CLIMATE RESPONSIVE BUDGETING

Regional Technical Workshop
5th – 7th November
Bangkok, Thailand
PUTTING CPEIR INTO CONTEXT
CPEIRs carried out and Climate Change Vulnerability Index for 2014
CPEIRs approach and complementarities with other CC finance analysis

**Title Slide**

**PERs, PEIRs and PEERs**

**Policy analysis**
- Relevance and of policy
- Monitoring

**Institutional analysis**
- Analysis institutional capacity for policy coordination and transmission
- Accountability

**Expenditure analysis**
- Comparing Allocations to expenditures

**Climate Finance Readiness Needs**
- Planning
- Aptitude
- Access

By linking the three pillars CPEIRs can analyse how effective governments responses to climate change are and if they link to the national development agenda and poverty reduction.
MAIN FINDINGS AND LESSONS LEARNT

Allocations and Expenditure
Expenditure review: cross-country analysis

- Climate change related expenditures reported compared to national budget vary greatly from country to country.

- Climate change is a cross-cutting theme: if climate change action plan not costed and unclear responsibility assignment to institution, hard to show responsiveness and new resources.

- Methodological approaches in selection allocations and expenditure probably have an impact.
### Top spending ministries

<table>
<thead>
<tr>
<th>Ministries</th>
<th>Public Works &amp; Transport</th>
<th>Agriculture</th>
<th>Water or Irrigation</th>
<th>Energy</th>
<th>Environment</th>
<th>Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>5%</td>
<td>23%</td>
<td></td>
<td></td>
<td></td>
<td>20%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>27%</td>
<td></td>
<td>8%</td>
<td></td>
<td></td>
<td>19%</td>
</tr>
<tr>
<td>Kiribati</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nepal</td>
<td>28%</td>
<td>10%</td>
<td>18%</td>
<td>14%</td>
<td></td>
<td>21%</td>
</tr>
<tr>
<td>Samoa</td>
<td>20%</td>
<td></td>
<td></td>
<td></td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>14%</td>
<td></td>
<td>30%</td>
<td></td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td>Thailand”</td>
<td>2%</td>
<td>55%</td>
<td></td>
<td>3%</td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td>Uganda</td>
<td>36%</td>
<td>7%</td>
<td>14%</td>
<td>37%</td>
<td></td>
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</tr>
</tbody>
</table>

- Most CPEIRs: climate relevant expenditures highly concentrated in the top 5 climate spending Ministries (from 70% in Bangladesh and Cambodia to over 90% in Thailand, Nepal, Tanzania and Uganda).
- Public works, agriculture and water resources amongst the top 5 spending ministries.
- Local government significant for Bangladesh, Nepal, Cambodia and Tanzania.
Weighting climate related expenditure

- In some CPEIRs: typology for weighting activities used => majority of expenditures fall within the categories of “low” and “medium” relevance.

- Low and mid relevance programmes, mainly agriculture and resilience, are relevant for poverty alleviation and inclusive growth in a climate-changing context.
Adaptation retains the largest share of policy resources (existing programmes addressing development gap)

For some countries, pattern where initially more expenditure towards adaptation and progressive trend of mitigation expenditures (Tanzania & Uganda)
Climate change planning and budgeting (1/2)

• In most countries: donor funds are a significant part of climate change expenditure

<table>
<thead>
<tr>
<th>Country</th>
<th>External Financing of CC</th>
<th>Domestic Financing of CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nepal</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>23%</td>
<td>77%</td>
</tr>
<tr>
<td>Nauru</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>Philippines</td>
<td>Significant, 80% in Transport sector</td>
<td>20% in Transport sector</td>
</tr>
<tr>
<td>Vietnam</td>
<td>31%</td>
<td>69%</td>
</tr>
</tbody>
</table>

• CPEIRs carried out at an early stage of national responses to CC => useful starting point, but probably need repeat review in order to establish trends

• Analysis of tax incentives and subsidies mainly done under a qualitative scope but could enable assessing private sector response to climate change policy. CPEIRs did not analyse SOEs and PPPs systematically.
Climate change planning and budgeting (2/2)

- CPEIRs did not review systematically the different processes for resourcing policies. Few information on policy costing

- Data challenge: no agreed functional classification of climate change related expenditure => limits consistent and comparable data selection at country level and for comparing countries

- Low data availability at a disaggregated level (i.e. below administrative head or function) => limited comparison between allocations and expenditure CPEIRs for relevant programmes.
MAIN FINDINGS AND LESSONS LEARNT

Policy
Climate Change policy design (1/3)
Climate Change policy design (2/3)

• Link between climate change impact analysis on vulnerable areas, population and disadvantage groups and choice of policy and programme not evidenced

• Weak coherence of the policy framework (The Phillipines, Vietnam) => harder to direct budget allocations to CC and to track how policy translates into instruments and programmes, also limits accountability

• Few CPEIRs deal with negative programmes and expenditures: the political economy of CC adaptation and mitigation needs to be addressed openly
Climate Change policy design (3/3)

• Policy credibility: the links between policy and spending are weak. In Bangladesh, the CFF provides a key step towards resourcing CC policy and programmes.

• Indonesia CPEIR addresses cost effectiveness of policies in terms of fiscal space made, evidencing insufficient resource allocation to reach objectives

• Policy change is often discussed in terms of policy instruments but anecdotally. There is a rationale for measuring change.

• M&E systems remain a challenge usually stemming from capacity gap (Bangladesh) and insufficient use of M&E data (Zambia)
MAIN FINDINGS AND LESSONS LEARNT

Institutions and Accountability
Institutions tasked with policy coordination (1/3)
Institutions tasked with policy coordination (2/3)

- Capacity is a challenge at national and sub national levels:
  - Bangladesh highlights human resources and institutional capacity constraints
  - Nauru raises the issue of increasing volumes of development assistance for CC that requires increased capacity development
  - Uganda shows that roles and responsibilities for CC policy making; coordination and translation into the budget need to be clarified
  - Zambia suggest the need for national CC focal points

- Incentives to create capacity in all institutions concerned with CC may be limited

- CPEIRs witnessed advances in the ways some governments communicated on their decision-making processes, and on their new partnerships with external stakeholders including from the civil society
Institutions tasked with policy coordination (3/3)

• Accountability remains predominantly seen as the responsibility of Supreme Audit Institutions and Legislatures, with little engagement with civil society and communities, except in the Pacific.

• Few civil society organisations have developed adequate analytical competencies to make strong inputs to the climate finance delivery system, both in terms of independent policy proposals and advocacy.

• No information available in CPEIRs in how the media reports on CC policies and delivery.
MAIN FINDINGS AND LESSONS LEARNT

Recommendations
Recommendations in CPEIRs (1/2)

- CPEIRs do not proffer recommendations in terms of allocations/expenditure balances (adaptation/ mitigation, sectors)

- Many CPEIRs’ recommend changes to the budget classification in response to data availability and selection difficulties (Cambodia, Nepal, Bangladesh, Thailand)

- Changes to instructions, tools and targets on making the budget process more responsive to climate change (e.g. screening of the projects based on clear CC criteria), impact the budget process and hearings
Recommendations in CPEIRs (2/2)

• CPEIRs promote climate change as a cross-cutting theme:
  • relevant evidence for making the economic case for investing important national resources (Philippines, Cambodia, Namibia, Zambia and Nepal)
  • engaging the private sector as stakeholders in green development policy
  • demonstrating current negative impact of climate change on poverty and inclusive growth

• Policy coherence is addressed across the different national agenda, policies and programmes (Samoa, Nepal, The Philippines)

• Clarify the mandates and jurisdictions of the institutions tasked with climate change policy-making (Samoa, Cambodia, Uganda), and addressed the question of leadership (The Philippines)

• Promote the involvement of CSOs, private sector and Local Authorities in formal institutional arrangements
CPEIR KEY ACHIEVEMENTS

Conclusions
CPEIRs are a strategic tool for CC mainstreaming…

They provide a common pool of information for dialogue and exchange on climate change priorities, and play a catalytic role, covering:

- Review of the **current status of policy and of institutional set-up** and its capacity to coordinate policy transmission
- Analysis of **recent trends on budget allocations** and/or public expenditures and (in)dependence on external funds
- Review of **institutional capacity** for policy coordination, including with decentralised entities
- Evidencing relevant links between institutions and stakeholders
- **Defining a typology for selecting relevant expenditures** for the review
- Set of **recommendations** or “Next Steps” for improving the **relevance of policy** and impact of public expenditure for both mitigation and adaptation
...but there is still room for improvement

• To improve **comparability** overtime and across countries =>
  defining a common typology for analysing government programmes
  and expenditures

• To ensure that policy and programme relevance is defined in terms
  of **responsiveness to the impact of CC** in the vulnerable groups
  and areas, and in terms economic development

• To clarify CPEIRs **data requirements** for budget and spending
  analysis

• To cover **core issues of public policy implementation** through the
  analysis of different policy instruments beyond budget allocations

• To focus on the robustness of the CPEIR process to **support national**
  **policy dialogue and strengthen capacity development** strategies