KEY SECTOR ANALYSIS / NATIONAL ISSUES PAPERS
GUIDELINE

UNDP has launched a capacity development project that will assist developing countries to assess and develop policy options for addressing climate change across different sectors and economic activities, which could serve as inputs to Convention negotiating positions.

One of the main activities under the project will be an assessment of investment and financial flows to address climate change for key sectors selected by the country. A key input for the assessment will be development of national issues papers (10pp) on the key sectors, as these papers will form the basis for work to be undertaken. Workshop presentations based on the reports will also be required for a National Inter-Ministerial Dialogue on Climate Change.

Duties and Responsibilities

The national expert will:

1. Prepare a 10-page issues paper within 4 weeks that provides an overview of the key sector, with a focus on mitigation/adaptation options (see outline overleaf)
2. Prepare a presentation on the key sector of water for the national awareness-raising workshop (8 Powerpoint slides maximum).

Competencies

- Strong analytical, writing and communication skills
- Excellent knowledge of sources of information (climatic and economic) on the relevant key sector and capacity to compile and elaborate relevant information on those sectors
- Excellent knowledge of the relevant key sector and mitigation/adaptation issues
- Focuses on impact and result for the client and responds positively to critical feedback
- Able to work independently with no supervision

Education

- Advanced post-graduate degree in environment, the key sector, economics, or a closely related field

Experience

- At least 5 years' country experience in the relevant key sector
- At least 5 years' research experience in the relevant key sector
- Excellent knowledge of national investment and financial conditions in the relevant key sector

UNITED NATIONS DEVELOPMENT PROGRAMME

Bureau for Development Policy
Environment and Energy Group

DRAFT OUTLINE
NATIONAL ISSUES REPORT ON KEY SECTOR (MITIGATION/ADAPTATION)

Primary audience:	Government officials drawn from various line ministries and government agencies
Secondary targets:	Relevant stakeholders, including NGOs, private sector, and civil society.
Total length:	10 pages

General guidance:

The aim of this national issues report is to facilitate understanding on:
1. The range of policy options available to undertake mitigation/adaptation actions for the key sector and
2. The potential implications of international negotiations on national policies for this key sector.

This will be achieved by analysing the sector and outlining the potential for mitigation.

The issues report should:
- Highlight the importance of mitigation in the key sector to the primary audience and other relevant stakeholders;
- Promote discussion during the national awareness-raising workshops;
- Contribute to paving the way for the assessment of investments and financial flows to address climate change mitigation options in the key sector (to be conducted under the project).

Please note that this document is likely be read by a broader audience than the national government and stakeholders as the report will be posted on the UNDP project website.

In addition to the report, a Powerpoint presentation (8 slides maximum) will be required for making a presentation at the national awareness-raising workshop.

PROPOSED OUTLINE FOR REPORT

1. Why the sector is key for the country *(0.5–1 page)*

Using information available from the National Communications and other relevant national studies and information sources, describe the rationale for selecting this sector as key. For example:
- Relevance from an economic perspective:
  - GDP;
  - Employment;
  - Trade equilibrium;
  - Fiscal revenues;
  - Relevance of sector for satisfaction of basic needs, incl. food security;

    - Regional development;
- National greenhouse gas emissions and mitigation needs;
- Social and other dimensions (e.g., environment, etc.);
- Technological challenges.

2. Description of the key sector *(0.5–1 page)*

Using information available from the National Communications and other relevant national studies and information sources, briefly describe the sector from a national perspective. (For example in the energy sector this can be:

- Access to energy, status and trends;
- Total supply and the share of different energy sources;
- Primary energy resource potential:
    - Fossil fuels;
    - Renewable energy;
    - Energy carriers;
    - Transmission, distribution and storage;
    - Decentralised energy;
- Brief description of the regulatory framework and business and investment environment;
- Emissions trends.)

3. Proposed mitigation/adaptation options for the key sector *(2–3 pages)*

Using information available from the National Communications, NAPAs and other relevant national studies and information sources, briefly describe the identified potential mitigation/adaptation measures.

Remember the primary audience: try to use simple, non-technical language.

4. Key issues in assessing investment and financial flows to address climate change mitigation in the key sector *(1–2 pages)*

These issues might include:

- Data availability and other relevant information constraints;
- Proposed methodological approach for the sector;
- Modelling and scenario limitations and/or assumptions.

5. Proposed approach/recommendation for conducting the assessment of investment and financial flows to address climate change mitigation in the key sector *(2–3 pages)*

This proposal might include:

- Institutional arrangements;
- Key stakeholders and co-ordination scheme;
- National sources of finance and investment for the key sector;
- Draft work plan for assessing investment and financial flows to address climate change mitigation/adaptation in the key sector.

What are investments?

An "**investment**" is the initial cost of a new physical asset with a life of more than one year, such as the capital cost of a gas-fired generating unit or of a water supply system. When applied to climate change mitigation and adaptation, it is the choice by an investor (whether a national, foreign, or multilateral entity) to invest funds with the intention to 1) reduce GHG emissions, 2) reduce the vulnerability to the adverse impacts, 3) mitigate the impacts, and/or 4) avoid the adverse impacts associated with increased climatic variability and climate change. In any case, the investment results in the presence of a new physical asset such as equipment, technology, or infrastructure.

The term **"investment flows"** represents the aggregation of investment in new facilities or equipment (any new physical asset) over a given time period for a given sector, such as renewable energy sources and expanded water supply systems. The origins of investment, or entities responsible, can vary as well as investments in a sector could be financed from multiple sources.

Notice that the investment flows are limited to *new physical assets* because the focus is on forward-looking measures that are able to address climate change in a significant way. Purchase of an existing physical asset, such as a vehicle, building, or coal-fired generating unit, is excluded because its remaining life and its implications for climate change are not affected by the purchase. Investments in financial assets - such as bonds and shares - and physical assets that *do not affect* climate change mitigation or adaptation measures - such as metals and commodities - are also excluded because they are un-related to climate concerns.

What are financial flows?

A "**financial flow**" is an ongoing expenditure that does not involve the expansion or creation of physical assets like new facilities or equipment. These ongoing expenditures represent annual costs associated with maintaining the operational viability such investments. Examples include forest management, agricultural extension services, treatment of illnesses and education. It also enables the entities likely to fund those ongoing costs to be identified. For example, where the measures are likely to be funded by the public sector, options for raising additional funds from other domestic or international sources can also be evaluated. When applied to climate change mitigation or adaptation, it is simply the ongoing expenses incurred by national agencies to maintain the new investments for the following:

- Reducing GHG emissions;
- Reducing vulnerability to the adverse impacts of climate change;
- Mitigating the impacts of climate change; and/or
- Avoiding the impacts associated with climate change altogether.

Some examples of the distinction between investments and financial flows are provided in the table:

Examples of investment versus financial flows

Sector	*e.g. Investment*	*e.g. Financial flow*
Energy (mitigation)	Costs associated with the equipment to retrofit existing coal station with carbon capture and sequestration technology	Ongoing annual costs associated with a monitoring programme to verify the continued sequestration of GHG emissions
Forestry (mitigation)	Costs associated with the equipment to improve forest management, and launch Afforestation programs; investment in CDM project	Ongoing annual costs associated with a monitoring programme to verify the continued sequestration of GHG emissions
Water	Costs associated with the improvements in	Ongoing annual costs associated with a

(adaptation)	municipal water distribution systems to eliminate losses	public awareness campaign to promote domestic water conservation and efficiency
Health, etc	Costs associated with the construction of high elevation rural clinics in areas previously unaffected by malaria	Ongoing annual costs associated with pre- and post-treatment of infected rural dwellers

What are the major sources of investment and financial flows?

A list of typical investment and financial flows sources, together with a brief description and the nature of the investment, are provided in table below:

Major sources of investment and financial flows

Source of Investment	**Description**	**Type of investment**
Public-international: Official development assistance (ODA)	Bilateral or multilateral assistance provided by the government of another country(s) or IFI(s), as a grant that does not need to be repaid, or as a loan with concessional terms.	The primary objective of ODA is to alleviate poverty but some of the funding is invested in new facilities or spent in ways that contribute to climate change mitigation or adaptation. *all ODA is assumed to go initially to governments in the recipient countries
International debt	Loans provided by commercial banks and the sales of bonds in the capital market	Provides finance to borrowers that have a demonstrated capacity to repay the loan with interest
Private-international		Equity foreign direct investment (FDI); grants and concessionary loans
Governments (Public-domestic)	These are the national, provincial, state and local governments of a country.[1]	Invest in long-lived assets that provide local public benefits, e.g. transportation infrastructure, schools and hospitals and Operational spending like health care spending and funding for energy research; investments channeled into most pressing development priorities.
Private-domestic	Financial corporations and non-financial corporations	Grants and concessionary loans
Financial corporations	Banks and insurance companies that provide financial services to non-financial corporations, households and governments	Invest in physical facilities, such as buildings, using funds raised domestically or from foreign sources.
Non-financial corporations	Corporations whose principal activity is the production of market goods or non-financial services.	Invest in services, produce goods, such as fossil fuels, and non-financial services, such as communications services using funds raised domestically or from foreign sources.

[1] Financial and non-financial corporations, such as oil companies or electric utilities, owned wholly or in part by governments are included in those source categories.