

sNAPshot

Funding Adaptation Through Cambodia's National Budget

Country Brief 2C

Introduction

The National Adaptation Plan (NAP) processes underway in a growing number of developing countries require significant funding that is expected to come from a mix of sources, including domestic public finance, international public finance and private finance. Building on an [overview brief](#) on domestic public finance options for NAP processes, this sNAPshot takes a closer look at how Cambodia is funding adaptation action through its national budget. It demonstrates how the allocation of public finance can support the integration of adaptation priorities into national programs and help ensure the predictability of financial resources available to implement these priorities.

Context

Cambodia is highly vulnerable to climate change, being regularly ranked among the 10 most vulnerable countries globally (General Secretariat of the National Council for Sustainable Development [GSSD], 2014). In recent years, a prolonged three-year drought that ended in 2016 was followed by episodes of severe flooding that had huge economic and social consequences. Lives were lost, homes destroyed, crops devastated, and 19 provinces required government interventions (Tchaparian, 2016). A 2018 study, "Addressing Climate Change Impacts on Economic Growth in Cambodia," determined that if global temperature increase is kept below 2°C by 2100 and Cambodia maintains current levels of investment in adaptation, climate change would reduce absolute GDP by 2.5 per cent in 2030 and 9.8 per cent in 2050 (Ministry of Economy and Finance [MEF], and GSSD, 2015).



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Box 1. Cambodia's NAP Process: Guiding plans and frameworks

- *Cambodian Climate Change Strategic Plan 2014-2023 (CCCSP)* – created a national framework to respond to climate change, which was integrated in the National Strategic Development Plan, 2014-2018.
- *Cambodia Climate Change Financing Framework (2014)* – promoted a common approach to defining climate finance and assessing its current level and prospects for future financing. It guided officials in the mobilization and management of climate finance.
- *Sectoral Climate Change Action Plans* – developed over 2014 and 2015 in 15 ministries to deliver CCCSP strategies and priorities. Identified 171 actions (93 per cent focused on adaptation) and financing gaps. Fourteen plans have been approved, with one awaiting official endorsement.
- *NAP Financing Framework and Implementation Plan (2017)* – aimed to increase the possibilities for Cambodia to access additional adaptation finance. Identified gaps, priority actions and costs, funding options at domestic and international levels, and set out an implementation plan to identify resources for priority actions.

Source: GSSD (2017), *National Adaptation Plan Process in Cambodia*.

Cambodia's NAP Process

Recognizing the need to prepare for the impacts of climate change, Cambodia developed its National Adaptation Programme of Action to Climate Change in 2006 (Royal Government of Cambodia, 2006). Following on this seminal document, the government established a NAP process in 2014 that aimed to build climate resilience and strengthen ongoing adaptation processes through cross-sectoral programming and implementation at the national and sub-national levels. The NAP process is guided by key plans and frameworks (see Box 1) and aims to: a) take a medium- and long-term approach to reducing vulnerability to the adverse effects of climate change; and b) facilitate the integration of adaptation, in a coherent manner, into relevant new and existing policies, strategies, programs and activities (GSSD, 2017b, page 1). The NAP process is an important pillar in Cambodia's efforts to adjust planning and budgeting processes to adapt to climate change.

The coordination of the NAP process is overseen by the National Council for Sustainable Development (NCSD). The Council consists of 38 high-level representatives from relevant government ministries, institutions and agencies as well as provincial governors. The Prime Minister serves as its Honorary Chair and the Minister of Environment as its Chair. The Council coordinates climate change actions and promotes the mainstreaming of adaptation in relevant policies, legal instruments, strategic plans, programs, projects and budgets (GSSD, 2017).

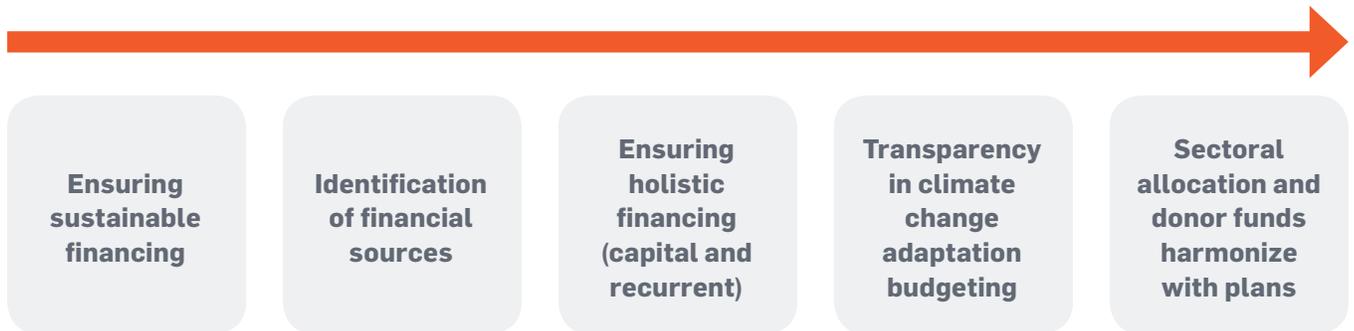
The Cambodia Climate Change Alliance (CCCA) supports the NAP process and coordinates inputs from various development partners, including the European Union, Governments of Denmark, Germany and Sweden, and the United Nations Development Programme. The Alliance is working in 2018-2019 to mainstream climate change into legal frameworks and sub-national planning, and to manage and coordinate climate change financing (Department of Climate Change / GSSD, 2017).



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Box 2. Landscape for the NAP process in Cambodia

Key Process III: Financing



Adapted from GSSD 2017. National Adaptation Plan Process in Cambodia, p. 6.

Integration of Adaptation Into Government Budgets

Cambodia has made considerable progress toward integrating climate change into national planning and budgeting processes since 2013, when the Prime Minister launched the Cambodia Climate Change Strategic Plan and requested that all ministries develop specific climate change plans and budgets (GSSD, 2013). Its NAP process document, released in 2017, identifies financing as key to strengthening adaptation implementation and lays out five actions for achieving the financing required (see Box 2).

1. **Identification of financial sources** – The 15 Sectoral Climate Change Action Plans developed in 2014 and 2015 identified priority adaptation actions and estimated costs over a five-year period (2014–2018). In 2016, the NAP process identified 148 unfunded actions from the total of 171 actions in the sector plans. The development of the NAP Financing Framework included a prioritization process that identified 40 priority adaptation actions from the list of unfunded actions. The prioritization was based on the selection criteria used by the Green Climate Fund and the Adaptation Fund. The NAP financing framework implementation plan identified actions near the implementation stage and possible international funding sources.
2. **Ensuring sustainable financing** – The integration of adaptation in domestic government budgets is beginning to take place to ensure a continual and relatively predictable source of adaptation financing. Various ministries, including agriculture, water, transport, health, environment and rural development

have been supported by the NCS D to mainstream adaptation concerns identified in their Sectoral Climate Change Action Plans into their planning and budgeting processes. In 2016, MEF included a reference to climate change as a cross-cutting issue for the first time in its circular on 2017 budget preparation. Subsequently, the Ministry of Rural Development and Ministry of Public Works and Transport integrated climate change in their 2017 budget submissions.

3. **Ensuring integrated financing** – The NAP Financing Framework recognizes that both domestic and international financing are needed for sustainable adaptation programs. Ministries are beginning to identify climate change actions in their Public Investment Program submissions that identify projects to achieve sector goals and are the basis for attracting and directing external development assistance. Although the integration of climate change into the Public Investment Program is limited, a few ministries have started to align their Climate Change Action Plans and program budget submissions.
4. **Transparency in climate change adaptation budgeting** – Cambodia is one of only a few developing countries that annually track domestic and international public climate finance flows (GSSD, 2014). The NCS D and MEF undertook the first Climate Public Expenditure and Budget Review in 2012 and produced updates in 2014 and 2015 (see Box 3). These reviews of expenditure and funding sources in the 14 ministries with approved climate change plans are essential to assessing the extent to which public resources are contributing to the implementation of the NAP process.

They also can help improve the balance and focus of climate expenditures. This information feeds into national-level indicators that track the country's response to climate change.

- 5. Sectoral allocations and donor funds align with plans** – The 2015 review of climate expenditure determined that sector budget allocations and donor funds are not aligned with Sectoral Climate Change Action Plans, and many priorities remain unfunded. The review indicated a financing gap in most ministries for implementation of their priority actions, despite an increasing budget contribution from the national government. The NAP process is addressing this issue moving forward.

Lessons

Cambodia's experience provides lessons on allocating and tracking domestic finance for NAP processes.

Political leadership is critical to domestic financing of adaptation action. High-level support from Cambodia's political leaders, including the Minister of Environment who leads the NCS, has enabled the development of institutions and processes that prioritize adaptation actions, and the allocation of domestic funds for adaptation.

Expenditure data needs to be combined with data on climate adaptation outcomes to assess the effectiveness and efficiency of public investments. Cambodia is establishing a monitoring and evaluation framework that will include climate-related indicators in the national budget, including climate finance indicators and climate outcomes.

Some climate change actions are supported with existing budget funds that are not identified as climate finance. Identification of all domestic public finance that addresses climate change enables informed decision making. This is also true for external funding, whereby the amount of external finance that supports adaptation could be increased by mainstreaming climate change into typical development projects funded by donors. For example, the Climate Public Expenditure Review found that many agriculture projects funded by donors are not aligned with the sector's climate change priorities (Kingdom of Cambodia, 2016).

Lack of finance is a critical barrier to the NAP process. Cambodia has improved its capacity to mobilize, spend and track public finance for the NAP

process. Yet a lack of finance remains a critical barrier impacting the implementation of adaptation actions. Despite increased allocations of domestic funding, international climate finance will continue to be a large contributor to the implementation of Cambodia's NAP.

“Domestic resources can mobilise a more immediate, nationally driven response to climate change, and when aligned with external funding sources, can gain a much greater impact” (Tchaparian, 2016). The integration of programs and domestic and international funding sources improves the effectiveness of the NAP process (Tchaparian, 2016).

Sustainable financing is based on country ownership and a long-term view. Some officials in key institutions need to be trained and provided with training-of-trainer courses on climate finance to ensure local ownership and buy-in. Tracking and measuring domestic budget allocations for adaptation is not easy. It is a process, and Cambodia has ensured that public officials use their knowledge and share information on climate financing and budgeting across several budget cycles (CCCA, 2016).



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References and Further Reading

The following documents produced by the General Secretariat of the National Council for Sustainable Development (GSSD) and Department of Climate Change can be retrieved from the official website, accessible at: <http://www.camclimate.org.kh/en/documents-and-media/library/category/37-policy-framework.html>

- Cambodia Climate Change Strategic Plan 2014–2023 (2013)
- Sector Climate Change Action Plans (2014 and 2015)
- Climate Change Financing Framework (2014)
- Cambodia's Second National Communication (2015)
- Cambodia National Adaptation Plan Financing Framework and Implementation Plan (2017a)
- National Adaptation Plan Process in Cambodia (2017b)

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