priority Climate Financing Needs
   - Assess existing financing
   - Undertake cost-benefit analysis of priority options
   - Identify financial flow requirements
   - Identify financing options

4. Finalize comprehensive Low Emission & Climate Change Resilient Policy Development and Investment Roadmap
Readiness is more than the ability to implement projects; readiness implies ability to scale-up for transformational change.

Integrating CC into Planning and Budgeting

**NATIONAL PLANNING PROCESS**

- Final Evaluation
- Mid Term Review of National Plan/Sectoral Plan & Adjustments
- Annual Implementation & Monitoring
- National Plan & Medium term Budget/Expenditure Framework – **taking CC into account**
- Sectoral Plans Medium Term- **taking CC into account**
- Annual sectoral budgets - **taking CC into account**

**NATIONAL BUDGETING PROCESS**

- National Budget
- CCA Funds
OVERVIEW OF NAP-GSP ACTIVITIES
(As per approved LDCF Council Approved Project Document)

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
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