

# sNAPshot

## Albania's Approach to Integrating Adaptation into Domestic Budgeting

### Overview Brief 2A

#### Introduction

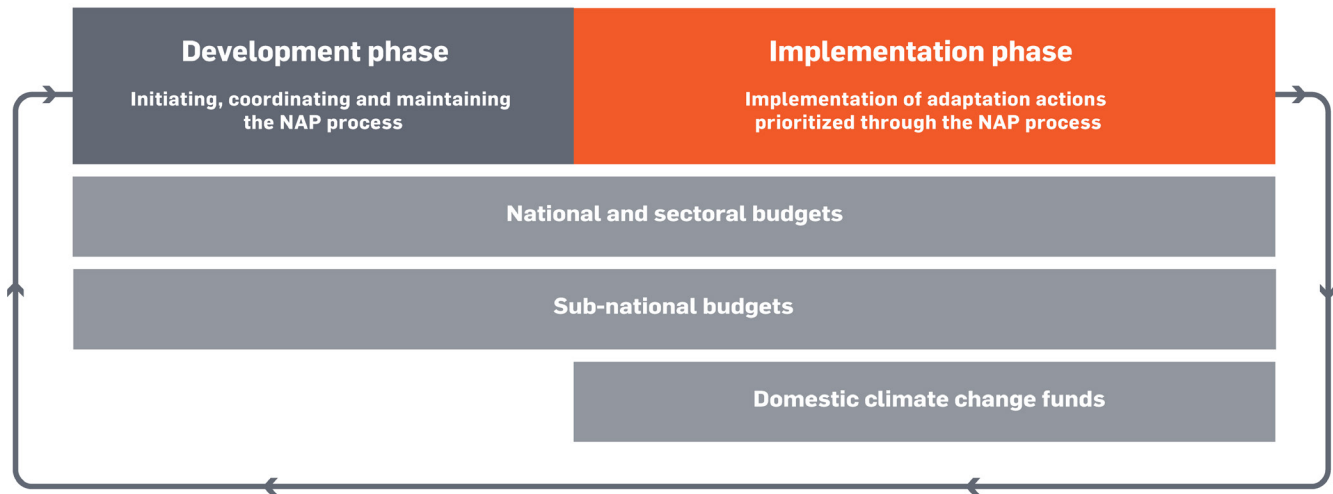
Developing countries require significant financing to support the development and implementation of their national adaptation plan (NAP) processes. This financing is expected to come from a mix of sources, including domestic public finance, international public finance and private finance. In relation to domestic public finance, NAP teams may utilize different sources that are outlined in Figure 1.

To date, the potential for domestic national budgets to finance NAP processes has received less attention compared to multilateral sources, in part because many of the countries most vulnerable to climate change do not have strong revenue streams from which to finance prioritized adaptation actions. In spite of this, we know that developing countries are already investing in actions that will help them adapt to climate change, although they are not necessarily labelled as

such. This would include investments in sectors like agriculture and infrastructure that enable farmers and buildings respectively to better withstand the effects of climate-related risks. While developing countries are not expected to rely on domestic public finance to meet all of their adaptation needs, this source can help to ensure the reliability of resources available to implement adaptation priorities across different sectors and levels of government. Integration of adaptation into domestic budgeting processes can also support access to international climate finance by showing government commitment, country ownership and counterpart funding (Price-Kelly & Hammill, 2016).

Building on an [overview brief](#) on domestic public finance options for NAPs, this *sNAPshot* takes a closer look at how Albania is integrating climate adaptation into its medium-term budget process.





**Figure 1. Potential sources of finance for the NAP process (Adapted from Parry et al., 2017)**

## National Adaptation Planning Context

Albania is actively engaged in the climate change adaptation planning process. In 2014, the government established the Inter Ministerial Working Group on Climate Change (IMWGCC), which coordinates all institutions involved in climate change mitigation and adaptation processes and facilitates the integration of climate change into relevant new and existing policies, programs and activities. The IMWGCC includes 15 members representing key ministries and is chaired by the Ministry of Environment, which also holds the lead function for NAP development and implementation (Government of Albania, 2016). Albania launched its NAP process in 2015, undertaking a participatory stocktaking workshop to identify and assess institutional arrangements, policies and capacities to improve overall coordination. It also sought to assess existing climate change information and identify gaps and development needs (Gesellschaft für Internationale Zusammenarbeit, 2016).

Mainstreaming climate change adaptation into relevant sector plans and policies was identified as a key principle for the NAP process in Albania. Following the stocktaking exercise, mainstreaming activities were launched by strategically applying a climate lens to incorporate adaptation priorities into the overarching National Strategy for Development and Integration. This process resulted in adjustments of goals, recommendations for further actions and efforts to mainstream climate adaptation into key sectoral strategies, including water, agriculture, energy, biodiversity, tourism, health and emergency response planning (Government of Albania, 2016). Albania's NAP document is currently awaiting approval by all ministries.

## Integrating Climate Change Adaptation into Albania's Medium-Term Budget Process

Albania's NAP document provides the implementation framework to facilitate the integration of climate change adaptation into development planning by defining overarching objectives, targets and priority actions. Given the scale of financing required to implement its NAP priorities, the Albania government developed a dedicated NAP financing document. It provides guidance as to how to finance prioritized climate change adaptation actions, considering two sources and channels: 1) domestic government revenue and 2) international funds and sources. Specifically, Albania's NAP states that the country will use the NAP process as an opportunity to mainstream climate change into national development planning and budgeting processes. It aims to "successfully access the country's public budget for financing NAP implementation by spending at least an initial USD 5 million by 2018" (Government of Albania, 2016).

Following Albania's ratification of the Paris Agreement in September 2016, the Albanian Ministry of Finance issued a requirement for all line ministries to define and identify appropriate and measurable objectives, outputs, activities and costs related to climate change within their budget programs as part of their preparations of the Medium Term Budget Program (MTBP) 2018–2020 (Çili, 2017). The MTBP was identified as a suitable entry point for integrating climate change adaptation into budget planning, as it presents the operational instrument for the management of public expenditure and a key element of Albania's national budget planning process. As part of the budget preparation process, line ministries are tasked with producing a policy statement for each

## Box 1. Climate and Development in Albania

The middle-income country of Albania, situated on the southeastern Balkan Peninsula, is one of the poorer countries in Europe. Following the end of communist rule, Albania transitioned from a centrally planned to a market-oriented economy that is steadily improving. The agriculture sector accounts for half of the country's employment but makes up only one fifth of its GDP. Remittances still present an important driver for economic growth. Under climate scenarios produced by the Intergovernmental Panel on Climate Change, Albania is likely to become warmer and particularly susceptible to increased risk of drought, heat waves, more frequent extreme precipitation and other climate-related hazards. Sea-level rise will likely affect Albania's coastal areas and lead to flooding. Large amounts of arable land could potentially be lost due to inundations and increased salinity.

Based on research conducted to prepare its three National Communications to the United Nations Framework Convention on Climate Change (UNFCCC), the Government of Albania identified the following key vulnerabilities in its NAP document:

- Hydrological systems
- Agriculture
- Energy
- Health
- Social vulnerabilities
- Climate related hazards and disasters
- Ecosystems
- Tourism



Sources: Central Intelligence Agency (2017); Government of Albania (2016)

of their budget programs that include the program's mission statement, goal, objective(s), outputs and expenditure proposal. Albania's national development strategy, sectoral strategies and NAP document are supposed to inform each program policy review and budget allocations, linking budgeting and planning to national and sectoral strategies that incorporate adaptation priorities. These medium- and long-term plans define goals and objectives every sector must follow and serve as a starting point for line ministries to understand their assignment.

To ensure the successful implementation of the requirement to mainstream climate change adaptation into the MTBP and to identify lessons learned, the Ministry of Finance initiated a pilot exercise. Four ministries managing seven budget programs—the ministries of Agriculture, Interior, Environment and Urban Development—were selected for involvement in the pilot exercise (Çili, 2017). Following training for representatives from the pilot ministries, budget officers identified and labelled climate adaptation-related

measures within their existing budget programs and projects and developed additional adaptation initiatives to be integrated into the MTBP 2018–2020.

In addition to the pilot exercise, the Ministry of Finance aims to improve tracking and reporting of climate adaptation expenditures by upgrading to a new financial management information system (Çili, 2017). However, determining and labelling what constitutes “adaptation finance” can be difficult. To address this challenge, Albania is currently considering the adoption of statistical markers defined and used by the Organisation for Economic Co-operation and Development (the Rio Markers) to track international climate-related development assistance. Results from tracking and reporting climate adaptation-related finance will enable the government to demonstrate its commitment to implementing climate actions and assess progress towards achieving its climate resilience objectives. It will also better enable the government to evaluate the effectiveness of NAP implementation efforts and identify gaps in ongoing efforts.



Albania's actions illustrate that integrating adaptation into national budget cycles requires collaboration between various actors, with the Ministry of Finance playing a key role. Budgeting is not only a technical process that requires understanding of budget cycles and identifying entry points, but also a political one that entails engagement of key actors and practical strategies for integration.



## References and Further Reading

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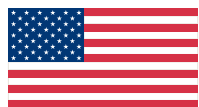
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