

**Methodological Guidelines  
on Preparing a Financial Plan for Climate Change Adaptation  
in Mediterranean Coastal Areas**

with a focus on Albania, Algeria, Libya, Montenegro, Morocco, Tunisia

GEF UNEP/MAP MedProgramme  
SCCF Project, 2024

**D R A F T** [v. 20 October 2024]



Mediterranean  
Action Plan  
Barcelona  
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Global Water  
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Mediterranean



**SCCF**

Enhancing regional  
climate change adaptation  
in the Mediterranean Marine  
and Coastal Areas

*The Global Environment Facility's (GEF) "MedProgramme: Enhancing Environmental Security" is a US\$43 million assortment of eight projects comprising more than 100 coordinated actions at the regional and national levels. Its ten beneficiary countries are Albania, Algeria, Bosnia and Herzegovina, Egypt, Libya, Lebanon, Morocco, Montenegro, Tunisia and Türkiye. The MedProgramme aims to operationalise priority actions to reduce major transboundary environmental stresses in its coastal areas, strengthen climate resilience and water security, and improve the health and livelihoods of coastal populations. It is implemented by the United National Environment Programme's Mediterranean Action Plan (UNEP MAP) and executed by a number of agencies and organisations.*

*The MedProgramme comprises the Special Climate Change Fund (SCCF) Project "Enhancing regional climate change adaptation in the Mediterranean Marine and Coastal Areas". Its main objective is to identify climate risks affecting the Mediterranean's coastal areas (both in the terrestrial and marine zones) and to develop adaptation strategies to overcome or cope with these risks. The SCCF Project also seeks to facilitate access to climate finance in an effort to scale up adaptation measures in the region. It is implemented by UNEP MAP and executed by the Priority Action Programme Regional Activity Center (PAP/RAC) of UNEP MAP, Blue Plan and the Global Water Partnership-Mediterranean (GWP-Med).*

*The present document entitled 'Methodological Guidelines on Preparing a Financial Plan for Climate Change Adaptation in Mediterranean Coastal Areas, with a focus on Albania, Algeria, Libya, Montenegro, Morocco, Tunisia,' is a deliverable of Component 3 of the SCCF Project, that was coordinated by GWP-Med.*

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## Contents

Introduction .....	5
CHAPTER I: Climate change in the Mediterranean coastal areas .....	6
1. Coastal areas: a vital ecosystem for the Mediterranean countries.....	6
2. How climate change will impact coastal areas in the Mediterranean?.....	7
3. What countries have planned to build coastal resilience?.....	10
4. What global frameworks can foster adaptation acceleration? .....	17
CHAPTER II: Climate Finance.....	18
1. What is climate finance?.....	19
2. How much adaptation finance is needed? .....	20
3. What is the current state of adaptation finance? .....	22
4. What are the financial channels for adaptation finance? .....	25
5. How much is private sector contributing to adaptation finance ? .....	27
6. What are the climate finance instruments? .....	30
CHAPTER III: Mobilizing domestic funds.....	32
1. Making the case to increase domestic budget allocation to adaptation investments.....	32
2. Establishing National Climate Funds.....	37
CHAPTER IV: Available multilateral funds for Mediterranean countries.....	42
1. Adaptation Fund .....	42
2. Global Environment Facility (GEF) .....	45
3. Special Climate Change Fund (SCCF).....	48
4. Green Climate Fund (GCF) .....	50
Conclusions .....	56
References .....	57

## List of Figures

Figure 1 : Population density and main cities in the Mediterranean coast (Source: Blue Plan) .....	6
Figure 2 : Climate and environmental risks in the Mediterranean (Source: MedECC, 2020).....	8
Figure 3 : Adaptation finance needs by sectors based on 26 developing countries 'NDCs and NAPs (Source: UNEP 2021).....	21
Figure 4 : Climate finance provided and mobilized (Source: OECD,2024).....	22
Figure 5 : MDB adaptation finance by sector (Source: Tall et al, 2021) .....	24
Figure 6 : Adaptation finance shortfalls by sector, 2014 in US\$ (Source: Tall et al, 2021).....	24
Figure 7 : Climate Finance architecture (Source: Watson et al., 2023). .....	25
Figure 8 : Private finance mobilised in 2016-2022 per categories of public climate finance providers .....	28
Figure 9 : Climate finance by finance instrument in 2016-2020 (Source: OECD,2022) .....	32
Figure 10 : National Climate Funds as part of the international climate finance landscape (Source: Flynn, 2011).....	38

## List of Tables

Table 1 : Strategic Objectives and Directions for climate change adaptation in Mediterranean Marine and Coastal Areas (Source: UNEP/MAP, 2017).....	11
Table 2 : Overview of planned adaptation actions by Mediterranean countries (Source: Compilation of the Author) .....	12
Table 3 : Prioritized actions through assessments and stakeholder consultations conducted under MedProgramme.....	14
Table 4: Costed needs expressed in NDCs by region and thematic area (Source: UNFCCC SCF, 2021)21	
Table 5 : Climate finance for 2015-2023 in USD million (Source : MDB, 2024).....	23
Table 6: Adaptation Fund Funding Windows (Source : Adaptation Fund)	
Table 7: Revised readiness objectives and outcomes (Source: GCF Readiness Strategy 2024-2027)	

## Introduction

Climate change adaptation financing is a combination of national and international financial resources, drawn from public and private sources, mobilized for addressing related objectives. Over the years, there has been a constant call for scaled-up, new and additional, predictable and adequate funding, particularly for developing countries, that are in the focus of this document. Related financing tools have been developed over recent years. However, the global climate finance architecture is complex: finance is primarily channeled through multilateral funds, such as the Green Climate Fund, Adaptation Fund, Global Environment Facility, etc., while bilateral donors also contribute. A number of developing countries have set up national climate change funds that, along with domestic resources, mobilise funding from developed countries coordinating and aligning donors' interests with national priorities.

Although funds for climate adaptation activities from international sources are and will be available, much of the relevant efforts need to be supported by national and subnational authorities through their domestic budget frameworks and systems, including those dedicated to coastal zone management planning and its implementation. These include country strategies and plans such as national and sub-national Coastal Integrated Coastal Zone Management (ICZM) Strategies, National Adaptation Plans (NAPs), Nationally Determined Contributions (NDCs) under the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, but also those relevant to the Sustainable Development Goals (SDGs) process and other relevant agreements.

Among others, almost all Mediterranean countries, except Libya and Algeria<sup>1</sup>, have submitted their updated NDCs. In these, coastal areas and associated sectors (e.g. water, tourism, fishery, agriculture, and coastal infrastructure) are recognized among the most vulnerable sectors in these countries. While NDCs identify priority adaptation measures, mobilizing necessary funds for their implementation is a common challenge for all countries.

Despite their recognized importance, only a limited number of climate change adaptation investments have targeted Mediterranean coastal and marine areas. Additional related challenges include the lack of public authorities' capacity to utilize international financing opportunities and prioritize national investments as well as the lack of key stakeholders' capacity to contribute to these efforts.

This document provides methodological guidance for countries to develop financial plans for climate change adaptation providing them with a strategic approach to finances, marking out a roadmap for turning their commitments into actions, building their resilience and adaptive capacity. It aims to support countries screening, targeting and successfully mobilizing available funding sources for climate action comprising domestic, international, and private sector investment.

For this purpose, after briefly presenting the situation of climate change impacts and coastal adaptation needs in the Mediterranean (Chapter I), the Guidelines provide an overview of climate finance: what should be counted as climate finance, what is the current status of climate finance, what are the financial channels for adaptation action, how much the private sector is contributing to adaptation investments and what are the finance instruments available for countries to mobilize climate finance (Chapter II). The Guidelines then focus on how to mobilize domestic funds through increasing domestic budget allocation or establishing National Climate Funds (Chapter III) and how to access finance from multilateral funds (Chapter IV). Finally, the Guidelines provide recommendations for successful preparation of coastal adaptation projects (Chapter V).

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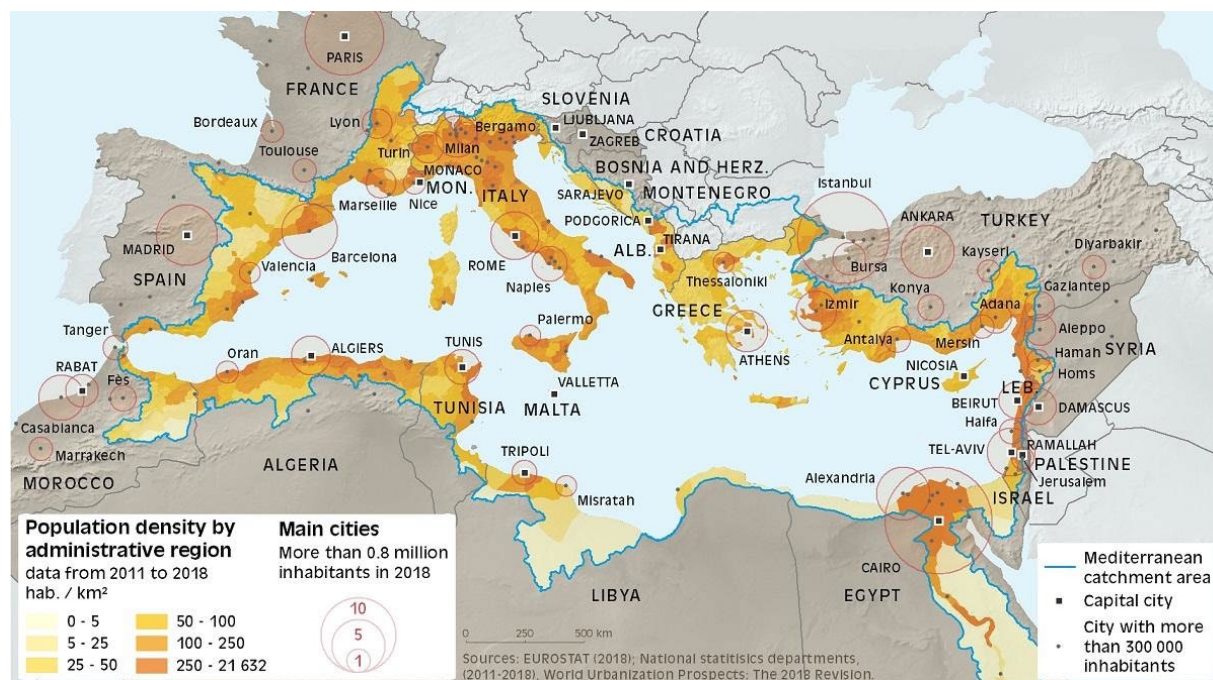
<sup>1</sup> Libya has not submitted yet an NDC. Algeria submitted its first NDC in 2016; it hasn't submitted yet an update

## CHAPTER I: Climate change in the Mediterranean coastal areas

### 1. Coastal areas: a vital ecosystem for the Mediterranean countries

The total population of the Mediterranean countries grew from 276 million in 1970 to 466 million in 2010. The population is predicted to reach 529 million by 2025. Overall, more than half of the population lives in countries on the southern shores of the Mediterranean, and this proportion is expected to grow to three quarters by 2025<sup>2</sup>.

Figure 1 : Population density and main cities in the Mediterranean coast (Source: Blue Plan)



The Mediterranean region's population is concentrated near the coast. More than a third live in coastal administrative entities totaling less than 12% of the surface area of the Mediterranean countries. The population of the coastal regions grew from 95 million in 1979 to 143 million in 2000. It could reach 174 million by 2025<sup>3</sup>. The concentration of population in coastal zones is denser in the western Mediterranean, the western shore of the Adriatic Sea, the eastern shore of the Aegean-Levantine region, and the Nile Delta. Overall, the concentration of population in the coastal zone is higher in the southern Mediterranean countries. This is also where the variability of the population density in the coastal zone is highest, ranging from more than 1000 people/km<sup>2</sup> in the Nile Delta to fewer than 20 people/km<sup>2</sup> along parts of coastal Libya. The coastal strip is becoming increasingly populated and built up and concentrates most of the major cities, many transport routes (roads, ports, airports), as well as industrial and energy infrastructure.

The economic development in the Mediterranean coastal regions is dominated by resource-based activities (i.e. fisheries, aquaculture, forestry, agriculture, and primary industries), secondary industries (e.g. food processing, housing and construction) and services (e.g. shipping and tourism).

<sup>2</sup> UNEP/MAP (2016). Mediterranean Strategy for Sustainable Development 2016-2025. Plan Bleu, Regional Activity Centre.

<sup>3</sup> *Ibid*

The share of agriculture<sup>4</sup> in Gross Domestic Product (GDP) and employment has been steadily decreasing over time in almost all Mediterranean countries, due to the tertiarization of national economies. Gross agricultural production amounts to 18.9% of total GDP in Albania, 13% in Morocco, 12% in Algeria, 10 % in Tunisia, 7.2% in Montenegro and 1% in Libya<sup>5</sup>.

Total production of fish and shellfish in recent years in the Mediterranean from fisheries and aquaculture amounts to approximately 2.4 million tonnes. Combined, fisheries and aquaculture provide an economic output close to USD 12 billion, including both the value at first sale and the wider economic impact along the value chain. The region's fisheries employ just under a quarter of a million (225 000) people directly on-board fishing vessels; while adding other fisheries-related employment along the value chain, such as the pre- and post-harvest sectors, gleaning activities and other in-kind labour (such as non-remunerative support from family members) takes the estimated total to 785 000 jobs. Aquaculture has developed at a sustained pace over the past 20 years, with an average annual growth rate of 5% between 1994 and 2015. In 2018, an estimated 35 000 farms in Mediterranean and Black Sea countries provide direct and indirect employing for more than 500 000 people<sup>6</sup>.

The Mediterranean region supports some of the richest fauna and flora in the world and has a wide diversity of habitats. It is recognized as one the 25 top global biodiversity hotspot and characterised as an area of exceptional biodiversity value, with a large number of endemic species and critical levels of habitat loss. There are an estimated 10,000–12,000 marine species in the Mediterranean, comprising approximately 8,500 macroscopic fauna, over 1,300 plant species and 2,500 species from other taxonomic groups<sup>7</sup>.

## 2. How climate change will impact coastal areas in the Mediterranean?

The most recent Intergovernmental Panel on Climate Change (IPCC) Physical Science Basis report (released in August 2021)<sup>8</sup>, offers the most comprehensive, unequivocal evidence that anthropogenic activities are driving climate change. It concludes that global surface temperature was 1.1°C higher in 2011-2020 than between 1850-1900. In 2023, that was about 1.45°C above the 1850-1900 average. Global temperatures in both July and August 2023 and 2024 were well above anything recorded before<sup>9</sup>. Globally averaged precipitation over land has likely increased since 1950, with a faster rate of increase since the 1980s (medium confidence). Global mean sea level increased by 0.20 [0.15 to 0.25] m between 1901 and 2018.

It is forecasted that the global surface temperature will continue to increase until at least mid-century under all emissions scenarios considered. Global warming of 1.5°C and 2°C will be exceeded during the 21<sup>st</sup> century unless deep reductions in CO<sub>2</sub> and other greenhouse gas emissions occur in the coming decades. The ocean absorbs approximately 90% of energy in the climate system, warming it to record levels in 2023. Global sea level increased to a new high in 2023 since the beginning of the satellite altimetry measurement in 1993, at 110mm.<sup>10</sup>

According to projections, the greater Mediterranean Basin is among the most vulnerable regions to global warming. Several studies have identified the region as one of the most prominent climate

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<sup>4</sup> As defined by the FAO, the term “agriculture” and its derivatives include forestry, fisheries and aquaculture

<sup>5</sup> UNEP/Map and Plan Bleu (2020)

<sup>6</sup> FAO (2021). GFCM 2030 Strategy for sustainable fisheries and aquaculture in the Mediterranean and the Black Sea, General Fisheries Commission for the Mediterranean – GFCM

<sup>7</sup> UNEP/MAP (2016). Mediterranean Strategy for Sustainable Development 2016-2025. Valbonne. Plan Bleu, Regional Activity Centre.

<sup>8</sup> IPCC (2021). Climate Change 2021: The Physical Science Basis.

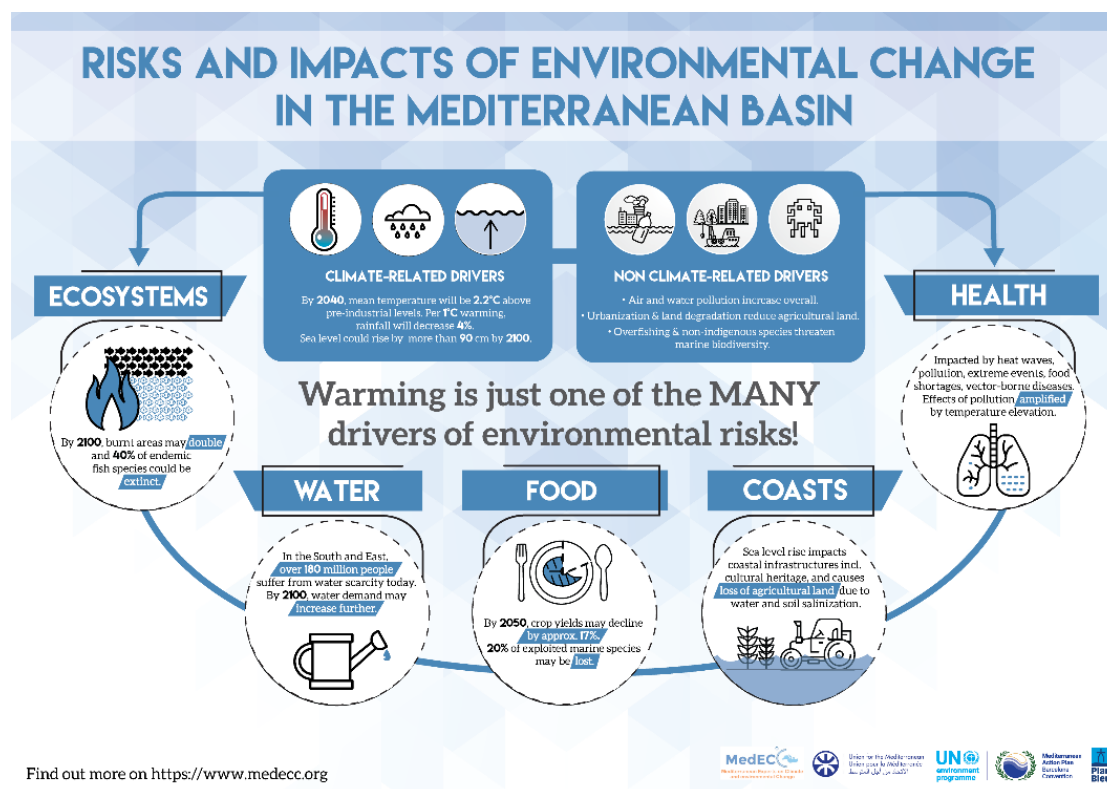
<sup>9</sup> <https://wmo.int/media/news/record-breaking-temperatures-continue-august>

<sup>10</sup> <https://wmo.int/topics/climate-change>

change hot spots. There are strong indications and a consensus that regional warming will continue faster than the global average and will exceed the global mean value by 20% on an annual basis and 50% in summer (high confidence). Mediterranean mean sea level rise is projected to accelerate further throughout the 21st century (high confidence). Around 2100, depending on the scenario, the basin mean sea level will likely be 37-90 cm higher than at the end of the 20<sup>th</sup> century.

The First Mediterranean Assessment Report (MAR1)<sup>11</sup> stresses the exacerbation of existing environmental fragilities and degradations in the Mediterranean basin due to climate change (Figure 1). Change in rainfall regimes will increase existing water shortages, desertification and will decrease agricultural productivity. CO<sub>2</sub>-induced acidification is further threatening the marine ecosystems. The more frequent and intense coastal storms and floods will have adverse impacts on human settlements, infrastructure and heritage sites situated close to the shore as well as on ecological balances. The coastal systems and low-lying areas (including beach tourism) are expected to be subject to submergence and erosion due to increased sea level rise and sea flood surges. Already overexploited coastal aquifers would become increasingly threatened by saline water intrusion due to rising sea levels. Coastal wetlands and estuaries will also be affected by sea level rise, while reduced precipitation and prolonged droughts will reduce the water discharge and sediments flow of Mediterranean rivers and catchments. Mobile coastlines are likely to retreat or disappear because of the effects of erosion due to the accelerated rise in sea level.

Figure 2 : Climate and environmental risks in the Mediterranean (Source: MedECC, 2020)



Some estimates predict a loss of 0.4 to 1.3% of GDP in Middle East and North Africa (MENA) countries due to climate change effects, rising to 14% in the absence of appropriate mitigation and adaptation measures. Many of these economic impacts are linked to projected climate change impacts on the highly interlinked factors of water security, agricultural productivity, and migration, displacement and

<sup>11</sup> Mediterranean Experts on Climate and environmental Change (MedECC) (2020)



urbanization<sup>12</sup>. For example, in a 2°C average global warming scenario, freshwater availability in the region could drop between 15 and 45%, with a resulting reduction in GDP between 6 and 14% by 2050.

**Albania's** coastal region occupies 36.7% of the surface of the country, is home to 39.3 % of the population<sup>13</sup> and contributes to 37% of the GDP<sup>14</sup>. It is vulnerable to the projected increased floods from rivers, as well as those from storm surges due to sea level rise. Housing exposure in disaster-prone areas, because of coastal erosion, coastal and/or river floods, saltwater intrusion, or landslides, will increase due to climate change. Water supply infrastructure is at-risk infrastructure from climate change, as floods and storm surges could affect the existing network and treatment plants. Salinization of coastal aquifers adds on to water losses in the water supply system, including due to its maintenance state<sup>15</sup>. While changes in temperature will favour an extension of the touristic season, extreme temperatures and rainfall events will increasingly hinder the attractiveness of Albania's coast during key summer months.

In **Algeria**, almost 40% of the population live in the coast. Although in terms of GDP, the coastal activities do not appear to be determinant in the current situation, these activities are set to play a key role in the economic transformation of the country, that is currently based on oil revenues. The National Blue Economy Strategy (SNEB 2030) and the Integrated Coastal Zone Management Strategy (SN GIZC 2030) identify seven sectors of high potential for wealth and job creation: research and innovation, fisheries and aquaculture, shipping and port activities, tourism, the processing industry, biotechnologies and services. The major vulnerability of Algeria to climate change is observed in the areas of water and agriculture induced by the decrease of water availability, the salinization of coastal groundwater, the increase of soil erosion and loss of agricultural land, etc. Furthermore, low lying human settlements and associated developments and activities in coastal areas are vulnerable to sea level rise and associated risks<sup>16</sup>.

In **Libya**, where around 70 % of the country's inhabitants reside in coastal areas, climate change is compounding water scarcity, thereby reducing water availability for agricultural and threatening the sustainability of water supplies. Libya's freshwater resources originate mainly from groundwater aquifers (97% of water use) and the water demand is far greater than its renewable supply. Annual water demand is around one billion cubic meters, compared to annual groundwater recharge estimated at only 250 million cubic meters. 60% of the potable water is supplied from the Great Man-Made River (GMMR), that uses water from non-renewable aquifers. In addition to being exposed to repeated assailants' attacks and infrastructure deterioration, GMMR records high evaporation in open reservoirs that are expected to increase with the temperature rise. At the same time, declining rainfall, extended droughts, and rising sea levels will lead to saline intrusion and the depletion of coastal groundwater resources<sup>17</sup>.

Coastal areas in **Montenegro** are exposed to sea level rise, that will be particularly significant in terms of coastal erosion, flooding, , and the loss of flat areas of karst such as in the south-eastern area of the Montenegrin coast. Montenegro can expect a fall in the number of tourists due to increase in air temperature during the main seasonal period, while an improved offer of tourist activities in the pre- and post-season periods could increase the number of tourists. Significant changes are expected in

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<sup>12</sup> UNEP-FI (2023)

<sup>13</sup> Republic of Albania. *Albania revised NDC*. (2021).

<sup>14</sup> World Bank. *Realizing the Blue Economy Potential of Albania* (2020).

<sup>15</sup> World Bank Group (2021). *Climate Risk Profile: Albania*.

<sup>16</sup> Ministère de l'Environnement et des Energies renouvelables (2023). Troisième Communication Nationale de l'Algérie à la Convention Cadre des Nations Unies sur le Changement Climatique.

<sup>17</sup> UNICEF Libya (2022). *Water Scarcity and Climate Change: an analysis on WASH enabling environment in Libya*.

snowfall and the occurrence and magnitude of droughts are foreseen to increase in the future, with decreasing rainfall and increasing temperatures, especially during the summer when water demand is high<sup>18</sup>.

**Morocco** has an extensive coastline, on which 60% of the population, 90% of industrial activity, and significant natural reserves, are located. The Moroccan coast continues to draw people from the drought-ridden interior. Coastal infrastructure and industry are at risk from flooding due to sea level rise<sup>19</sup>. Water resources are expected to decrease by 25% by the end of the century due to increased arid periods and drought conditions. Additionally, salinization of coastal aquifers will aggravate water shortages. Morocco's fishing sector is vulnerable to the impacts of climate change because of its high exposure to climatic variations and the limited economic resources of those involved<sup>20</sup>.

**Tunisia's** coast concentrates 80% of the country's economic activity and is home to two-thirds of the population. Climate change impacts in coastal and marine areas include sea level rise, increase in temperature, salinity and acidity of water. These effects will lead to other impacts such as the loss of lands, the damage of coastal and agricultural infrastructure, the erosion of the coastline and the degradation of coastal ecosystems<sup>21</sup>.

### 3. What countries have planned to build coastal resilience?

The Mediterranean countries are facing major changes in environmental conditions and current risks to human population, economies and ecosystems will increase as a result of changes in the patterns of droughts, wildfires, soil degradation, desertification, sea level rise, heat waves and river flooding, and other pressures, potentially leading to greater impacts<sup>22</sup>. Developing joint, region-wide, and integrated management and adaptation approaches that treat multiple hazards in a holistic manner is of utmost importance for sustainable development in the entire region, while tailoring measures to the respective local conditions. In this context, the Regional Climate Change Adaptation Framework for the Mediterranean Marine and Coastal Areas<sup>23</sup>, endorsed by the Contracting Parties to the Barcelona Convention at their 19th Ordinary Meeting (February 2016, Athens), aims to define a regional strategic approach to increasing the resilience of the Mediterranean marine and coastal natural and socioeconomic systems to the impacts of climate change, and to assist policy makers and stakeholders across the Mediterranean in the development and implementation of coherent and effective policies and measures<sup>24</sup>.

The development of the Framework was guided by the vision that by 2025 the marine and coastal areas of the Mediterranean countries and their communities have increased their resilience to the adverse impacts of climate variability and change, in the context of sustainable development. This is to be achieved through common objectives, cooperation, solidarity, equity and participatory governance.

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<sup>18</sup> Ministry of Sustainable Development and Tourism (MSDT) (2020)

<sup>19</sup> World Bank Group (2021). *Climate Risk Profile: Morocco*.

<sup>20</sup> Kingdom of Morocco (2021). Updated Nationally Determined Contribution under the UNFCCC – Morocco.

<sup>21</sup> Republic of Tunisia (2021). Paris Agreement on climate change – Updated NDC – Tunisia.

<sup>22</sup> MedECC (2020). Climate and Environmental change in the Mediterranean basin - Current situation and risks for the future - First Mediterranean Assessment Report.

<sup>23</sup> The Regional Framework was endorsed by the Contracting Parties to the Barcelona Convention at their COP19 in Athens, Greece, 2016

<sup>24</sup> UNEP/MAP (2017). Regional Climate Change Adaptation Framework for the Mediterranean Marine and Coastal Area [https://wedocs.unep.org/bitstream/id/56761/rccaf\\_eng.pdf](https://wedocs.unep.org/bitstream/id/56761/rccaf_eng.pdf)

The Framework is structured around four Strategic Objectives, each of them identifying several Strategic Directions with Priorities for consideration. The Strategic Objectives and Strategic Directions are presented in Table 1:

Table 1 : Strategic Objectives and Directions for climate change adaptation in Mediterranean Marine and Coastal Areas (Source: [UNEP/MAP, 2017](#))

Strategic Objectives	Strategic Directions
1. Appropriate institutional and policy frameworks, increased awareness and stakeholder engagement, and enhanced capacity building and cooperation	1.1 Enhancing awareness and engagement of key stakeholders on climate adaptation
	1.2 Promoting adequate institutional and policy frameworks
	1.3 Promoting a regional approach on Disaster Risk Management
	1.4 Improving implementation and effectiveness of adaptation policies through monitoring and reviewing progress
	1.5 Integrating climate adaptation into local plans for the protection and management of areas of special interest
2. Development of best practices (including low regret measures) for effective and sustainable adaptation to climate change impacts	2.1 Identifying adaptation needs and best practices
	2.2 Mainstreaming, exchanging and adopting best practices
3. Access to existing and emerging finance mechanisms relevant to climate change adaptation, including international and domestic instruments	3.1 Prioritizing public spending relative to climate adaptation and mobilizing national sources of climate finance
	3.2 Accessing international financing
	3.3 Building alliances with the banking and insurance sectors
4. Better informed decision-making through research and scientific cooperation and availability and use of reliable data, information and tools	4.1 Understanding of the vulnerability of natural and socioeconomic systems and sectors and of possible impacts
	4.2 Building capacities for and promoting the use of vulnerability and risk assessment at regional to local levels
	4.3 Strengthening Science-policy interface and accessibility of related knowledge
	4.4 Developing Regional climate information at a resolution suitable for adaptation planning

The Regional Framework is intended to motivate countries to incorporate adaptation actions for marine and coastal areas in their national climate and development planning processes and documents. An evaluation of the Regional Framework implementation over 2016-2025 has been launched, and its update is foreseen.

The Protocol on Integrated Coastal Zone Management in the Mediterranean is inviting countries to prepare their National Coastal Strategies, Plans and Programmes. Several Coastal Plans have been developed focusing on coastal adaptation and resilience.

An overview of coastal adaptation measures described in the national climate documents of our focus Mediterranean countries is presented in Table 2.

Table 2 : Overview of planned adaptation actions by Mediterranean countries (Source: Compilation of the Author)

Country	Reference Document	Example of Adaptation Actions
Algeria	National Climate Plan 2020-2030	<ul style="list-style-type: none"> <li>• Ports dredging</li> <li>• Protecting maritime infrastructures against erosion</li> <li>• Development of a database on the Algerian coastline and creation of a sedimentary map</li> <li>• Fight against marine intrusion</li> <li>• Protecting infrastructure against flooding</li> <li>• Development of a flood risk prevention plan and a flood early warning system for the Seybouse watershed</li> <li>• Assessment of climate change impacts on dams' regulation capacity</li> </ul>
Albania	Updated NDC	<ul style="list-style-type: none"> <li>• Development of territorial climate change adaptation plans for the whole coast (an integrated coastal zone adaptation plan), specific regions (the 4 that were prioritized) or cities</li> <li>• Development of sectoral climate change adaptation plans for the 3 main sectors prioritized and the supporting sectors (water, energy and agriculture/forestry/fisheries)</li> <li>• Mobilization of financial resources for climate change adaptation (DR preparedness, including for relocation) / Explore and find the means of accessing Albania's public budget for financing NAP implementation</li> <li>• Development of territorial climate change adaptation plans for the whole coast (an integrated coastal zone adaptation plan, including lagoons and protected areas and fishery sectors),</li> <li>• Integrated water basin and watershed management (e.g. protection of forest in the upper areas of watersheds)</li> <li>• Construction and maintenance of desalination plants</li> <li>• Increase the efficiency of water use, with a focus on infrastructure</li> <li>• Protection of ground water (e.g. strengthening and modernization of evacuating system of salty waters, in order to impede their penetration deep in the land and their mixing with fresh waters)</li> <li>• Strengthening the resilience of natural resources by following an adaptive fisheries management approach (application of the Ecosystem Based Approach)</li> <li>• Protection and restoration of coastal wetlands</li> <li>• Strengthen the system of protected areas, including coastal and marine ecosystems, for effective conservation and sustainable use</li> </ul>

Country	Reference Document	Example of Adaptation Actions
Libya	Libya 2020 Vision	<ul style="list-style-type: none"> <li>• Develop an effective and integrated watershed management system</li> <li>• Enhance the regulatory framework for and sustainable water resources use</li> <li>• Improve irrigation and domestic use efficiency</li> <li>• Fast track existing plans for desalination plants for domestic and agricultural use to hedge against overreliance on water supplies from the human-made river</li> <li>• Enhance institutional financing and capital markets for resource mobilization and public-private partnerships for service delivery</li> </ul>
Montenegro	Third National Communication	<ul style="list-style-type: none"> <li>• Integration of climate change impact and risk assessment into all future coastal strategic documents</li> <li>• Improvement/upgrade of early warning for coastal floods and storm surges</li> <li>• Promotion of erosion control measures, such as dune regeneration and restoration of coastal areas</li> <li>• Mapping of surfaces endangered by high waters is needed, as well as an analysis of options enabling the hydrological service of IHSM and the relevant municipal services to organize and monitor networks in priority watercourses,</li> <li>• Construct new and upgrade the existing water and utility infrastructure of the system</li> <li>• Increase the capacity of water storage</li> <li>• Moving of communal infrastructure, such as treatment plants and pumping stations to higher altitudes, to reduce the risk of coastal flooding and vulnerability to coastal erosion</li> </ul>
Morocco	<p>National Climate Plan 2030</p> <p>Coastal Law</p>	<ul style="list-style-type: none"> <li>• Support the action plan to safeguard and replenishment of groundwater, as well as watersheds, oases and wetlands</li> <li>• Support artificial groundwater recharge with a potential of 180 million m<sup>3</sup>/year</li> <li>• Promote conservation agriculture and organic farming</li> <li>• Develop wastewater reuse projects to achieve a mobilized volume of 325 million m<sup>3</sup> by 2030</li> <li>• Supporting seawater desalination and demineralization of brackish water to reach a minimum capacity of 500 million m<sup>3</sup> per year</li> <li>• Couple seawater desalination projects with the use of renewable energies the use of renewable energies</li> <li>• Restore 50% of degraded marine habitats by 2030</li> <li>• Designing and implementing a national plan for coastal risk management and adaptation to climate change</li> <li>• Incorporate vulnerability maps into land use planning to define sensitive areas and ensure infrastructure sustainability</li> </ul>

Country	Reference Document	Example of Adaptation Actions
		<ul style="list-style-type: none"> <li>Support the preparation of the regional coastal plan (SRL) for the region Oriental (replication of the MedProgramme ongoing preparation of the regional plan for Tangier-Tetouan-Al Hoceima)</li> </ul>
<b>Tunisia</b>	Updated NDC	<ul style="list-style-type: none"> <li>Produce and share information, knowledge and know-how to improve the resilience of the coastal sector to the effects of climate change and natural disasters</li> <li>Develop and integrate innovative processes, methods, and tools that incorporate climate change and natural disaster risks into planning in the coastal sector</li> <li>Develop a program for the management, protection and rehabilitation of coastal and marine landscapes and ecosystems</li> <li>Improve the quantitative and qualitative management of conventional water resources</li> <li>Increase the controlled use of non-conventional waters (desalination and reuse of treated wastewater)</li> <li>Achieving the digital transition of agro-sylvo-pastoral production systems, livestock, fisheries and aquaculture, improving the sharing of information, data and knowledge for a better resilience to the effects of climate change of territories and societies</li> </ul>

Furthermore, the SCCF Project executed by PAP/RAC, Blue Plan and GWP-Med as well as through MedProgramme Child Project 2.2 executed by GWP-Med acting in synergy with MedProgramme Child Project 2.1 executed by UNESCO IHP, PAP/RAC, Blue Plan and GWP-Med, has reached, through assessments and stakeholder consultations, agreements on prioritization of actions. The following action lines for climate change adaptation in the Mediterranean coastal zone have been prioritized and are presented in Table 3.

Table 3 : Prioritized actions through assessments and stakeholder consultations conducted under MedProgramme

Country	Reference Document	Example of Adaptation Actions
<b>Algeria</b>	ICZM Strategy for Algeria 2020 - 2025 <sup>25</sup>	<ul style="list-style-type: none"> <li>- Develop knowledge about the vulnerability and coastal zone adaptation</li> <li>- Develop adaptation plans of the coastal zones endangered by climate change</li> <li>- Improve and organize intervention capacity to face major risks</li> </ul>
<b>Montenegro</b>	National strategy for integrated coastal zone management for Montenegro <sup>26</sup>	<ul style="list-style-type: none"> <li>- Coastal management plan replicated in other coastal municipalities (Budva, Bar and Ulcinj)</li> <li>- Mitigation of climate change impacts through afforestation + expanding municipal green areas as to mitigate effects of micro-climate events in urban areas, particularly those resulting from the impacts of heat waves -</li> </ul>

<sup>25</sup> Ministère de l'Environnement, Algerai (2015)

<sup>26</sup> Ministry of Sustainable Development and Tourism of Montenegro (2015)

Country	Reference Document	Example of Adaptation Actions
	Coastal management Plan for Boka Kotorska Bay <sup>27</sup>	<ul style="list-style-type: none"> <li>- Adjustment of the existing infrastructure to be able to bear burdens of climate extremes and storm waves</li> <li>- Define adaptation measures to climate change in spatial plans for the impacts of sea level rise and torrential flows, including, e.g. improvement of observation and warning system in examining coastal zone vulnerability; improving early warning and response systems; modernisation and increase in the number of meteorological stations along the coastal zone</li> <li>- Operational programme developed for implementing climate change adaptation measures proposed within the assessment of the possible impacts of flooding caused by sea level rise (basis for the Coastal management Plan for Boka Kotorska Bay, developed within CP 2.1. with adaptation solutions mainstreamed via SCCF project)</li> <li>- Implementation of agro-environmental measures (organic farming, growing autochthonous varieties of crops and livestock breeds, use of mountain pastures etc.) focused on adaptation of agriculture to climate change</li> <li>- Prohibition of construction in the narrowest coastal zone (implementation of 100 m coastal setback zone)</li> <li>- Protection of coastal forests and coastal afforestation/greening</li> <li>- Technical solutions to reduce the impact of flashfloods and storm surges (barriers, coastal walls, breakwaters etc)</li> <li>- Cleaning and maintenance of streams to minimize flood impacts</li> <li>- Cameras for early fire detection and other fire prevention measures</li> <li>- Use of waterproof materials for new soil sealing (for example, permeable materials when constructing a parking lot)</li> <li>- Green roofs and walls and other forms of urban greening</li> <li>- Analysis of the potential of existing and research of potential local water sources + Determination of zones of sanitary protection of local water sources</li> <li>- Reduction of water losses in water supply systems (installation of meters, replacement of pipes, secondary water supply systems)</li> <li>- Establishing a water supply system in areas where there is none + construction of the sewage system in areas where there is none</li> <li>- The solution of the stormwater drainage system for all three municipalities</li> <li>- Analysis of the possibility of reusing (purified) wastewater (for watering public areas and alike) and increasing retention and storage of water for other purposes (e.g. watering public areas and in agriculture)</li> <li>- Protection of valuable benthic habitats – especially Posidonia as blue carbon reservoir through e.g. eco-buoys</li> </ul>
Morocco	DRAFT Coastal Plan (SRL) Tanger-Tetouan - Al Hoceima <sup>28</sup>	Support the governance and interministerial coordination with regards to the implementation of the Coastal Plans

<sup>27</sup> PAP/RAC (in development)

<sup>28</sup> PAP/RAC (in development)

Country	Reference Document	Example of Adaptation Actions
		<ul style="list-style-type: none"> <li>- Promote the ICZM activities in the preparation of the regional coastal plan SRL Oriental, according to national law and SRL guidelines</li> <li>- Support climate change adaptation activities related to blue economy (ex. Aquaculture)</li> <li>- Support the reforestation of the burned forests in the province of Tetouan</li> <li>- Support the activities of coastal setback and managed retreat for the coastal road and following dwellings in the Rif area (Tetouan, Chefchauen, Al Hoceima)</li> <li>- Promote the education of local and regional policymakers on questions regarding climate change adaptation</li> <li>- Support the projects of water catchments in the schools of the Rif area (measures of fighting water scarcity and promoting/educating on climate change)</li> <li>- Support the integrative projects of resilient cities in the region TTA: Tangier, Tetouan, Al Hoceima, Larache, Chefchaouen, M'Diq</li> <li>- Upgrade the desalination plant of Al Hoceima and increase energy efficiency through the use of renewable energy</li> <li>- Develop the value chain for the valorization of desalination plants brine</li> </ul>
Tunisia	ICZM Strategy for Tunisia 2021 - 2025 <sup>29</sup>	<ul style="list-style-type: none"> <li>- Reduction of risks of hydric disasters</li> <li>- Reduction of erosion and hydric pollution risks</li> <li>- water in urban areas</li> <li>- Safety of people, their property and public and private facilities</li> <li>- Beach stabilization</li> <li>- Identification of risks and elaboration of intervention plan</li> <li>- Upgrade of waste water treatments plans and use of renewable energy to increase energy efficiency</li> <li>- Protection, preservation and sustainable management of <i>Posidonia oceanica</i> meadows</li> </ul>

To support stakeholder engagement, capacity-building and cooperation as laid out in Table 3, the selection of the needed measures and coastal adaptation solutions listed above was supported by several stakeholder consultations and participatory processes and in the two SCCF Project pilot sites: the Tangier-Tetouan-Al Hoceima region, Morocco and Boka Kotorska Bay, Montenegro, led by Blue Plan. These included the following activities:

1. In the framework of the MedProgramme's Child Project 2.1, Blue Plan implemented the Climagine<sup>30</sup> methodology to support the development of Coastal Plans in both pilot sites, led by PAP/RAC in collaboration with national partners. This participatory foresight methodology engaged key coastal stakeholders and decision-makers to envision sustainable development and climate change adaptation pathways for their areas through an integrated series of workshops. In parallel, sustainability indicators were developed to allow for the monitoring of the zones towards sustainability over the coming decades for each of the priority sectors (e.g., spatial planning, tourism, etc.) identified by the stakeholders.

<sup>29</sup> Ministère de l'environnement, Tunisie (2020)

<sup>30</sup> <https://planbleu.org/en/projects/climagine/>



2. In the framework of the SCCF Project, Blue Plan produced two gender-sensitive climate risk assessments of the pilot areas<sup>31</sup>, highlighting the main climate change risks, impacts and vulnerabilities that appear in the respective areas. Participatory workshops were organised in both sites by Plan Bleu to train the stakeholder groups of the Coastal Plan/Climagine processes on these themes.
3. Building on the climate risk assessments, participatory workshops on identifying coastal adaptation solutions and submitting them to economic analysis methods (Cost-benefit analysis and Multi-criteria analysis) were held in both pilot sites, leading to a Blue Plan baseline study of potential adaptation solutions<sup>32</sup>, that was further built upon by PAP/RAC to produce full cost-benefit analyses of selected solutions.

Moreover, aiming at assisting countries mobilizing international climate finance to advance the implementation of priority coastal adaptation actions, including for mitigation co-benefits as relevant, GWP-Med is supporting through the SCCF Project the development of a multi-country Concept Note aimed to be submitted to the Green Climate Fund (GCF).

#### 4. What global frameworks can foster adaptation acceleration?

The first Global Stocktake assessing the global response to the climate crisis<sup>33</sup>, that was released in September 2023 and served as a negotiation basis for the UAE Consensus<sup>34</sup>, laid bare the fact that the global community is not on track towards achieving the long-term goals of the Paris Agreement, despite progress made. The UAE consensus acknowledges the collectively increasing ambition in plans and commitments for adaptation action and support, but underscores that most observed adaptation efforts are fragmented, incremental, sector-specific and unequally distributed across regions. It also recognizes that financial support needs to significantly scale up beyond the current commitment to double adaptation finance. Scaling-up mobilization of support for climate action entails strategically deploying international public finance, which remains a prime enabler for action, including to incentivize high-impact investments and to crowd-in private sector finance.

Countries have an opportunity to translate the UAE Consensus and incorporate ambitious climate action in their new NDCs, expected to be submitted in 2025. The new round of NDCs should include plans and priorities for adaptation, just transition efforts, and loss and damage.

Moreover, driving political action and finance for adaptation on the same scale as mitigation is the aim of the Global Goal on Adaptation (GGA) framework established under the Paris Agreement. Nonetheless, considering that adaptation interventions are typically local and context-specific, and the politically sensitive issue of who should bear the cost of adaptation in developing countries—those least responsible for climate change yet often the most affected—the process of defining the GGA has been both complex and lengthy. At COP28 (Dubai, 2023), a final framework was adopted outlining six key areas requiring adaptation action across all countries. However, the indicators for these areas are still pending definition and quantification. The target areas are:

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<sup>31</sup> Plan Bleu, 2022: [Climate Risk Assessment of Kotor Bay, Montenegro](#) and [Climate Risk Assessment of TTA, Morocco](#)

<sup>32</sup> Plan Bleu, 2023: [Baseline study of potential coastal adaptation solutions in the SCCF pilot sites](#)

<sup>33</sup> The Global Stocktake was designed under the Paris Agreement to assess every five years the collective progress towards achieving the purpose of the Agreement and its long-term goals. Those goals include cutting greenhouse gas emissions to limit global temperature rise to well below 2 degrees C and ideally 1.5 degrees C; building resilience to climate impacts; and aligning financial support with the scale and scope needed to tackle the climate crisis.

<sup>34</sup> UAE Consensus is the agreement reached during the COP28 Climate Change Conference (Dubai, December 2023).

- (a) Significantly reducing climate-induced water scarcity and enhancing climate resilience to water-related hazards towards a climate-resilient water supply, climate-resilient sanitation and towards access to safe and affordable potable water for all;
- (b) Attaining climate-resilient food and agricultural production and supply and distribution of food, as well as increasing sustainable and regenerative production and equitable access to adequate food and nutrition for all;
- (c) Attaining resilience against climate change related health impacts, promoting climate-resilient health services, and significantly reducing climate-related morbidity and mortality, particularly in the most vulnerable communities;
- (d) Reducing climate impacts on ecosystems and biodiversity, and accelerating the use of ecosystem-based adaptation and nature-based solutions, including through their management, enhancement, restoration and conservation and the protection of terrestrial, inland water, mountain, marine and coastal ecosystems;
- (e) Increasing the resilience of infrastructure and human settlements to climate change impacts to ensure basic and continuous essential services for all, and minimizing climate-related impacts on infrastructure and human settlements;
- (f) Substantially reducing the adverse effects of climate change on poverty eradication and livelihoods, in particular by promoting the use of adaptive social protection measures for all.

The framework also lays out overarching (but not yet quantified) global targets which will help guide countries in developing and implementing adaptation plans. These include:

- **Impact, vulnerability and risk assessment:** By 2030, all Parties to the UNFCCC have conducted assessments of climate hazards, climate change impacts and exposure to risks and vulnerabilities and have used the outcomes to inform their national adaptation plans, policy instruments, and planning processes and/or strategies. Furthermore, by 2027, all Parties have established systemic observation to gather climate data, as well as multi-hazard early warning systems and climate information services to support risk reduction.
- **Planning:** By 2030, all Parties have country-driven, gender-responsive, participatory and fully transparent national adaptation plans, policy instruments and planning processes, and have mainstreamed adaptation in all relevant strategies and plans.
- **Implementation:** By 2030, all Parties have progressed in implementing their national adaptation plans, policies and strategies, and have reduced the social and economic impacts of key climate hazards.
- **Monitoring, evaluation and learning (MEL):** By 2030, all Parties have designed, established and operationalized systems for monitoring, evaluation and learning for their national adaptation efforts and have built institutional capacity to fully implement their systems.

The majority of these targets have direct application in the coastal areas.

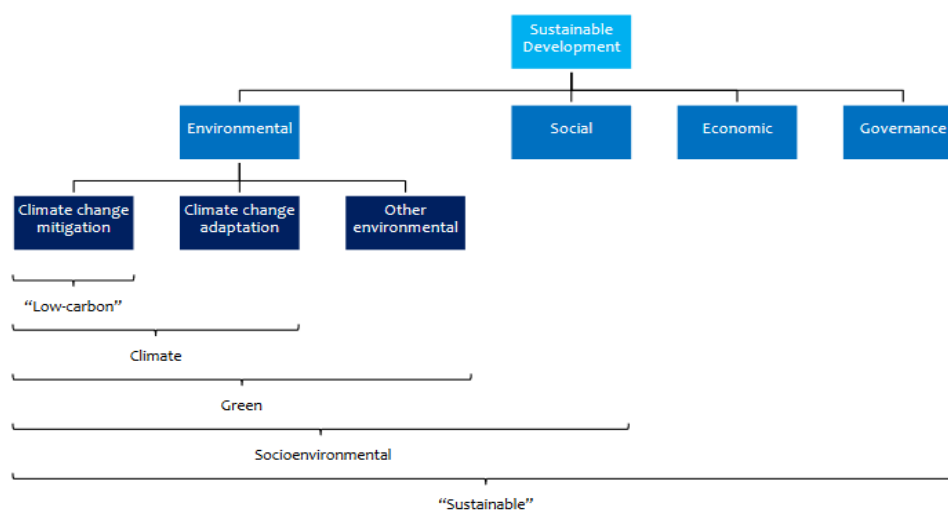
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## CHAPTER II: Climate Finance

## 1. What is climate finance?

There is no single universally-agreed-upon definition of Climate Finance. The multifaceted concept of Climate Finance encompasses different kinds of financial instruments used to support activities aiming to mitigate or adapt to the impacts of climate change. It is to be differentiated from other overlapping and interrelated concepts of green finance, sustainable finance, and socio-environmental finance as illustrated in the below scheme (Figure 2).

Figure 2: Climate finance as part of sustainable finance



Depending on the purpose for what the definition is designed for (i.e. in meeting the objective and scope of a particular tracking exercise, reporting framework, policy or regulation), operational definitions are provided within and outside the UNFCCC and the Paris Agreement. The UNFCCC Standing Committee on Finance (SCF)<sup>35</sup> states that *“Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts”*<sup>36</sup>.

The OECD Development Assistance Committee (OECD DAC)<sup>37</sup> uses two Rio Markers to measure and monitor climate finance. The first Rio Marker classifies an activity as mitigation related if it *contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration*. The second Rio Marker classifies an activity as adaptation related if *it intends to reduce the vulnerability of human or natural*

<sup>35</sup> SCF was established at COP16 to assist the COP in exercising its functions in relation to the Financial Mechanism of the Convention. This involves: i) improving coherence and coordination in the delivery of climate change financing, ii) rationalization of the Financial Mechanism, iii) mobilization of financial resources; and iv) measurement, reporting and verification of support provided to developing country Parties.

<sup>36</sup> UNFCCC Standing Committee on Finance (2014)

<sup>37</sup> OECD DAC is an international forum of many of the largest providers of aid, counting 31 members as per 2022. It gathers on an annual basis statistics on official development assistance (ODA) and other resource flows to developing countries from bilateral and multilateral development co-operation providers. Since 1998, the DAC has monitored development finance flows targeting the objectives of the Rio Conventions on biodiversity, desertification, and climate change using the Rio Markers. In 2010, a fourth marker was introduced to monitor climate change adaptation flows.

*systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them. This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions<sup>38</sup>.*

For the compilation of its annual *Global Landscape of Climate Finance*, the Climate Policy Initiative (CPI) defines climate finance as the total<sup>39</sup> public or private investment costs plus public framework expenditures<sup>40</sup> paid to cover the costs of transitioning to a low-carbon global economy and to adapt to, or build resilience against, current and future climate change impacts<sup>41</sup>.

The Multilateral Development Banks (MDB)<sup>42</sup> and the International Development Finance Club (IDFC)<sup>43</sup> agreed on a set of common principles to track and report the financial resources (from own accounts and MDB-managed external resources) committed to their operations, and components thereof, directed to activities that mitigate climate change and/or support adaptation to climate change<sup>44</sup>. The principles adopt a granular approach, meaning that only components and/or sub-components or elements or proportions of projects that directly contribute to or promote adaptation and/or mitigation are reported.

## 2. How much adaptation finance is needed?

The lack of universal definition of climate finance and the difficulties of accurate data collection limit how precisely adaptation finance needs can be estimated. In addition, adaptation needs depend on future climate trajectories, mitigation pathways and adaptive capacity.

In 2021, the UNFCCC SCF published the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement (NDR)<sup>45</sup>. The needs

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<sup>38</sup> OECD DAC (2016)

<sup>39</sup> The total costs are considered in this definition in opposition to the incremental costs defined as the difference between the investment costs of a 'green' project, and the investment costs of a 'brown' project, i.e. adaptation projects' incremental investment costs include all investment costs associated with adapting to climate change that are additional to a scenario without man-made climate change. Total investment costs allow to track the progress of current total climate mitigation and adaptation investment, not investment above a hypothetical higher carbon alternative.

<sup>40</sup> Public framework expenditures are defined as public expenditures that meet sector, system or economy-wide climate finance needs but are not part of the investment costs of individual projects and do not constitute revenues needed to pay back investment costs.

<sup>41</sup> Climate Policy Initiative (2014)

<sup>42</sup> The group MDBs is composed of the African Development Bank (AfDB), the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the InterAmerican Development Bank Group (IDBG), the Islamic Development Bank (IsDB), the New Development Bank (NDB) and the World Bank Group (WBG).

<sup>43</sup> IDFC is a global network for sustainable development investment composed of 26 national and regional development banks from all over the world, a majority active in emerging markets.

<sup>44</sup> MDB (2021)

<sup>45</sup> The report provides an overview of quantitative and qualitative information based on data and evidence from reports at the national, regional and global level. Quantitative information refers to the costed needs as included in the reports submitted by the developing country Parties to the UNFCCC. Qualitative information intends to overcome the countries' capacity gap to estimate the needs costs and refers to the needs derived from

expressed by developing countries in their NDCs cumulatively amount to around to USD 5.8–5.9 trillion up until 2030, or around \$600 billion per year. Adaptation costs constitute less than 15% of the costed needs, around \$83 billion per year (see Table 4). However, it must be noted that this may not necessarily suggest that mitigation needs are greater than adaptation needs, but reflect more the lack of available data, tools and capacity to assess adaptation needs. Figures of adaptation needs are likely underestimated. Agriculture and water are the two lead sectors for climate change adaptation actions, followed by disaster prevention and preparedness, coastal zone management and health.

Table 4: Costed needs expressed in NDCs by region and thematic area (Source: UNFCCC SCF, 2021)

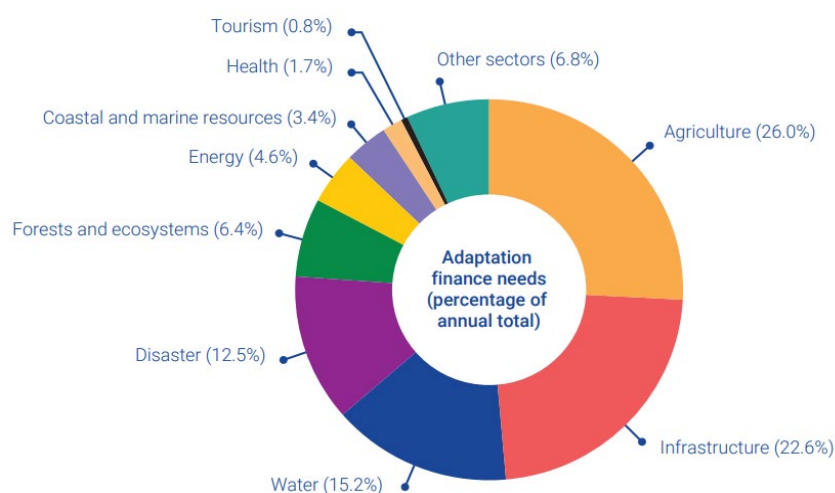
Region	Costed needs based on available financial information (USD billion)				
	Total	Mitigation	Adaptation	Cross-cutting	Other
<b>African States</b>	2,459.56–2,460.56	1,789.24 (73%)	276.92–277.92 (11%)	393.38 (16%)	0.02 (>0%)
<b>Asia-Pacific States</b>	3,180.39–3,250.39	225.47 (7%)	453.98–523.98 (14-16%)	2,500.01 (77-79%)	0.92 (>0%)
<b>Eastern European States</b>	9.36	2.11 (23%)	4.38 (47%)	-	2.86 (31%)
<b>Latin American and Caribbean States</b>	168.18–168.26	139.23 (83%)	28.95 (17%)	-	-
<b>Western European and other States</b>	-	-	-	-	-

Several other studies provided estimates of the adaptation finance needs. The International Monetary Fund (IMF) estimates that financial needs for adaptation exceed 1% of GDP per year in about 50 low-income and developing economies, rising up to 20% of GDP for small island nations exposed to tropical cyclones and rising seas. The 2022 report of the Independent High-Level Expert Group on Climate Finance estimates adaptation needs to reach USD 200 billion-250 billion per year by 2030. The UNEP Adaptation Finance GAP Report estimates adaptation finance needs in developing countries to reach USD 140 billion-USD 300 billion per year by 2030, and USD 280 billion to USD 500 billion per year by 2050. A sectoral analysis of submitted NDCs and NAPs reveals that the four sectors of agriculture infrastructure, water and disaster risk management make up three-quarters of quantified adaptation finance needs (Figure 3).

Figure 3 : Adaptation finance needs by sectors based on 26 developing countries 'NDCs and NAPs (Source: UNEP 2021)<sup>46</sup>

descriptions of planned activities, strategic directions, national priorities and action plans in the same reports submitted to the UNFCCC. These reports include: Adaptation Communications (AC), Biennial Update Reports (BUR), low-emission development strategy (LED), National Adaptation Plans (NAP), National Adaptation Programme of Action (NAPA), National Communication (NC), National Determined Contribution (NDC), Technology Action Plan (TAP), Technology Needs Assessment (TNA)

<sup>46</sup> UNEP (2021). Adaptation gap report 2020.



### 3. What is the current state of adaptation finance?

At the 15<sup>th</sup> Conference of Parties (COP15) of the UNFCCC in Copenhagen in 2009, developed countries committed to a collective goal of mobilizing USD 100 billion per year by 2020 for climate action in developing countries. The goal was formalized at COP16 in Cancun, and at COP21 in Paris, it was reiterated and extended to 2025.

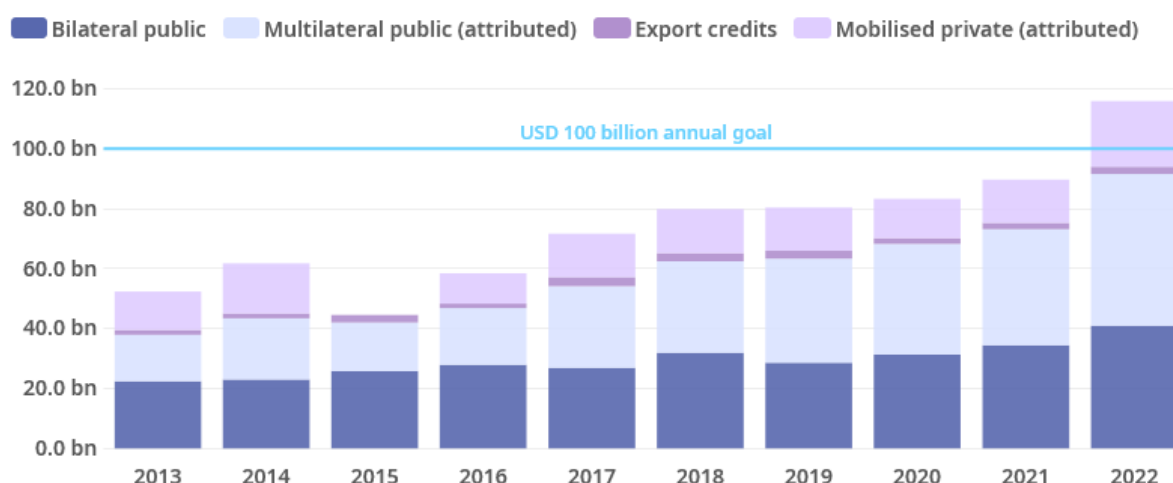
The OECD's seventh assessment of progress towards the UNFCCC goal<sup>47</sup> reported that, in 2022, climate finance provided and mobilised by developed countries for developing countries was up by 30% from 2021, or by USD 26.3 billion, marking the biggest year-on-year increase to date. The total climate finance reached a total of USD 115.9 billion, exceeding the annual USD 100 billion goal for the first time. This achievement occurred two years later than the original 2020 target year.

Following a small drop in 2021, adaptation finance reached USD 32.4 billion in 2022, while mitigation continued to account for the majority, representing 60% of the total. Public climate finance (bilateral and multilateral attributable to developed countries) accounted for close to 80% of the total in 2022 and increased from USD 38 billion in 2013 to USD 91.6 billion in 2022. Though private finance remains modest, it is remarkable to notice its growth by 52% in 2022, following several years of relative stagnation.

Figure 4 : Climate finance provided and mobilized (Source: OECD,2024)

<sup>47</sup> OECD (2024). [Climate Finance Provided and Mobilised by Developed Countries in 2013-2022](#).

## Amounts provided and mobilised by developed countries, billion USD



The gap in the private finance series in 2015 is due to the implementation of enhanced measurement methodologies. As a result, private flows for 2016-22 cannot be directly compared with private flows for 2013-14.

Multilateral development banks (MDBs) play a prominent role in delivering multilateral climate finance, with total related commitments made in 2023 to low- and middle-income economies of USD 74.7 billion. The commitments made for Albania, Algeria, Libya, Montenegro, Morocco and Tunisia are presented in Table 5.

Table 5 : Climate finance for 2015-2023 in USD million (Source : MDB, 2024)

Country	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Albania</b>	110	174	15	111	114	34	66	70	304
<b>Algeria</b>	1	-	-	-	-	-	-	-	15
<b>Libya</b>	-	-	-	-	-	-	-	-	-
<b>Montenegro</b>	62	1	68	25	7	13	12	23	70
<b>Morocco</b>	914	729	668	1057	927	842	916	1620	1195
<b>Tunisia</b>	19	96	387	265	427	90	190	298	528

The amount of adaptation finance to low- and middle-income economies reached USD 27.7 billion (22% of the total climate finance) in 2023. This remains below the Paris Agreement commitment of 50:50 split between mitigation and adaptation.

Coastal adaptation investments count for 40% of adaptation finance in high-income economies while it represents only 20% of low- and middle-income countries. Coastal protection has the greatest adaptation finance gap, with an annual shortfall of around USD 26 billion until 2050<sup>48</sup> (See Figures 5 & 6).

<sup>48</sup> Tall & all (2021). Enabling Private Investment in Climate Adaptation & Resilience. Current Status, Barriers to Investment and Blueprint for Action. World Bank Group & Global Facility for Disaster Reduction and Recovery

Figure 5 : MDB adaptation finance by sector (Source: Tall et al, 2021)

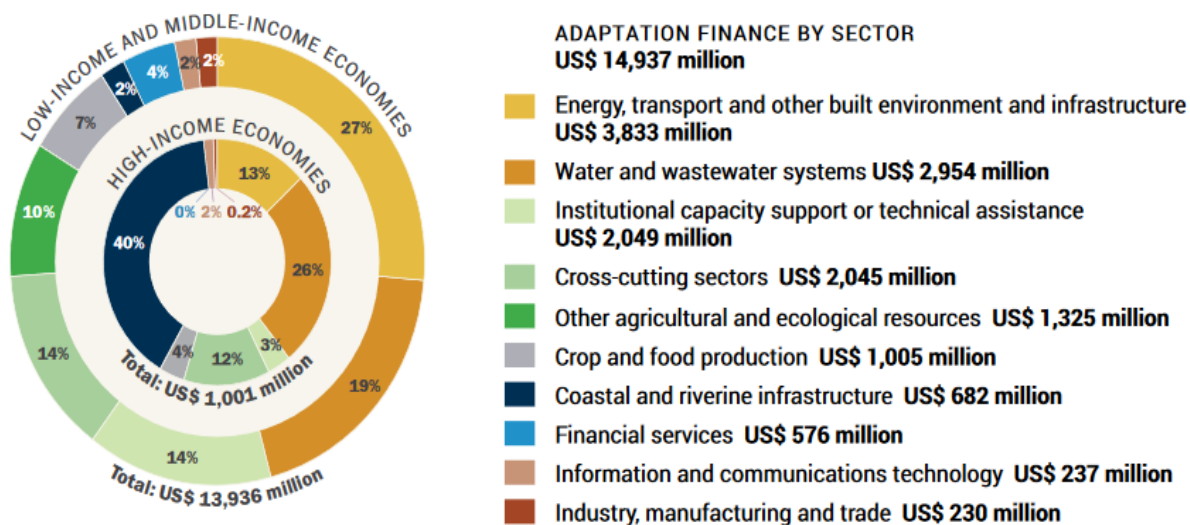
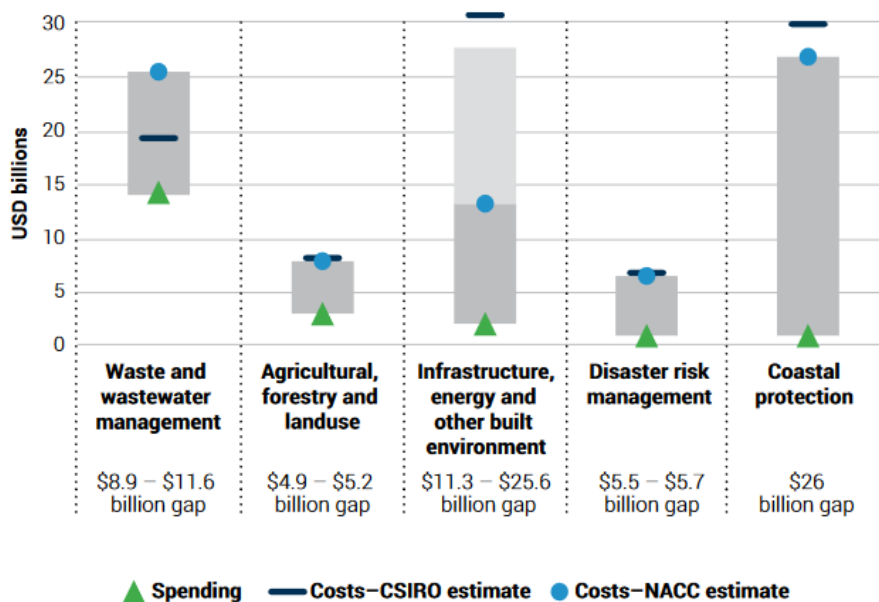


Figure 6 : Adaptation finance shortfalls by sector, 2014 in US\$ (Source: Tall et al, 2021)



**Notes:** Spending means the amount of international public adaptation finance in 2014 directed to both public and private sectors, as described in Buchner et al (2015). Costs estimates refer to the average annual cost of adaptation for each year from 2010-2050 for seven sectors and 144 low income and middle income countries described in World Bank (2010). Estimates cover varying climate scenarios: dry global climate projections (costs estimate – CSIRO) and wet global climate projections (costs estimate – NACC).

Access to climate finance, whether from public or private sources, has proved challenging for developing countries, including the poor and vulnerable. The mobilisation of private finance by



developed countries has mainly taken place in middle-income countries with relatively conducive enabling environments and low-risk profiles<sup>49</sup>. In addition, the complexity of application processes to access financing, for example from multilateral climate funds, has posed significant challenges for developing countries.

By 2025, countries are required to set a new financial target, the New Collective Quantified Goal (NCQG), that developed nations must mobilize to support developing countries in their climate actions post-2025, reflecting the evolving needs and priorities of developing countries in the context of climate change. The NCQG is expected to surpass the existing USD 100 billion annual target, recognizing that the financial needs for climate mitigation, adaptation, and resilience have grown significantly.

#### 4. What are the financial channels for adaptation finance?

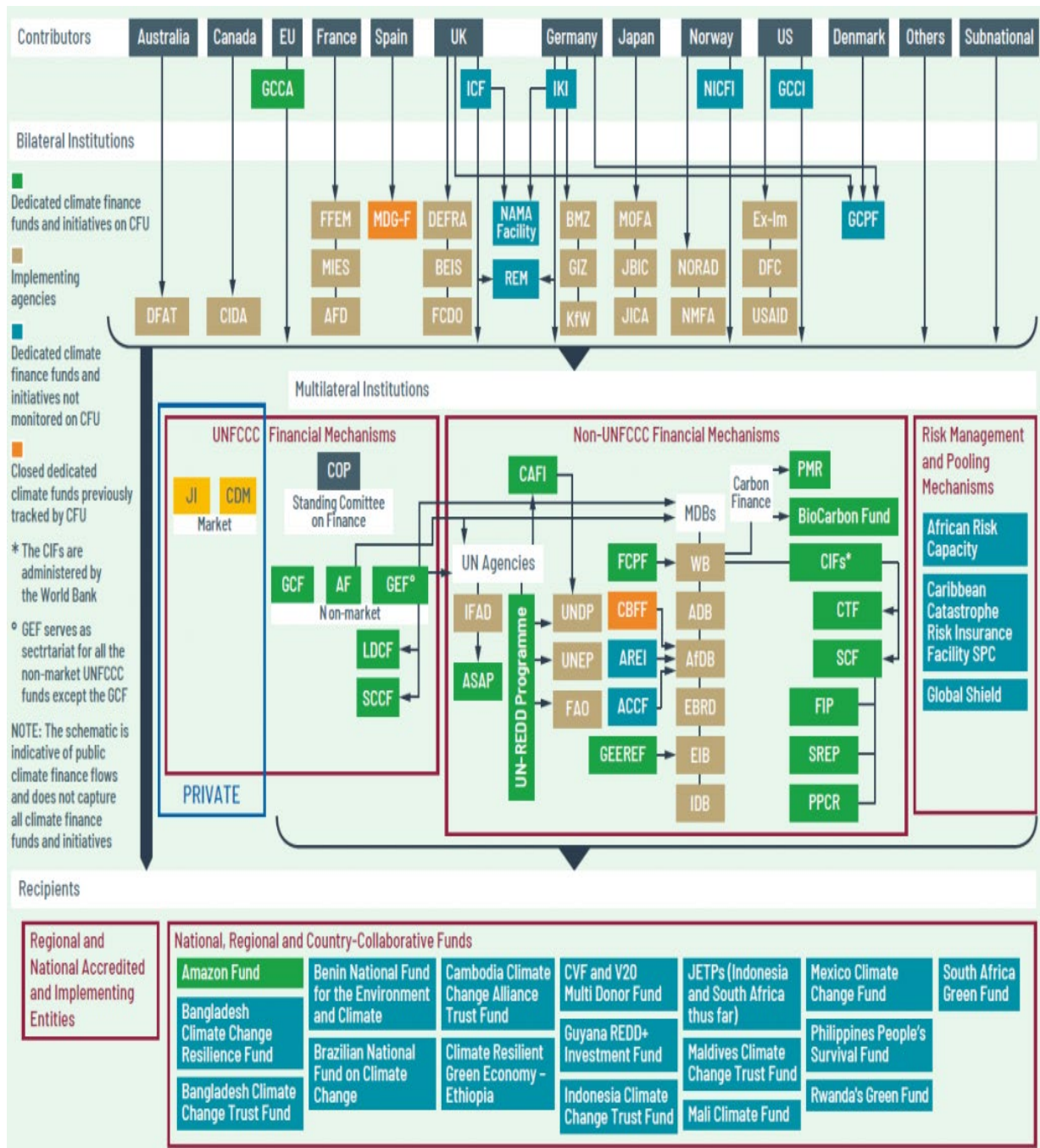
The global climate finance architecture is complex and always evolving. Funds flow through multilateral channels – both within and outside the UNFCCC Financial Mechanism – as well as through bilateral and regional initiatives and channels. A growing number of recipient countries are also setting up national climate change funds that receive funding from multiple contributor countries in an effort to coordinate and align contributor interests with national priorities. Figure 7 provides an overview of the global architecture, focusing particularly on public climate financing mechanisms.

*Figure 7 : Climate Finance architecture (Source: Watson et al., 2023)<sup>50</sup>.*

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<sup>49</sup> *Ibid*

<sup>50</sup> Watson, Schalatek, Évéquoz (2023). The Global Climate Finance Architecture



Implementing Agencies and Institutions		Multilateral Funds and Initiatives	
AfDB	African Development Bank	ACT	Accelerating Coal Transition program (implemented through WB, ADB, AfDB, EBRD and IDB)
AFD	Agence Française de Développement (French development agency)	AF	Adaptation Fund (GEF acts as secretariat and WB as trustee)
ADB	Asian Development Bank	ACCF	Africa Climate Change Fund
BEIS	Department for Business, Energy & Industrial Strategy (UK)	AREI	African Renewable Energy Initiative
BMZ	Bundesministerium für Wirtschaftliche Zusammenarbeit und Entwicklung (federal ministry of economic cooperation and development, Germany)	ASAP	Adaptation for Smallholder Agriculture Programme
CIDA	Canadian International Development Agency	CAFI	Central African Forest Initiative
DEFRA	Department for Environment, Food and Rural Affairs (UK)	CBFF	Congo Basin Forest Fund (hosted by AfDB)
DFAT	Department of Foreign Affairs and Trade (Australia)	CDM	Clean Development Mechanism (implemented under the Kyoto Protocol)
DFC	United States International Development Finance Corporation	CIF	Climate Investment Funds (implemented through WB, ADB, AfDB, EBRD and IDB)
EBRD	European Bank for Reconstruction and Development	CTF	Clean Technology Fund (implemented through WB, ADB, AfDB, EBRD and IDB)
EIB	European Investment Bank	FCPF	Forest Carbon Partnership Facility
Ex-Im	Export-Import Bank of the United States	FIP	Forest Investment Program (implemented through WB, ADB, AfDB, EBRD and IDB)
FAO	Food and Agriculture Organization of the United Nations	GCCA	Global Climate Change Alliance
FCDO	Foreign, Commonwealth and Development Office (UK)	GCF	Green Climate Fund
FFEM	Fonds Français pour l'Environnement Mondial (French global environment facility)	GEF	Global Environment Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German technical cooperation)	GEEREF	Global Energy Efficiency and Renewable Energy Fund (hosted by EIB)
IDB	Inter-American Development Bank	JI	Joint Implementation (implemented under the Kyoto Protocol)
IFAD	International Fund for Agricultural Development	LDCF	Least Developed Countries Fund (hosted by the GEF)
JBIC	Japan Bank of International Cooperation	PMR	Partnership for Market Readiness
JICA	Japan International Cooperation Agency	PPCR	Pilot Program for Climate Resilience (implemented through WB, ADB, AfDB, EBRD and IDB)
KfW	Kreditanstalt für Wiederaufbau (German development bank)	SCCF	Special Climate Change Fund (hosted by the GEF)
MIES	Mission Interministérielle de l'Effet de Serre (inter-ministerial taskforce on climate change, France)	SCF	Strategic Climate Fund (implemented through WB, ADB, AfDB, EBRD and IDB)
MOFA	Ministry of Foreign Affairs (Japan)	SREP	Scaling Up Renewable Energy Program in Low Income Countries (implemented through WB, ADB, AfDB, EBRD and IDB)
NMFA	Norwegian Ministry of Foreign Affairs	UN-REDD Programme	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation
NORAD	Norwegian Agency for Development Cooperation	<b>Bilateral Funds and Initiatives</b>	
UNDP	United Nations Development Programme	GCCI	Global Climate Change Initiative (US)
UNEP	United Nations Environment Programme	GCPF	Global Climate Partnership Fund (Germany, UK and Denmark)
USAID	United States Agency for International Development	ICF	International Climate Finance (UK)
WB	World Bank	IKI	Internationale Klimaschutzinitiative (international climate initiative, Germany)
		MDG-F	MDG Achievement Fund (implemented by UNDP)
		NAMA Facility	Nationally Appropriate Mitigation Action Facility (UK, Germany, Denmark and the EC)
		NICFI	Norway's International Climate Forest Initiative
		REM	REDD+ Early Movers (Germany and UK)

A new financial mechanism was created under the UNFCCC in 2022 to assist developing countries that are particularly vulnerable to the adverse effects of climate change, in responding to loss and damage. The Fund for Responding to Loss and Damage (FRLD) was operationalised the following year, at COP28. The World Bank was mandated to host the FRLD secretariat, and to provide trustee services. To date, there is no official definition of loss and damage under the UN, but the term is used in UN climate negotiations to refer to the consequences of climate change that go beyond what people can adapt to. The possible sources of funding for addressing loss and damage, the activities that could be financed and the procedures to access to the Fund are yet to be defined.

Climate finance flows through multilateral and bilateral channels, some of them finance both adaptation and mitigation, others finance only adaptation or mitigation. In these guidelines, we will focus only on funds that can support adaptation and are eligible for Mediterranean countries. These include the Special Climate Change Fund (SCCF), Climate Investment Funds (CIFs), Global Environmental Facility (GEF), Green Climate Fund (GCF) and the Adaptation Fund (AF).

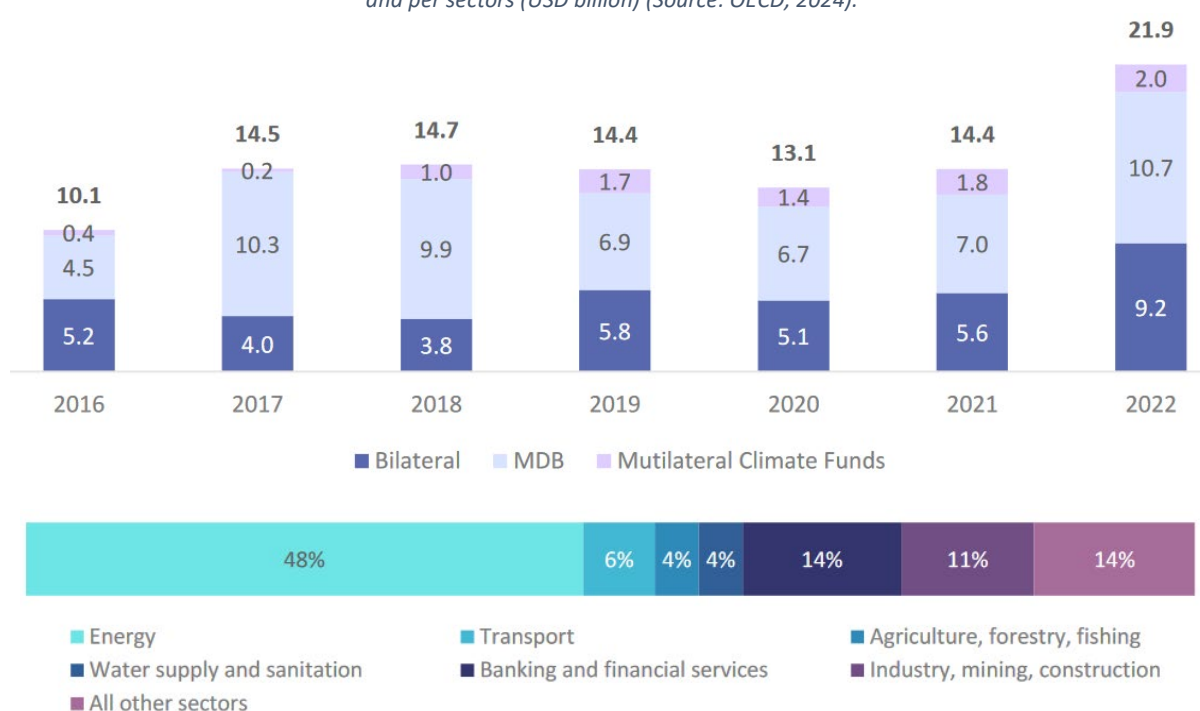
## 5. How much is private sector contributing to adaptation finance ?

Tracking of the private financing related to climate change has been shown to be challenging. Unlike the public financing, with private financing there is no obligation to make reports accessible or to harmonize the standards of data collection. In addition, adaptation investments are often part of a larger investment, requiring detailed project information to single out. Climate resilience activities are also often integrated into development interventions or business activities, and therefore rarely standalone (Tall, 2021).

Since 2015, under the request of donor countries, OECD has produced analyses on financial resources provided and mobilized through public interventions, including private finance mobilised by bilateral and multilateral public climate finance, attributed to developed countries. The figures analyzed by OECD do not capture all private finance for climate action in developing countries. Also, they do not include private climate finance attributable to developing countries. Further, they include neither climate finance resulting from public policy nor private finance invested in the absence of public interventions altogether.

After several years of stagnation, private finance mobilised by public climate finance increased significantly in both relative and absolute terms, reaching USD 21.9 billion in 2022. This represented a 52% (or USD 7.4 billion) increase compared to 2021. The increase was observed across all three categories of public finance providers. The majority share of private finance is mobilized by the energy sector (Figure 8)<sup>51</sup>.

Figure 8 : Private finance mobilised in 2016-2022 per categories of public climate finance providers and per sectors (USD billion) (Source: OECD, 2024).



When it comes to adaptation, the percentage of private sector finance is much lower. Of the total USD 30 billion spent on adaptation in 2017–2018, only roughly USD 500 million (1.6%) came from private adaptation spending. It is however important to highlight that adaptation finance tracking challenges continue to impede the assessment of the progress of both public and private flows. Private financial flows to adaptation projects in developing countries may already be significant but not reported.

Adaptation projects often lack the revenue streams needed to secure large-scale private financing. It is also challenging to mobilize private finance for activities that increase the resilience of smaller actors, e.g. small enterprises, and farmers. Water and wastewater management projects attracted 70% of that private investment; the second-largest category was energy and other infrastructure, at 17%. Most private adaptation finance flows went to higher-income countries. Private financial flows

<sup>51</sup> OECD (2024), Climate Finance Provided and Mobilised by Developed Countries in 2013-2022.

to adaptation projects in developing countries may already be significant but will continue to be hard to measure<sup>52</sup>.

**Box 1: Role of the private sector in climate adaptation in the Mediterranean**

The Assessment on *“Private sector engagement to catalyse financing for climate adaptation in the Mediterranean”*\* (2024) describes the key categories of private sector engagements for climate adaptation in the Mediterranean. These include:

- investment by companies in their own business to ensure its resilience. For example, hotel owners can invest in air-conditioning their facilities to keep attracting tourists, or farmers can invest in irrigation efficiency to reduce their dependency on water resources impacted by climate change,
- investment throughout the supply chain to make it more climate resilient. For example, supporting farmers in gaining irrigation water efficiency, or in community-led actions for watershed conservations. Companies can also invest in research and development of new technologies and solutions that enable climate adaptation, such as climate-resilient crops or water efficient infrastructure,
- engaging in carbon pricing mechanisms or invest in carbon or biodiversity offset projects that support adaptation measures, such as reforestation or wetland restoration,
- buying green bonds for projects that address climate adaptation. Companies can also set-up or buy into dedicated funds that target climate adaptation projects or allocate capital to impact investments focused on projects and companies that prioritize climate adaptation alongside financial returns,
- co-financing projects that improve climate resilience through Public-Private Partnerships (PPPs).

Businesses are starting to engage in climate adaptation actions throughout the Mediterranean region. However, the degree to which actions are taken varies between countries, sectors and between private sector actors. Actions undertaken are often not framed explicitly as ‘climate adaptation’ activities. At the same time, businesses in the Mediterranean still tend to underestimate their exposure to climate risks. This reflects a narrow view of these risks and their impacts on supply chains and markets. Available tools like Climate Risk Assessment and Cost Benefit Analysis (CBA) can help identify the risks of climate change and define a sound investment rationale for the various adaptation options.

A major challenge remains in the perception that investing in climate adaptation is risky, with uncertain returns, unpredictable cash-flows and long payback periods. Climate adaptation financing is often given a low priority due to the lack of understanding of climate risks and the inability to translate known risks into investment opportunities. Especially SMEs frequently struggle to access affordable financing, including for adaptation projects. Moreover, the absence of clear national strategies, regulatory frameworks and incentives for climate adaptation, the fluctuating economic conditions, and the volatile political landscape in some countries make it less attractive for private sector to investor in climate adaptation. On top of that, there are many inconsistent and often contradictory policies and frameworks across the region that discourage private sector engagement to address climate change adaptation at a more regional scale.

To effectively increase private sector involvement in climate adaptation, it is essential to recognize the distinct roles that various actors play. Businesses must pivot climate risks into profit-generating opportunities and embrace entrepreneurship that adapts to changing conditions throughout their value chains. Financial institutions need to focus on offering tailored products such as climate adaptation bonds and green loans while leveraging public funds to attract private capital through blended finance. Governments must create enabling environments with supportive policies,

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<sup>52</sup> Tall & al. (2021). Enabling Private Investment in Climate Adaptation & Resilience. Current Status, Barriers to Investment and Blueprint for Action. World Bank Group & Global Facility for Disaster Reduction and Recovery

regulations and financial incentives, while civil society should raise awareness and mobilize support for private investments in climate resilience. Academia can foster capacity-building, innovation, and knowledge sharing to enhance adaptive capacity, encouraging private sector involvement in climate adaptation efforts. Regional and international organizations can stimulate private sector engagement in climate adaptation in the Mediterranean by facilitating multi-stakeholder dialogue and cooperation.

Aiming at providing a unique offering for discussing the challenges faced by the Private Sector and exploring ways to elevate its contribution to climate change adaptation as well as for mitigation co-benefits in the Mediterranean coast, the *Regional Roundtable on Private Sector & Climate Adaptation in the Mediterranean* (December 2024, Athens) will elaborate on related issues based on findings of the Assessment as well as experiences of the SCCF Project, including in Morocco and Montenegro, and will draw recommendations on ways forward.

*\* The Assessment and the Regional Roundtable are synergetic activities of the SCCF project and the EU funded Water and Environment Support (WES) project.*

## 6. What are the climate finance instruments?

Climate finance instruments are not different from the typical instruments that may be used for any type of financial transaction. Indeed, and as explained in the definition of climate finance section, what makes an investment climate-aligned is not the nature of the instrument used, but the fact that the investment supports activities aiming to mitigate or adapt to the impacts of climate change. Accordingly, climate finance instruments can be gathered in four main categories: debt instruments, equity instruments, risk transfer instruments, and credit enhancement instruments.

### a) *Debt instrument*

The instruments included in this category are:

- **Grants:** non-repayable funds normally provided for nonrevenue generating activities in recipient countries, such as knowledge management programs, capacity building programs, ongoing activities that do not generate financial return, and technical and costing plans, among other projects,
- **Concessional loans:** provided below-market interest rates or with more flexible terms compared to commercial loans for the purpose of addressing climate change/sustainable objectives. They are also generally characterized by longer repayment terms and extended grace periods,
- **Non-concessional loans:** broadly mean loans issued on or above market interest rates, or with shorter grace periods,
- **Debt swaps:** correspond to sale of a foreign currency debt to an investor or debt forgiveness by the creditor, in exchange for the debt relief being invested in climate change related activities,
- **Climate bonds:** are issued to raise finance for climate change solutions, both mitigation and adaptation. Like normal bonds, climate bonds can be issued by governments, multi-national banks or corporations. The issuing entity guarantees to repay the bond over a certain period of time, plus either a fixed or variable rate of return,

- **Micro-finance loans:** are small-scale financial credits to entrepreneurs, small businesses, and individuals that lack access to traditional banking services for the purpose of addressing climate change,

#### ***b) Equity instruments***

Equity instruments involve investing in businesses, projects, or companies focused on climate-related solutions. Investors provide funding in exchange for ownership stakes or shares in these entities. This instrument is often used to support the development and scaling up of innovative clean technologies and sustainable business models. Instruments include :

- **Equity securities:** ownership interest held by shareholders in an entity—a company, partnership (including Joint Venture), or trust—realized in the form of shares of capital stock for the purpose of addressing climate change,
- **Co-financing:** Joint financing between two entities working to finance an activity with climate change objectives,
- **Crowd funding:** Funding climate change mitigation or adaptation project activities by raising small amounts of capital from many individuals, typically through an online platform.

#### ***c) Risk transfer/sharing instruments and mechanisms***

- **Guarantees** are legally binding agreements under which the guarantor agrees to pay part or the entire amount due on a loan, equity or other instrument in the event of non-payment by the obligor or loss of value in case of investment. They are an important de-risking instrument to help make many climate projects bankable from the private sector's perspectives,
- **Insurance:** is a risk transfer mechanisms that provide resources for climate-related disasters and transfer loss liabilities to capital market investors,
- **Result-based payment** is a financial arrangement where funds are disbursed based on the achievement of pre-defined results or outcomes of climate activity, and occasionally upon meeting interim milestones, and after they have been independently verified. The main advantages of this approach are the economic efficiencies produced from the alignment of incentives, the risk transfer from funder to implementor, and the incorporation of verification mechanisms to monitor and evaluate the delivery of results.
- **Risk Capital:** refers to funds (equity/concessional loans) allocated to climate mitigation/adaptation activity with high level of uncertainty. Diversification, or mixing a wide variety of investments within a portfolio, is key for successful investment of risk capital. Moreover, usually only a portion of total capital is considered risk capital.

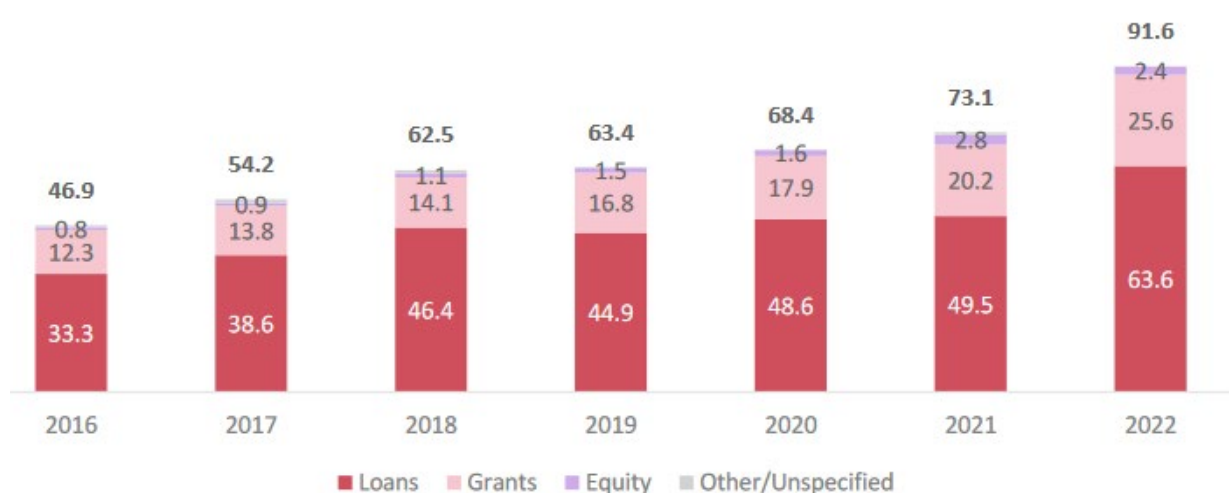
#### ***d) Credit enhancement instruments***

- **Interest-rate softening mechanisms:** Lower interest rates and other subsidies to reduce financing costs below market rates to finance climate change activities,
- **On-lending:** Borrowing from external or domestic sources and thereafter passing the loan to another entity for the purpose of addressing climate change,
- **Refinancing:** Replacement of an existing debt obligation with another debt obligation under different terms for the purpose of addressing climate change,
- **Project bond credit enhancement:** Subordinated instrument, either a loan or contingent facility, to support senior project bonds issued by a project company for low carbon projects,

- **Subordination of credit tranching excess spread, over collateralization, reserve accounts, etc:** Prioritization of collateralized debts, ranking one behind another for purposes of collecting repayment from a debtor. Subordinated debts are riskier than higher priority loans, transferring risk in the event the results of climate projects are not fully achieved.

The choice of a financial instrument against another depends on the project’s specific attributes, such as type of infrastructure, sector, scale, financing and co-financing needs, mitigation and/or adaptation objectives, as well as the borrower’s characteristics, investor appetite for risks and returns, and the type of sources of financing available. According to OECD tracker for the period 2016-2020 (Figure 8), public climate finance is taking mainly the form of loans (71% or USD 48.6 billion in 2020, including both concessional and non-concessional loans) and, to a lesser extent, grants (26% or USD 17.9 billion in 2020).

Figure 9 : Climate finance by finance instrument in 2016-2020 (Source: OECD,2022)



## CHAPTER III: Mobilizing domestic funds

### 1. Making the case to increase domestic budget allocation to adaptation investments

International climate funds, even after achieving the USD 100 billion annual target, represent limited sources of finance to climate challenges, while their processes can be slow and laborious. Thus, the adaptation financing gap will need to be met to a large extent by domestic public finance. The elaboration of NDCs, NAPs and other such strategic and action planning climate documents are expected to follow a participatory process and align with the national development orientations and priorities. However, it is only when NDCs are translated into precise and granular government policies and incorporated into the Public Financial Management (PFM) that public domestic investments will happen. Similarly, climate dimensions of SDGs should be reflected in countries’ development priorities and be incorporated into medium-term planning and annual budget allocation decisions. Countries can then reallocate funds to achieve greater climate benefits, influence public investments to be better prepared to climate risks, steering public resources away from actions that worsen vulnerability to climate risks, and report and improve tracking tools of climate public funds. Furthermore, by doing so, countries will send a clear message that they have taken their international commitments seriously



and consistently and pave the way for mobilizing additional funds from external sources and the private sector.

To this end, countries must undertake enabling activities and ensure consistency in making climate change a core consideration and a “lens” through which domestic budget is deployed in each step of the PFM cycle: i) strategic planning, ii) budget formulation, iii) budget execution, accounting and reporting, iv) accountability, external security and audit.

### *a) Evaluation of climate risks and related costs*

Costs of climate change impacts negatively affect government revenue and expenditure through a number of resulting situations: costs of recovery from disasters, additional social protection costs after floods and droughts, infrastructure damage costs, increase in the cost of imported food products, health care costs, etc.<sup>53</sup> If evaluating climate risks is becoming a common and masterful exercise by countries to have formulated their international commitments and priority action, the evaluation of climate impacts costs is less generalized and may sound a complex demanding endeavor. However, it provides valuable insights into the potential benefits of investing in climate adaptation and the appreciation of the most cost-effective efforts to build climate resilience.

Assessing the costs of climate impacts involves estimating the economic, social, and environmental consequences of climate change on various sectors and systems. Several tools are available to help governments do this, such as:

- **Climate Risk Assessments:** Climate risk assessments help identify and quantify the potential risks associated with climate change. These assessments consider the likelihood and potential consequences of various climate scenarios on different sectors and systems. They analyze the vulnerabilities of infrastructure, ecosystems, and communities, and assess the economic costs of potential damages, disruptions, and loss of productivity.
- **Integrated Assessment Models (IAMs):** are comprehensive models that integrate climate science, economics, and other relevant factors to analyze and explore the consequences of climate change and assess the costs and benefits of climate policies and response actions. IAMs help policymakers analyze different scenarios, evaluate trade-offs, and determine the most cost-effective strategies.
- **Cost-Benefit Analysis (CBA):** is a widely used economic tool that compares the costs and benefits of different policy options. In the context of climate change, CBA assesses the costs associated with climate impacts and compares them to the costs of adaptation or mitigation measures. It takes into account both monetary and non-monetary factors, such as ecosystem services and human well-being, to determine the net benefits of different actions.
- **Dynamic Stochastic General Equilibrium (DSGE) Models:** are macroeconomic models that capture the interconnections between different economic sectors and their response to policy changes and shocks. They can be used to evaluate the economic impacts of climate change and climate policies. DSGE models help assess the long-term economic consequences of climate change, including effects on GDP, employment, consumption, and investment.
- **Computable General Equilibrium (CGE) Models:** are economic models that simulate the behavior of different economic agents, such as households, firms, and governments, within an economy. These models capture the interactions between sectors and evaluate the impacts of policy

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<sup>53</sup> Venkatramani Sh & all (2021). Climate finance: mobilising domestic budgets and external funds for adaptation. Oxford Policy Management Policy Paper.

interventions, including climate policies. CGE models can be used to analyze the economic costs and distributional effects of climate change and climate mitigation measures.

- **Input-Output (IO) Analysis:** IO analysis examines the interdependencies between different sectors of an economy. It quantifies the direct and indirect economic effects of changes in one sector on other sectors. IO analysis can be applied to assess the economic consequences of climate impacts, such as changes in agricultural productivity or disruptions in supply chains due to extreme weather events.

#### *b) Identification and use of the entry points within the budget cycle*

The results of economic evaluation of climate impacts costs and the benefits of adaptation will be instrumental to influence budget allocation. It is important to identify entry points at each stage of the budget process.

##### ➤ **Strategic planning and fiscal policy elaboration:**

The strategic planning and fiscal framework are an opportunity for governments to define and describe the climate targets and objectives for the country and to ensure that plans and targets are well aligned. The budget process is normally undertaken in the context of a broader policy framework, which is often called a **national development strategy**. Such strategies or plans are a good place to highlight and project a government's climate plans, in coherence with the country's NDC.

Mediterranean countries that have ratified or/and signed the Protocol on Integrated Coastal Zone Management (ICZM) are required to develop and adopt **national coastal (ICZM) strategies, coastal plans and programs**<sup>54</sup>. Their primary goal is to ensure the sustainability and resilience of the coastal zone. To achieve this, a systemic, integrated approach is taken to analyse coastal environmental challenges alongside development needs, identifying priority solutions, necessary financing and potential sources.

The **medium-term fiscal framework (MTFF)** with macroeconomic and macro-fiscal forecasts serves as an interface between the long-term strategic goals of a national development plan and the spending, revenue, and financing plans contained in a budget. Incorporating climate targets in macro-fiscal forecasting tools and models offers a helpful entry point for strategically guiding both fiscal policy and the downstream budget preparation processes. In addition, fiscal risk statements could discuss the anticipated impact of climate change that could disrupt the fiscal policy objectives. Fiscal rules should remain flexible enough to allow for a fiscal response in case of a climate change-related emergency. For example, fiscal rules are often accompanied by an escape clause that allows for their suspension in the wake of large natural disasters, although even here an option exists to require that the activation of an escape clause be undertaken using environmentally and climate-sensitive principle<sup>55</sup>.

##### ➤ **Budget preparation:**

The budget preparation phase is crucial for the inclusion of climate considerations into the budget. Typically, this step starts with the issuing by the Ministry of Finance of a "**budget call circular**". This circular provides orientation of governmental policies as well as operational guidelines and targets to sectoral ministries before preparing the budget. The budget circular can be adjusted, or an additional circular may be prepared, to state that climate change will be a major criterion for budget allocation and require line ministries to prioritize climate adaptation programming, identify climate-related spending, link spending to strategic climate priorities, and/or justify all new policy proposals regarding

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<sup>54</sup> PAP/RAC (2008)

<sup>55</sup> Aydin & all (2022). How to Make the Management of Public Finances Climate Sensitive—"Green PFM". IMF Note 22/06

their climate impact. Ministries will therefore set out climate related key performance indicators in their annual budget submissions to the ministry of finance.

Climate change should be a key consideration in the **appraisal and selection of investment projects** as well as in the risk management of projects. This requires the systematic inclusion of the environmental and climate dimension in impact assessments and cost-benefit analyses to inform the process for the selection of public investment projects.

**Medium-term expenditure frameworks** involve laying out allocations to spending agencies over a three- to five-year period, as opposed to just a single year. Climate change can be introduced into this framework, giving certainty and predictability to agencies in regard to their climate expenditure planning, while allowing for alignments with other priorities along the way.

**Tagging climate related expenditure** in the budget preparation phase helps to highlight the true importance of climate concerns in resource allocation and monitor changes in spending levels and composition from one year to the next. Governments have used different taxonomies and classifications as foundations for their tagging methodologies as there is no single, widely accepted international standard for tagging climate expenditure. However, countries should strive for robustness and clarity of the classification implemented as well as consistency with their overall budget system and environmental policies<sup>56</sup>. Two major approaches are used to budget tagging<sup>57</sup>:

- Objectives-based methods analyse programmes based on whether a direct/indirect climate change linkage is evident from the programme's objective. Examples of objectives-based methods include the OECD Development Assistance Committee's Rio Markers for climate<sup>58</sup>, the Joint Multilateral Development Bank (MDB) Finance Approach to track climate finance, and Climate Public Expenditure and Institutional Reviews.
- Benefits-based methods include climate change impact appraisals (CCIAs), which study the relative benefits of a programme from a climate change perspective, in comparison to the programme's regular development benefits. Hence, if a programme is more valuable in a climate change scenario, it is due to the additional climate change benefits accruing from it: this differential, taken as a proportion of total programme benefits, determines the degree of climate relevance of the programme itself. CCIAs help understand both (a) the climate change relevance (i.e. the potential contribution of a programme to addressing climate risks) and then (b) the climate change sensitivity (i.e. the impact that could be suffered by the programme due to these risks, in the absence of climate-proofing – in the form of measures to adequately safeguard against future climate risks).

Finally, ensuring that actors engaged in **budget hearings**, including the **parliamentarians**, are adequately sensitized, aware of the economic benefits of climate adaptation, and have the information and capacity to scrutinise the government budget from a climate change perspective.

#### ➤ **Budget execution, monitoring, and reporting**

It is not uncommon that implemented budgets are considerably different from those planned. This can happen because, for example, the planned releases from the Ministries of Finance do not materialize, the agencies do not have the capacity to fully spend budgets received, the budget cuts

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<sup>56</sup> *Ibid.*

<sup>57</sup> Venkatramani Sh & all (2021). Climate finance: mobilising domestic budgets and external funds for adaptation. Oxford Policy Management Policy Paper.

<sup>58</sup> See the OECD DAC Rio Markers for Climate Handbook for detailed description of the markers.

due to exceptional changes in circumstances, etc. It is key to ensure that adaptation investments are **given priority and protected from cuts during budget revisions** in the face of funding shortfalls.

**Tracking climate finance** as part of the tagging system, as described above, is important to determine if climate finance aspirations are turning into action. In addition to providing useful information during possible budget reallocation, climate finance tracking gives incentives to Ministry of Finance and line Ministries to boost climate expenditure for reporting and communication purposes.

The tracking tools can be either incorporated in the existing Chart of Accounts (CoA) within the financial management and reporting system or use a specific reporting systems. The latter approach however may be time consuming and may increase the risk of error.

**Public procurement procedures** can also help governments achieve their climate-based objectives. The Coalition of Finance Ministers for Climate Action, to which Ministries of Finance of some of the Mediterranean countries are partners (Croatia, Egypt, Morocco, Montenegro), have signed on to the 'Helsinki Principles', a set of six principles that promote national climate action, especially through fiscal policy and the use of public finance. The Helsinki Principles are designed to be aspirational and are non-binding. The fourth of the Helsinki Principles indicates that Ministries of Finance should take climate change into account in procurement practices to reduce public sector impact and catalyze markets through green public procurement.

#### ➤ **Accountability, control, and audit**

Control and audit (internal and external) aim at giving reasonable assurance to stakeholders that the processes are implemented in compliance with rules, funds are used for their intended purpose, and information provided is accurate and complete.

Key entry points for mainstreaming climate change adaptation in this phase of the budget cycle relate to ensuring that those institutions which make up the 'climate finance accountability ecosystem' (civil society organisations-CSOs, journalists, legislative bodies, and supreme audit institutions) have the capacity and resources to enable them to scrutinise public finances from an adaptation perspective.

**Internal control and audit functions** performed by the Ministries of Finance can allow for close inspection of the effectiveness of line ministries processes and systems and assess their compliance with the climate-related objectives and requirements.

**External audit function** carried out independently of the executive branch of government is in charge of assessing and auditing compliance of project proposals and transactions with the climate-related objectives and requirements. **Parliament**, which is the main oversight body and has a central role in holding governments accountable for their climate policies and actions. Parliament climate change committees, ICZM committees, sustainable development and sector committees can scrutinize the government's performance in responding to climate issues by examining relevant audit and evaluation reports on climate strategies and recommending corrective measures in case of deviation from the approved targets.

**Setting up independent special body**, such as a national climate change, or **using existing** sustainable development or ICZM advisory council, committee, or panel, that brings together public, private and academia expertise, can provide useful analysis and advice to government and/or parliament on the consistency of current policies with government targets and commitments and what must be done to achieve these targets.

**Performance audits** try to specifically assess the link between policy outcomes/ outputs and the means affected to a given policy. Specific expertise must be built up to successfully integrate climate change in audit methodologies and define relevant audit indicators that consider performance from an adaptation perspective.

**Non-state accountability actors**, including CSOs and the media, have an important role to make the government accountable, whether directly through participating in budget processes by engaging the finance ministry/planning ministry and delivery ministries on the incorporation of climate change in budgets or indirectly by raising awareness on climate change finance issues through media articles or conducting analysis, commenting on government budgets, imposing transparency on the government actions, issuing demands for the Government to improve the quantity and quality of its spending on adaptation, etc.

## 2. Establishing National Climate Funds

National Climate Funds (NCFs) are dedicated financing vehicles established primarily by developing countries to collect climate finance from a variety of sources, coordinate them, blend them together and account for them. NCFs can be legally independent entities or in the form of a budget line. Basically, NCFs aim to:

- collect and distribute funds to climate change activities that promote national priorities. They provide a unified engagement point where the government, donors, development partners, civil society and other stakeholders can engage on and make decisions about climate change issues;
- facilitate the blending of public, private, multilateral and bilateral sources of climate finance;
- coordinate country-wide climate change activities, providing flexible, coordinated and predictable funding to support the achievement of national priorities on climate change and development;
- strengthen national institutions and financial management, an NCF can also support National Implementing Entities (NIEs) and other entities using the “direct access” modality to deliver climate change projects. As for November 2021, sixteen national climate funds have been accredited to function as ‘direct access entities’ of the Green Climate Fund (GCF), among which eleven have already received GCF funding<sup>59</sup>.

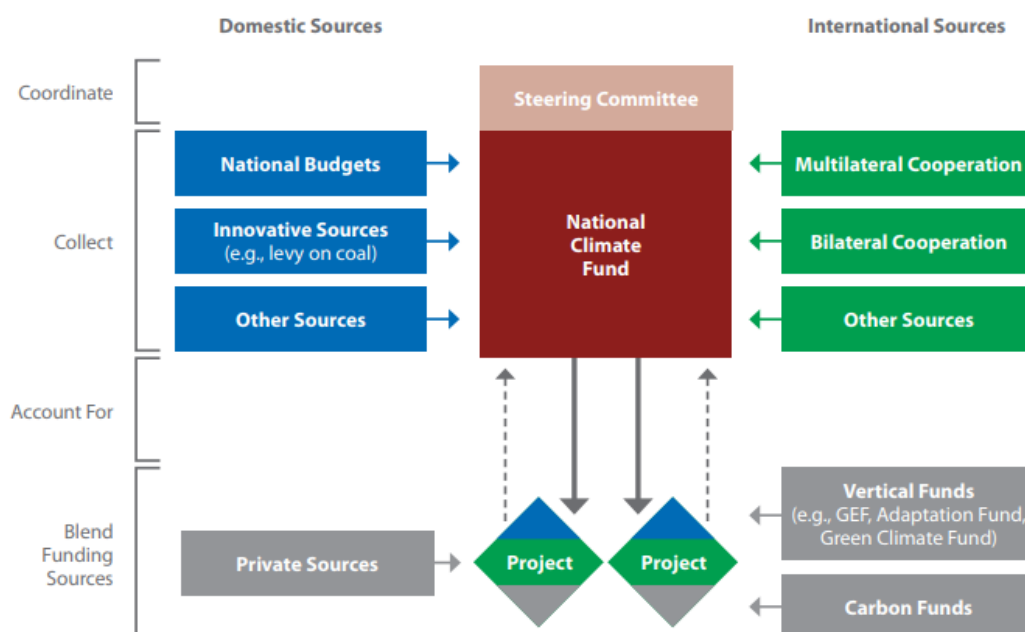
Depending on the countries’ needs, a NCF can be designed to emphasize some goals more than others. For example, some NCFs may focus on blending various types of finance together to support projects while others may emphasize coordination.

NCFs creation at the end of the 2000s marks the greater commitment of developing countries to tackle climate change and offers a large range of delivery channels to choose from to donor countries (Figure 10).

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<sup>59</sup> Bhandary R. (2021). Accelerating climate action through national climate funds. Global Development Policy Center. Global Economic Governance Initiative Policy Brief 019. 11/2021

Figure 10 : National Climate Funds as part of the international climate finance landscape (Source: Flynn, 2011)



NCFs are often the financing arms of climate policies. While some funds were established when climate policies were initially formulated, other funds have incorporated climate change into their mandates. The Mediterranean countries count five NCFs. Two are dedicated to renewable energy and energy efficiency (Algeria and Tunisia) and two are environment funds that have expanded into climate change (Jordan, Montenegro and Morocco).

### Box 2: Adaptation Funding in Montenegro

Montenegro's updated NDC renewed the commitment of the country to advance action on climate change, targeting a decrease by 2030 of greenhouse gas (GHG) emissions by 35% below 1990 levels, and promoting climate innovations and increasing public support for climate solutions to enhance climate resilience. The country has also shown a strong commitment to mobilizing resources for climate action through various financial mechanisms.

In 2018, the Government of Montenegro, established the Environmental Protection Fund of Montenegro (EcoFund - EkoFond) with the purpose to act as a central national institution for financing and providing technical support to projects / programs in the field of the environment, climate change and energy. The EcoFund operates as a limited liability company and is funded through various channels, primarily ecological fees in application of the polluter-payer principle. Funds can also come from the state budget, donations, loans, and international partnerships, including through programs and funds of the European Union, the United Nations and other international organizations. The Fund collects and invests funds in order to provide grants, subsidies, loans to the public and private sectors, as well as non-governmental organizations and citizens and catalyze a shift towards a more sustainable and resource-efficient economy. In addition to its environmental conservation efforts, Eco Fund serves as a catalyst for the creation of new partnerships with the private sector for the conservation and sustainable use of natural resources and fosters knowledge-sharing initiatives that contribute to the overall sustainability agenda in Montenegro. Several calls for proposals have been opened and managed by Eco Fund in diverse areas. Examples include

subsidies in the total value of EUR 150,000 for local authorities to install solar panels, heat pumps and wood pellet or briquette boilers, subsidies to businesspeople, entrepreneurs, and the public sector for the purchase of charging stations for electric and hybrid vehicles, etc.

Also, Montenegro promotes climate investments through the Investment and Development Fund of Montenegro (IDF). Established in 2009, IDF aims to encourage and facilitate economic development of the country through granting loans and extending guarantees, performing activities pertaining to the sale of capital in Fund's portfolio and other activities aimed at supporting economic development. IDF priority areas of intervention are support for entrepreneurship, the reduction of regional imbalances, the financing of infrastructure projects and support for vulnerable populations. Since 2019, the themes of energy efficiency, renewable energies and support for sustainable agriculture and tourism are also part of IDF's priorities. Since 2020 and for a duration of 12 years, the French Development Agency (AFD) is implementing a project to support IDF in the structuring of a dedicated financing offer (develop new financial products, refine the analysis of green investment projects, expand the green investment market, etc.), in line with the National Strategy for Sustainable Development, to support and promote climate investments in favor of Montenegrin SMEs and municipalities. The European Investment Bank (EIB) has invested €150 million in the IDF since 2020 in a credit line to stimulate cleaner production, reduce emissions, encourage the use of renewable energy sources, promote environmental protection projects, achieve energy efficiency, recover landfills, manage waste, and implement national energy programs. The Credit line is primarily directed towards green businesses providing loans through commercial banks for investments in land, buildings, equipment, and devices, with up to 30% of the total loan amount allocated for investment in working capital, exclusively for companies as loan users. Interest rates 0.5%–0.7% lower than those offered in the market.

Over the past years, Montenegro has also undertaken significant capacity-building initiatives to enhance climate risks management, promote innovative climate financing and catalyze private sector engagement. For more information, refer to the report: [Catalyzing coastal adaptation finance in Montenegro - Rapid Capacity Assessment](#), developed under the supervision of Blue Plan in the framework of the SCCF project.

One of the most compelling reasons for creating an NCF is the ability to safeguard finance for climate change. By instituting robust legal and governance arrangements, national climate funds can help ensure consistency in the supply of funding for climate change. Key steps are to be followed by countries willing to establish or expand NCFs to increase coastal adaptation investments:

➤ **Defining of the objective of the NCF**

As a first step, countries must identify the **strategic goals** of NCFs taking into account the national climate, coastal (ICZM) and development strategies and plans, as well as National Communications, NDCs and NAPs. At the same time, the design of NCFs must take into account the thematic priorities and how NCFs will relate to international and climate funds. Indeed, countries can decide to have multiple NCFs that target specific issues, for example one for energy transition and/or REDD activities and another for adaptation. The more the objective are clear and carefully defined, the more efficient is the definition of the function and operation modalities of the NCFs.

**Thematic priorities**, such as increasing coastal resilience, must be supported by analyses of the feasibility of increasing investment in that sector. Likewise, enabling activities such as capacity building

for direct access to climate funds under the UNFCCC must be acknowledged, and appropriate and supportive systems be put in place.

Countries also must define how the NCFs will **relate to other international and domestic climate funds** and align with other funding windows. Countries for instance may decide to create multiple NCFs targeting specific issues each. Hence, it is important to specify the **scope** of the NCF be important to ensure that the structure of the NCF fully supports its programmatic mission.

Another key question that should be answered to during the designing phase of the NCF relates to its **timeline**: What timeframe is most appropriate? Should the NCF be time-bound? if yes, what will be this timeline? For example, countries may wish to align the NCF timeframe to a national strategy, or use it as a leverage mechanism to attract fast start funding.

Finally, countries shall be clear about the **expected financial flows** to the fund and the finance pledges. They have also to ensure that concerned stakeholders by the fund are identified, consulted and acknowledged in the objectives.

#### ➤ **Identifying fund capitalization**

This step aims to identify types of resources that would best capitalize the fund. Deciding **where the funds will come from** will shape the NCF. Hence, fund capitalization must be realistic, grounded in the objectives and functions of the NCF. Many sources of finance, including international, national, public and private, can be delivered through an NCF, but they must build on existing frameworks and be supported by appropriate structures to access and channel funding efficiently. NCFs with multiple objectives generally blend together a broader array of sources than more targeted NCFs. Non-traditional financing mechanisms should also be considered for fund capitalization. These include for example levies on oil or coal production, taxes from polluting companies, etc. In which case, it may be required to amend the legal framework to allow tax deduction.

Countries should also consider **building partnerships** with donors to absorb mobilized resources from these donors or align with their activities to ensure they are undertaken in a coordinated manner.

It is not sufficient to define the fund capitalization only at its launch. **Sustainable financing** and the raising of additional resources throughout the life of the fund is to be thought of from the beginning.

#### ➤ **Setting-up appropriate governance**

The achievement of the NCF objectives and the optimization of its performance are inextricably linked to the governance system, including the governing bodies, the decision-making processes, and the oversight mechanisms.

The **governing bodies** roles should be clearly defined, and their composition aligned with the fund scope and objectives. Indeed, if the NCF targets specifically coastal adaptation, the concerned stakeholders should be represented in the governing bodies (line ministries, private sector, development and commercial banks, etc).. However, the structure and composition of the governing bodies should not add burdens or bottlenecks in the programming cycle. High-level steering committee, chaired by the government, may be helpful to ensure political ownership, and provide guidance and oversight to the fund. Technical groups will undertake project proposals evaluations and provide recommendations to the steering committee while a secretariat will conduct day-to day operations and support the steering committee to make decisions.

The design of the institution architecture of the fund can build on already existing frameworks or systems. These may constitute only a portion of the governance structure. For example, the mandate



of existing inter-ministerial climate change committees can be extended to take on the role of the steering committee. Moreover, when multiple environment or climate change funds exist in a country, the governance structure of one fund can support the operations of others.

The **eligibility criteria and the mechanisms of the submission and approval of funding proposals** should be clearly defined. The NCF should not overlook the required continuous effort to communicate and enhance the capacities of stakeholders on these mechanisms, including the development of guidelines and templates for project proposals. A dedicated budget for such an effort as well as the structures that will be responsible for these tasks are to be foreseen.

➤ **Ensuring sound fiduciary management**

Fiduciary arrangements facilitate relationships between different actors in the NCF structure. These arrangements must accommodate the multiple standards, project cycles and scale of risks of climate change projects. The NCF may have a “one size fits all” approach when defining the fiduciary principles or offer different set of fiduciary standards depending on the implementer (multilateral implementer or private sector) or the scale of the project (large project or a small one with low risks).

The management of the fund transactions and services, including collecting contributions from various sources, disbursing funds in a coordinated and effective manner, to each participating entity on behalf of the steering committee (or other decision-making body), is to be mandated to a trustee of the fund and the fees of the trustee services to be fixed. This can be a national or international body. It may be that the NCFs will begin with an international body as trustee with the ambition to transition this role to a domestic body. The absence of capacitated national bodies to ensure the role of a trustee should not postpone the creation of a NCF, rather foresee close collaboration between the international trustee and the national institutions to strengthen domestic fund management towards international fiduciary standards.

➤ **Supporting efficient implementation arrangements**

From the design phase of the NCF, the **financial instruments** (grants, loans, Public Private Partnerships, etc.) as well as the mechanisms to engage with private sector to encourage innovation investment opportunities need to be defined in alignment with the objectives and the targeted resources to be collected and disbursed.

The **criteria and procedures for selecting the implementing entities** must be laid down in such a way as to ensure that this selection takes place in a systematic and transparent manner. The fees of the implementing entities also need to be fixed. The same applies to the programme cycle, to ensure that the project move through the system as efficiently as possible and to avoid unnecessary delays or bottlenecks. along with the programmatic cycle to avoid unnecessary delays or bottlenecks.

➤ **Defining the Monitoring, Reporting and Verification system**

Monitoring, Reporting and Verification (MRV) is **a critical function of an NCF** to ensure that results are being delivered, and to collect lessons learned from implementation that will further refine and improve NCF operations.

MRV systems should draw on the best practices and align with other domestic and global climate change funds, as well as any MRV requirements of other relevant mechanisms. This helps the NCF MRV system to be cost-effective, robust and to minimize the reporting burden on NCF implementers.

Projects reports should follow defined **metrics and according to defined modalities and timeline**. Information provided by these reports should be collected and compiled for further analysis and identification of best practices.

The MRV systems contribute as a safeguard to clientelism and corruption. Hence, this function should not be overlooked, in the opposite it should be invested in and required capacities made available to ensure a high standard of **transparency**.

## CHAPTER IV: Available multilateral funds for Mediterranean countries

Key available multilateral funds to which developing Mediterranean countries are eligible, include the following.

### 1. Adaptation Fund

#### Background & Objective

The Adaptation Fund (AF) was established as a financial instrument under the UNFCCC and the Kyoto Protocol (KP) at the 7<sup>th</sup> Conference of the Parties (COP7) held in Marrakesh, Morocco in 2001 and was made operational in 2009.

The AF aims to increase resilience through concrete adaptation projects and programmes that reduce the adverse effects of climate change facing communities, countries, and sectors. It is exclusively for adaptation investments.

#### Resources and Fund size

As of 30 June 2021, 121 projects for a total amount of US\$ 830.6 million have been approved for funding and US\$ 3.4 million for Project Formulation Grants (PFG) and Project Formulation Assistance grants (PFA).

The financial inputs come from ODA and from 2% share of proceeds of the Certified Emission Reductions issued by Kyoto Protocol's Clean Development Mechanism (CDM).

#### Trustee

The World Bank is the Trustee of the Adaptation Fund on an interim basis. On behalf of the Fund, the World Bank performs two core functions. It sells the Certified Emission Reduction certificates that support the fund and manages the Adaptation Fund Trust Fund. The Secretariat is based in Washington D.C.

#### Conditions and Eligibility Requirements

Developing countries that are Parties to the Kyoto Protocol are eligible to the AF<sup>60</sup>.

The Adaptation Fund gives priority to countries that are particularly vulnerable to the adverse impacts of climate change, such as the least developed countries (LDCs), small island developing states (SIDS), and African states affected by drought and desertification.

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<sup>60</sup> The list of eligible countries is available at : <https://unfccc.int/process/parties>

In addition, for resources allocation, the Fund considers the level of countries vulnerability to the adverse effects of climate change and the level of urgency and risks arising from delay. Hence, low-lying coastal and other small island countries, and countries with fragile mountainous ecosystems, arid and semi-arid areas, and areas susceptible to floods, drought and desertification are given priority.

### Access Modalities

The Adaptation Fund allows international access through multilateral implementing entities (MIE), national implementing entities (NIE) and regional implementing entities (RIE). Any organisation that wishes to implement Adaptation Fund projects must submit an application for accreditation providing documentation indicating that it meets the fiduciary standards and commits to comply with the Environmental and Social Policy and the Gender Policy adopted by the Board. An Accreditation Panel composed of three independent experts and two board members, reviews and assesses the accreditation application based on fiduciary standards. Accreditation is valid for a five year period with the possibility for renewal through re-accreditation.

As of July 2023, the Fund had accredited a total of 55 implementing entities comprising of 32 NIEs, 9 RIEs, and 14 MIEs. In the Mediterranean region, the Sahara and Sahel Observatory (OSS) is accredited as RIE for African countries including North African Countries. Furthermore, two NIE are entities, namely the Agence pour le Développement Agricole (ADA) in Morocco and the Ministry of Planning and International Cooperation in Jordan.

### Financial Instruments

Adaptation Fund supports countries exclusively through Grants. These grants are available under the Fund's strategic pillars of i) Action, ii) Innovation, and iii) Learning & Sharing. Readiness grants are also available to new NIEs seeking accreditation and to help guide them through AF's accreditation and project development processes.

Each country can access up to USD 20 Million for single country projects/programmes through IEs. A single country project can be for a maximum amount of USD 10 million. Eligible countries can access up to USD 20 million total provided either: they accessed at least USD 8 million for a prior concrete single country project/programme; or, four years have passed since approval of the country's first project proposal by the AF Board.

In addition, a country can be part of one or more regional projects/programmes, for a maximum of USD 14 million per project (regional funding does not count against the country cap). Additional funding opportunities do not count against the country cap (e.g., innovation grants; project scale-up grants; learning grants; enhanced-direct access grants). Indeed, NIEs can access funding outside of their country cap, for enhanced direct projects up to US\$ 5 million per project, for large innovation grants of up to US\$ 5 million, small innovation grants of up to US \$ 250,000, learning grants and project scale- up grants for respectively US \$150,000 and US 100,000. The Adaptation Fund Board has also made available several small grants to the NIEs, such as the Readiness Package Grant, that is available for the accreditation of NIEs up to a maximum of US\$ 150,000 per country, the Project Formulation Assistance Grants (PFA) up to US\$ 20,000, and the Technical Assistance (TA) grants for the Environmental and Social Policy (ESP) and the Gender Policy (GP), for up to a maximum of US\$ 25,000 and US\$ 10,000 respectively, which fall also outside of the country cap.

Table 6 below provides a summary on the maximum funding amount by funding type.

Table 6 : Adaptation Fund Funding Windows (Source : Adaptation Fund)

Funding Window	Funding Type	Accredited Entity Type	Maximum Funding Amount per Project / Program
<b>Action grants</b> support eligible countries to undertake high quality Adaptation projects/programmes consistent with their priority needs, goals and strategie	<b>Single Country:</b> For addressing climate change impacts in one country through tangible outcomes	NIE, RIE, MIE	SD 10 Million per Project/Programme *
	<b>Regional:</b> For addressing climate change impacts in 2+ countries in the same United Nations region, or adjacent regions, through tangible outcomes	RIE, MIE	USD 14 Million per Project/Programme (excluding the PFG)**
	<b>Enhanced Direct Access:</b> Supports bottom-up approaches through local knowledge and locally led action. Project selection occurs at national/sub-national levels.	NIE	USD 5 Million per Project/Programme (including the PFG)
	<b>Project Scale Up:</b> Supports planning, design and overall capacity to develop scale-up pathways for AF funded projects nearing completion or already completed	NIE	USD 100,000 per Project/Programme
<b>Innovation grants</b> support the development and diffusion of innovative adaptation practices, tools, and technologies.	<b>Small (single country):</b> To accelerate development of innovative practices, tools and technologies and demonstrate best practices for scale-up	NIE	USD 250,000 per Project/Programme
	<b>Large (single country or regional):</b> To roll out or scale-up successful innovative practices, tools and technologies to a new country or at regional scale, involving 2+ countries	NIE, MIE, RIE***	USD 5 Million per Project/Programme
	<b>Adaptation Fund Climate Innovation Accelerator:</b> Administered by UNDP & UNEP/CTCN to accelerate the development of innovative practices, tools and technologies and demonstrate best practices for scale-up	Non-accredited ****	USD 250,000 per Project/Programme
<b>Learning &amp; Sharing</b>	Learning Grants: support the generation and dissemination of practical knowledge about effective adaptation activities and financing modalities to actors around the world	NIE	USD 150,000 per Project/Programme
<b>Readiness grants</b> enable NIEs to provide peer support to countries seeking accreditation with the Fund and build capacity for undertaking various climate finance readiness activities.	<b>Readiness Support Package Grant:</b> Facilitate the delivery of more enhanced, targeted and tailored readiness support for accreditation to developing countries	NIE	USD 150,000 per NIE
	<b>Technical Assistance Grant for the Environmental and Social Policy and Gender Policy:</b> For NIEs to strengthen capacity to address and environmental and social risks as well as gender related issues in their projects and programs	NIE	USD 25,000 per NIE
	<b>Technical Assistance Grant for the Gender Policy:</b> For NIEs with robust environmental and social policies to enhance measures to avoid, minimize and/or mitigate adverse gender impacts	NIE	USD 10,000 per NIE

\* NIEs applying for single country projects through 2-step submission process (concept note; fully-developed proposal) with concept note can request a Project Formulation Grant (PFG) up to USD 50,000 in addition to the USD 10 million grant.

\*\*RIEs and MIEs applying for regional projects (2+ countries) through the 3-step submission process (pre-concept note; concept note; fully-developed proposal) can request a PFG up to USD 20,000 with a pre-concept note and with a concept note a PFG up to USD 80,000. Those using the 2-step submission process (concept note; fully-developed proposal) can ask for PFG up to USD 100,000 with the concept note.

\*\*\*For NIEs submitting proposals for large innovation grants, there is an opportunity to request a PFG of up to USD 50,000 per project. For a project for which PFG funding is sought, the total amount of funding inclusive of PFG cannot exceed USD 5 million. RIEs and MIEs submitting concept

notes for large innovation grants for regional projects can request a PFG of up to USD 30,000. All IEs can apply to single country innovation large grants and MIE and RIEs only can apply to regional innovation large grants

\*\*\*Open to wide range of applicants, including local governments, NGOs, young entrepreneurs, the private sector and others

### Investment criteria

Country allocation takes into account the Strategic Priorities, Policies and Guidelines of the Adaptation Fund, specifically:

- Level of vulnerability to climate change;
- Level of urgency and risks arising from delay of action;
- Ensuring access to the fund in a balanced and equitable manner;
- Lessons learned in project and programme design and implementation to be captured;
- Securing regional co-benefits to the extent possible, where applicable;
- Potential for maximising multi-sectoral or cross-sectoral benefits;
- Adaptive capacity to the effects of climate change;
- Potential for learning lessons in project and programme design and implementation.

Furthermore, the fund has a 50% funding cap for MIEs to encourage applications by direct access entities.

## 2. Global Environment Facility (GEF)

### Background & Objective

The Global Environment Facility (GEF) was established on the eve of the 1992 Rio Earth Summit to assist in the protection of the global environment and to promote environmentally sustainable development. The Fund supports the implementation of several multilateral environmental agreements, and serves as a financial mechanism of the UN Framework Convention on Climate Change and the Paris Agreement. It is the longest standing dedicated public climate change fund. The GEF also administers several funds established under the UNFCCC including the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF).

GEF aims to support developing countries address their biggest environmental priorities and adhere to international environmental conventions.

### Resources and Fund size

Since its creation, GEF has provided more than \$23 billion and mobilized \$129 billion in co-financing for more than 5,000 national and regional projects. GEF funding is provided by participating donor countries<sup>61</sup> and made available to developing countries and countries with economies in transition to meet the objectives of international environmental conventions and agreements. The financial contributions to the GEF are replenished every four years. The Fund is currently in its 8<sup>th</sup> replenishment cycle, GEF-8: 2022 – 2026.

The System for Transparent Allocation of Resources (STAR) determines the amount of GEF resources that a given country can access in a replenishment period, distributed over the different focal areas of the GCF. GEF focal areas are Biodiversity, have also the opportunity to participate in selected “Integrated Programs” which aim to address major drivers of environmental degradation and/or deliver multiple benefits that fall under the GEF’s mandate.

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<sup>61</sup> <https://www.thegef.org/projects-operations/donor-countries>

**Climate change focal area focuses on mitigation** and aims to support developing countries as they make transformation shifts towards low emission development pathways. The GEF funds adaptation not under its climate change focal area, **but under two specialized trust funds created by the UNFCCC: the Least Developed Countries Fund and the Special Climate Change Fund (SCCF)**, that is also supporting the present UNEP MAP Project and document in hand. Some adaptation funding for local communities and local initiatives is also provided under the GEF's flagship Small Grants Programme (SGP).

### Trustee

The World Bank serves as the GEF Trustee, administering the GEF Trust Fund (contributions by donors). Among its responsibilities, it helps mobilize resources for the Trust Fund; disburses funds to GEF Agencies; prepares financial reports on investments and use of resources; and monitors application of budgetary and project funds. The GEF Secretariat is based in Washington D.C.

### Conditions and eligibility requirements

Countries are eligible for GEF funding in two ways:

- the country has ratified the UNFCCC and conforms with the eligibility criteria decided by the Conference of the Parties of the UNFCCC
- or if the country is already eligible to receive World Bank funds or is a recipient of technical assistance from the UNDP.

### Access modalities

The GEF provides funding through four modalities with different proposal submittal and approval processes:

- Full-sized Project (FSP): GEF Project Financing of more than USD 2 million
- Medium-sized Project (MSP): GEF Project Financing of less than USD 2 million
- Enabling Activity (EA): Project for the preparation of a plan, strategy, or report to fulfil commitments under a Convention
- Programme: longer-term and strategic arrangement of individual yet interlinked projects that aim at achieving large-scale impacts on the global environment

The GEF Project and Programme Cycle Policy<sup>62</sup> sets out the rules governing the cycles for GEF- financed projects and programmes and gives details regarding the different proposal submittal and approval process for each modality.

Access to GEF Funding is possible through accredited GEF Implementing Agencies. However, countries can access funding directly for some enabling activities such as completing Biennial Update Reports and National Communications. Initially, only UN agencies and multilateral development banks were accredited as GEF Implementing Agencies. As part of an effort to broaden the number of GEF implementation partners, 2011 a pilot programme to accredit "up to ten" new agencies was launched. Applicant entities were reviewed in a three-stage process with an independent GEF Accreditation Panel assessing whether they meet the GEF's fiduciary standards, as well as the GEF's environmental and social safeguards, including on gender mainstreaming. Of the initial applicants, eight have successfully completed the accreditation process and been added as fully-accredited GEF Partner

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<sup>62</sup> [https://www.thegef.org/sites/default/files/documents/Project\\_Program\\_Cycle\\_Policy.pdf](https://www.thegef.org/sites/default/files/documents/Project_Program_Cycle_Policy.pdf)

Agencies. A total of eighteen institutions (18) is currently acting as GEF implementing agencies<sup>63</sup>. A recent review of the accreditation approach of the GEF confirmed that no further GEF Partner Agency expansion is planned for the foreseeable future.

### Financial instruments

GEF funding is primarily through grants (almost 97% of total funding), while other non-grant instruments are also available : equity, subordinated loans, loans and Guarantees. GEF offers attractive financial terms as follows:

#### Financial terms for private sector:

- Flexible concessional interest rate;
- Minimum level of concessionality to avoid displacing other finance;
- First-loss position if justified;
- Maximum maturity of 20 years;
- Flexible exit date for equity investments.

#### Financial terms for public sector (*LDCs/SIDS and Other Recipient Countries*):

- Grace period of 10 years;
- Interest rate of 0.25% or 0.75%;
- Maximum maturity of 40 or 20 years;
- Principal repaid in equal annual payments after grace period.

### Investment Criteria

To be eligible, all projects and programmes must fulfil the following criteria:

- National priority: the project must be driven by the country and be consistent with national priorities that support sustainable development.
- GEF priorities: the project has to address one or more GEF focal areas (e.g. biodiversity, international waters, land degradation, chemicals and waste, and climate change).
- Financing: the project must seek GEF financing only for the agreed incremental costs on measures to achieve global environmental benefits.
- Participation: the project must involve the public in project design and implementation, following the Policy on Public Involvement in GEF-Financed Projects and the respective guidelines.

As mentioned above, GEF climate change focal area supports mitigation activities through specific projects including:

- Energy efficiency: introducing standards for consumer appliances and equipment, such as lighting, air conditioners and motors, and stronger building codes
- Renewable energy: commercialising and scaling technologies like solar, wind, small hydro, biopower and geothermal energy

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<sup>63</sup> The 18 accredited GEF implementing agencies are : Asian Development Bank (ADB), African Development Bank (AfDB), European Bank for Reconstruction and Development (EBRD), Food and Agriculture Organization of the United Nations (FAO), Inter-American Development Bank (IDB), International Fund for Agricultural Development (IFAD), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO), World Bank Group (WBG), Conservation International (CI), Development Bank of Latin America (CAF), Development Bank of Southern Africa (DBSA), Foreign Economic Cooperation Office, Ministry of Environmental Protection of China (FECO), Brazilian Biodiversity Fund (FUNBIO), International Union for Conservation of Nature (IUCN), West African Development Bank (BOAD), World Wildlife Fund (WWF-US)

- Policy: introducing feed-in tariffs, reverse auctions and other market-based mechanisms and financial instruments to speed up investments in clean energy.

### 3. Special Climate Change Fund (SCCF)

#### Background & objective

The Special Climate Change Fund (SCCF) was established under the UN Framework Convention on Climate Change (UNFCCC) in 2001 to finance activities, programs, and measures relating to climate change that are complementary to those funded by the resources allocated to the Climate Change Focal Area of the GEF and by bilateral and multilateral funding.

The objective of the SCCF is to support adaptation and technology transfer projects and programs that are country-driven, cost-effective, integrated into national sustainable development and poverty-reduction strategies, and consider national communications, NDCs and other relevant studies and information.

As part of GEF Programming Strategy, the three strategic objectives for the SCCF are:

- Reduce vulnerability and increase resilience through innovation and technology transfer for climate change adaptation,
- Mainstream climate change adaptation and resilience for systematic impact,
- Foster enabling conditions for effective and integrated climate change adaptation.

#### Resources and funding size

Funding resources are from donor countries. As for June 2023, the SCCF has invested \$366 million in 94 projects. Roughly one-third of SCCF initiatives are aimed at expanding access to improved climate information services. The SCCF is increasingly focused on supporting innovation that can scale up climate change adaptation solutions.

#### Trustee

The SCCF is managed by the GEF and operates in parallel with the Least Developed Countries Fund (LDCF). The permanent trustee is the World Bank.

The GEF Secretariat is based in Washington D.C.

#### Conditions and eligibility requirements

Under the new strategy of the SCCF<sup>64</sup>, two funding windows are established :

- Window A supporting the adaptation needs of Small Island Developing States (SIDS), and therefore is not eligible to Mediterranean countries,
- Window B focuses on strengthening technology transfer, innovation and private sector engagement. Entry points include supporting technology transfer, innovation, and deployment; enabling the conditions for private sector action; catalyzing private sector investment through risk sharing; incubating and accelerating micro, small, and medium enterprises (MSMEs); and

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<sup>64</sup> The GEF programming strategy on adaptation to climate change for the least developed countries fund and the special climate change fund for the GEF 8 period of July 1, 2022, to June 30, 2026 and operational improvements.



catalyzing inclusive microfinance for smallholder farmers and micro enterprises to invest in practical solutions for localized adaptation action at scale.

Window B is open for all developing countries to access, and will also support regional and global initiatives, including South-South learning and exchange. The financial scenarios for SCCF window B range from \$103.5 million to \$198.5 million for 2022-2026, depending on donor funding.

### **Access modalities**

The 18 GEF Agencies are the only institutions that access SCCF funding directly on behalf of a government recipient. SCCF Project Proponent needs to secure the endorsement of a national GEF operational focal point, which will confirm that the project proposals are consistent with national plans and priorities.

Full-sized Projects (FSP, with GEF funding amount of more than USD 2 million) as well as some Medium-sized Projects (MSP, with GEF project financing of less than or equivalent to USD 2 million) must be cleared by the CEO of the GEF before they are formally approved by the SCCF Council at which point funding is earmarked for their support.

Projects are only considered to be approved after a Project Identification Form (PIF) that shows that the project meets certain criteria, has been produced and then approved by the council.

An Enabling Activity (EA), meaning a project for the preparation of a plan, strategy or report to fulfill commitments under a Convention, can also be supported.

### **Financial instruments**

SCCF provides grants (as incremental cost finance to address climate change adaptation relative to a development baseline).

### **Investment Criteria**

The same GEF eligibility criteria apply to SCCF, that are :

- National priority: the project must be driven by the country and be consistent with national priorities that support sustainable development.
- GEF priorities: the project has to address one or more GEF focal areas (e.g. biodiversity, international waters, land degradation, chemicals and waste, and climate change).
- Financing: the project must seek GEF financing only for the agreed incremental costs on measures to achieve global environmental benefits.
- Participation: the project must involve the public in project design and implementation, following the Policy on Public Involvement in GEF-Financed Projects and the respective guidelines.

To be eligible to Window B funding, projects must furthermore demonstrate that they support innovative technologies and finance, and actions to engage the private sector in adaptation.

## 4. Green Climate Fund (GCF)

### Background & objective

The GCF is the youngest financial mechanism under the UNFCCC, established at COP16 in 2010, adopted in 2011, and has been operational since 2015. It aims to make an ambitious contribution for the implementation of the Paris Agreement and its mitigation and adaptation goals by supporting the paradigm shift in developing countries towards low-carbon and climate-resilient development pathways. The GCF is currently the world's largest dedicated multilateral climate fund and the main multilateral financing mechanism to support developing countries in achieving a reduction of their greenhouse gas emissions and an enhancement of their ability to respond to climate change, including in coastal areas.

The Fund strives to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach.

### Resources and fund size

GCF's Governing Instrument enables the Fund to accept contributions from developed countries party to the UN Framework Convention on Climate Change (UNFCCC) as well as public, non-public, and alternative sources. Such sources include, among others, countries not party to the UNFCCC, entities, and foundations. Contributions from parties to the UNFCCC and other sovereign entities may be made in the form of grants, capital or loans. They may be made in any convertible currency – in cash or, by agreement, via promissory note – and there is no limit to the amount a contributor may contribute.

GCF had its initial resource mobilization (IRM) in 2014 receiving \$10.3 billion in pledges from 45 countries. The first replenishment (GCF-1) in 2019 garnered a further \$10 billion in pledges from 32 countries. In 2023, GCF had its second replenishment (GCF-2) reaching \$9.322 billion at its formal pledging conference of October 2023 for its 2024-2027 strategic period and aiming to achieve its '50by30' vision<sup>65</sup>.

### Trustee

The GCF is a legally independent institution with a fully independent secretariat headed by an Executive Secretary. The Secretariat, located in Songdo South Korea, began its work in December 2013.

In 2010, the Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC) invited the World Bank to serve as interim trustee of the GCF. Its functions in this capacity include the receipt, holding and investment of financial contributions from contributors, transfer of financial resources pursuant to instruction by GCF, and preparation of summary financial reports.

In 2018, GCF Board confirmed the World Bank as the GCF Trustee for a renewable four-year period (2019-2023). After the 4-year period, on 7 February 2023, the World Bank and the Fund entered into an Amended and Restated Agreement for the Administration of the Green Climate Fund Trust Fund to reflect the renewal of the Bank's role as Trustee, subject to performance reviews every four years.

### Conditions and eligibility requirements

All developing country Parties to the UNFCCC are eligible to receive resources from the GCF.

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<sup>65</sup> <https://www.greenclimate.fund/news/executive-director-unveils-50by30-blueprint-reform-targeting-usd-50-billion-2030>

The GCF aims for a balanced allocation between mitigation and adaptation in grant equivalent terms, with a floor of 50% of the adaptation allocation ring-fenced for particularly vulnerable countries, namely Least Developed Countries (LDCs), Small Developing Island States (SIDS) and African countries.

GCF seeks to have an impact within eight mitigation and adaptation result areas, where investments are expected to drive a paradigm shift towards low emissions and climate resilience.:

- Health, food, and water security,
- Livelihoods of people and communities,
- Transport,
- Energy generation and access,
- Infrastructure and built environment,
- Ecosystems and ecosystem services,
- Buildings, cities, industries, and appliances,
- Forests and land use.

### Access modalities

The National Designated Authorities (NDAs) are government institutions serving as interface between each country and the Fund. They provide broad strategic oversight of the GCF's activities in the country and communicate its priorities for financing low-emission and climate-resilient development.

Accredited entities are the central actors of GCF's funding proposal cycle. They are in charge of presenting funding applications to the GCF and overseeing, supervising, managing and monitoring the overall implementation of GCF-approved projects and programmes.

Accredited Entities can be private or public, non-governmental, sub-national, national, regional or international, as long as they meet the standards of the Fund. Countries may access GCF resources through multiple entities simultaneously. As for June 2023, 114 organizations were approved for accreditation and 76 had their accreditation process completed. Two regional accredited entities can serve north African countries, namely the Attijariwafa Bank (AWB), based in Morocco and the Sahara and Sahel Observatory (OSS) based in Tunisia. Morocco is the only country in the region that have direct access entities, namely, the Agency for Agricultural Development of Morocco (ADA-Morocco), Attijariwafa Bank (AWB), CDG Capital S.A. (CDG\_Capital), and the Moroccan Agency for Sustainable Energy S.A. (MASEN).

The Readiness window that aims to support enabling activities can be also accessed directly through NDAs or accredited Delivery Partners (DP)<sup>66</sup>.

GCF is piloting for three years (April 2023 – March 2026) a Project-specific Assessment Approach (PSAA). The PSAA is a capacity assessment of an entity to meet GCF accreditation standards to implement one climate project or programme. The proposed project or programme is aligned with developing countries' priorities and GCF's strategic objectives. GCF will review up to ten proposals per year for the duration of the pilot. It aims to streamline and broaden access to climate finance by working with new partners, countries, and technologies, that have been underserved by the existing GCF Accredited Entity network.

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<sup>66</sup> For example, the Global Water Partnership is a GCF Delivery Partner for Readiness window.

All funding proposals are required to secure the approval from the NDAs in the countries where they are to be implemented via a no-objection letter to ensure that proposed projects and programmes are aligned with national climate policies.

### Financial Instruments

The GCF's financial instruments include grants, contingent grants, concessional loans, equity, guarantees and results-based finance.

Accredited entities are accredited for different categories and project sizes :

<u>Project cost</u>	<u>Fiduciary Standard</u>	<u>Environmental and social risk</u>
<b>Micro</b> up to USD 10 m	<b>Basic</b> Project management	Category C
<b>Small</b> Between USD 10 and 50m	Grant award	Category B
<b>Medium</b> Between USD 50 and 250m	<b>On lending/blending</b> Loan	Category A
<b>Large</b> Above USD 250m	Equity Guarantee Blending	

Accreditation is valid for five years, with the Accredited Entity requested to seek re-accreditation. An Accredited Entity can also request to upgrade its accreditation (for scale, risk category or financial complexity) at any time.

### Funding Windows

GCF offers 4 funding windows

**The Readiness and Preparatory Support Programme (the Readiness Programme)** is a funding modality designed to assist developing countries to enhance their weaknesses, challenges, and gaps in the areas of institutional capacities, governance mechanisms, and planning and programming frameworks so that they may effectively engage the GCF and for them to make a meaningful contribution towards the climate resilience building agenda. The new GCF readiness strategy 2024-2027 adopts a 4 year programmatic approach aiming to enhance the coherence and streamline its support to the countries to achieve three objectives as detailed in the below table 7:

Table 7 : Revised readiness objectives and outcomes (Source : GCF Readiness Strategy 2024-2027)

<b>Streamlined readiness objectives</b>	<b>New and revised outcomes for 2024–2027</b>
<b>Objective 1:</b> Capacity-building for climate finance coordination and setting up the enabling environment for	<b>Outcome 1.1.</b> Developing countries, through NDAs or focal points, have enhanced capacity to fulfil their roles, responsibilities and policy requirements, including coordination mechanisms to engage relevant stakeholders <sup>2</sup> to develop, advance, and implement NDCs, NAPs and LTS.
	<b>Outcome 1.2.</b> Developing countries design and implement strategic frameworks (including NDC/NAP/LTS), policies and instruments, including

Streamlined readiness objectives	New and revised outcomes for 2024–2027
integrated climate investment	climate investment plans, to create enabling environments for integrated climate investments  <b>Outcome 1.3.</b> Direct access applicants and accredited entities (DAEs) have met and maintained the accreditation standards of the GCF and strengthened their programming capacities, as evidenced by the development of GCF-funded activities
<b>Objective 2:</b> Paradigm-shifting GCF pipeline development and implementation for adaptation and mitigation, based on country needs and guided by USP-2 programming targets	<b>Outcome 2.1.</b> Developing countries have developed or updated their country programmes to guide GCF investment  <b>Outcome 2.2.</b> Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with the USP-2 results, including through DAEs, that build on readiness support and country programmes.  <b>Outcome 2.3.</b> NDAs and DAEs have enhanced processes and systems to effectively oversee the implementation, financial management, monitoring and reporting of climate programmes and projects.
<b>Objective 3:</b> Knowledge-sharing and learning to enhance national and regional cooperation on climate programming and financing	<b>Outcome 3.1.</b> Developing countries, through NDAs or focal points, have made use of knowledge products to address policy gaps and integrated climate investment programming and implementation  <b>Outcome 3.2.</b> Enhanced collaboration among developing countries on climate change issues, evidenced by transboundary and regional cooperations/South-South cooperation.

The readiness support is provided to the countries as grants. The allocated budgets per country are :

- **Up to USD 4 million** over a four-year period, to provide support to NDAs or focal points to address the three strategy objectives stated above,
- **Up to USD 0.32 million** for direct access by LDCs/SIDS per country over a four-year period, to support NDAs or focal points that are catering for specific human and institutional capacity challenges in LDCs/SIDS, to enable these countries to continuously engage with GCF and fulfil their climate objectives;
- **Up to USD 3 million** support to NDAs or focal points for NAP development and adaptation planning,
- **Up to USD 3 million** to support the transition from NAP development to NAP implementation.

**The Project Preparation Facility (PPF)** provides financial and technical assistance for the preparation of project and programme funding proposals. The PPF is a financing modality is especially designed to support Direct Access Entities for projects in the micro and small-sized category. However, all Accredited Entities are eligible to apply. Funding available is up to USD 3 million for each application to the PPF, commensurate to the funding proposal being developed and to the activities included in the PPF application.

**The Private Sector Facility (PSF)** promotes private sector investment through concessional instruments, including low-interest and long-tenor project loans, lines of credit to banks and other financial institutions, equity investments and risk mitigators, such as guarantees, first-loss protection, and grant-based capacity-building programmes. PSF structures these instruments across different practices including:

- Financial Institutions: Mainstreaming climate change considerations in the financial system

- Project Finance: Tailoring life cycle concessional finance to de-risk infrastructure projects for climate
- Climate Funds: Structuring anchor investments in climate equity/debt Funds
- Climate Markets: Developing Capital/Carbon markets that require bespoke structuring solutions
- Climate Innovations: Scaling investments into high-impact climate technologies and innovations

**The funding proposal** is a financial modality available for national, regional and international Accredited Entities to directly access financing from the GCF for climate change projects and programmes.

### Investment Criteria

In order to be eligible to GCF funding, projects need to demonstrate how the proposed activities are climate related. Project proponents should therefore include a climate rationale in a GCF proposal, which is meant to explain, as clearly as possible, the climate impacts or risks that the proposed activities address, or how the project reduces emissions and shifts to a low emissions pathway. The climate rationale should also describe what would occur in the absence of the project and justify why the project proponent decided to pursue the specific activities in the proposal.

Once climate rationale is demonstrated, projects must need the six investment criteria<sup>67</sup> :

**1. Impact Potential:** Quantitative and qualitative information on the potential impact of project/programme.

Separate indicators are proposed for the impact potential of mitigation and adaptation projects :

- Mitigation impact indicator: project lifetime emission reductions (in tonnes of carbon dioxide equivalent). Project proposals should describe the expected reductions in emissions resulting from the GCF intervention
- Adaptation impact indicator : Project proposals should describe the expected change in loss of lives, value of physical assets, livelihoods, and/or environmental or social losses due to the impact of extreme climate-related disasters and climate change in the geographical area of the GCF intervention. Proposals should also refer to the number of direct and indirect beneficiaries of the project, taking into account the needs of developing countries that are particularly vulnerable to the adverse effects of climate change.

**2. Paradigm shift potential:** Potential for project to catalyse action beyond the GCF-funded project.

Project proposals should identify a vision for paradigm shift as it relates to the subject of the project. The vision for paradigm shift should outline how the proposed project can catalyse impact beyond a one-off investment. This vision for longer-term change should be accompanied by a robust and convincing theory of change for replication and/or scaling up of the project results, including the long-term sustainability of the results, or by a description of the most binding constraint(s) to change and how it/they will be addressed through the project.

**3. Sustainable development potential:** Provide information on how the project aligns with the Sustainable Development Goals (SDGs), especially those which are priority for the country seeking funding.

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<sup>67</sup>GCF, 2019.

In addition to the impacts of the project, the proposals must identify at least one positive co-benefit – with an associated indicator, and baseline and target values, disaggregated for men and women if disaggregated data are available domestically – in at least two of the four coverage areas:

- (a) Economic co-benefits, such as the creation of jobs, poverty alleviation and enhancement of income and financial inclusion, especially among women;
- (b) Social co-benefits, such as improvements in health and safety, access to education, cultural preservation, improved access to energy, social inclusion, improved sanitation facilities and improved quality of and access to other public utilities such as water supply;
- (c) Environmental co-benefits, including increased air, water and soils quality, conservation and biodiversity; and
- (d) Gender empowerment co-benefits outlining how the project will reduce gender inequalities.

Where appropriate, proposals should reference the ability of the project to enable the

**4. Needs of the recipient:** Identify vulnerabilities and exposure of the target areas or populations, highlight financing barriers and need for institutional capacity building, and such information should be backed by sound evidence.

Mitigation and adaptation indicator relate to barriers to climate-related finance. Project proposals should describe the country's financial, economic, social and institutional needs and the barriers to accessing domestic (public), private and other international sources of climate-related finance. The proposal should outline how the proposed intervention will address the identified needs and barriers.

**5. Country ownership:** Demonstrate how the proposal aligns with national policies, strategies, plans and/or frameworks, e.g. alignment of project activities with achievement of the NDC. Highlight stakeholder engagement with national and local stakeholders, e.g. national ministries, the Accredited Entity, the National Designated Authority, as well as civil society, academia and other stakeholders for the particular project.

Alignment with nationally determined contributions (NDCs), relevant national plans indicator, and/or enabling policy and institutional frameworks. Project proposals should clearly describe how the proposed activities align with the country's NDC and other relevant national plans, and how the funding proposal will help to achieve the NDC or these plans by making progress against specific targets defined in national climate policies and strategies, such as nationally appropriate mitigation actions and national adaptation plans. The proposals should also outline how the project will help to achieve national development goals and/or climate change policies. Proposals should also reference the degree to which the project is supported by a country's enabling policy and institutional framework or includes policy or institutional changes.

Explanation of engagement with relevant stakeholders, including national designated authorities indicator. Project proposals should outline how they were developed in consultation with relevant stakeholders. Engagement with national designated authorities is required.

**6. Efficiency and Effectiveness:** Explain the economic and financial viability of the project/programme by including economic and financial analyses. The proposal should also specify co-financing and/or return on investment where applicable.

Separate indicators are proposed for the efficiency and effectiveness of mitigation and adaptation projects.

- Mitigation efficiency and effectiveness indicator: cost per tonne of carbon dioxide equivalent. Projects should give the cost per tonne of carbon dioxide equivalent of the GCF intervention.
- Mitigation efficiency and effectiveness indicator: ratio of co-financing. As appropriate, projects should indicate the ratio of co-financing mobilized relative to the GCF contribution to the total project.
- Mitigation indicator: expected rate of return. As appropriate, projects should provide an estimate of the expected economic internal rate of return and/or financial internal rate of return, depending on the needs of the project.
- Mitigation and adaptation indicator: application of best practices. Projects should describe how the proposal applies and builds on the best practices in the sector.

### Towards a decentralized organizational structure of GCF Secretariat

With the aim of enhancing countries' ownership and the alignment with national priorities, as well as facilitating access to the Fund, GCF revised its organizational structure in September 2024 establishing four new regional departments. One of these Departments is the Eastern Europe, Central Asia and Middle East (ECM). This new structuring of GCF allowing Mediterranean countries to discuss with the same department the country programming, portfolio management and investment projects, should help countries expedite the process from establishing priorities for climate actions and design of projects ideas to securing funding.

## Conclusions

Mediterranean coastal areas are exposed to severe climate change impacts. Building their resilience requires strategic planning and coherent funds mobilization. The Guidelines provide a concise overview of how countries can mobilize domestic funds and have access to international climate funds. The effectiveness of countries' climate action can be enhanced by pursuing the following key steps:

- **Development of a coastal adaptation investment plan** should be built on the existing strategies and documents, i.e. national coastal (ICZM) strategies and coastal plans, NDCs, NAPs as well as sectoral documents. It will help to ensure alignment between the different documents as well as confirm priority adaptation actions in the coastal areas.

The investment plan shall include a detailed pipeline of projects that are mature enough to be taken for further step towards the development of a project proposal.

The investment plan shall also include a mapping of potential financial sources for the adaptation investments: domestic and international, public and private.

Countries can use different financial mechanisms to fund the preparation of the investment plan, such as the GCF readiness window.

- **Identification of partners:** Several climate funds require accredited entities to access funds. Hence, it is key to identify relevant partners to join in the preparation and submission of the project. These partners can contribute not only technically but also financially to the preparation of the project.
- **Development of the adaptation project proposal content:** Countries interested in obtaining financing for climate change need to understand the specific requirements of the financing



sources that they may be seeking assistance from. For instance, GCF requires to justify the climate rationale of the project besides other five investments criteria (impact potential, paradigm shift, sustainable development potential, recipient needs, efficiency and effectiveness). It is essential that the project proposal meets the donors' requirements.

Furthermore, it is important to adopt a participatory approach for the development of the proposal. While it is important to ensure and present environmental and socio-economic sustainability by implementation of the adaptation project/program it is also important to promote gender equality and empower women through integrating gender sensitive measures within project/program implementation framework.

- **Definition of the financing and institutional setting:** During the preparation of the proposal, it may be the case that the project promoters realize that combined sources of financing are needed. Considering the complexity of application as well as implementation procedures of climate funds, it is essential to define and clarify the roles of each of the partners from the initial stages of the preparation of the project. Signing MoUs with concerned partners can help in this endeavor.

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