

Acknowledgements

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Abstract

NAP Align is an analysis tool designed to help countries align their national adaptation plan (NAP) processes with their overall national development goals. It forms a supplement to the NAP technical guidelines developed by the Least Developed Countries Expert Group and provides further details of several steps outlined in the technical guidelines. NAP Align highlights the importance of taking both the planning procedures and the budgeting framework of the country into consideration in the earliest stages of the NAP process.

NAP Align is targeted at various practitioners involved in the NAP process, including NAP multisectoral coordination committees, task forces and working groups. It assists them in analysing the individual country's development planning and budgeting processes to find entry points for the alignment of NAP. It also describes the links between planning and budgeting cycles, particularly those regarded as central to adaptation planning.

The analysis comprises a set of questions which cover the following topics: development planning, donor coordination structures, financial and budget planning, financing climate change adaptation, medium term expenditure frameworks, and the budget cycle.

To successfully align NAP with budgets requires a sound knowledge of a country's public financial management. In order for NAP to find its way into development planning and the national budget, it is essential that the entire system and its interrelations be taken into account.

Acronyms and abbreviations

BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Federal Ministry for Economic Cooperation and Development)
CABRI	Collaborative Africa Budget Reform Initiative
CDMT	Cadre des Dépenses à Moyen Terme (medium term expenditure framework)
CEMAC	Communauté Economique et Monétaire de l'Afrique Centrale (Central African Economic and Monetary Community)
COP	Conference of the Parties (of the UNFCCC)
CPEIR	Climate public expenditure and institutional review
GCF	Green Climate Fund
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
LDC	Least developed country
LEG	Least Developed Countries Expert Group
MDG	Millennium Development Goals
MoF	Ministry of finance
MoP	Ministry of planning
MPI	Ministry for planning and investment
MTEF	Medium term expenditure framework
NAP	National adaptation planning
NAPA	National adaptation programmes of action
NDS	National development strategy
ODA	Official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PFM	Public financial management
PPCR	Pilot Program for Climate Resilience
PRSP	Poverty reduction strategy paper
SAI	Supreme audit institution
SNAP	Stocktaking for National Adaptation Planning
UEMOA	Union Economique et Monétaire Ouest Africaine (West African Economic and Monetary Union)
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNPEI	United Nations Poverty-Environment Initiative

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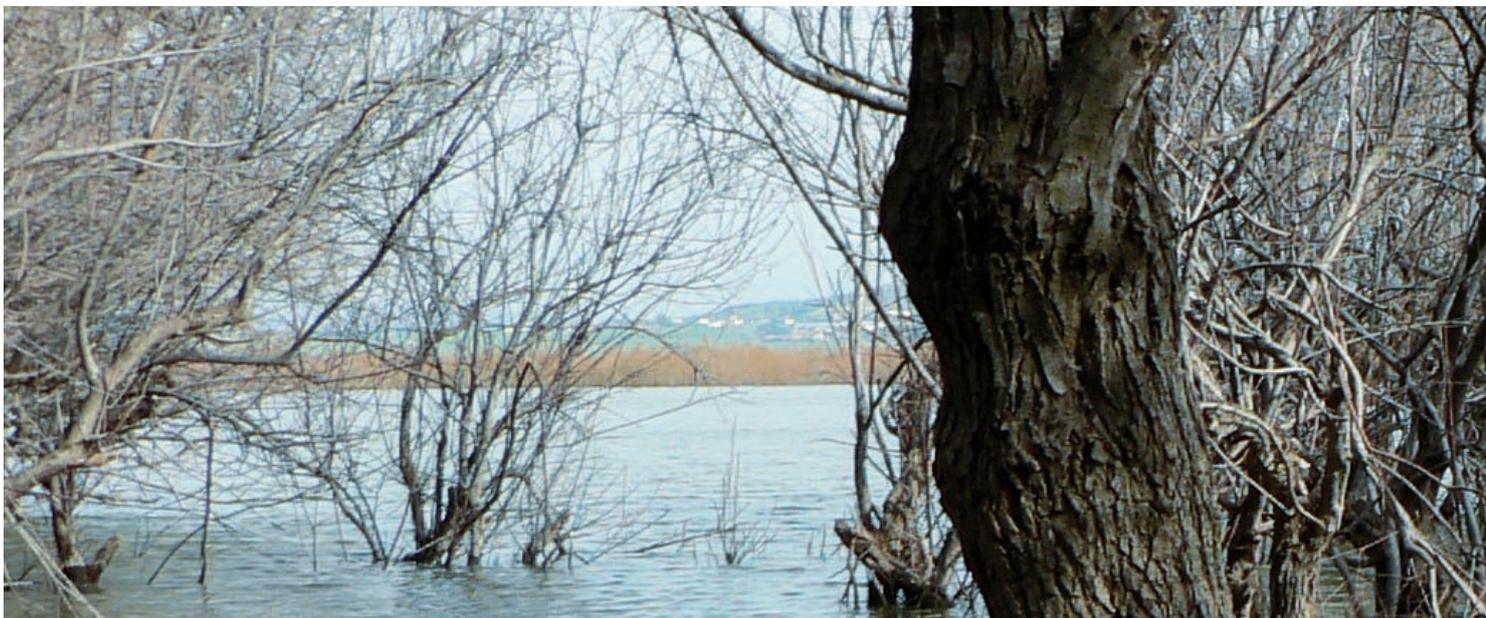
Introduction

Climate change will have a severe impact on the long-term development goals of countries around the world. Therefore, effective planning for climate change adaptation must also adopt a long-term perspective. In addition, adaptation planning must take into account the country's planning procedures as well as its financial capacities. Against this backdrop, this document – henceforth referred to as 'NAP Align' – supports the alignment of national adaptation plan (NAP) processes with individual countries' overall national planning and budgeting procedures, and thus supplements the NAP technical guidelines. The NAP technical guidelines were published by the Least Developed Countries Expert Group (LEG), which was established by the United Nations Framework Convention on Climate Change (UNFCCC) to, among other things, provide technical guidance and support in the NAP process.

The NAP process was established in 2010 as part of the Cancun Adaptation Framework to complement the existing national adaptation programmes of action (NAPAs). NAPAs are used by

the least developed countries (LDCs) to address urgent and immediate adaptation needs. The NAP process is designed to support all developing countries, especially LDCs, in meeting their medium- and long-term adaptation needs. Its main objectives are to reduce vulnerability by building adaptive capacity and resilience, and to help integrate climate change adaptation into relevant policies and programmes, especially those related to development planning. NAP is a flexible, voluntary and country-driven process that can be used by each country according to its individual context.

At the 2011 UNFCCC Conference of the Parties (COP) in Durban, bilateral and multilateral agencies were invited to support the NAP process. In 2012, the LEG published the NAP technical guidelines, which outlined the NAP process, broken down into four elements: a) laying the groundwork for a NAP process, b) preparatory elements, c) implementation strategies, and d) reporting, monitoring and reviewing the process (see Box 1)¹. Having reviewed the NAP



technical guidelines, in 2013 the Adaptation Committee set up by the Parties to the UNFCCC concluded that they were sufficiently broad, non-prescriptive and flexible to also be applied to non-LDCs.

Countries entering into NAP processes face an enormous task. They often have to deal with pressing climate change impacts, limited planning and implementation capacities, and scarce resources. Many countries have already encountered a lack of political and financial support for climate change adaptation programmes. Climate change adaptation is often considered to be merely an environmental problem, with no economic relevance. Long-term climate-resilient development requires that fundamental planning and financing conditions be taken into account in the earliest stages of the NAP process.

NAP Align is an analytical instrument which endeavours to consider both development planning and financial issues within NAP processes. As supplementary material to the LEG's NAP technical guidelines, NAP Align is targeted at

practitioners involved in the NAP process, including NAP multisectoral coordination teams, task forces and working groups. It assists in analysing an individual country's development planning and budgeting processes to find entry points through which NAP can be aligned. This analysis, which largely takes the form of a written report, can serve as one of several information sources that portray a country's NAP process.

We begin by explaining the rationale of the document within the context of the NAP technical guidelines, and clarify how it can be used and adjusted to each country's specific context (Chapter 2). Chapter 3 then describes the links between annual and medium-term development planning and budgeting tools. Finally, Chapter 4 presents detailed guiding questions on development planning, donor coordination structures as well as financial and budget planning.



¹ http://unfccc.int/adaptation/workstreams/national_adaptation_programmes_of_action/items/7279.php

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How does NAP Align relate to the NAP technical guidelines?

The NAP technical guidelines (UNFCCC/LEG 2012a) were designed to expand on the initial guidance adopted by the COP at its 17th session, and offer a range of options for dealing with each element of the process (see Box 1). The NAP process is not prescriptive. The guidelines for the process assist countries in undertaking the steps and activities that can ensure effective adaptation. Each country can select the steps and activities it requires based on its adaptation progress to date.

One objective of the NAP process is to facilitate the integration of climate change adapta-

tion into relevant policies and programmes. Therefore, it is advisable that those responsible consider the alignment of NAP processes with existing development planning and budgeting procedures from the very beginning, and throughout the whole NAP process. This will ensure the successful mainstreaming of NAP into existing policy cycles. The following list exemplifies sample steps from the NAP technical guidelines for incorporating adaptation into development and budget planning:

Box 1: Elements and exemplary steps for each element of the formulation of NAPs

- A. Laying the groundwork and addressing gaps**
 - A.1 Initiating and launching the NAP Process
 - A.2 Stocktaking: identifying available information on climate change impacts, vulnerability and adaptation and assessing gaps and needs in the enabling environment for the NAP process
 - A.3 Addressing capacity gaps and weaknesses in undertaking the NAP process
 - A.4 Comprehensively and iteratively assessing development needs and climate vulnerabilities
- B. Preparatory elements**
 - B.1 Analysing the current climate and future climate change scenarios
 - B.2 Assessing climate vulnerabilities and identifying adaptation options at sectoral, subnational, national and other appropriate levels
 - B.3 Reviewing and appraising adaptation options
 - B.4 Compiling and communicating national adaptation plans
 - B.5 Integrating climate change adaptation into national and subnational development and sectoral planning
- C. Implementation strategies**
 - C.1 Prioritizing climate change adaptation in national planning
 - C.2 Developing a (long-term) national adaptation implementation strategy
 - C.3 Enhancing capacity for planning and implementing adaptation
 - C.4 Promoting coordination and synergy at the regional level and with other multilateral environmental agreements
- D. Reporting, monitoring and review**
 - D.1 Monitoring the NAP process
 - D.2 Reviewing the NAP process to assess progress, effectiveness and gaps
 - D.3 Iteratively updating the national adaptation plans
 - D.4 Outreach on the NAP process and reporting on progress and effectiveness

- At the earliest stage of the NAP process the ministry of finance (MoF), ministry of planning (MoP) and national legislature (with the possible addition of a climate change adaptation committee, budget commission and/or public accounts committee) can be invited to join the NAP coordination mechanism (A.1).
- Assessing how climate change adaptation is reflected in existing plans and budgets (A.2) can foster an enabling environment for national adaptation planning and implementation. The same applies to analysis of institutional and human capacity gaps in the planning and budgeting process (A.3).
- Similarly, knowledge of planning and budgeting systems can make the activities listed under Element B (Preparatory elements) more efficient, for example by appraising adaptation options (B.3) against the existing annual and medium-term budgetary framework.
- An overview of opportunities and constraints for integrating climate change adaptation into overall development planning (B.5) can inform the entire NAP process.
- The country's financial framework is a guiding factor in prioritisation of climate change adaptation in national planning (C.1).
- The conditions of planning and budgeting capacities will influence the scope of an implementation strategy (C.2); development planning and financial management may be among the measures that enhance capacities (C.3).
- Institutions already involved in general reporting, monitoring and review might also perform these functions for the NAP process (Element D):
 - ◇ entities involved in monitoring the national development strategy (NDS); this is often the ministry of planning
 - ◇ other sector strategies (planning departments in sector ministries)
 - ◇ entities and units responsible for financial reporting of budgetary expenditure (MoF, treasury and budget departments in sector ministries)
 - ◇ the supreme audit institution (SAI)
 - ◇ possibly other institutions exerting financial and policy control (the 'inspections d'états' in francophone Africa, for example)

NAP Align supports the implementation of steps A.3, A.4 and B.5 (see Box 1) of the NAP technical guidelines. Once the analysis is carried out, it provides an overview of relevant planning and budgeting issues that will influence the feasibility and sustainability of planned adaptation measures. NAP Align quickly highlights the main areas that require further attention or analysis. It is meant to be used for rapid appraisal in the early stages of the NAP process to provide a broad idea of the role that climate change adaptation plays in existing planning and budgeting. Furthermore, it identifies possible gaps and institutional arrangements which can fill these gaps. The NAP Align approach is process-oriented, meaning it takes stock of the situation but does not evaluate performance. This analysis is most useful during the preliminary stages of the NAP process described in Element A (Laying the groundwork and addressing gaps – especially the steps A.3 and A.4; see Figure 1) as a means of identifying entry points for alignment at the early stages of the NAP process. The analysis might be carried out or commissioned by a task force working on the NAP process or any other coordinating body established when initiating the NAP process (A.1).

NAP Align is no substitute for a proper stock-take of climate change activities (A.2) nor does it replace in-depth analysis of public financial management (PFM) as performed by a climate public expenditure and institutional review (CPEIR).



Figure 1: Fitting NAP Align in Element A of the NAP technical guidelines

Steps	Checklist of building blocks
 Element A. Lay the groundwork and address Gaps	
1. Initiating and launching of the NAP process	<ul style="list-style-type: none"> <input type="checkbox"/> Briefing on NAP process - adaptation challenges & opportunities <input type="checkbox"/> Coordinating mechanism <input type="checkbox"/> National vision and mandate for NAPs <input type="checkbox"/> Access to technical and financial support <input type="checkbox"/> NAP framework/strategy and road map
2. Stocktaking: identifying available information on climate change impacts, vulnerability and adaptation and assessing gaps and needs of the enabling environment for the NAP process	<ul style="list-style-type: none"> <input type="checkbox"/> Stocktaking of adaptation activities <input type="checkbox"/> Synthesis of available knowledge on impacts, vulnerability and adaptation <input type="checkbox"/> Capacity gap analysis <input type="checkbox"/> Barriers analysis
3. Addressing capacity gaps and weaknesses in undertaking the NAP process	<ul style="list-style-type: none"> <input type="checkbox"/> Building institutional and technical capacity <input type="checkbox"/> Opportunities for integrating adaptation into development <input type="checkbox"/> Programmes on climate change communication, public awareness-raising and education
4. Comprehensively and iteratively assessing development needs and climate vulnerabilities	<ul style="list-style-type: none"> <input type="checkbox"/> Compile development objectives, policies, plans and programmes <input type="checkbox"/> Synergy between development and adaptation objectives, policies, plans and programmes



Source: UNFCCC/LEG 2012b

NAP Align can build on past experience; in most countries the NAP process won't be the first climate change adaptation initiative. Thus the NAP process won't be starting from scratch, rather numerous steps will build upon earlier experience with adaptation planning. For instance, the country might already have conducted a NAPA, a Pilot Program for Climate Resilience (PPCR), or its government might have already initiated adaptation investments with the support of donors. The country may also have experience in climate-proofing. PFM reforms might already have taken place as a result of detailed capacity gap analysis. Reform plans, for example on the introduction of medium term expenditure frameworks (MTEF), provide perspective on what instruments the NAP process can rely on in the future.

NAP Align should ideally be used in combination with other complementary instruments, such as the Stocktaking for National Adaptation Planning (SNAP) tool (GIZ/BMZ 2014). This tool was developed by GIZ to provide a snapshot of current planning capacities. The SNAP tool identifies adaptation capacities and needs based on seven success factors which are derived from the NAP technical guidelines and GIZ's experience in adaptation work. The results of the SNAP analysis can form the basis of a roadmap for the NAP process. Conducted as a stakeholder workshop, the SNAP tool not only helps to identify the country's point of departure in terms of planning capacities, it is also useful in raising awareness among stakeholders from different sectors. Moreover, it can be used to monitor progress throughout the NAP process.

3

Links between development planning and budgeting procedures from an annual and medium-term perspective

3.1 Overview

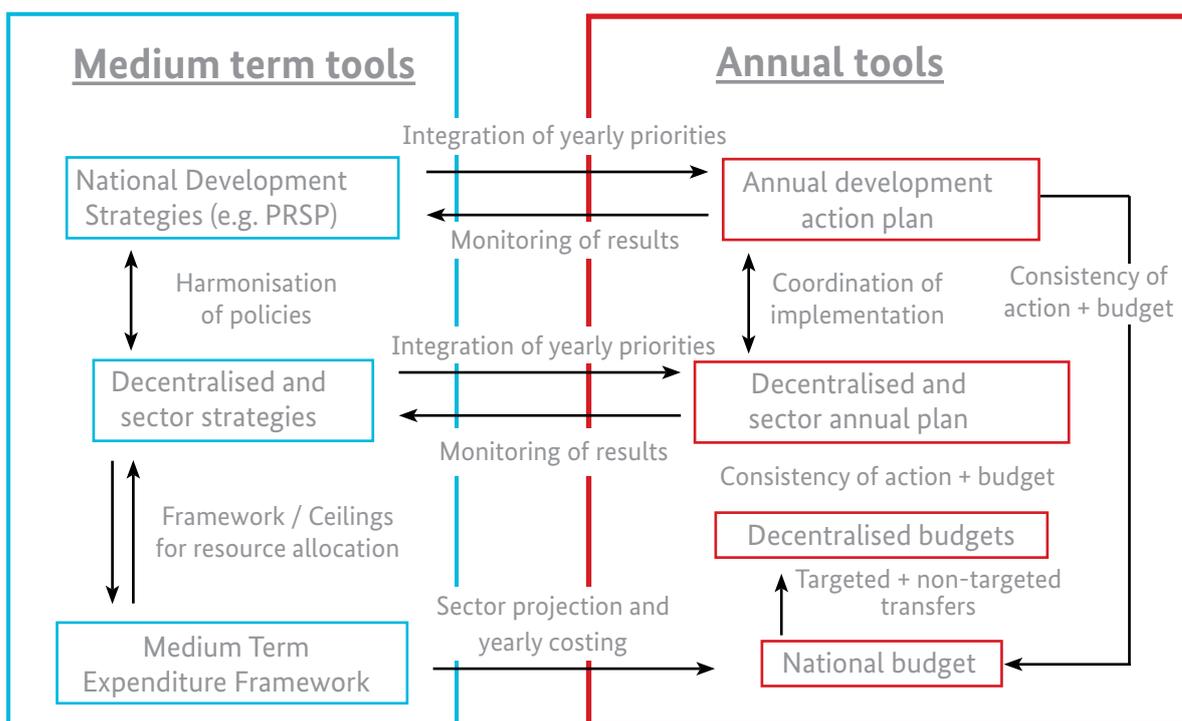
In this chapter we will explore the links between planning and financing. This will serve as a basis for step-by-step analysis and the subsequent guiding questions.

Looking at planning and budgeting procedures at different levels of government within an annual and medium-term perspective reveals a complex, multidimensional structure with activities on multiple levels and with different

planning horizons. Figure 2 summarises the instruments which frame national planning and budgeting procedures and how they relate to each other.

The following sections will examine these interrelations in three areas: (1) planning issues, (2) instruments for linking planning and budgeting, and (3) the rationale of budgeting analysis.

Figure 2: Links between medium-term and annual planning and budgeting tools



Source: adapted from Uandela (2010)

3.2 Planning issues

Table 1: Range of development planning processes

Planning level	Final Document
National government and cross-sector ministries	<ul style="list-style-type: none"> • Poverty reduction strategy paper (PRSP)/national development strategy (NDS) • Green growth/green economy strategies or plans • National adaptation programme of action (NAPA) • National climate change (adaptation) strategy and action plans • NDS based on MDG (Millennium Development Goals) • Decentralisation policies
Sector ministries	<ul style="list-style-type: none"> • Sector strategies, plans and policies (e.g., agricultural sector plan, environmental sector strategy, energy, water) • Public expenditure reviews • Sector climate change (adaptation) strategies and (action) plans
Subnational authorities	<ul style="list-style-type: none"> • Local development plans • District or provincial plans • Local climate change (adaptation) strategies and (action) plans

Source: adapted from UNDP/UNEP (2011), p. 18

The overarching reference document for national planning is the national development strategy (NDS)³. The NDS defines a country's political development priorities. It can often be difficult to get political or financial support for issues which are not prioritised under the NDS. In many LDCs the NDS takes the form of a poverty reduction strategy paper (PRSP). An NDS can incorporate a broad variety of subnational and sector strategies (see Table 1).

An NDS forms the political umbrella for subnational development planning. A structure in which the central government describes the guiding political priorities to the subnational authorities and sectors is referred to as a top-down approach. Conversely, subnational and sectoral levels providing input to the NDS is referred to as a bottom-up approach.

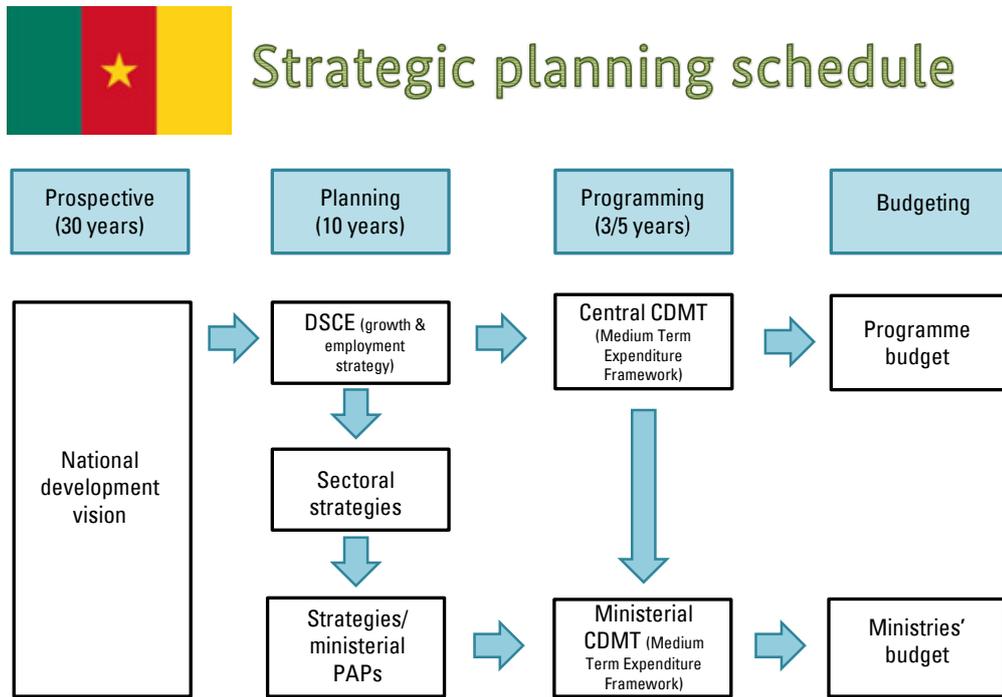
The present paper only briefly touches on subnational development planning structures, because the initiative for planning national adaptation to climate change lies primarily at the national level. Nevertheless, subnational levels of government are of utmost importance for NAP planning and implementation; major ini-

tiatives implemented at a subnational level can, for instance, be scaled up to the national level.

Strategic development planning usually takes a multiyear perspective. Some countries have developed long-term visions. For instance, Mauritania's Cadre Stratégique de Lutte contre la Pauvreté (or Poverty Reduction Strategy Framework, equivalent to PRSP) covers the period 2001-2015. Cameroon has developed its vision as far ahead as 2035. Poverty reduction strategies commonly have timeframes of 10 years (see Figure 3). However some countries, such as Vietnam, develop plans over as little as five years. The minimum timeframe of three years is also frequently applied.

³ We use the term national development strategy (NDS) as an overarching concept here in place of the numerous different names for documents that reflect governmental policy priorities.

Figure 3: Schedule of planning processes in Cameroon



Source: Republic of Cameroon (2012), translated from French

Three- or five-year plans are usually broken down into annual action plans which set priorities and targets for the year in question (as shown in Figure 2 under 'Annual tools'). These action plans are adapted annually based on

monitoring of the medium-term strategy or plan. Coordinating implementation within and between sectors might take place through annual action plans, as also shown in Figure 2.



3.3 Relating planning to budgeting

For every element in the planning structure (NDS, decentralised and sector strategies, annual action plans), there is a corresponding element that reflects the budget for implementation of these strategies (MTEF, decentralised and sector budgets, annual budgets). Cameroon, for instance, uses a *Cadre de Dépenses à Moyen Terme* (CDMT, or MTEF) followed by a programme budget (see Figure 3; Box 2 explains the programme budget). This example illustrates the link between medium-term political prioritisation and financial planning.

There are two features that are often – but not necessarily – related:

- The timeframe of financial planning. As well as the short-term perspective of annual budgets, financial planning also applies a medium-term planning perspective. This is because investments for implementing climate change adaptation usually extend over more than one year. In addition, every investment entails operational and maintenance costs in the future which must be taken into account. Failure to provide the necessary financial means for these costs may make the investment unsustainable, or impossible to implement in the first place.
- The programme character of financial planning. Programme budgeting provides the link between a political programme, as outlined in a country's NDS, and the necessary allocation of financial resources. Programme budgeting can therefore be an important instrument in formulating budgets along policy lines. Yet introducing programme budgets is a complex process that involves change to every governmental spending body. Most developing countries are yet to initiate such reforms (see Box 2).

In Figure 2 we can see that medium-term financial sector projections and their yearly costing enter into the annual national budget which, in an ideal scenario, is consistent with the country's NDS priorities. Depending on the country's degree of decentralisation, a subnational perspective might be relevant to NAP, as well as the sector perspective.

Box 2: Programme budgeting in the West and Central African Monetary Unions

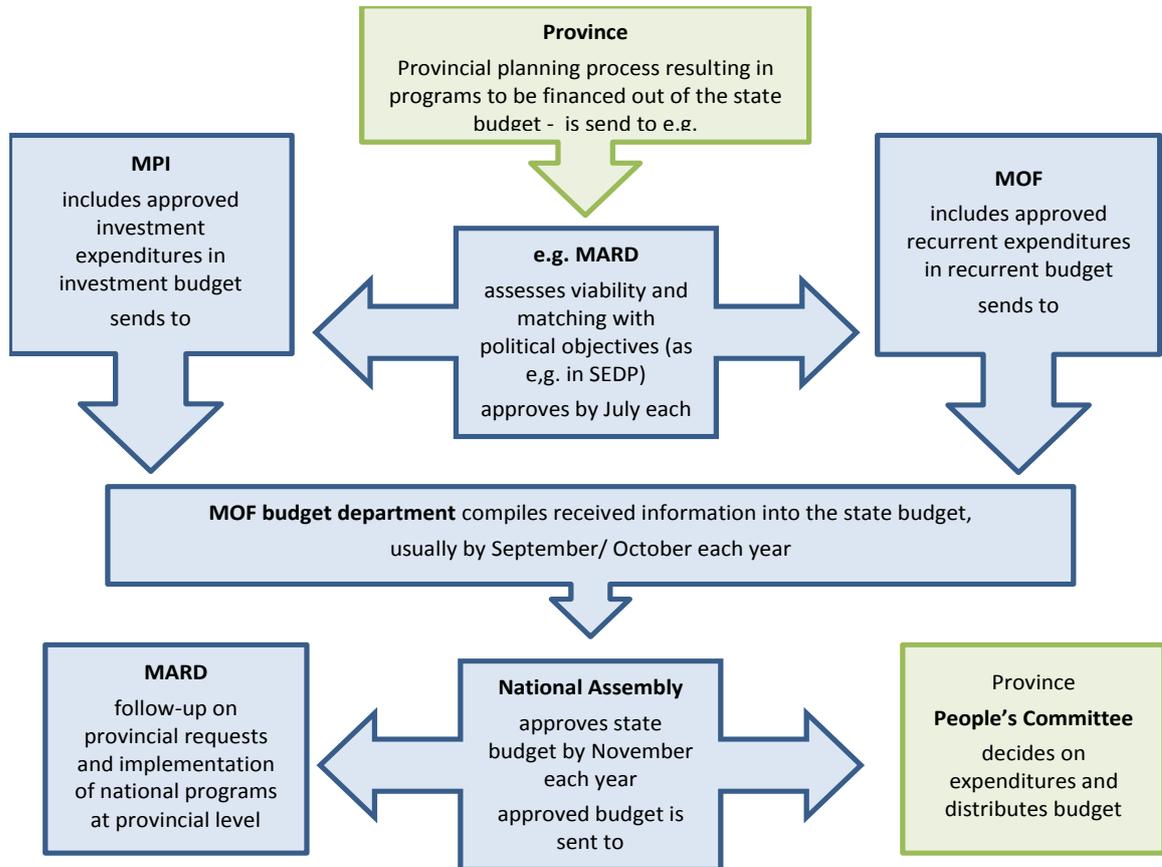
The West African Economic and Monetary Union (UEMOA) and the Central African Economic and Monetary Community (CEMAC) developed directives on programme budgeting that were adopted by their respective councils of ministers in 2009 and 2011. These directives require the 14 mostly francophone member countries to move to programme budgeting along the same programme classifications.

One feature is that classification follows the administrative function of expenditure. Climate change adaptation does not form part of this classification, although there is a programme line (No. 05) for environmental protection (see UEMOA 2009).

The countries in question have begun implementing these directives, a process that will continue for some years.



Figure 4: Vietnam - linking programmes and budgets between provinces and the national budget



Source: Kraulich/Eckardt (2013), p.10 (MPI – Ministry for Planning and Investment, MoF – Ministry of Finance, MARD – Ministry of Agriculture and Rural Development)



In Vietnam, decentralised planning enters the budget via the sector ministries. Provinces send their plans to the respective ministry which reconciles them with the existing planning requirements – for example, sector development plans. The challenges in mainstreaming and aligning NAP with existing programmes will differ greatly between countries. Where climate change adaptation is not yet included in national planning, as is the case in Vietnam, financing and implementation of such programmes is impossible. That means that the best entry point for the NAP process is to integrate climate change adaptation into the relevant planning documents and strategies. Many countries have already initiated reforms of PFM, which can provide an entry point.

In the programme budgeting system of UEMOA and CEMAC detailed in Box 2, the link between medium-term and annual financial planning

is easy to identify because they follow the same classification. However the link between planning and budgeting is not always self-evident. If planning and budgeting are not sufficiently linked, the NAP process will have to incorporate solutions for sustainable financing of planned measures. For example, where there is no overarching MTEF in place at the central government level, there might be other instruments that could fill the gap, like medium-term investment plans or sector-specific medium-term financial projections in the NDS. In Togo for example, the NDS is reflected in the SCAPE (Stratégie de croissance accélérée et de promotion de l'emploi). This strategy for enhancing growth and promoting employment, which runs from 2013 -2017, is accompanied by a Priority Action Plan with detailed medium-term-oriented budgets related to the political priorities identified in the SCAPE. This document thus forms the entry point for the NAP process to be initiated. A good opportunity for integrating climate change adaptation into such a strategy is when it comes up for review or revision.

There are various options for initiating a NAP process. One promising approach is reflecting adaptation measures in existing planning and budgeting documents, as outlined above. Otherwise it can be difficult to find financing for implementation. When considering how to align NAP with national procedures, it is essential that we have a broad understanding of the whole political system as it drives the interrelations between planning and financing. Clearly NAP, with its medium- to long-term perspective, is ideally aligned with the medium-term tools at the national, sector and decentralised level, and the MTEF. But it is also crucial that the annual budget provide financing for climate change adaptation. This might require interventions in annual planning.



3.4 Budgeting

We have now seen how important it is to analyse links between finance and planning. When we turn to the financing side of programmes and projects, we find that planning is often limited to investment planning. In this, climate change adaptation is no different to any other area with major financing requirements. Investments are often planned without consideration of their impact on the recurrent budget. But every investment entails recurrent expenditure, at least through ensuing operation and maintenance costs. If they are not properly accounted for, the investment will fulfil neither its function nor its planned duration.

Therefore, investment and recurrent expenditure planning are equally important. Even if investment costs are borne externally by bilateral or multilateral funding mechanisms, operation and maintenance costs will still fall within the purview of the national budget as recurrent expenditure.

Even climate change adaptation measures that do not require sizable investments can have a long-term budgetary impact. For example, climate-proofing land use might not be a significant investment issue at the planning stage, but it may require personnel and other recurrent resources for effective enforcement. The reality for many LDCs is that much of the loss and damage from natural disasters is caused by inadequate enforcement of existing regulations, and one essential, but unfortunately limiting factor is (operational) costs.

In many developing countries the national budget does not fully cover both the investment and recurrent cost burden over the years, which can complicate financial planning. In a 2012 survey of 15 African countries, only seven had fully integrated investment and recurrent spending into their budgets⁴. In some cases, the national budget only comprises recurrent and domestic investment expenditure but not external funding, or recurrent and investment expenditure is separated into different documents managed by different institutions (the MoF and MoP respectively). This requires reconciliation of budgets between the MoF and MoP (see the Vietnam example in Figure 4). Donor-funded investments are often tied to sectors and are therefore not fully reflected in the national budget.

Recurrent expenditure in government spending can only usually be covered by external financial contributions, in the form of budget support. The national budget is therefore crucial for sustainable implementation of climate change adaptation measures. So the question is not only: ‘What can or should be done?’ Just as important is: ‘How can it be financed in the long run?’ This means that when entering into an NAP process, financial planning issues are just as important as other planning fields. And in order to find entry points for NAP in the budgeting process, it is important to have at least a general understanding of the respective country’s system of public financial management.

⁴ See CABRI (2013, p.12). CABRI, the Collaborative Africa Budget Reform Initiative, an association of senior African budget officials, has assessed the readiness of budgeting systems in African countries for the introduction of programme budgeting. They define a comprehensive budget as one of the criteria.

4

Guiding questions for analysing planning and budgeting processes

4.1 Development planning

The NAP process encompasses steps for identifying medium- and long-term adaptation needs and for developing and implementing strategies and programmes to address those needs. Consequently, NAPs often affect various sectors and involve multiple departments or ministries. A stocktake of existing climate change adaptation planning and implementation is essential in assessing potential entry points for future NAP planning (see the sample workstream on interfacing with policy and decision makers under the NAP process, UNFCCC/LEG 2012a, p. 121). As such it is included as a step under Element A (Laying the groundwork and addressing gaps) in the NAP technical guidelines.

The analysis below is based on the NDS and development strategies from relevant sectors, among other input. The extent to which these plans are binding differs from country to country. In some countries, such as Vietnam, planning must be endorsed by the national legislature and is thus legally binding. Measures not provided for within the planning system are unlikely to be financed and realised during the

lifetime of the plan. It is therefore advisable that, where possible, NAP issues be introduced into the planning system as early as possible, especially if they impact the country's budget. As planning cycles generally last between three and five years, this process can be time-consuming. In other countries development planning is a more of a parallel process, with greater donor input and only loose links to financing and budgeting procedures. This makes it more difficult to influence policy making in a systematic manner. Where this is the case it may only be feasible to integrate climate change adaptation into projects and plans with short time spans. Naturally there are more potential scenarios than the two outlined above.

It is essential, however, that all relevant planning processes be considered when looking for entry points. The definition of 'relevant' depends on the country, its needs and priorities in climate change adaptation and its current state of NAP planning:

Guiding questions 1: Analysing development planning

1. Basics: PRSP/NDS and climate change adaptation /NAP	(a) Is there an NDS in operation? Which entity is responsible for defining priorities in the NDS? Is it a broad-based, participatory process? And does the process have the necessary political commitment at the decision-making level?
	(b) Does the NDS explicitly refer to climate change adaptation and NAP? Do these references specify the sectors concerned?
	(c) Is there a national climate change strategy? Are there other plans that deal with climate change issues, such as green growth, Climate Change Strategy, etc.?
	(d) Are there specific sector plans that cover climate change issues? What other initiatives do ministries have in place to respond to climate change adaptation needs?

Guiding questions 1: Analysing development planning	
2. Planning process organisation –NDS	(a) Which ministry is responsible for steering development of the NDS? Which particular director, unit, etc., is responsible?
	(b) Is the NDS developed with a top-down or bottom-up approach?
	(c) Is there a regular and transparent planning cycle, and what is its legal status (e.g., presidential decree)? If so, what exactly does the planning schedule look like? If not, how is the schedule usually implemented?
	(d) Is there a national adaptation policy, and what is its legal status? Is it consistent with other governmental policies on climate change, especially – where relevant – the climate change adaptation strategy?
	(e) How exactly is the coordination between the NDS and sector planning carried out?
	(f) Which ministry takes the lead in compiling sector strategies for the NDS? Which director, unit, etc. is responsible?
3. Planning process organisation – sector strategies	(a) What are the NAP-relevant sector strategies and to what extent are they reflected in the NDS? Are sector plans consistent with a national climate change adaptation strategy?
	(b) Which ministries are responsible for relevant sectors/issues? For instance, does coastal protection come under agriculture, environment, fisheries or another ministry altogether?
	(c) What are the relevant units within the sector ministries? Who is the person responsible?
	(d) At what stage of the planning schedule are they involved?
	(e) To what extent is adaptation to climate change integrated into the relevant strategies (degree of integration of measures/policies directly and indirectly contributing to adaptation)?
4. Approval	(a) What is the procedure for approving the plan or other selected initiatives? Which entities are involved?
5. Implementation issues	(a) Which entities are involved in implementing the plan and what are their responsibilities?
	(b) What capacities are there for implementation?
6. Monitoring issues	(a) Which entity is responsible for monitoring and evaluation? How does monitoring and evaluation feed into the planning process?
	(b) Is there regular monitoring of planning?
	(c) Do the monitoring results feed back into adaptation planning?
	(d) Is the monitoring linked to external auditing of investments? Does the monitoring incorporate cost/benefit analysis?

Guiding questions 1: Analysing development planning

7. National climate change adaptation planning	(a) Has a ministry (or other unit/department) at the national level been mandated responsibility for climate change issues, and more specifically for adaptation to climate change?
	(b) What kind of mandate is needed to drive the NAP process? And does this mandate already exist?
	(c) What is the overall national approach and strategy? If there is none, what would be a good starting point (perhaps based on experience of mainstreaming other issues, such as gender)?
	(d) What institutional arrangements are required at the national level to coordinate, lead and monitor the NAP process? And which stakeholders would be involved?
	(e) What outputs are expected from the NAP process, and when are they expected?

4.2 Donor coordination structures

External financing of NAP might come from two sources: international climate funds such as the Adaptation Fund or the adaptation window of the Green Climate Fund (GCF), or multilateral or bilateral aid contributions given directly to a country. Proper allocation of external financing to NAP priorities requires effective in-country donor coordination mechanisms. Over the last decade, milestones for increasing aid effectiveness have been set in the Paris Declaration (2005), the Accra Agenda for Action (2008) and the Busan Partnership for Effective Development Co-operation (2011)⁵. Aid effectiveness is based on five principles:

- **Ownership:** Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
- **Alignment:** Donor countries align behind these objectives and use local systems.
- **Harmonisation:** Donor countries coordinate, simplify procedures and share information to avoid duplication.
- **Results:** Developing countries and donors shift focus to development results and results are measured.
- **Mutual accountability:** Donors and partners are accountable for development results.

To comply with these principles, many countries have established structures for cooperation between governments and donors. They may include joint assessments, joint reviews, round table dialogues, sector working groups of various configurations, joint financing mechanisms such as sector funds or baskets, and joint budget support schemes.



⁵See <http://www.oecd.org/dac/effectiveness/>

With the introduction of current NAP processes, numerous countries are establishing coordination structures for climate change adaptation measures.

Mauritania, for example, installed a climate change adaptation subgroup within the Ministry of the Environment and Sustainable Development in 2013. In Vietnam, coordination is developing around a budget support scheme targeted at climate change adaptation, and in Cameroon the former donor platform for climate change adaptation is transforming into a government-led group for interchange and coordination of measures.

National planning for climate change adaptation can also serve as a base from which to secure external finance and other development support. The complex nature of adapting to climate change and the significant investments it requires demand a high degree of efficiency which cannot be guaranteed if external contributions are insufficiently coordinated. The need for sustainable investment means that the effective functioning of coordination structures and the quality of dialogue may be significant factors in the integration of NAP into country planning and budgeting systems.

Guiding questions 2: Aid effectiveness	
1. Donor coordination and national and sector dialogue schemes	(a) How does donor coordination work? Is there a dedicated aid coordination mechanism? Yearly NDS reviews? Technical committees in place? Regular reviews of sector strategies? Who is participating from the donor side and the ministry side?
	(b) Who are the lead donors in relevant sector dialogue groups?
	(c) To what extent is climate change adaptation or NAP included in the coordination structure? Are NAP issues mainstreamed or treated separately from priority sectors? Is there a coordination group for climate change adaptation support? Where is it administered?
	(d) Does the country receive budget support for sectors, or overall? Is the budget support dialogue structure aligned with non-budget support aid coordination? Does the budget support policy matrix include indicators relevant to NAP?
	(e) Are multilateral support mechanisms integrated into donor coordination?
2. Alignment with national procedures	(a) To what extent are national planning systems aligned with national financing procedures (Paris Declaration monitoring, budget cycle, MTEF in particular)?
	(b) What level of ownership is there for the NAP process?
	(c) What are the capacities and capacity gaps in NAP mainstreaming?
	(d) How effective are dialogue structures among donors, and between donors and the government? Is there a special office or unit at the government level responsible for donor coordination?

4.3 Financial and budget planning

4.3.1 Financing climate change adaptation

Before entering into the budgeting process analysis, it is important to get a picture of the past and present scope of climate change adaptation expenditure as well as the aid modalities in use (particularly financial). Examining the relevant documents – annual budget and MTEF, if applicable – can be helpful here.



Guiding questions 3: Financing climate change adaptation	
1. Getting a picture of climate change adaptation -related expenditures	(a) What is the total budget (MTEF) expenditure in recent years? What proportion is investment and recurrent expenditure?
	(b) What is the share of ODA in the budget (MTEF)?
	(c) Is climate change adaptation expenditure included in the budget/MTEF? Is there a budget (MTEF) classification that allows for tracking of climate change adaptation related expenditure? And how much is climate change adaptation related expenditure (if so classified), or what form does NAP and other climate change adaptation expenditure planning take?
	(d) What are the budgets (MTEF projections) of ministries relevant to NAP (environment, rural development/ agriculture, water, etc.)? Which ministries have expenditure for disaster management in the budget? Have there been any developments observed in recent years?
2. Climate change adaptation finance	(a) Are there estimations of funding gaps in finance for climate change adaptation? Which sectors are included?
	(b) How much do funding donors provide for climate change adaptation (recent years, commitments)? Which are the main ministries that benefit?
	(c) Is there any joint climate funding mechanism in place? How much funding is available? Which government institution has the coordinating or leading role? How does disbursement work? Which are the main ministries that benefit?
	(d) Is it possible to finance operational expenditure through external financing? For how many years?

4.3.2 Medium term expenditure frameworks

NAP requires a medium- to long-term perspective. Therefore it is of utmost importance for the NAP process that adaptation priorities be effectively integrated into a medium term expenditure framework (MTEF). In the field of international cooperation, MTEFs have attracted significant attention through the formulation of PRSPs. The scope for developing MTEFs is broad, ranging from relatively simple

medium-term budget allocations reflecting sector priorities, to sophisticated multi-year budget programming closely linked to planning systems. However, in order to identify entry points for NAP, it is important to understand the main features of the MTEF currently in place⁶ :

Guiding questions 4: Medium term expenditure framework	
1. Coverage of MTEF	(a) What sectors does the MTEF cover? What levels of government are included? Are any NAP-relevant issues missing?
	(b) Does the MTEF only plan for investment expenditure or does it also include recurring expenditure? Does it include both domestic and external funding? How many years does it cover?
	(c) Is adaptation expenditure classified? How does the classification system work? If yes: how much is planned for climate change adaptation expenditure over the years? What are the relevant criteria (functional, economic, geographical, etc.)?
2. MTEF planning process	(a) Which institution is responsible for preparing the MTEF?
	(b) Is the MTEF based on the NDS/PRSP and sector strategies?
	(c) Is sector planning integrated into MTEF planning? If so, how? Does the costing come from sector planning or is it part of the MTEF process?
	(d) To what extent are civil society and the private sector officially included in MTEF planning? Do they influence the MTEF process through lobbying?
	(e) How does MTEF fit within the annual budget process?
3. MTEF enactment, monitoring and oversight	(a) What is the legal status of MTEF? Is it a ministerial decree or does it have to be approved by the national legislature?
	(b) How is the MTEF disseminated? Are sector ministries and government entities at the subnational level aware of the financial framework that is relevant to them?
	(c) How reliable has planning been in the past? Have ceilings been set and targets reached?

⁶ See World Bank 2002, p.7

4.3.3 The budget cycle

The budget is the essential public finance steering instrument; it documents the allocation of all public resources over a one-year span and lists policy priorities in pecuniary form. In one way or another, it involves every public entity which raises or spends public resources. Theoretically, the annual budget is derived from the MTEF and therefore connected to it (see Figure 2). As NAP processes have a medium- to long-term perspective, it is reasonable for NAP processes to enter through the MTEF. Then, year by year, NAP and thus climate change adaptation are integrated into the annual budget. In practice, however, the connection between MTEF and the annual budget is often weak. Sometimes there isn't even an MTEF in place, or the necessary financial resources are misallocated.

The budget cycle covers four general stages: (1) budget formulation, (2) budget execution, (3) accounting and reporting and (4) external oversight.

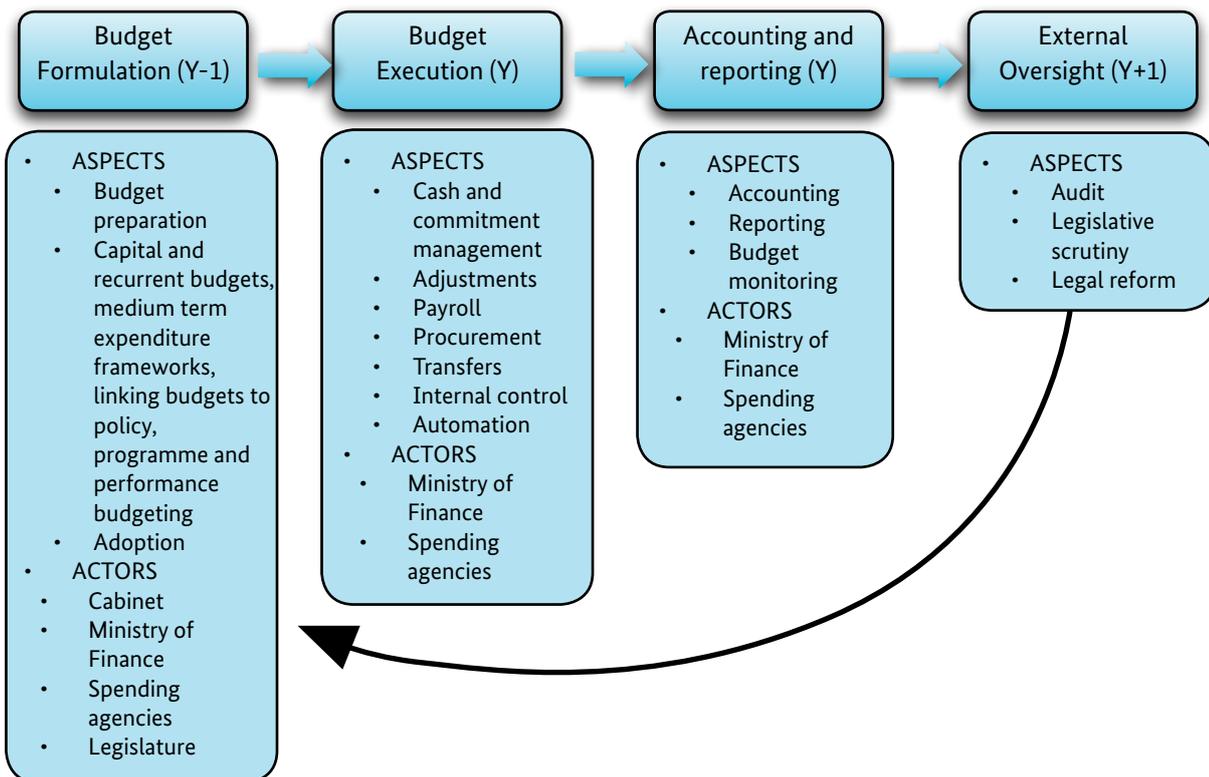
(1) The budget cycle begins with the budget formulation which is initiated every year according to the MoF's budget circular. The MoF



requests that all spending agencies submit their budget plans in the required format, including all revenue and expenditure expected over the following year; at this stage the MoF may also set a financial ceiling for the agency's portfolio. The sector ministries' proposals are usually based on their sector plans or programmes.

The budget is compiled by the MoF, with the possible collaboration of the MoP for the investment component (see Chapter 3.4). It is then

Figure 5: The budget cycle



Source: adapted from Simson, Sharma, Aziz (2011), p. 1

presented to the cabinet and submitted to the legislature (usually the parliament). The legislature debates the government's budget proposal and may request amendments. Finally, once the legislature has agreed on the proposal, it legally endorses the budget. Once it comes into force, it functions as the basis for public expenditure for the entire year and includes all government revenue and expenditure. Changes to the budget can only be made through legislative amendments.

(2) Budget execution throughout the year is led by the MoF. In most countries, spending agencies can now manage their own budget funds, with responsibility lying with their respective budget or finance unit.

(3) Accounting and reporting involves monitoring but also creates a basis for external oversight. Where accounting systems are weak and spending agencies fail to produce execution reports, expenditure cannot be adequately tracked. Conversely, sound practices in a country's accounting and reporting encourage trust in its systems and the willingness of donors to use them.

(4) Finally, external oversight concerns the control function of the supreme audit institution and legislature. Policies linked to the budget provide input for performance assessment against political objectives as well as the value for money-factors

In order to provide the financial foundation for climate change adaptation (both investment and maintenance), it is important that the budget cycle and system include provisions for regular, effective and transparent management of public finances. Capacity gaps in budgetary systems affect implementation of NAP just as they do in other areas.

In aligning NAP with national budget procedures, one must bear in mind that budget priorities cannot be significantly altered from one year to the next. This is because resources are bound by multiyear commitments and contracts, which applies to the majority of employees in public service. If NAP is to find its way into the national budget in the long run, it is important to consider the entire system and its interrelations. Climate change adaptation oriented programmes must therefore be entered into the budget step by step.

Guiding questions 5: Annual budgeting process	
1. Budget formulation/legislation and enactment	(a) What is the budget schedule/timetable (starting with the budget circular from the MoF)?
	(b) Are the investment/capital and recurring budget integrated? If not, indicate the communication lines between MoF, MoP and sector ministries.
	(c) Are the budgets of subnational authorities integrated into the national budget? If so, is this achieved through the authorities' budgets or sector ministry transfers?
	(d) Does the budget circular set ceilings for spending agencies? Do these ceilings reflect MTEF planning?
	(e) Is the budget programme-based? If yes, what programmes is it based on? Does it include performance indicators?
	(f) How does the legislature debate and approve the budget?
	(g) Do the budget committee and legislature have sufficient time to study the budget? Do they request reporting on climate change adaptation and related areas, or are they willing to do so?

Guiding questions 5: Annual budgeting process	
2. Budget execution/ implementation	(a) To what extent is the budget implemented according to plan?
	(b) Are the NAP-relevant sectors affected by budget revisions? Is it possible to identify budget revisions for climate change adaptation related expenditure?
3. Accounting and reporting	(a) Do the spending agencies relevant to the NAP processes (at all levels) report regularly and efficiently on budget execution? Minimum required information: Do spending agencies produce regular execution reports on climate change adaptation projects?
4. External oversight	(a) Does the supreme audit institution conduct audits of NAP-relevant spending agencies? Which factors are audited (finance, performance)? What are the results and recommendations? Are the reports published?
	(b) Are there other instruments of external oversight (such as l'inspection générale d'état in francophone systems)?
	(c) Is there any relation between the NDS or sector programme monitoring, and external oversight? How do audit results feed back into planning processes? Does the supreme audit institution (SAI) have any experience with climate change adaptation?





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UNFCCC COP17 and COP18 had invited bilateral and multilateral agencies to provide technical support for the NAP process. The present paper was prepared as a response and supplements the technical guidelines for the NAP process prepared by the Least Developed Countries Expert Group (LEG). It was commissioned by the Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

If you have any comments, suggestions or examples that could enrich this document, please contact Till Below (Till.Below@giz.de) or Nele Bünner (Nele.Buenner@giz.de). Thank you very much!



Glossary

Accounting: Accounting is the practice of recording, classifying and summarising financial transactions. It is a means of assuring compliance with budget rules and demonstrating that public funds are being used for their intended purposes.

Audit: The purpose of auditing is to provide assurance that public funds have been spent for the purposes for which they were designed. A distinction can be made between internal and external audits.

- External audit is the process whereby an independent institution audits evidence regarding different aspects of an entity, and forms an opinion about the extent to which these aspects conform to set standards.
- The purpose of an internal audit is to improve the ministries' operations by reviewing accounting, financial, risk management and governance processes.

Budget circular: The budget circular stipulates the guidelines for the formulation of the annual budget by the various ministries and government entities. It usually includes the initial budget ceilings, budget formats to be submitted to the MoF and the budget calendar.

Budget Committee: Most parliaments (except the UK and some former colonies) have a parliamentary budget committee which scrutinises the executive budget proposal. In some countries it may be tasked with reviewing audit reports (in other cases this might be the task of the Public Accounts Committee).

Budget: A government's forecast of revenue and planned expenditure is laid out in its budget, usually produced on an annual basis. The budget is enacted into law by the legislature, which authorises the government to spend funds in accordance with a set of appropriations. Usually, a collection of PFM laws and regulations further regulate how the approved budget is executed.

Climate change adaptation: Actions taken to

help communities and ecosystems cope with changing climate condition (UNFCCC).

Climate Public Expenditure and Institutional Review (CPEIR): CPEIRs review the financial management systems as well as the institutional arrangements and policy directives for allocating and spending climate change related finance

Good financial governance (GFG): GFG is transparent, legitimate and development-oriented state action in the area of public finance (on the income and expenditure sides) and implies efficient and accountable state institutions and financial administration. GFG assumes such institutions operate within the rule of law and that efficient control institutions as well as politically and socially anchored oversight mechanisms exist.

Investment budget and/or expenditure: Investment budget and/or expenditure covers the costs related to public investments, such as the construction of roads.

Medium term expenditure framework (MTEF): MTEFs translate macro fiscal objectives and constraints into broad budget aggregates and detailed expenditure priorities. An MTEF requires budget preparation to go beyond the annual budget, to take account of the medium-term, usually within a time frame of three to five years.

National adaptation plan (NAP): NAPs are a means of identifying medium- and long-term adaptation needs and developing and implementing strategies and programmes to address those needs. This is a continuous, progressive and iterative process which follows a country-driven, gender-sensitive, participatory and fully transparent approach (UNFCCC). An NAP process is not tied to a specific document, mainstreaming climate change adaptation involves cross-sector integration of the issue.

Performance-based budget: Performance-based budgeting refers to scenarios where performance indicators are formulated for the budget, and decisions related to the use of funds are made based on the degree to which these indicators are fulfilled.

Pilot program for climate resilience (PPCR): PPCRs are targeted programmes of the Strategic Climate Fund, which is one of two funds within the framework of the Climate Investment Funds. They fund technical assistance and investment to support countries' efforts to integrate climate risk and resilience into core development planning and implementation. PPCRs build on national adaptation programmes of action (NAPAs) and other national development programmes and plans.

Programme-based budget: Programme-based budgets essentially and systematically group individual input items into budget programmes and, where appropriate, formulate indicators for outputs and outcomes.

Recurrent budget and/or expenditure: The recurrent budget and/or expenditure covers operational costs, such as personnel or maintenance costs.

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