Climate Change Finance Mainstreaming: A Snapshot
The Budget Cycle: Three basic Phases

- Preparation
- Implementation
- Oversight
Key Concepts

- Government/CC Mitigation and Adaptation Policies
- Public Financial Management
- Country systems: their strength has direct relationship to the successful achievement of public policy objectives and delivery of Government services

The Paris Declaration (2005) defines “country systems as procedures (that) typically include, but are not restricted to, national arrangements and procedures for public financial management, accounting, auditing, procurement, results frameworks and monitoring”.
Components of Country Systems

- Policy and Planning
- Resource Allocation
- Approval
- Procurement
- Receipt and Disbursement
- Accounting
- Monitoring and Reporting
- Auditing
Preparation Phase: Policy and Planning

Common features of successful policy and planning:

1. Identification and analysis of key issues and problems.
2. Objectives designed to resolve and address issues.
3. Identification of key stakeholders at all levels including local communities; sub-national governments and civil society.
4. Results framework indicating how to measure and evaluate success.
5. Financial framework including cost and benefits analysis.
Preparation Phase: Resource Allocation

PPF interacts with the resource allocation system to efficiently allocate funding to achieve the objectives of government:

- **Multi Year Macroeconomic** and **fiscal framework**,
- The **budget ceilings** are determined for sector ministries and communicated prior to the budget submission preparations,
- **Medium term perspective to decision making**: capital budget reflects total costs of projects and not only costs for a single year:
- **Budgeted costs** reflect realistic operations and maintenance and,
- All relevant issues, information and stakeholder perspective are **available to decision makers**.
Good Budgeting Practices

- **Comprehensiveness**: All government operations including external financing.
- **Programmatic structure**: linked to the policy framework.
- **Accurate Classification**: Allows for expenditures and program monitoring.
- **Realism**: Realistic Assessment of Resources
- **Transparency**: government strategy and its link to the allocation of financial resources available for public scrutiny.
Preparation Phase: Approval

- **Constitutional Make Up**: First approval at executive level and the second at the legislative level.

- **Timely Submission**: 2-4 months in advance the new fiscal year for legislative to scrutinize and discuss the budget.

- **Proposition of Alternative Budgetary Policies**: Within costs limits

- **Availability**: Budget documentation should be made available for legislative, executive and public scrutiny of government’s spending plans and what these aims to achieve.
Sensitization

Medium Term Tools

- National Development Strategy (PRSP)
- Sector Strategies
- MTEF

Annual Tools

- Annual Development Action Plan (PRSP)
- Annual Sector Plan
- The Annual Budget

Integration of Yearly Priorities
Monitoring of Results
Consistency of Action + Budget
Coordination of Implementation
Sector Projection and Yearly Costing

Harmonization of policies
Framework/Ceilings for Resource Allocation
Integration of Yearly Priorities
Monitoring of Results
Tangible Entry Points for Climate Change Alignment

- **Annual Sector Plans**: US Department of Health, Department of Agriculture.
- **MTFF/MTEF**: Bangladesh CFF, Proposed Cambodia CCFF.
- **Budget or Stand alone Circular**: MoF provide guidelines on CC integration in Budget Submissions (PHL, proposed in BGD CFF).
- **Budget Submission**: MoAC Thailand in collaboration with BoB, NESDB and ONEP.
- **Technical Budget Hearings**: In Philippines on CC to help prioritize CCE and inform NGAs planning for 2016 budget.
- **Budget Speech**.
- **Annual Budget Policy Statements**.
- **Budget Books Annex**: Nepal
- **Standalone but legally required CC Budget Reports**: (US, France…).
Execution Phase: Receipts and Disbursements

Following approval, line ministries start managing their budgets and projects:

1. Disbursement is rationed, according to a cash plan determined at the beginning of the year.

2. Treasury manages cash and bank accounts at a macro level while ministries have sufficient cash to implement policies and projects at micro level.

3. Treasury controls government bank accounts and monitors them to track receipts and disbursements. By using country systems, projects should avoid establishing accounts external to the Treasury.

* MOF might change allocations and associated disbursements during year if circumstances change.
Execution Phase: Public Procurement

- **Crosscutting process** to acquire G&S, and to address several, sometimes conflicting demands (value for money, addressing social goals, and fostering competition...).

- **Interwoven with key development issues**—economic growth, poverty reduction, decentralization, and private sector development. It is also closely linked to trade and foreign investment. Weakness in the procurement system adversely affects welfare and prospects for growth.

- It also involves the management of large amounts of money (up to 10 percent of GDP) and is the largest single cause for allegations of corruption and government inefficiency.

- Good procurement follows the principles of **economy** (best value for money), **efficiency** (does not delay the project), **fairness** (does not discriminate against bidders on the basis of nationality) and **transparency** (what is involved, how it is done, and the results are public).

- Complemented by **strong internal** and **external audit** procedures.
Execution Phase: Accounting

Process of maintaining the day-to-day accounting, recording and reporting of transactions from the budget. A robust system requires:

1. Strong **Financial Management Information System** (FMIS)
2. Timely and accurate **in-year budget reports** produced for line ministries and agencies reporting against budget estimates and commitments.
3. Regular **accounts reconciliation** to ensure data accuracy and reliability to ensure data accuracy and reliability for high quality information.
4. Quality and timeliness of **annual financial statements** based on a recognized government accounting standards.
Tangible Entry Points for Climate Change Alignment

- **Mainstream CC in delegated public service contracts**: when delegated public service contracts are reviewed by the government during the NCCAP implementation period, issues relating to the vulnerability of a service to CC and any potential service disruption will be mainstreamed in the provisions of the contract. DSP will be required to carry out a CC vulnerability study for the service and to inform the government of any actions which will be undertaken to guarantee service delivery.

- **Consultative and Iterative process between CCCs, central agencies (MoF, MoP and Environment) and line ministries** to identify and agree on climate relevant expenditures and their relevance weights/scores.*

- **Appropriate Tagging System and Markers** to identify CC expenditures (both direct and indirect).

- **FMIS system** to avoid duplication or overlaying a parallel tagging system that might additional administrative requirements.

- Good coordination between **Budget Directorate** and **Treasury** for successful **CC tagging system** integration into the FMIS system.
• **Nepal**: CC Budget Code implemented following a National Process which led to a Multi-Sectoral consensus (2012).

• **Bangladesh**: CFF (2014) recommends the integration of CC into the integrated Budget and Accounting System similar to what was done in gender and poverty.

• **Indonesia**: The Ministerial Decree *(No.136/2014)* introduces the *Budget Tagging for CC Mitigation* system mandatory for seven key line ministries under the RAN-GRK.*

• **Philippines**: CCC/DBM developed a common CC typology and guidelines for tagging CC spending in the budget. CCC able to take stock of and monitor the national climate response based on tagged data submissions for 2015.
Oversight Phase: Monitoring and Reporting

Performance monitoring and evaluation is based on the existence of an initial **monitoring and results framework** prepared during planning stage and should be conducted throughout implementation and oversight phases:

- Setting **benchmarks**,  
- Setting **Key Performance indicators** for **outputs** and **outcomes** against which implementation will be assessed,
- **Collection and analysis of data** on performance indicators (strong statistical and data collection agency(ies),
- **Reporting** to inform decision-making process,
- Reports assessed against working plans and provide for **interventions adjustments** and feed into final evaluation.
Tangible Entry Points for CC Alignment

**Key Performance indicators:** CC performance indicators are developed through a consultative and iterative process involving central agencies, Ministry of Environment and line ministries.

- **France’s National Climate Change Impact Adaptation Plan (2011-2015)** presents the result framework for adaptation,
- **France’s Cross Cutting Policy Climate Change Report (2014)** reports on climate change mitigation and adaptation achieved result and set the targets for 2015.
- **Bangladesh CFF (2014)** recommends the development of CC KPIs through an interactive process involving central and line ministries.
- **Cambodia Proposed CCFF (2014):** has started the process of developing M&E framework with impact, process and result indicators.
- **Philippines:** The Technical Budget Hearings have started a dialogue between the CCC, the DBM and the NGAs that could lead to the inclusion of indicators to monitor climate change results and objectives.
Oversight Phase: Auditing (External)

Objective: Reduce risk of mismanagement and corruption.
1. Are policies achieving their stated purposes?
2. Are government working in line with the law?
3. Are funds being used as intended and does management have the necessary procedures to manage risks?

Effective Auditing:
1. Independence of Auditor General*
2. Adherence to agreed audit standards and adequate human capacity.
3. Unrestricted access to information to support its mandate.
4. Strong leadership on findings and recommendations.
5. Stakeholder support: elected officials & strong legislative committees system.
6. Ministerial support: MoF & other ministries have the maturity take on recommendations and adjust policies and procedures to ensure improvement in service delivery.
Tangible Entry Points for Climate Change Alignment

**Climate Change Performance Auditing:** SAIs audit their national governments’ implementation of commitments and programs related to the mitigation of and adaptation to climate change.

**Topics Covered:**
- Compliance with international commitments related to emission reduction targets and coherence of policies with these targets.
- The assessment of risks and vulnerabilities to support adaptation efforts,
- The coordination and management arrangements across government agencies.
- The availability of reliable information to support decision making and the performance of the policy instruments used.
- Progress in mainstreaming climate change in major investment decision.
- Alignment of priorities and funding.
- Quality of Climate Change Expenditures Reports: Methodologies, time series consistencies etc.
UK’s National Audit Office Review of CCA (2009): Requested by Environmental Audit Committee


EUROSAI Cooperative Audit on Climate Change (2009): 10 European Countries.

INTOSAI-WGEA’s Cooperative Audit Report on CC (2010): 14 countries from 6 continents both developed and developing countries.

Pacific Supreme Audit Institutions (2011 and onwards):

- PASAI’s RWGEA adopted the European coordinated audit model to audit their governments’ management of CC (SAIs).