
Proposed Classification of Climate-related Financial Allocations for Seychelles

Dr. Jules Siedenburg, Seychelles GCCA+ Project
13 May 2020

Overview

Proposed classification system builds on (a) international guidance documents, (b) national climate change documents, (c) relevant deliverables from GCCA+ project.

This report

- Summarises pertinent observations from these documents
- Proposes an approach to classifying such expenditures
- Provides guidelines that can be applied by government officials and perhaps also non-state actors

International Guidance – Inputs to Analysis

- Focus is OECD guidance on using ‘climate markers’ to identify and classify international financial flows that are CC-related.
- OECD’s remit is to promote coordinated international action to accelerate progress towards the SDGs in developing countries.
- Sets principles and standards for development co-operation and monitoring how donors deliver on commitments
- Elaborated a system to monitor flows of finance that target key environmental objectives: CC mitigation, CC adaptation, biodiversity conservation, combatting desertification.
- Can be applied to ODA, and private finance and within countries for use in their public investments and expenditures

Problems with Current OECD Guidance

- Despite its merits, proposed OECD system has problems
- Not a comprehensive means of coding and tracking activities & expenditures that contribute to CC objectives
- Solely tracks those that explicitly cite CC in documentation
- This ignores potential for other activities to help meet CC objectives, so many relevant activities are overlooked
- ODI (a) suggests this could impede the delivery of finance for climate action, and (b) calls for trialling innovative systems better suited to realities

Proposed Way to Address Shortcomings

- Recognising expenditures as ‘climate smart’ offers benefits
 - Cultivating a ‘green’ image for customers, business, donors
 - Showing climate commitments are being met
 - Securing funding from donors or investors focused on CC
- Analysis suggests classification scheme that builds on OECD guidance while seeking to overcome its main shortcomings
- Aims to ensure that expenditures which contribute to CC objectives but fail to meet OECD’s rigid criteria are recognised

National CC Documents – Inputs to Analysis

- SCCS (2009) did not propose classification scheme for expenditures, but did specify target economic sectors for climate actions
 - CC adaptation: Agriculture, fisheries, health, water, coastal zones
 - CC mitigation: Energy and transport
- INDC (2015) likewise specified target sectors
 - CC adaptation: Tourism, food security, water security, energy security, health, waste management, disaster preparedness
 - CC mitigation: Energy, transport, waste disposal
- In 2018, Seychelles began developing a national Climate Change Policy, yet consultations are ongoing, so not used to inform analysis

GCCA+ Project – Inputs to Analysis

- This project seeks to help develop preconditions for Seychelles to mainstream CC across its national systems and processes
- Includes activities vis-à-vis policy, finance and capacity building
- One relevant output is the Climate Public Expenditure and Institutional Review (CPEIR)
- CPEIR is a diagnostic process to help set the stage to mainstream CC in a country, based on a UNDP methodology that includes
 - Policy Analysis: Review CC policies and monitoring frameworks
 - Institutional Analysis: Review the roles and responsibilities of key stakeholder institutions
 - Expenditure Review: Quantify climate-relevant expenditures in the national budget

CPEIR – Key Findings for Classification

- To quantify climate-relevant expenditures, CPEIR had to identify expenditures as CC-related or not, so classification was implicit
- It covered both
 - ‘Climate smart’ expenditures that contribute to achieving climate adaptation or climate mitigation
 - Expenditures that are ‘negative’ vis-à-vis CC in the sense of undermining efforts to meet national CC objectives
- It selected focus entities then examined them using available data

CPEIR – Key Findings for Classification (2)

- This approach revealed three major data gaps
 - Government budget documents on expenditures by relevant public entities contained limited information
 - Project/programme documents detailing government activities are not for the most part readily available
 - Securing face-to-face meetings with key officials at each public entity to obtain details about relevant programmes was hard
- Given these data gaps, the CPEIR's findings were approximate, and based in many cases on educated guesses and simplifications

Proposed Classification Scheme

- Building on this evidence, a classification scheme was proposed
- It includes guidelines that can be applied by government officials and non-state actors whose remit covers relevant expenditures
- Scheme has four categories: strongly climate-related, partly climate-related, not climate-related, negatively climate-related
- Classification of expenditures depends on two factors
 - Use of the term 'climate change' in relevant documentation
 - The type of activities funded
- Coupling use of the term CC with independent assessment of available evidence addresses weaknesses of OECD system

Guidelines for Classification Scheme

Several tables are provided to guide the classification process

- One defines the four classification categories, and provides criteria for each
- Another describes four activity types that are clear examples of 'climate smart' activities
- Another lists various sectors, then flags 'climate smart' activities in each
- Another offers guidance to determine if an expenditure is 'negatively' related to climate

Guidelines for Classification Scheme (2)

Classification can be done at different levels

- Expenditures on specific activities
- Expenditures on projects or programmes
- Expenditure on entire institutional entities

The level at which classification is applied depend on available data

- Ideally, it is applied at the level of activities, which is more precise
- If this is not possible due to data gaps, then analysts may have to settle for identifying CC-related expenditures at the level of programmes/projects or even entire institutional entities
- The resulting classifications may be only approximate, however