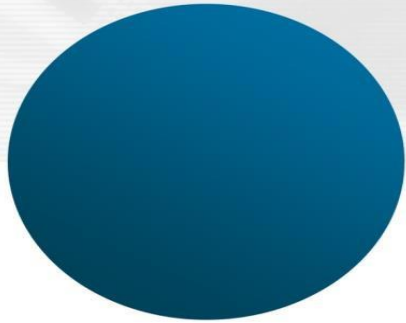


BUILDING THE BAHAMAS CAPACITY IN TRANSPARENCY FOR CLIMATE CHANGE MITIGATION AND ADAPTATION

Climate Finance Tracking

Bahamas Country Experience



July 2023

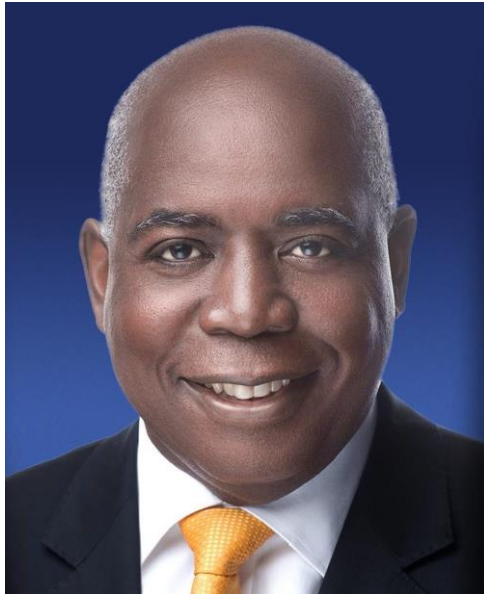
AGENDA

Climate finance tracking methodology for The Bahamas

- 1 Introduction to The Bahamas Tracking
- 2 Conceptual Climate Finance Tracking Methodology – Proposed Approach
- 3 Example and Application of Methodology

1

Commonwealth of The Bahamas



Rt. Hon. Philip E. 'Brave' Davis, Prime Minister of The Commonwealth of The Bahamas



Hon. Vaughn P. Miller, Minister of The Environment & Natural Resources

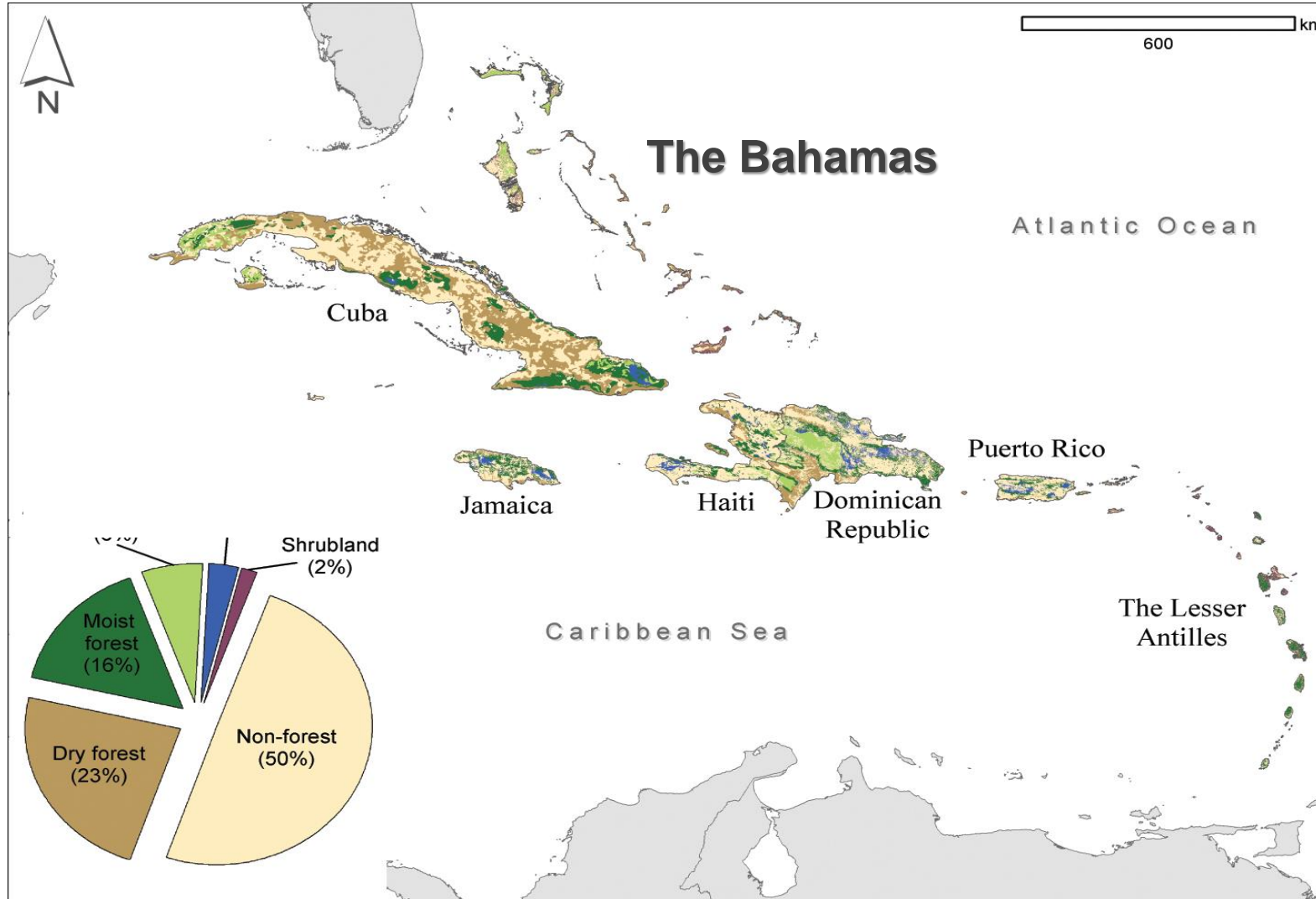


Dr. Rhianna M. Neely-Murphy, Ph.D., Dir. of Dept. of Environmental Protection & GEF National Focal Point



1

Country Profile



1

Country Profile

- ‘Bahamas’, name given by Spaniards 500 ya., translated “shallow sea”.
- Land area - ~14,000 sq.km.
- Population - ~400,000
- Nassau - capital
 - » tourist destination,
 - » hosts 70% of total population
 - » dimension of capital: 7x21 miles



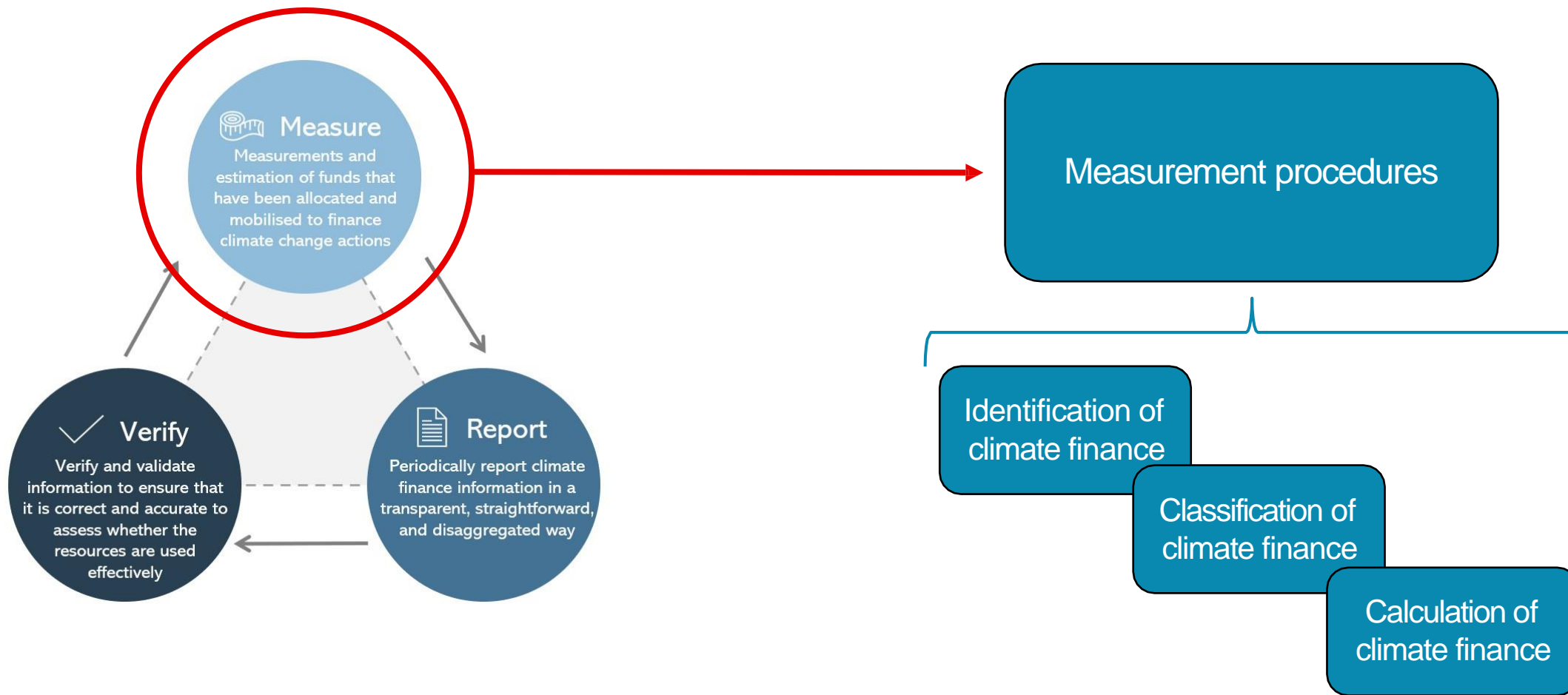
2

Conceptual Climate Finance Tracking Methodology and Proposed Approach



2

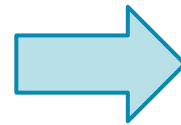
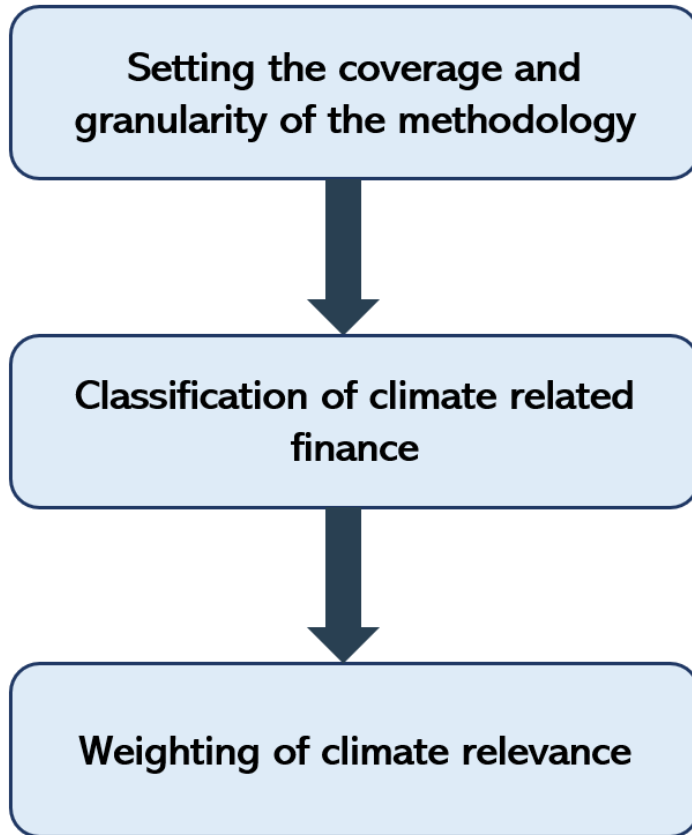
Conceptual Climate Finance Tracking Methodology



2

Conceptual Climate Finance Tracking Methodology

Proposed Approach



Based on **The Bahamas Climate and Disaster Budget Tagging Methodology** as part of **The Bahamas Climate Spending Report 2021—2022**

2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

1

Setting the coverage and granularity of the methodology

- The **coverage** will define **which sectors or institutions will participate** in tagging exercises and **what financial items to cover**. The **broader the coverage, the more comprehensive the picture** of climate-relevant finance and the more effectively resources can be aligned with policy objectives.
- The **granularity** determines **where the estimation takes place** and **the level of information to be tagged**. This could be conducted across different classification such as **economic classification**(personnel, capital, financial expenses, etc.), **programmatic classification** (programme/project/activity/sub-activity levels) or **administrative classification** (ministry/department/unit) depending on national circumstances.

2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

1

Setting the coverage and granularity of the methodology

- **Coverage**
 - **Domestic and international** climate finance from both the **public and private sectors**.
- **Granularity**
 - Estimation within the **national expenditure** will take place at the lowest level of detail available in the programmatic budgetary process in The Bahamas, namely the **economic segment or item level**.
 - For **other sources** estimation as part of the proposed methodology will take place at the **project level**.

2

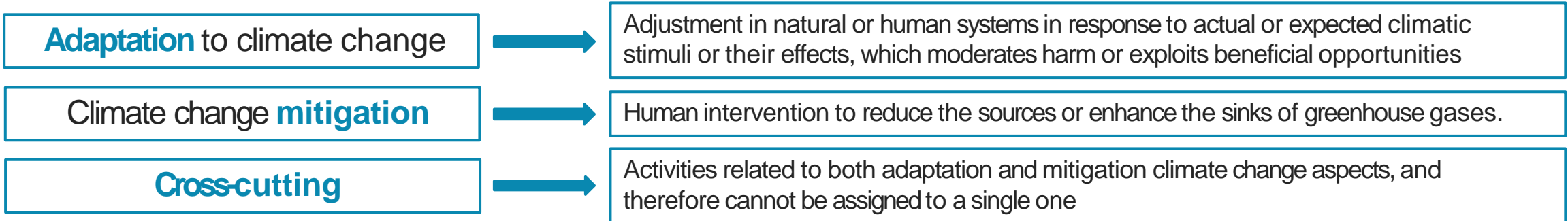
Conceptual Climate Finance Tracking Methodology

Proposed Approach

2

Classification of climate related finance

- **Definition** of climate finance:
 - **National** definition or **international** definition
 - **Mitigation, adaptation, or cross-cutting** (more areas can be included, i.e., disaster risk reduction or loss and damage)



2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

2

Classification of climate related finance

- **Eligibility criteria** for climate change definitions:
 - An activity is **eligible to be classified** to climate change **mitigation** if:
 - An activity is **eligible to be classified** to climate change **adaptation** if:
 - An activity is **eligible to be classified** to climate change **cross-cutting** if:

2

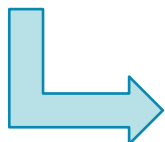
Conceptual Climate Finance Tracking Methodology

Proposed Approach

2

Classification of climate related finance

- Currently **no dedicated legislation** in The Bahamas **containing national definitions of mitigation, adaptation**, or other climate change related terms.
- Climate change issues are addressed in various pieces of legislation, including strategy documents, but **no nationally agreed definitions** are included.
- **Internationally recognised definitions and corresponding eligibility criteria** should therefore be utilised.



OECD Rio Markers Handbook provides an example of internationally recognised definitions and eligibility criteria that can guide the purpose classification.

2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

2

Classification of climate related finance

- Further classification:

Sectoral Classification



National or **international** categorisation

Financial Instrument Classification



- Grant
- Loan
- Equity
- ...

Financial Channel Classification



- Bilateral
- Multilateral
- Public/Private
- ...

2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

2

Classification of climate related finance

- **Sectoral** Classification

Mitigation



Energy



Transport



Waste




Industry



Agriculture



Forestry



Cross-cutting

2


Conceptual Climate Finance Tracking Methodology

Proposed Approach

2

Classification of climate related finance

- **Sectoral** Classification
Adaptation



Tourism




Water Resources



Health



Agriculture



Cross-cutting

2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

2

Classification of climate related finance

- **Financial Instrument** Classification

Financial Instrument	Description
Grant	Transfers made in cash, goods or services for which no repayment is required.
Loan	Transfers for which repayment is required.
Concessional loan	These are loans that are extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these. Concessional loans typically have long grace periods.
Market loan	A marketing loan is a variation of the non-recourse loan whereby, for specified commodities, a producer may repay a loan at a lower rate than the loan rate, equivalent to the prevailing world market price.
Lines of credit	Credit is an amount for which there is a specific obligation of repayment. Credits include loans, trade credits, bonds, bills, etc., and other agreements which give rise to specific obligations to repay over a period of time usually, but not always, with interest.
Equity	Equity refers to the value of the interest of an owner or partial owner in an asset.
Insurance	The activity of insurance is intended to provide individual institutional units exposed to certain risks with financial protection against the consequences of the occurrence of specified events.

2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

2

Classification of climate related finance

- **Financial Channel** Classification

Classify the climate change related projects and activities according to **the financial provider through which it is being financed.**

The following financial channels can be distinguished:

- Bilateral
- Multilateral
- Regional
- Other

2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

3

Weighting of climate relevance

- The **degree** to which financial flows contribute to climate objectives (e.g., mitigation, adaptation or cross-cutting) and consequently, which **proportion** can be **accounted for as climate finance**.
- **Weight** it according to the **share of the activity contributing to address climate change issues**.
- This degree of climate relevance is **expressed in a percentage share between 0 and 100%**.

2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

3

Weighting of climate relevance

- The **OECD Rio Markers Handbook** which provides an example of an **internationally recognised weighting approach** to climate finance
- The **scoring system (weights)** for climate markers according to the **OECD Rio Markers Handbook** is applied to weight the level of impact to climate change, adapted to The Bahamas.

2

Conceptual Climate Finance Tracking Methodology

The OECD's Rio Markers

- The methodology **assigns a percentage of funding** through a **scoring system of three values**.

Scoring type	Score code	Criteria	% of expenditure or investment
High Relevance	3	The objective (climate change mitigation or adaptation) is explicitly stated as fundamental in the design of, or the motivation for, the activity. The main objective of the item is clearly related to climate change.	100%
Medium Relevance	2	The objective (climate change mitigation or adaptation) is explicitly stated but it is not the fundamental driver or motivation for undertaking it. As such, it has secondary objectives/outcomes related to climate change.	50%
Low Relevance	1	Items with indirect climate change benefits	20%
No Relevance	0	The activity was examined but found not to target the objective (climate change mitigation or adaptation) in any significant way.	0%

3

Example of methodology

Application of the climate finance tracking methodology

Climate change mitigation	<p>Definition: An activity should be classified as climate-change-mitigation related if:</p>	<p>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.</p>
Climate change adaptation	<p>Definition: An activity should be classified as adaptation-related if:</p>	<p>It intends to reduce the vulnerability of human or natural 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.</p>
Cross-cutting	<p>Definition: An activity should be classified as cross-cutting-related (score Principle or Significant) if:</p>	<p>Activities related to both adaptation and mitigation climate change aspects, and therefore cannot be assigned to a single one as it is leading to the reduction of greenhouse gases while contributing to the adjustment in natural or human systems to avoid harm or exploit beneficial opportunities.</p>

2

Conceptual Climate Finance Tracking Methodology

Proposed Approach

2

Classification of climate related finance

- **Sectoral** Classification

Mitigation



Energy



Transport



Waste




Industry



Agriculture



Forestry



Cross-cutting

3

Example of methodology

Application of the climate finance tracking methodology

Scoring type	Score code	Criteria	% of expenditure or investment
High Relevance	3	The objective (climate change mitigation or adaptation) is explicitly stated as fundamental in the design of, or the motivation for, the activity. The main objective of the item is clearly related to climate change.	100%
Medium Relevance	2	The objective (climate change mitigation or adaptation) is explicitly stated but it is not the fundamental driver or motivation for undertaking it. As such, it has secondary objectives/outcomes related to climate change.	50%
Low Relevance	1	Items with indirect climate change and/or disaster management benefits	20%
No Relevance	0	The activity was examined but found not to target the objective (climate change mitigation or adaptation) in any significant way.	0%

3

Example of methodology

Application of the climate finance tracking methodology

Title	Objective	Purpose	Sector	Rio Marker Score	Climate change related financing	Total financing
Power Grid Strengthening Project	Strengthening the national power grid with a main objective the economic benefit, however, also aiming at improving the energy efficiency of the power grid. Nevertheless, it is expected that most of the expenditure will be aimed at non-energy efficiency improvement activities.	Climate change mitigation	Energy	2 (Medium Relevance)	USD 335,370.50 (50%)	USD 670,741.00

Thank you!



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