



Technical Assistance Concept Paper

Project Number: 54412-001
Knowledge and Support Technical Assistance (KSTA)
October 2020

Improved Decision-making for Climate Resilient Development in Asia and the Pacific

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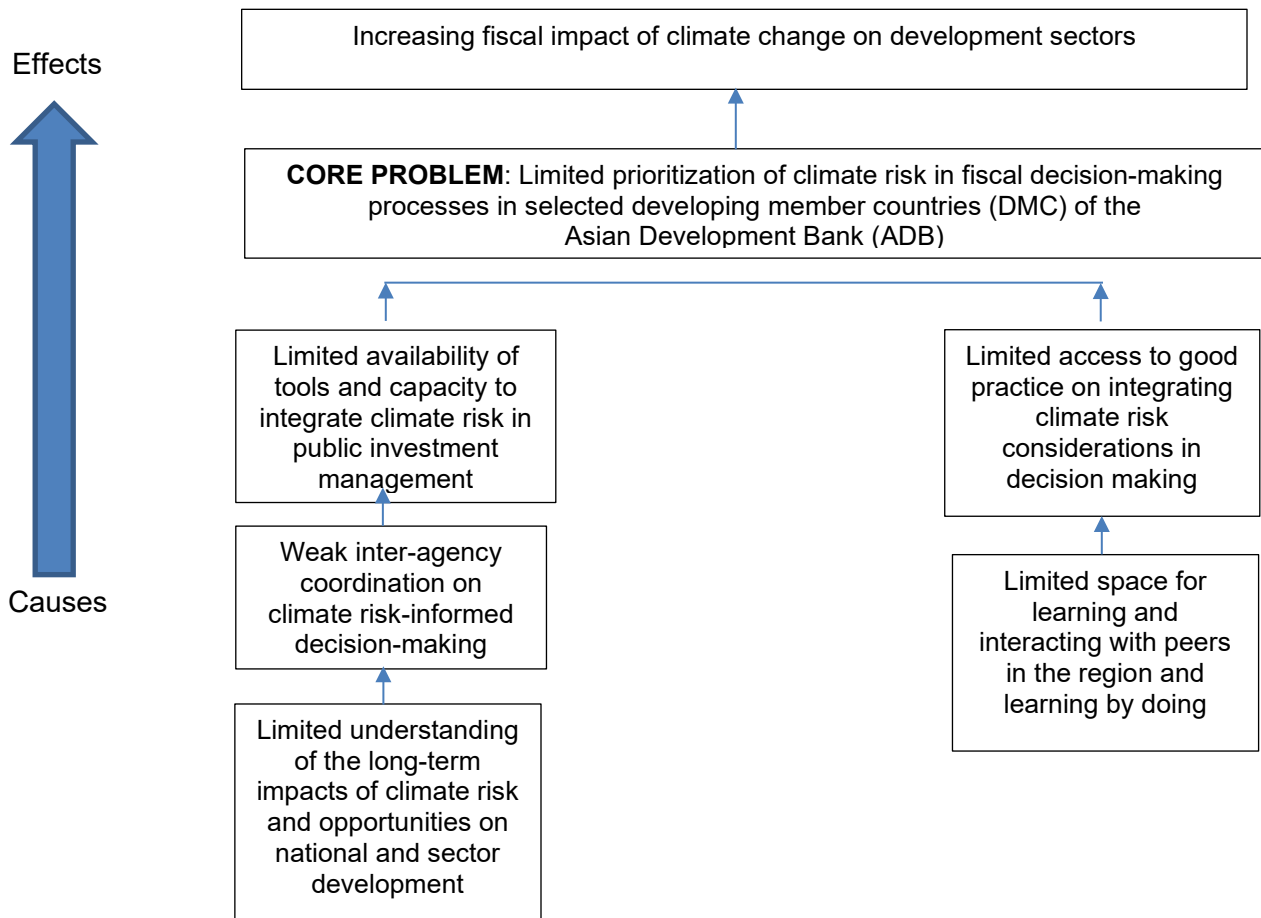
KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

Project Classification Information Status: Complete

KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 54412-001	
Project Name	Improved Decision-making for Climate Resilient Development in Asia and the Pacific	Department/Division	SDCC/SDCD
Nature of Activity Modality	Capacity Development Regular	Executing Agency	Asian Development Bank
Country	REG (ARM, INO, MON)		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
		Total 0.00	
3. Operational Priorities		Climate Change Information	
✓ Accelerating progress in gender equality		GHG Reductions (tons per annum)	0
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate Change impact on the Project	Low
✓ Strengthening governance and institutional capacity		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	2.15
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 13.a		Some gender elements (SGE)	✓
SDG 16.6		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization	Complex		
5. Safeguard Categorization	Safeguard Policy Statement does not apply		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.00	
None		0.00	
Cofinancing		2.15	
Strategic Climate Fund - PPCR (Full ADB Administration)		2.15	
Counterpart		0.00	
None		0.00	
Total		2.15	
Currency of Financing: US Dollar			

PROBLEM TREE



I. KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE

1. The knowledge and support technical assistance (KSTA) will support selected developing member countries (DMCs) of the Asian Development Bank (ADB)—Armenia, Indonesia, and Mongolia— to strengthen (i) country systems for climate risk-informed fiscal decision making; and (ii) knowledge on climate risk-informed decision-making.

2. The proposed TA is aligned with the priorities of the Global Commission on Adaptation (GCA), which in its flagship report *Adapt Now: A Global Call for Leadership on Climate Resilience*, calls for integrating climate risk into all aspects of planning and decision-making;¹ the Helsinki Principles adopted by the Coalition of Finance Ministers for Climate Action;² and the G20 Principles for Quality Infrastructure Investment.³ The TA will support implementation of the Operational Plan of Priority 3 of ADB Strategy 2030 – tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability which identifies the need to mainstream climate risk considerations in DMC development planning.⁴ The TA is aligned with the climate change and disaster risk management-related priorities of the Work Program and Budget Framework 2020-2022, which mentions that ADB will promote climate-resilient development. The TA is not included in the management-approved 2020 results-based work plan of Sustainable Development and Climate Change Department (SDCC).

A. Rationale

3. Developing countries in Asia and the Pacific are at high risk of climate change, and this can have a significant effect on their development strategies and investments. Increase in temperature and changes in rainfall patterns can alter economic activities, especially in sectors that are highly sensitive to climatic conditions, with implications on revenue and wider inclusive economic growth. So too, increase in intensity and frequency of extreme weather events can burden government's fiscal position due to costs of response and recovery. With rapid increase in climate risk, it is expected that the costs of dealing with these impacts will increase in the future and potentially threaten the fiscal sustainability of the countries. Estimates for Asia and the Pacific region shows that without climate action, the gross domestic product (GDP) in the region could decrease by as much as 3.3 per cent by 2050 and 10 per cent by 2100.⁵

4. Studies show that investing in climate adaptation benefits the economy by increasing the resilience of the capital stock, keeping public debt dynamics manageable, and maintaining adequate fiscal space to cope with extreme weather events and other disasters.⁶ Recent estimates show that investing \$1.8 trillion globally in five climate adaptation areas—early warning systems; resilient infrastructure; dryland agriculture crop production; protecting mangroves; and resilient water resources management—from 2020 to 2030 could generate \$7.1 trillion in total new benefits (footnote 1). However, the opportunities for effective adaptation to climate change are reducing with time. This is because the effects of climate change are not increasing at a linear

¹ Global Commission on Adaptation. 2019. *Adapt Now: A Global Call for Leadership on Climate Resilience*.

² The Coalition of Finance Ministers for Climate Action brings together fiscal and economic policymakers from over 50 countries in leading the global climate response. The members of the Coalition have signed on to the 'Helsinki Principles', a set of six principles that promote national climate action through fiscal policy and the use of public finance.

³ Includes a principle on building resilience to natural disasters and other risks.

⁴ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

⁵ Lee M, Villaruel M, and Gasper R. 2016. *Effects of Temperature Shocks on Economic Growth and Welfare in Asia*. ADB Economics Working Paper Series. Manila

⁶ Pigato M. Editor. *Fiscal Policies for Development and Climate Action*. International Development in Focus. Washington, DC: World Bank.

rate, and beyond a certain threshold the correlation between change in climate variable (such as temperature increase) and its impact on economy (such as agricultural productivity) becomes intensely negative and thereby weakens the effectiveness of adaptation measures. A “new climate regime” is expected in some regions of Asia and the Pacific⁷ by the end of the century. It is therefore critical to raise ambition in revised Nationally Determined Contributions (NDC)⁸ in order to urgently scale up investments in climate adaptation. This need is more apparent in the current context of the coronavirus disease (COVID-19) recovery, as the pandemic has highlighted the underlying drivers of vulnerability and emphasized the importance of building resilience to shocks.⁹ As countries design their recovery packages potentially including reforms, tax cuts, subsidies, incentives – it will be important to understand the implication of potential recovery measures on climate resilient development, and promote green and resilient recovery measures.

5. Key factors that determine an economy’s fiscal vulnerability to the potential impacts of climate change, include, the degree of exposure to hazards; the level of protection in place; and the state’s liability for damaged incurred (footnote 4). To address the degree of exposure, countries need to factor climate risk into fiscal policy and management processes to inform the appropriate level of spending on adaptation actions to ensure a high long-term economic growth trajectory and greater macroeconomic stability. Factoring climate risk into fiscal policy making will allow countries to identify, prioritize and implement climate adaptation strategies, including public investments in resilient infrastructure and livelihoods that promote inclusive economic development (e.g., constructing sea walls); regulations that steer public and private development in a resilient direction (e.g. enforcement of zoning regulations in hazard prone areas); increases in fees and taxes on use of natural resources that will be affected by changes in climate variables (e.g., fees for water use); and formulating incentives to encourage households and the private sector to invest in resilience building (e.g., incentives for rainwater harvesting in water scarce regions). This requires integrating climate risk in public investment management processes.

6. Recognizing that the economies of many countries are dependent on climate sensitive sectors – agriculture, tourism, and fisheries, it is critical to understand the long-term climate-related risks and opportunities on such sectors, informed by gender analysis, and develop climate resilient pathways. The pathways can guide the long-term vision and help prioritize policies and investments– public and private – that addresses risks and explores opportunities. This will require close cooperation between ministries of finance, sector ministries and climate change agencies, to ensure such priorities are identified in strategies and plans and resources secured. It will be also important to recognize such sectoral issues and priorities in relevant national climate change related documents, such as the NDCs and National Adaptation Plans (NAPs).

7. Despite the increasing awareness in recent years of climate risk, and its potential adverse impact on long-term development, countries in Asia and the Pacific region are at an early stage of integrating climate risk considerations in fiscal decision-making processes. They are often confronted with challenges including (i) limited availability of climate risk information and capacity to use such information to understand the fiscal impacts of climate change and the benefits in investing in climate adaptation, thereby making it difficult to make a case for investing in climate adaptation; (ii) limited capacity to integrate climate risk considerations into macro fiscal and public financial management tools and into strategies for economic sectors; (iii) institutional coordination between ministries of finance, sector ministries and the national climate focal agencies; and (iv)

⁷ ADB. 2017. *A Region At Risk: The Human Dimensions of Climate Change in Asia and the Pacific*. Manila

⁸ To enhance ambition over time, the Paris Agreement provides that each succeeding NDC (submitted every 5 years) will represent a progression over the previous NDC and reflect the country’s highest possible ambition.

⁹ ADB. 2020. *COVID-19 Recovery A Pathway to a Low-Carbon and Resilient Future*. Manila.

access to global and regional knowledge resources and opportunities for peer-to-peer sharing of experiences. The proposed TA aims to address these challenges in selected DMCs.

8. **Armenia.** Increase in temperature and change in precipitation patterns are significantly affecting Armenia's economic sectors. The NDC prioritizes adaptation for the vulnerable sectors including ecosystems, health, water resources, agriculture, energy, infrastructure, and tourism. While the government has initiated climate adaptation activities in agriculture and the water sector, scaling up adaptation investments in such vulnerable sector would require increased national capacity for climate-risk informed fiscal planning and budgeting processes. Armenia has taken the first step in this direction by initiating a study on climate finance budgeting and expenditure tracking which will provide guidance on integrating climate change indicators into national budget planning and reporting system and allow identifying and monitoring climate change-related public expenditure.¹⁰ However, mainstreaming such processes will require increased capacity of Ministry of Finance staff, and access to appropriate tools and guidance. It will also require increased coordination on climate risk issues between Ministry of Finance and different ministries that are part of the Inter-agency Coordinating Council on Climate Change, under the Ministry of Environment, which is responsible for coordinating climate change actions in the country.

9. **Indonesia.** Future climate, including increase in temperature, change in precipitation, sea level rise, and increase in extreme weather events will impact the lives, livelihoods and health of millions of Indonesians. The *Rencana Pembangunan Jangka Menengah Nasional (RPJMN) 2020-2024* recognizes the importance of climate resilience in achieving the national development agenda.¹¹ The NDC considers climate adaptation essential for building resilience and safeguarding food, water, and energy resources. The National Action Plan on Climate Change Adaptation has prioritized four sectors - agriculture, water, marine and coastal, and health.¹² In order to scale up financing for climate actions, the Ministry of Finance under its Fiscal Policy Agency has set up the Centre for Climate Change Financing Policy, which has been very active in advancing climate-related budgeting processes. However, climate adaptation spending remains limited compared to the need, and thus climate risk considerations need to be integrated into fiscal policy and management processes. So too, the need to factor climate risk in decision-making of economic sectors, such as agriculture and fisheries and develop resilient pathways for adaptation. It is important to strengthen coordination among Ministry of Finance, BAPPENAS, Ministry of Environment and Forestry, Ministry of Social Affairs and other sector ministries.

10. **Mongolia.** The climate in Mongolia is characterized by extreme fluctuations in both temperature and precipitation, made more prominent by the country's expanse and topographical diversity. These characteristics lead to a wide range of extreme events, often occurring within a single year, such as *dzuds*, as well as flash floods, dust storms, and steppe and forest fires. The extreme events are expected to increase with climate change with potential impacts on agriculture, livestock and water resources.¹³ The Vision 2050, the long-term development policy of Mongolia, recognizes the challenges associated with extreme climate conditions and the potential impact on achieving development outcomes.¹⁴ The NDC prioritises strengthening adaptive capacity and building resilience of ecosystem and socio-economic sectors. Mongolia has initiated the development of the NAP to support multi-sectoral, medium-to-long-term adaptation planning and budgeting and the integration of climate adaptation aspects in development policies.¹⁵ The

¹⁰ European Union and implemented in partnership with the United Nation Development Programme.

¹¹ Government of Indonesia. 2020. *National Medium-Term Development Plan 2020-2024*. Jakarta.

¹² BAPPENAS (2013) National Action Plan for Climate Change Adaptation (RAN-API) Synthesis Report.

¹³ USAID. 2017. *Climate Risk Profile. Mongolia*.

¹⁴ Government of Mongolia. 2020. *Mongolia Vision 2050*.

¹⁵ With support from the Green Climate Fund and United Nations Environment.

implementation of NAP priorities will require improved capacity on climate-risk informed fiscal planning. The Ministry of Environment and Tourism (MET) is the lead agency for climate change related activities in the country. The National Climate Committee under the MET is the responsible government authority for climate change-related issues.

11. ADB has been implementing a climate risk management approach since 2014, which has established a systemic process for screening and assessing ADB investments for climate risk, and integrating climate adaptation features into the project design. However, there is increasing recognition that climate risk considerations need to be considered upstream in wider development planning and public financial management processes in order to inform adaptation policies and allocation of resources. This TA aims to take the initial step in expanding ADB's efforts in building climate resilience from its operations to supporting selected DMCs integrate climate resilience in wider decision-making processes.

B. Proposed Solutions

12. **Output 1: Country systems¹⁶ for climate risk-informed fiscal decision-making strengthened.** Based on country needs, the TA will support (i) diagnostic work on how existing tools and processes can integrate climate risk information in macro fiscal and public financial management processes;¹⁷(ii) development of climate-resilient pathway for selected sectors to guide long-term vision and adaptation policies and investments in alignment with priorities of NDCs, NAP and COVID-19 recovery plans and informed by gender analysis; (iii) capacity building on use of climate risk information for fiscal decision-making, including accessing climate finance; and (iv) strengthening inter-agency coordination to facilitate implementation of climate risk-informed fiscal decision-making.

13. **Output 2: Knowledge on climate-risk informed decision-making enhanced.** The regional nature of the TA will allow sharing of experiences among participating DMCs and with other countries in the region, thereby generating knowledge on the climate-risk informed decision making. The output will support (i) national dialogues between national, local government and private sector on importance of investing in climate resilience; (ii) regional workshops to share good practices to climate risk informed fiscal management processes; (iii) peer-to-peer sharing of experiences of TA DMCs with other countries in the region and beyond;¹⁸ and (iii) experience sharing between TA DMCs and other similar initiatives being undertaken at the global level, such as the GCA program on mainstreaming climate resilience in fiscal decision making being.¹⁹

14. The TA DMCs – Armenia, Indonesia and Mongolia, have been selected based on a range of factors including high levels of climate risk; commitment of government to strengthen climate resilience; and ADB's commitment to support scaling up investments in climate resilience. Initial discussions have been held with respective Ministries of Finance in the proposed TA DMCs.

15. The TA outcome is decision-making for climate resilient development in selected DMCs improved.²⁰ The TA will be aligned with the impact: climate and disaster resilience built.

¹⁶ Include national systems for public financial management, procurement, audit, monitoring and evaluation and related procedures.

¹⁷ This will build on the climate public expenditure and institutional review undertaken in countries with support of the United Nations Development Programme.

¹⁸ Especially countries that have implemented the Pilot Program for Climate Resilience under the Climate Investment Funds.

¹⁹ Currently under development for implementation in selected least developed countries.

²⁰ The design and monitoring framework is in Appendix 1.

C. Indicative Technical Assistance Budget and Financing Sources

16. The TA is estimated to cost \$2,150,000, which will be financed on a grant basis by the Pilot Program for Climate Resilience under the Strategic Climate Fund and administered by ADB.

D. Implementation Arrangements

17. ADB will be the executing agency of the TA. The SDCC will implement the TA in partnership with respective resident missions.

18. The TA will require international and national consulting services. For output 1, it is proposed to engage individual international and national consultants through Individual Consultant Selections (ICS). For output 2, it is proposed to engage a specialized firm that is involved in implementing similar programs through single source selection process. One international consultant will be engaged on an individual basis to coordinate the TA outputs. All consultants will be engaged following the ADB's Procurement Policy (2017, as amended from time to time) and the associated Project Administration Instructions/TA Staff Instructions. The outputs developed under the TA will be disseminated through ADB corporate website.

Table 1: Indicative Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	December 2020–March 2023		
Executing agency	Asian Development Bank (ADB), Sustainable Development and Climate Change Department		
Consultants	Package title	Selection method	Engaged by
	Individual international/national consultants for output 1	Individual Consultant Selection	ADB
	Consulting firm for output 2	Direct contracting (single source selection)	ADB
	Individual international consultant (coordinator)	Individual Consultant Selection	ADB
Disbursement	The TA resources will be disbursed following ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time).		

Source: Asian Development Bank

II. DELIBERATIVE AND DECISION-MAKING ITEMS

A. Risk Categorization

19. The TA is categorized as *complex* based on the criteria outlined in the staff instruction on business processes for knowledge and support TA.²¹

B. Processing Schedule

20. The processing schedule by milestone is in Table 2.

²¹ The TA with ADB financing exceeding \$1.5 million (either from ADB special fund and/or ADB-administered fund) is categorized as complex.

Table 2: Processing Schedule by Milestone

Milestones	Expected Completion Date
1. Departmental quality assurance	October 2020
2. Interdepartmental review	October 2020
3. Concept paper approval	November 2020
4. Interdepartmental review of technical assistance report	November 2020
5. TA approval	December 2020

Source: Asian Development Bank.

PRELIMINARY DESIGN AND MONITORING FRAMEWORK

Impact(s) the TA is Aligned with Climate and disaster resilience built (Strategy 2030 Operational Plan for Priority 3) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Decision-making for climate resilient development in selected DMCs improved	By 2023 Three DMCs have integrated climate resilience considerations in selected fiscal policy and management processes	TA final report	Lack of political support for policy-level changes
Outputs 1. Country systems for climate risk informed fiscal decision-making strengthened.	<p>1a. By 2022, three country reports (one per country) on integrating climate risk considerations in fiscal policy and management processes completed (2020 baseline: 0)</p> <p>1b. By 2022, three national reports (one per country) on climate resilient development pathways completed (2020 baseline: 0)</p> <p>1c. By 2022, at least 300 government officials, of which at least 50% women participation, trained, and with at least 60% of the participants reported increased knowledge on climate resilience considerations in fiscal decision-making processes (2020 baseline: 0)</p> <p>1d. By 2022, at least 9 national inter-agency coordination meetings (at least 3 per country) held, attended by at least 180 participants of which at least 40% women participation, to raise awareness on climate-resilient fiscal decision making (2020 baseline: 0)</p>	<p>1a.1 Country reports 1a.2 One regional knowledge product</p> <p>1b. Reports on climate resilient development pathways</p> <p>1c. Training reports and evaluations</p> <p>1d. Minutes of inter-agency coordination meetings</p>	Insufficient commitment from governments and stakeholders due to competing priorities

2. Knowledge on climate risk informed decision making enhanced	<p>2a. By 2022, at least 9 stakeholder dialogues (3 per country) organized between national agencies and local governments and private sector on climate risk informed development and attended by at least 180 participants of which at least 40% women participants (2020 baseline: 0)</p> <p>2b. By 2022, at least 4 regional workshops (3 online and 1 face-to-face) organized with at least 150 participants of which at least 40% are women (2020 baseline: 0)</p> <p>2c. By 2022, at least 3 peer-to-peer knowledge sharing events organized (1 per DMC) with at least 30 participants of which at least 40% are women (2020 baseline: 0)</p> <p>2d. By 2022, TA experiences shared in at least 2 global/regional events (2020 baseline: 0)</p>	<p>2a. TA progress report</p> <p>2b. Workshop summaries</p> <p>2c. TA progress report</p> <p>2d. TA progress report</p>	
<p>Key Activities with Milestones</p> <p>1. Climate risk informed fiscal decision-making strengthened</p> <p>1.1 Undertake analysis and finalize country reports (Q2 2021- Q4 2022)</p> <p>1.2 Undertake analysis and finalize sector reports (Q2 2021-Q2 2022)</p> <p>1.3 Organize national trainings (Q3 2021-Q3 2022)</p> <p>1.4 Organize inter-agency coordination meetings (Q12021-Q4 2022)</p> <p>2. Knowledge on climate risk informed decision making increased</p> <p>2.1 Organize national workshops (Q2 2021 – Q4 2022)</p> <p>2.2 Organize regional workshops (Q4 2021-Q1 2023)</p> <p>2.3 Organize peer-to-peer exchanges (Q2 2021- Q2 2022)</p> <p>2.4 Support sharing TA experiences at global/regional events (Q2 2022-Q1 2023)</p> <p>TA Management Activities</p> <p>Management of consultant contracts (Q1 2021–Q4 2022)</p> <p>Regular reporting and supervision until Q1 2023</p> <p>Preparation of final report by Q1 2023</p>			
<p>Inputs</p> <p>Strategic Climate Fund: \$ 2,150,000</p>			
<p>Assumptions for Partner Financing</p> <p>Not Applicable</p>			

^a ADB. 2019. *Strategy 2030 Operational Plan for Priority 3: Tackling Climate Change, Building Climate and Disaster Resilience, and Enhancing Environmental Sustainability, 2019–2024*. Manila.

Source: Asian Development Bank.

