

21 August 2020

Dear friends, partners and associates,

Climate finance is one of the key enablers of climate action and resilience building. As the growing climate crisis – and other global crises that also require enhanced resilience - continues to take centre-stage in the global landscape, total global climate finance flows have steadily increased. However, this increase has not been adequate to meet the estimated costs of adaptation. US\$180 billion is needed annually from 2020 to 2030, according to the Global Commission on Adaptation. Although the role of public actors is becoming more prominent, private actors still contribute the largest share to total global climate finance flows.

Building on last week’s newsletter, which discussed political economy challenges in prioritising climate actions for governments with the competing priorities of development agendas, this week we look at related opportunities for unlocking climate finance and action. We first consider how ‘climate budgeting’ tools can help public finance to integrate climate adaptation spending with development spending. Our second piece deals with a common barrier preventing project proponents from accessing international climate finance, and makes the case for developing concept notes.

We wish everyone good health.

Belynda and the OneWorld team

UNLOCKING PUBLIC FINANCE THROUGH CLIMATE BUDGET TAGGING



In the context of a green Covid-recovery, it is critical that scarce public financial resources be used in a transformative way, aligning climate action and sustainable development goals.

Domestic budgets can play an important integrating role by strategically aligning their climate adaptation and development needs to prioritised actions. This will allow more efficient and effective progress in building resilience.

Unfortunately, integrating adaptation with development can often cause ambiguities in defining and allocating expenditures. The siloed nature of most governance structures and government budgets impedes cross-sectoral and inter-ministerial responses required to use this integrated approach and address climate change.

There are several entry points to deal with this problem in the national budgeting process so as to make development spending more resilient to climate change. ‘Climate budgeting’ is a tool that is being used globally to track and monitor climate-related expenditures and modify national budgeting processes in a way that is more responsive to adaptation.

The South African National Treasury, with World Bank support, is currently implementing a **national Climate Budget Tagging (CBT) system**. OneWorld is partnering with [Mokoro](#) to support this year-long project, which aims to mainstream climate change in public financial management and improve resource allocation efficiency. This includes providing implementation support and capacity building through the piloting of CBT at national, provincial and local levels. We will report more insights from this project as it unfolds.



CONCEPTUALISING CLIMATE FINANCE CONCEPT NOTES

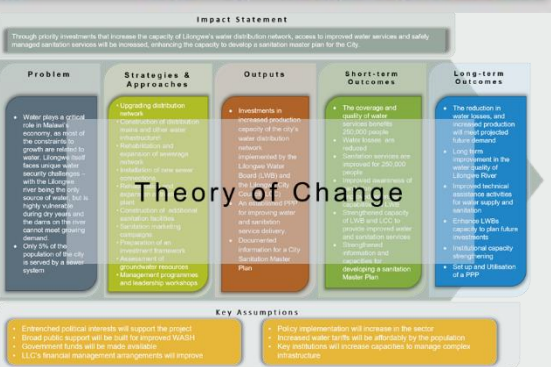
Concept notes are a key tool in the process of accessing climate finance as they provide a strong narrative for the project’s rationale. Through our engagements with key stakeholders, we have learned that a strong project narrative is lacking in many climate finance applications. Project narratives are primarily set out through the project and climate rationale and a clearly articulated process for attaining the change desired (Theory of Change (ToC).

Concept notes are concise expressions of a proposed project idea preceding the proposal. They are not always compulsory but are a crucial step in unlocking climate finance through framing a project effectively. Developing a concept note encourages project proponents to build a robust narrative and have this validated by the funding institution, providing a strong base on which to develop a full proposal. In the concept note, many of the core aspects of the funding proposal are developed, including the project rationale, ToC, investment criteria alignment, and financing and cost information.

The process of concept note development also allows for early engagement with key stakeholders whose buy-in and co-development of the ToC is crucial to the development of a successful, sustainable and legitimate project.

Submitting a concept note does not guarantee proposal acceptance or financial commitment. But it does provide valuable feedback from the funder on whether the concept is aligned with their objectives, policies and investment criteria. Proponents can then develop a stronger proposal as a result.

Regular newsletter readers will know that OneWorld has been supporting the GCF to assist institutions with the development of successful and ‘bankable’ project proposals. This includes developing a [Training of the Trainers programme](#) with the AfDB, and a [new project](#) supporting the Tanzanian government in developing their full GCF project proposal. In both projects we are strongly promoting the submission of concept notes.



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