



Key Performance Indicators for climate and nature outcomes for debt management

Methodology with examples from West Africa

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This backgrounder presents a working outline of the process to develop Key Performance Indicators of climate and nature activities which will be integrated as proposed outcomes in a performance bond for climate and nature transaction between a debtor country and its creditors.

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Summary

Key Performance Indicators (KPIs) support debt management for the achievement of climate and nature outcomes. These KPIs are important for creditors to measure and monitor policy commitments and climate and nature outcomes and processes and debtors to be held accountable to these commitments by national stakeholders and creditors.

KPIs need to be based on certain criteria including contributing to pro-poor growth to avoid future debt distress and the use of existing data, systems and capacities. In the case of climate, KPIs could be based on targets under the Nationally Determined Contributions (NDCs) of the Paris Climate Agreement and for nature, commitments under the National Biodiversity Strategies and Action Plans and related strategies under agriculture, fisheries and other sectors.

A KPI Framework is based on a theory of change with indicators, baselines, targets, means of verification and assumptions and cost of inputs. The following are the suggested steps in developing the KPI framework for the debt transaction:

- Initial desk review of country policies, commitments and strategies, and consultations with debtor government and civil society
- Initial development of Theory of change for KPIs
- Engagement with government stakeholders and civil society to verify activities and policy commitments and outcome indicators – ensuring that the activities and indicators are showing additionality and relevance
- Refinement and development of indicators, baselines, targets, means of verification and assumptions with national actors, and ensuring continued alignment with criteria
- Hold validation workshops with government (Ministries of Finance, Environment, Fisheries, Agriculture etc), civil society, private sector and parliament
- Share KPIs with creditors for discussion, review and agreement

1. Purpose of developing Key Performance Indicators (KPIs)

To support debt management based on the achievement of climate and nature outcomes, as captured through KPIs

- This is important for creditors to measure and monitor policy commitments and climate and nature outcomes and processes.
- This is important for debtors to demonstrate policy commitments and climate and nature outcomes and processes, and to be held accountable to these commitments by national stakeholders.

2. Criteria for Key Performance Indicators

The KPIs should be designed with the following criteria in mind:

- Climate or nature purpose
 - Climate adaptation and resilience
 - Climate mitigation (e.g. renewable energy)
 - Biodiversity and nature (land based and marine)
- Economic growth enhancing
- Poverty-reducing
- Gender-responsive
- Nationally owned

- Including a strategy for measuring processes & outcomes based on existing data, systems and capacities

3. KPI Frameworks: theories of change

Table 1 shows an example of a KPI Framework. The framework is used to present the theory of change from the selected climate and nature activities. The framework should identify the indicators, baseline, target, means of verification and assumption for the expected climate and nature outcomes and processes (see section 3.1), policy commitments (section 3.2) and the inputs – the costed activities (section 3.3). The data sources such as the Nationally Determined Contribution (NDC, 2017) should be included where relevant.

Table 1: Example KPI Framework

Expected result	Indicator	Baseline	Target	Means of verification	Assumptions
E.g., Coastal afforestation					
Climate and nature outcomes and processes (the desired changes in biodiversity and climate parameters)	e.g., trees planted, fish species maintained				
	Tons of carbon dioxide equivalent (TCO ₂ eq) sequestered	206.2 M tons of CO ₂ eq (2010 estimate)	Mid-term target: additional 12.5 million tons of CO ₂ eq Final target: additional 35.1 million tons of CO ₂ eq Based on NDC, 2017	Standard tier 1 and 2 REDD+ monitoring and verification	When country-wise REDD+ MRV is in place, this project will adopt it
e.g. improved management of coastal forest areas contributing to emissions reductions					
Policies commitments (political commitments)	e.g., square hectares of protected areas	20% forest cover	30% forest cover		
	Hectares of land or forests under sustainable management or improved protection and management	X hectares of land under protection	Mid-term target: additional X hectares of land under protection Final target: additional X hectares of land under protection Based on NDC, 2017	Protected areas management effectiveness tracking tool assessment reports	
e.g. area of improved management coastal forest areas contributing to emissions reductions					

Inputs (costed activities)	Activity	Description	Inputs	Description	Activity cost
e.g., cost of protected areas	Strengthen and update information management and monitoring systems to detect forest cover changes, and ecological responses of forests and other systems to impacts of climate change	Update and improve monitoring systems and information management on forest cover and ecological changes as responses to climate change to enhance early management measures to prevent forest loss and degradation	Every five years (from Year 1 onwards), conduct biodiversity inventory surveys, and every ten years (next in Year 7), conduct the National Forestry Inventory in protected areas and biological corridors	Operating budget to implement National Forestry Monitoring of 1200 monitoring plots and improve monitoring systems and reporting	Estimated cost of the operating budget USD X

A more detailed example of this framework can be seen from page 66 here:

<https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp050-wwf-bhutan.pdf>

3.1 Climate and nature outcomes and processes

The climate and nature outcomes and processes seek to capture the changes that the intervention will yield. In the case of a coastal afforestation activity, a climate and nature outcome may be ‘improved management of coastal forest areas contributing to emission reductions’ and also ‘improved management of coastal forest areas contributing to flood management’. Interventions will yield multiple outcomes. Another outcome may be ‘socio-economic wellbeing of communities in and in the vicinity of the afforestation area enhanced by climate informed natural resource management.’

Further outcome indicator examples include:

- Thousands of households made climate resilient
- Tonnes of climate emissions mitigated linked to energy access
- Hectares of watersheds afforested with employment by poor
- Hectares of land restored with employment by poor
- Square kilometres of marine protected areas set up for fish breeding and ecotourism

3.2 Policy commitments

The framework should also capture existing or developed policy commitments. In some cases, the policy commitment will be the same as an outcome (3.1). An example of a policy commitment may be ‘Hectares of land or forests under sustainable management or improved protection and management’.

Existing national policy commitments may be found in key national strategies, plans and budgets (See Annex 1). The intervention should ensure that it is in line with national policy commitments. This will involve steps to review national policy commitments and check how far implementation is underway against those commitments (many Ministries may be involved) and select updated policy commitments and baselines.

Sources for policy commitments:

- General policy commitments from National vision and 5-year plan and annual budget
- Climate policy commitments from Nationally Determined Contributions (NDCs)
- Nature policy commitments from National Biodiversity Strategies and Action Plans (NBSAPs)
- Marine policy commitments from fisheries strategy

3.3. Inputs (costed activities) and Value for money

The framework should then elaborate on the specific activities that will be undertaken to reach the outcomes and policy commitments that have been elaborated. These need to be specific and clear and include costing information. The elaboration of the activities and inputs should consider the intended outputs - the direct and measurable effects of the intervention. The elaboration of the costed activities should be in line with a value for money approach – ensuring that there is a clear economic case for each activity (see guidance [here](#)).

The overall potential budget for activities will be informed by the amount available from the debt transaction and from broader national processes that these activities may be supplementing. For example, if national government activities are already underway to support coastal afforestation, but further resources are required for some components, the finance made available from the debt transaction could support those additional components that the government would have not otherwise been able to support – thus demonstrating additionality. The development of the KPIs therefore need to be undertaken in an integrated process with the development of the debt transaction instrument to ensure that the activities, scale, and modalities are relevant and suited to what is possible.

Examples of activities include: ‘strengthen and update information management and monitoring systems to detect forest cover changes, and ecological responses of forests and other systems to impacts of climate change’; ‘promote rural alternative energy technologies such as biogas and household solar system for communities living within protected areas’; ‘implement climate smart restoration of the degraded land areas within protected areas’; and ‘raise awareness and build capacity of local communities to mobilise them for sustainable and climate-resilient resource management practices, implement community-based climate adaptation plans and as citizen scientists’.

The costed activities should also include costs of capital and operations, and maintenance.

3.4 Means of verification (monitoring, verification and reporting (MRV))

The framework should ensure that for the climate and nature outcomes and processes and policy commitments, there are defined means of verification – designed with the indicator, baseline and target and components to ensure that the outcome or commitments can be measured directly or by proxy. The framework should also specify the reporting frequency and the costs of the monitoring and verification. The costs of the MRV should be integrated to be funded through the debt instrument.

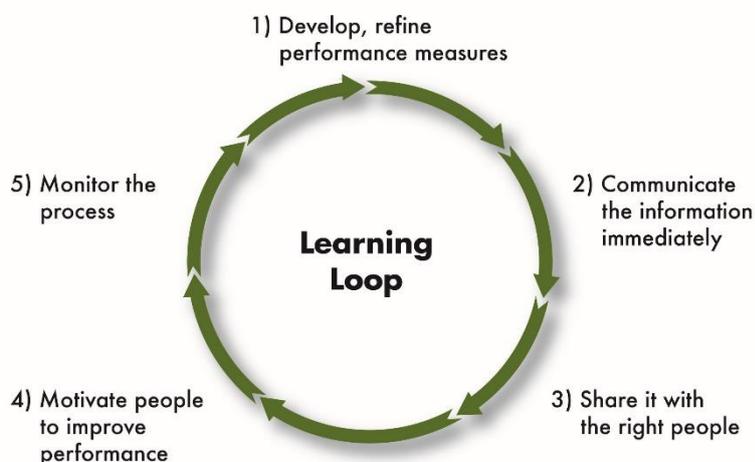
The chosen means of verification should be chosen or developed ensuring that the means are as less of a burden on national actors as possible – this means that it should use existing systems. A combination of the following should be considered:

- Domestic verification, such as national government institutions, civil society and participatory citizen verification
- International organisations, such as through the Green Climate Fund (GCF) for climate resilience and renewable energy and to the Global Environment Facility (GEF) for biodiversity, or the United Nations (UNDP and UNEP). Other international technical expertise includes the Consultative Group on International Agriculture Research (CGIAR), IWMI, ICRAF, World Fish or international NGOs such as IUCN or WWF.
- Private verification, for example the services provided by a private company such as SGS for national forestry control

4. Potential challenges of KPIs

The following are recommended approaches to follow to avoid potential challenges and pitfalls when developing KPIs:

- Embedding KPIs in systems that will drive actions for climate and nature versus only reporting
- Minimizing reporting burden on national structures versus meeting international donor requirements
- Communicating and engaging with the relevant government stakeholders through the process
- Setting up long-term learning from data collected



5. Steps in developing the KPI framework

These are the suggested steps in developing the KPI framework for the debt transaction:

- Initial desk review of country policies, commitments and strategies, and consultations with debtor government and civil society
- Initial development of Theory of change for KPIs

- Engagement with government stakeholders and civil society to verify activities and policy commitments and outcome indicators – ensuring that the activities and indicators are showing additionality and relevance.
- Refinement and development of indicators, baselines, targets, means of verification and assumptions with national actors, and ensuring continued alignment with criteria
- Hold validation workshops with government (Ministries of Finance, Environment, Fisheries, Agriculture etc), civil society, private sector and parliament.
- Share KPIs with creditors for discussion, review and agreement

Annex 1: Report outline

The following is a proposed report outline for each national KPI report (10 pages):

- Executive summary (1 page)
- Introduction, purpose and criteria for KPIs
- Brief context of the project, why the KPIs are important, and what the key criteria for the KPIs
- Summary of key national priorities, commitments, and programmes of work, as found in key national strategies and plans (and a list of consulted documents to be provided as an Annex)
 - Brief and high-level exposition of key commitments and priorities with, especially those that come up across various plans and strategies (and noting which plans or strategies they are referenced in).
- Initial KPI framework table with list of indicative climate and nature outcomes in the areas identified in the previous section as high national priorities accompanied by indicators, targets, baselines, means of verification and assumptions.
- Means of monitoring, verification and reporting – summary of existing national structures for MRV – what already exists in country for MRV on current activities? What verification mechanisms are already in place for internationally funded projects, etc. Or what else could be suitable to support the identified KPI activities.
- Elaboration of next steps in developing and verifying the KPI framework – setting out the next steps for engaging with the national government and other national and local stakeholders in refining the identified KPIs, such as validation workshops etc

Annex 2: Desk sources for existing national policy commitments

The following is a non-exhaustive list of desk-based sources to review national priorities on development, climate, and nature, and for understanding the national position on debt. However, information collected from these sources should be discussed with national actors to verify and to develop a greater understanding of the current context and priorities.

- **Government announcements in national and international forums**
 - COVID recovery plans
 - Announcements in climate and nature forums
- **Government documents – national strategies, plans, visions, Acts**
 - Overall planning and budgeting documents
 - Five-year plans
 - National development plans
 - Annual budgets
 - SDG strategies
 - Debt position/history
 - Climate
 - Nationally Determined Contributions (NDC) and NDC updates
 - National Adaptation Plans (NAPs) and National Adaptation Plans of Action (NAPAs)
 - National communications to the UNFCCC
 - Climate risk and vulnerability studies
 - GCF Country Programming draft documents
 - Biodiversity
 - National Biodiversity Strategy and Action Plan (NBSAP)
 - Fisheries & marine plans, strategies, protected areas strategies
 - Economic sectoral plans
 - Agriculture strategies
 - Fisheries masterplans
- **Existing programmes, projects and international financing for climate and nature in country**
 - [Climate funds update](#)
 - [OECD database](#)
- **Creditworthiness and governance**
 - [PEFA assessments](#)
 - Track record with existing funding – are programmes being funded through government systems

Annex 3: Initial list of desk sources for Guinea Bissau

- **Government announcements in national and international forums**
 - IMF Executive Board Approves a US\$20.47 Million Emergency Assistance for Guinea-Bissau to Address the COVID-19 Pandemic [link](#)
 - UNDP COVID-19 socio-economic impact analysis for Guinea Bissau [link](#)
 - Early COVID-19 economic impacts study [link](#)
- **Government documents – national strategies, plans, visions, Acts**
 - **Overall planning and budgeting documents**
 - National Strategic Plan – TERRA RANKA. The Terra Ranka (meaning new beginning) is the Strategic and Operational Plan of the Government of Guinea-Bissau (2015-2020). This is the overarching development plan that focuses on governance and peace, infrastructure, industrialisation, urban and human development, and biodiversity. It also outlines that agri-business, fisheries, tourism, and a transparent and sustainable use of the country's mineral resources are key economic drivers and should be priority sectors to protect from climate change.
 - National Poverty Reduction Strategy (PRSP II)
 - **Climate**
 - [Nationally Determined Contribution](#)
 - Nationally Determined Contribution (NDC) submitted to the Paris Agreement outlines a number of climate change adaptation targets such as:
 - (i) to increase the percentage of protected areas from 15 to 26 percent, and ensure it is managed well;
 - (ii) develop an Integrated Management Programme for the Coastal Zone by 2025; and
 - (iii) have 80 percent renewable energy in the national energy mix by 2030.
 - The protection of coastal ecosystems
 - Other targets outlined in Guinea-Bissau's NDC here [English summary](#) and [another](#)
 - [UNDP NAP Process](#)
 - Climate risk and vulnerability assessments
 - National Adaptation Plan of Action (NAPA) (2006)
 - First (2005), Second (2011), and Third (2018) National Communications to the UNFCCC
 - Green Climate Fund country programme draft
 - [GCF project FP105](#) BOAD Climate Finance Facility to Scale UP Solar Energy Investments in Francophone West Africa LDCs
 - **Biodiversity**
 - National Biodiversity Strategy and Action Plan 2015-2020 [link](#)
 - GEF engagements [link](#)
 - **Economic sectoral plans**
 - National Land Neutrality Degradation, established 2018
 - National Energy Plan [link](#)
- **Existing programmes, projects and international financing for climate and nature in country**
 - IFAD food security programme [link](#)
 - African Development Fund approves \$9.8 million to Guinea-Bissau for COVID-19 relief and resilience [link](#)

- World Bank programmes overview [link](#)
- **Creditworthiness and governance**
 - PEFA assessment [link](#)

Annex 4: Initial list of desk sources for Cabo Verde

- **Government announcements in national and international forums**
 - IMF Executive Board Approves a US\$32 Million Disbursement to Cabo Verde to Address the COVID-19 Pandemic [link](#)
 - Cabo Verde: Government debt hits record high of €2.245 billion [link](#)
 - Fitch Affirms Cabo Verde at 'B-'; Outlook Stable [link](#)
- **Government documents – national strategies, plans, visions, Acts**
 - **Overall planning and budgeting documents**
 - National Sustainable Development Plan 2018-2022 [link](#)
 - Budget CABRI [link](#)
 - **Climate**
 - Updated NDC [link](#)
 - National disaster risk reduction strategy 2017 [link](#)
 - National progress report on the implementation of the Hyogo Framework for Action (2013-2015) [link](#)
 - National Adaptation Plan of Action (2007) [link](#)
 - [First](#) (1999), [Second](#) (2010), and [Third](#) (2017) National Communications to the UNFCCC
 - Green Climate Fund country programme draft – contact the NDA [link](#)
 - The Strategic Water and Sanitation Plan (PLENAS) (Plano Estratégico Nacional de Água e Saneamento)
 - Cabo Verde's Low Carbon and Climate Resilient Development Strategy (in preparation) – contact the focal point [link](#)
 - Africa Adaptation Initiative [link](#)
 - Blue Bond Note (2020) [link](#)
 - **Biodiversity**
 - National Biodiversity Strategy and Action Plan 2014-2030 [link](#)
 - GEF engagements [link](#)
 - **Economic sectoral plans**
 - Strategic Plan for Agriculture Development (Plano Estratégico do Desenvolvimento Agrícola – “PEDA”) and the specific Action Plans for Agriculture Development (Planos de Ação para o Desenvolvimento da Agricultura – “PADA”)
 - National Program for Food Security (Programa Nacional para Segurança Alimentar)
- **Existing programmes, projects and international financing for climate and nature in country**
 - Project “Building adaptive capacity and resilience to climate change in the water sector”
 - UNDP [link](#)
- **Creditworthiness and governance**
 - PEFA assessment [link](#)

Annex 5: Initial list of desk sources for Mauritania

- **Government announcements in national and international forums**
 - IMF Executive Board Completes Sixth Review Under the Extended Credit Facility Arrangement with the Islamic Republic of Mauritania, Approves US\$23.8 Million Disbursement [link](#)
 - Jubilee Debt Campaign [link](#)
 - World Bank IDA [link](#)
- **Government documents – national strategies, plans, visions, Acts**
 - **Overall planning and budgeting documents**
 - National Strategy for Sustainable Development (SNDD) (2006)
 - Budget CABRI [link](#)
 - **Climate**
 - Nationally Determined Contribution 2020-2030 (2015) [link](#)
 - The NDC describes the impacts of climate change on key sectors, including water resources; livestock; housing, town planning and regional planning; natural resources; fishing; and on health.
 - National Adaptation Programme of Action (2004) [link](#)
 - [First](#) (2001), [Second](#) (2008), and [Third](#) (2014) National Communications to the UNFCCC
 - National progress report on the implementation of the Hyogo Framework for Action (2011-2013) [link](#)
 - Action Plan for National Environment and Sustainable Development (PANE II): 2012 – 2016
 - National Adaptation Plan
 - Africa Adaptation Initiative [link](#)
 - Green Climate Fund Country Programme draft? – contact the NDA [link](#)
 - GCF Projects FP162, FP152, FP151 [link](#)
 - **Biodiversity**
 - National Biodiversity Strategy and Action Plan 2011-2020 (2014) [link](#)
 - GEF engagements [link](#)
 - **Economic sectoral plans**
 - Sustainable Management Strategy for the Fisheries and Aquaculture Sector: 2008 – 2012
 - WFP Country Strategic Plan [link](#)
- **Existing programmes, projects and international financing for climate and nature in country**
 - AfDB Mauritania Economic Outlook [link](#)
 - The World Bank in Mauritania [link](#)
 - UNDP [link](#)
- **Creditworthiness and governance**
 - PEFA assessment [link](#)

Annex 6: Initial list of desk sources for Senegal

- **Government announcements in national and international forums**
 - IMF Executive Board Approves for Senegal a US\$442 Million Disbursement Under the Rapid Credit Facility and Purchase Under the Rapid Financing Instrument [link](#)
 - Senegal Cautions Against Private-Debt Relief for African Nations [link](#)
 - Senegal president urges relief of African debt [link](#)
- **Government documents – national strategies, plans, visions, Acts**
 - **Overall planning and budgeting documents**
 - National Strategy for Economic and Social Development 2013-2017 [link](#)
 - Emerging Senegal Plan (PSE)
 - GGGI National Green Growth Strategy [link](#) and Green Emerging Senegal Plan [link](#) – speak to our colleagues at GGGI
 - Budget CABRI [link](#)
 - **Climate**
 - Nationally Determined Contribution 2025-2030 ([2020](#))
 - National Adaptation Programme of Action (2007) [link](#)
 - [First](#) (1997), [Second](#) (2010), and [Third](#) (2015) National Communications to the UNFCCC
 - Green Climate Fund country programme draft? – ask NDA [link](#)
 - GCF projects FP162, FP152, FP151, FP148, FP138, FP103, FP099, FP095, FP049, FP021, FP003 [link](#)
 - National progress report on the implementation of the Hyogo Framework for Action (2013-2015) – Interim [link](#)
 - **Biodiversity**
 - National Biodiversity Strategy and Action Plan 2015 [link](#)
 - GEF engagements [link](#)
 - **Economic sectoral plans**
 - National Strategy for the Promotion of Green Jobs (2015–2020) [link](#)
- **Existing programmes, projects and international financing for climate and nature in country**
 - Review of current and planned adaptation action in Senegal [link](#)
 - AfDB country strategy paper 2010-2015 [link](#)
 - WFP Country Strategic Plan (2019-2023) [link](#)
 - World Bank overview [link](#)
- **Creditworthiness and governance**
 - PEFA assessment [link](#)