



Blending Climate Finance Through National Climate Funds

A Guidebook for the Design and Establishment of National Funds
to Achieve Climate Change Priorities





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Designing and Establishing National Climate Funds

A Guidebook for Decision-Makers

This guidebook is part of a series of manuals, guidebooks and toolkits that draws upon the experience and information generated by the United Nations Development Programme's (UNDP) support for climate change adaptation and mitigation projects in some 140 countries over the past decade. These resources are intended to enable project managers, UNDP Country Offices and developing country government decision-makers to acquaint themselves with a variety of methodologies most appropriate to their development contexts in support of their transition to green, low-emission and climate-resilient development.

In a flexible and non-prescriptive manner, the reports offer detailed guidance for the identification of key stakeholders and establishment of participatory planning and coordination frameworks; generation of climate change profiles and vulnerability scenarios; identification and prioritization of mitigation and adaptation options; assessment of financing requirements; and development of green low-emission and climate-resilient roadmaps for project development, policy instruments and financial flows. They can be accessed at www.undp.org/energyandenvironment/climatestrategies.

This publication focuses on the design and establishment of National Climate Funds to support countries to collect, coordinate, blend and account for climate finance.

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Foreword

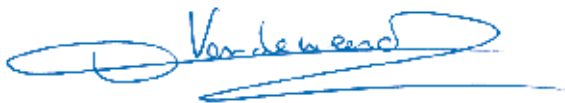
Climate change is one of the most pressing threats to development today. Addressing climate change requires that countries transform their economies and grow in a different way — climate and development planning must be integrated so that policies and actions across multiple sectors and scales lower greenhouse gas emissions, reduce vulnerability to climate shocks and deliver poverty reduction gains.

The good news is that countries have new and expanded opportunities to finance climate change actions — billions from the public and private sectors will be channeled toward climate activities. In order for countries to take advantage of these opportunities, however, the right institutional and financial mechanisms must be in place so that resources are directed efficiently toward national climate and development priorities.

An important tool for countries to manage climate finance is a National Climate Fund. NCFs are nationally-driven and nationally-owned funds that help countries to collect climate finance from a variety of sources, coordinate them, blend them together and account for them. In this way, countries are in the driving seat and can make informed choices for how direct resources toward activities that deliver results on the ground.

This guidebook is part of a series of practical guidance documents and toolkits to support national and sub-national governments to achieve low-emission, climate-resilient development. It provides information based on UNDP's decades of experience in delivering climate change programming in order to help countries design and establish an NCF that is tailored to their priorities and builds on existing governance, policy and fiscal frameworks and systems.

It is my hope that this guidebook will contribute to the ongoing efforts of countries to manage climate change finance and that it will support countries to be more equipped to achieve transformational change whereby positive development and poverty reduction are achieved and sustained over time.



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Overview

- Purpose of Guidebook
- Target Audience
- Structure of Report

Overview

By pledging \$30 billion in climate change finance by 2012 and up to \$100 billion annually by 2020, governments have ushered in a new era of funding for climate change. Only ten years ago, climate finance was managed by a small number of large funds associated with the United Nations Framework Convention on Climate Change (UNFCCC) process. Today, there has been an explosion of public, private, bilateral and multilateral sources that offer countries new opportunities to address their climate and development needs.

While this new landscape of climate change funds provides increased resources, it also brings increased complexity. Requirements, processes and reporting can differ among the funds and countries are faced with the challenge of identifying which funds are appropriate for them, how to collect resources, how to blend them together, how to coordinate the actions funded by them and how to develop the methods to monitor and evaluate the results. Given the diversity of funds, it is critical that countries can build on existing institutions and programmes to manage resources at the national level to support country-driven objectives.

One tool that can help countries respond to these challenges is a National Climate Fund (NCF). An NCF is a mechanism that supports countries to manage their engagement with climate finance by facilitating the collection, blending, coordination of, and accounting for climate finance. NCFs provide a country-driven system that can support climate change goal setting and strategic programming, oversee climate change project approval, measure project implementation and performance, offer policy assurance and financial control of climate change funds and assist with partnership management. NCFs help countries to blend various resources together at the national level, providing a mechanism for shifting power away from traditional top-down fund management to country-level management. A country's climate change objectives are managed and supported from the inside out, not the other way around.

Designing an NCF requires carefully considering its objectives and then crafting a structure that supports the achievement of these objectives. Many NCFs deliver a common set of services, however the exact

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