Methodology & Assumptions

There is currently no internationally recognised definition of ‘climate change financing’. A common understanding of climate change financing is that it refers to financial flows for ‘mitigation’ and ‘adaptation’ related activities. Furthermore, specific, country-focussed definitions have been utilised where they exist in national policies.

The quantitative analysis utilised in this tool relies on a range of assumptions and methodologies to help quantify the amount and shape of climate change and disaster risk finance received by a country.

The tool is based on methodology developed in 2013 for the Pacific Climate Change Finance Assessment Framework:
https://reliefweb.int/sites/reliefweb.int/files/resources/PCCFAF_Final_Report.pdf.

The tool draws information from the inputted database of climate change and disaster risk-related projects for each country.

The tool estimates the total volume (as a USD value) of climate change and disaster risk-related expenditure by weighting individual projects. This weighting is undertaken according to the proportion of expenditure considered relevant to CCDRM from a scale of 0-100%.

The guidelines for this weighting system are available in the following table:

Classification of CCDRM-related activities:

High relevance	Rationale	Clear primary objective for delivering specific outcomes that improve climate resilience or contribute to mitigation
Weighting of 80%	Examples	• Energy mitigation (e.g. renewables, energy efficiency) • Disaster risk reduction and disaster management capacity • The additional costs of changing the design of a programme to improve climate resilience (e.g. extra costs of climate-proofing infrastructure, beyond routine maintenance or rehabilitation) • Anything that responds to recent drought, cyclone or flooding, because it will have added benefits for future extreme events • Relocating villages to give protection against cyclones/rising sea-level • Healthcare for climate-sensitive diseases • Building institutional capacity to plan and manage climate change, including early warning and monitoring • Raising awareness about climate change • Anything meeting the criteria of climate change funds (e.g. GCF, GEF, etc.)|
Medium relevance	Rationale	Either (i) secondary objectives related to building climate resilience or contributing to mitigation, or (ii) mixed programmes with a range of activities that are not easily separated but include at least some that promote climate resilience or mitigation

Weighting of 50%	Examples	• Forestry and agroforestry that is primarily motivated by economic or conservation objectives, because this will have some mitigation effect • Water storage, water efficiency and irrigation that is primarily motivated by improved livelihoods because this will also provide protection against drought • Biodiversity and conservation – unless explicitly aimed at increasing resilience of ecosystems to climate change (or mitigation) • Ecotourism, because it encourages communities to put a value on ecosystems and raises awareness of the impact of climate change • Livelihood and social protection programmes – motivated by poverty reduction, but build household reserves and assets, and reduce vulnerability. This will include programmes to promote economic growth, including vocational training, financial services and the maintenance, and improvement of economic infrastructure, such as roads and railways
Low relevance	Rationale	Activities that display attributes where indirect adaptation and mitigation benefits may arise
Weighting of 25%	Examples	• Water quality – unless the improvements in water quality aim to reduce problems from extreme rainfall events, in which case the relevance would be high • General livelihoods – motivated by poverty reduction, but build household reserves and assets, and reduce vulnerability in areas of low climate change vulnerability • General planning capacity – either at national or local levels, unless it is explicitly linked to climate change, in which case it would be high • Livelihood and social protection programmes – motivated by poverty reduction, but build household reserves and assets, and reduce vulnerability. This will • clude programmes to promote economic growth, including vocational training, financial services and the maintenance, and improvement of economic infrastructure, such as roads and railways

Marginal relevance	Rationale	Activities that have only very indirect and theoretical links to climate resilience
Weighting of 5%	Examples	● Short-term programmes (including humanitarian relief) ● The replacement element of any reconstruction investment separating out the additional climate element as high relevance ● Education and health that do not have an explicit climate change element

Limitations

A number of limitations are acknowledged, related to the methodology and the functional components of the tracking tool. These include:

- The subjective nature of the weighting process
- The tool currently tracks projects from 2010-2016 for Solomon Islands and from 2014-2016 for Vanuatu. There may be a gap in capturing projects between 2016 and when the tool commenced pilot status in 2020
- The tool captures only climate change finance in the form of grants
- Values in USD have been converted from local currencies utilising an exchange rate at the time the data was entered
- The disbursement feature cannot be utilised with the weighted values. This will measure disbursement of the full project value
- Regional projects are particularly challenging to quantify as country allocations are often not clear and not always made known to national governments. Hence an approximated value is often used