Climate Change Responsive Planning and Budgeting in Asia: Challenges and Opportunities
Traditional Way of Doing Climate Change ...

• Meteorological Offices and Universities produce the climate change science.

• Multilateral development banks run the climate change macroeconomic impact assessments (e.g. Asian Development Bank etc.)

• Specialized Civil Society Organizations run climate change vulnerability assessments (e.g. Care International).
Traditional Way of Doing Climate Change ...

• Ministries of Environment prepare national level climate change strategies, lead international negotiations (COP...) and submit national communications to UNFCCC.

• Bilateral and multilateral donors provide overseas development assistance with climate change co-benefits that is implemented on a stand-alone project delivery basis.

• Dedicated climate change funds implement climate change related projects on a stand-alone basis (e.g. GEF, Adaptation Fund...).
Challenges with the Traditional Way of Doing CC

• Climate Change Science produced by Meteorological Offices and Universities is often not used by ministries in project design and execution.

• Nationally produced and used long and medium term economic forecasts are often climate change neutral.

• Climate change vulnerability assessments often do not feed into planning (national, climate change specific or sectoral).

• Fiscal policies (taxation, subsidies and pricing) are climate change incompatible.
The whole way governments provides goods and services to communities and incentives to the private sector very often do not take into account the creeping reality of climate change....
Climate Change Policy & Planning in Asia-Pacific

- Countries in Asia and the Pacific (45 UN ESCAP State Members) have made significant progress in establishing national climate change policies.

National Adaptation Programme of Actions (NAPAs):

- 15 NAPAs have been developed between 2005 and 2013 in Asia-Pacific, of which 10/33 in Asia (3/10 in ASEAN and 5/8 in SAARC) and 5/12 in the Pacific (Source: UNFCCC).

United Nations Collaborative Initiative on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD) between 2008 and 2015:

- 19/45 Countries have become programme partner countries for UN-REDD in Asia-Pacific of which 14/33 in Asia (7/10 in ASEAN and 6/8 in SAARC) and 5/12 in the Pacific from the three original 3 (Indonesia, PNG and Vietnam). (Source UN-REDD).
Climate Change Policy and Planning in Asia-Pacific

Nationally Led Climate Change Strategic Plans between 1999 and 2015

- In ASEAN, 8/10 countries have developed overarching, national level Climate Change Strategies (excluding Green Growth Strategies).
  Myanmar and Brunei Darussalam are developing their strategies. (Source: INDC)
- Timor-Leste has a NAPA (2010) and its INC recognizes the need for adaptation plans.
- In SAARC, 6/8 countries have developed such strategies.
  Afghanistan finalizing its strategy. Bhutan planning to do a NAP. (Source: INDC)
- In North-East Asia (exc. Russia), 3/5 countries. Japan had a climate change policy (for mitigation) but has just started developing the outline of its national adaptation plan in 2015. DPRK has not developed a strategy yet.
- In Central Asia and Iran, 3/6 countries have developed such strategies.
  Kazakhstan has mainstreamed CC in many of its plans but is planning to develop an overarching CC strategy, Iran is finalizing its CC strategy. Uzbekistan (?)
- In the Caucasus, only Georgia (1/3 countries) has a CC strategy. Armenia, Azerbaijan and Georgia have committed to the development of climate change adaptation plans.
Climate Change Policy and Planning in Asia-Pacific

- In the Pacific, 9/12 countries have developed National Climate Change Plans often jointly with DRM. The remaining three countries are in the process of developing such plans (Nauru, Palau and Vanuatu). (Source: UNDP, Pacific Centre).

- It should be noted that Cook Islands, French Polynesia and Niue which are not State members but Associate members of UN-ESCAP have also developed such plans. (Source: UNDP, Pacific Centre).

- French territories in the Pacific such as New Caledonia which are associated members of UN-ESCAP are planning to develop their own “Politique Climat”.

- US territories in the Pacific such as American Samoa, Commonwealth of Northern Marianna Islands and Guam are addressing climate change through a combination of Executive Orders issued of their Governors, climate change plans and vulnerability assessments. (Source: US DOI, Office of Insular Affairs).
Intentional Nationally Determined Contributions submitted in 2015 (INDCs):

- A total of 42/45 countries in Asia Pacific have submitted their INDCs to the UNFCCC in 2015 of which 30/33 Asian countries (including all of ASEAN and SAARC members) and 12/12 Pacific countries. *(Source: UNFCCC).*

- In addition to the 12 Pacific countries that are State members of UN-ESCAP, two associated members of UN-ESCAP submitted their INDCs: the Cook Islands and Niue. *(Source: UNFCCC).*

- The three Asian countries which did not submit their INDCs are DPRK, Timor Leste and Uzbekistan. *(Source: UNFCCC).*
Traditional CC Policy and Planning-The Challenges

So the overarching CC policies are there **BUT:**

1. Often not well integrated and aligned with national development strategy processes and vice versa: Philippines’ NDP 2011-2016 provides a good example of CC integration into its national by the NEDA.

2. Often not integrated into sector policies and actions plans and vice versa: The Cambodia CCSP 2014-2023 and line ministries CCAPs provides a good example of such integration, however challenges remain.

3. Often not integrated into other cross-cutting issues and vice versa (PRSPs, DRR, SP, Gender Equality). The Bangladesh BCCSAP provides a good example of such integration but the reverse has not happened.

4. Often not translated into sub-national level plans policies. Indonesia’s RAD-GRK provides a good example of translation of national level CC mitigation policies at provincial level. The same has not happened with adaptation as consistently.
Traditional Climate Change Institutional Architecture-The Challenges

- CC policy overarching plans are usually prepared and coordinated by Ministries of Environment and in some countries by Ministries of Planning (e.g. Indonesia).

However, Climate Change being a cross-cutting issue and this model is showing its limitations:

- Ministries of Environments are sometimes not getting the high level support they need from policy makers in order to be able to coordinate a cross cutting policy such as climate change and have it mainstreamed.

- Ministries of Environments are sometimes not getting the adequate level of human and financial resources.

- Ministries of Environments are sometimes lacking the capacity to produce and communicate on a timely basis the relevant climate change science and vulnerability information for climate change responsive planning.

- Ministries of Environments are perceived by some line ministries as preventing economic development because of EIAs and other environmental regulations.
CPEIRs Findings-Institutional Architecture

- **What Countries are doing to address the challenges in climate change policy making, coordination, mainstreaming and monitoring and evaluation**

  - Set up National Coordination Mechanism (e.g. councils or committees) for Climate Change chaired by high level policy makers with technical support from concerned ministries or even better a commission or secretariat. Examples in ASEAN:

    - National Council for Sustainable Development (Cambodia, Minister of Environment),
    - National Council on Climate Change (Indonesia, President),
    - National Steering Committee on Climate Change (Laos PDR, Deputy Prime Minister)
    - Cabinet Committee on Climate Change (Malaysia, Prime Minister)
    - National Climate Change Commission and Cabinet Cluster on CC (e.g. Philippines, President),
    - NCC Secretariat and IMC on CC (Singapore, Deputy Prime Minister),
    - NCC Committee on Policy and Planning (Thailand, Prime Minister).
    - National Committee on Climate Change (Vietnam, Prime Minister).
    - Brunei and Myanmar (?)
CPEIRs Findings-Institutional Architecture

- **What Countries are doing to address the challenges in climate change policy making, coordination, mainstreaming and monitoring and evaluation**

High level committees are good for high level advocacy and awareness, building national ownership and signaling commitment at both national and international levels, strengthening coordination among ministries, top-down mainstreaming and guidance but there are limitations to what they can do:

- They have often a limited impact on actual mainstreaming and implementation of CC policies which also need a bottom up approach.

- Overlap with other institutions and lack of clarity of roles.

- Sometimes they do no meet regularly (once or twice a year) due to limited availability of policy makers or do not get the right level of technical support.

- They sometimes have limited understanding when it comes to climate change finance.
A Whole-of-government approach for CC Planning and Budgeting

Min Finance

Min of Local Government

Min Environment/CC

Min of Planning (equiv)

Sub-national governments

Parliament

Sector Ministries

Auditor-General
Sensitization

Medium Term Tools

National Development Strategy (PRSP)
  Harmonization of policies
  Framework/Ceilings for Resource Allocation

Sector Strategies

MTEF

Annual Tools

Annual Development Action Plan (PRSP)
  Coordination of Implementation
  Consistency of Action + Budget

Annual Sector Plan
  Consistency of Action + Budget

The Annual Budget

Integration of Yearly Priorities
Monitoring of Results
Integration of Yearly Priorities
Monitoring of Results
Sector Projection and Yearly Costing
CSOs, Think Tanks, Media and Communities

Planning and Budget Cycle

- Credibility
- Effectiveness
- Transparency
- Social Equity

Parliament

Planning

Budget

Approval

Procurement

Treasury

Accounting

Monitoring & Reporting

Auditing
CC Responsive Planning and Budgeting-Towards a Whole of Government Approach

Central Ministries:

Ministries of Planning:

1. Estimate the impact of climate change on economic growth in the medium and long term with technical support from Ministry of Environment and other concerned ministries (e.g. finance).
   
   Currently done by Asian Development Bank in Asia-Pacific.

2. Mainstream climate change into the national development strategy.

3. Develop Project Appraisal Guidelines that are climate change responsive with technical support from Ministry of Environment to help line ministries prepare project proposals that integrate climate change showing projects climate change co-benefits and additional costs using climate change scenarios. (e.g. TPP/DPP in Bangladesh, CC Benefits Analysis in Thailand is ongoing with ONEP, NESDB and BOB).
CC Responsive Planning and Budgeting- Towards a Whole of Government Approach

Ministry of Finance-On the Revenue Side:

1. Develop a climate change fiscal framework which ensures that taxation, subsidies, fiscal incentives and pricing policies are climate change and green growth compatible with the technical support of the Ministry of Environment and concerned Line Ministries (e.g. agriculture, energy and transport). On-going in Bangladesh, Cambodia and Indonesia.

2. Work in partnership with Ministry of Environment to attract climate change related ODA and additional international climate change finance. Anywhere? Frictions in some countries over NDAs to GCF.

3. Forecast future financing flows for climate change both from domestic and international sources with support from MOE and ensure these are smooth and predictable in line with Paris Agreement. Supply Side of Climate Change Finance.

Cambodia CCFF under NCSD and MOE.
CC Responsive Planning and Budgeting—Towards a Whole of Government Approach

Ministry of Finance—On the Expenditure Side—Medium to Long-Term:

1. Develop guidelines with support from Ministry of Environment and in consultations with line ministries regarding the definition of climate change relevant expenditures (ideally both positive and negative) and their degree of relevance. E.g. CC Typology in the Philippines between NCCC and DBM, CC weights in Nepal.

2. Set climate change expenditure targets in consultation with concerned ministries. E.g. in Nepal.

3. Integrate climate change into instruments translating medium term plans into annual budget allocations such as the Medium Term Expenditure Framework (MTEF). Strong interest from various MOFs in SAARC and ASEAN.
CC Responsive Planning and Budgeting—Towards a Whole of Government Approach

MOF—On the Expenditure Side—Annual Basis

**Budget Formulation:**

1. Issue a Budget Circular that request Line Ministries to i) explain the climate change impact of their programs (qualitative analysis), ii) how they are related different themes of the national climate change strategies, iii) include CC responsive KPIs and ideally targets in in their annual budget submissions. Progress in Bangladesh, Cambodia, Indonesia and Philippines.

2. Integrate CC impact during budget negotiation between MOF and Line Ministries. E.g. Progress in Cambodia, Philippines and Thailand.

3. Set budgetary allocations taking into account climate change impact and performance of proposed projects. Recommend CC proofing and upscaling/downscaling. Any example?

**Budget Execution:**

1. Tag climate change expenditures in their budgeting and accounting systems and issue annual climate change expenditure report showing spending versus commitments and original allocations as well as progress towards target. Report to be submitted yearly to Parliament during Budget. Progress in Bangladesh, Cambodia, Indonesia, Nepal and the Philippines.

2. Move towards centralized green and climate change compatible procurement system.
CC Responsive Planning and Budgeting-Towards a Whole of Government Approach

Line Ministries:

1. Develop CC action plans based on the overarching CC strategic plan prepared by Ministry of Environment/Planning or even better mainstream CC directly into their Medium term and annual sectoral Plans.

2. Using the guidelines provided by Planning and/or Environment assess the climate change co-benefits and additional costs resulting from climate change proofing their infrastructure, upscaling cc relevant infrastructure, implementing new activities related to climate change.

3. For social ministries, design social protection/livelihood programs that build the resilience of climate change vulnerable groups (low income, women, children, elderly and minorities).

4. Based on the resource envelope available and using the appropriate planning tools, prioritize key programs that are relevant to climate change.

5. Submit to the Ministry of Finance budget submissions that explain the climate change impact of key programs, identify programs that are linked to CCSP and their degree of relevance and ideally quantify benefits and costs. Demand Side of Climate Change Finance.

BEWARE OF GREEN WASHING! BEWARE OF CLIMATE CHANGE CELLS!
CC Responsive Auditing and Oversight-Towards a Whole of Government Approach

Other Key State Institutions:

Auditor General Office:
Conduct performance audits of CC mitigation and adaptation programs both domestically and externally funded and make relevant recommendations to Parliament or to Minister. E.g. Growing interest in the Pacific and in South Asia.

Parliament:
Oversight and planning/policy feedback role through budget hearings on climate change finance (Public Accounts Commission, Environment Commission, Energy Commission etc.) and budget enactment.

Ministry of Home Affairs/Interior etc.
Key role in ensuring that sub-national budgets are responsive to climate change finance.
Not Covered in CPEIRs but also key:
Central Banks, State Owned Enterprises etc.
Medium Term Tools

- National Development Strategy (PRSP)
  - Harmonization of policies

- Sector Strategies
  - Framework/ceilings for resource allocation

- MTEF
  - Integration of yearly priorities

- Annual Tools

- Annual Development Action Plan (PRSP)
  - Coordination of implementation
  - Consistency of action + budget

- Annual Sector Plan
  - Monitoring of results
  - Sector projection and yearly costing

- The Annual Budget
  - Monitoring of results
  - Integration of yearly priorities
  - Consistency of action + budget
CSOs, Think tanks, Media and Communities

Climate Change
Finance

- Predictability
- Effectiveness
- Transparency
- Social Equity

Parliament

Planning
Auditing
Budget Formulation
Approval
Procurement
Treasury
Accounting
Monitoring and Reporting

CC Performance Audits

e.g. CC Responsive:
- Macroeconomic Framework
- Project Appraisal Guidelines
- Sector Work Plans

e.g. CC Responsive:
- Budget Circular
- Budget Submissions
- Budget Negotiations
- Budget Allocations

CC responsive
- Budget Hearings
- Budget Policy Statement and Enactment

CC Performance
Audits

e.g. Progress reports versus CC Plans, Climate change expenditure reports

e.g. Climate change tags and weights in budget and accounting systems (FMIS...)

e.g. Green and Climate Change Compatible Procurement Law and Guidelines
THANK YOU!
Policy and Planning

• This involves the government setting the strategic direction for the nation through both a macro planning process and micro planning process at the sectoral, and in some case subnational, level. Common features of successful policy and planning include:
  
  - Identification and analysis of key issues and problems;
  - Objectives designed to resolve or address the issues;
  - Identification of the key stakeholders at all levels including local communities, sub-national governments and civil society;
  - Results framework indicating how to measure and evaluate success;
  - Financial framework including a budget; and
  - Human capacity framework.
Policy and Planning

The strategic planning process will be consultative by involving and integrating sub-national governments, local communities, the private sector and civil society.

Policies and plans will be refined through interaction between the planning institutions and the institutions responsible for budget formulation. Thus there needs to be a strong relationship between the system of policy formulation and the system of resource allocation through the national budget and other financing mechanisms.
TANGIBLE ELEMENTS OF COUNTRY SYSTEMS FOR CC: POLICY & PLANNING:

- Development Vision or long-term plan (with elements regarding response to the climate change impacts)
- Medium Term Development Plan (featuring clear mainstreaming of CC issues)
- Climate Change or Climate Change Adaptation Policy or Strategy (country wide or sector specific)
- NAPA/NAP
- Sector Policies and/or Strategies (reflecting CC aspects of these sectors and policies)
- Annual Sector and Subnational Development Plans
- Processes followed and/or any official guidance materials on policy-making or planning at any level
Resource Allocation (Budget Formulation)

The policy and planning framework will interact with the resource allocation system in order to efficiently allocate funding to achieve the stated objectives of the government. To this end it is critical to have an effective link between policy and budget, otherwise resources will not be directed to government priorities and objectives will not be met. Policy formulation is closely related to resource allocation, with policies often being adjusted according to the availability of resources.

Setting the budget involves an orderly review of existing and new policies. While resource allocation is often synonymous to budget formulation it does also allow for the possibility of off-budget financing. Firstly though, the government must establish a multi-year Macroeconomic Framework for the Budget, which details macroeconomic settings, available funds and financing mechanisms.
A reasonable and logical timetable for budget formulation with a clear set of rules for the process in line with public finance legislation, financial regulations and budget formulation manuals;

The budget ceilings are determined for sector ministries and are not subject to substantial reduction;

Budget ceilings cover both recurrent and capital components of the budget;

These ceilings are communicated prior to the preparation of the sector submissions;

A medium-term perspective to decision making so that estimates for the capital budget reflect total costs of projects, not only the costs for a single budget year;

Earmarking does not play a significant role in the allocations of funds and is not distortionary.
Resource Allocation (Budget Formulation)

No arbitrary cuts are made but any budget reductions follow a clear and logical process;
Budgeted costs reflect realistic operations and maintenance;
Sector ministries are consulted before budget finalization;
Sufficient time is devoted to debating funding for existing policy;
There is a well-defined process for considering new policy proposals; and
All relevant issues, information and stakeholder perspectives are available to decision makers.

The quality of the process is influenced by its comprehensiveness, transparency and realism. It should cover all government operations, be well classified to allow for expenditure and program monitoring, have a good program structure linked to the policy framework and of course be based on a realistic assessment of resources and macroeconomic settings.
Resource Allocation (Budget Formulation)

The quality of the process is influenced by its comprehensiveness, transparency and realism.

It should cover all government operations, be well classified to allow for expenditure and program monitoring, have a good program structure linked to the policy framework and of course be based on a realistic assessment of resources and macroeconomic settings.

Comprehensiveness should include all capital and external aid financing to avoid off-budget spending that falls outside the government policy framework.

A strong process will have a clear and understood process for allocating and prioritizing expenditures among competing policy demands from ministries.

Transparency will require that the public can scrutinize and understand government strategy and the link to the allocation of financial resources.
Tangible Elements for CC: Resource Allocation (Budget Formulation)

- Budget Formulation Manual
- Multi-year Macroeconomic Fiscal Framework
- Public Sector Investment Program (Capital Budget) Guidelines and Ranking Criteria
- Budget committee (or other mechanism such as CC Budget Committee) to ensure adequate consideration of CC in budget
- Annual sector and sub-national budgets
Approval

- The approval process for the budget, or more correctly the appropriation bill(s), will vary according to the constitutional make up of each country.

- There are usually two distinct levels of approval, one at the executive level and the second at the legislative level. As the budget formulation stage ends, the approval process starts with the approval by Cabinet or the Executive of the Budget to be submitted for legislative approval. The government will ideally submit its draft annual budget to parliament 2–4 months in advance of the beginning of the new fiscal year. This will allow the legislature 2–4 months to scrutinize, debate, and propose alternative budgetary policies (within limits of cost), prior to adopting and promulgating the annual budget before the new fiscal year begins.
To ensure a proper debate of government policy and resource allocation, budget documentation should be made available for legislative, executive and public scrutiny of government’s spending plans and what these aim to achieve.

In addition to the macroeconomic framework for the budget, the government should present to the legislature a detailed annual budget policy statement that sets out the strategic and policy priorities for the year including its central policy goals. The statement should outline any major proposed tax and revenue changes, changes in expenditure policies, and quantify the impact of each major new policy (including changes in tax expenditures). This provides the legislature (and the public) with the necessary information to scrutinize the resource allocations of the government.

Once legislative approval is granted the cycle then moves forward to the implementation stage.
Tangible Elements for CC: Approval

- Publication of Detailed Budget Documents including Macro framework, program design and detailed resource allocations (inclusive of PSIP)
- Public Sector Investment Program (PSIP)
- Appropriation Acts
- Public Financial Management Act
Procurement

• Public procurement is the process by which government departments or agencies purchase goods and services from the private sector. It takes place at both a national and regional level, and the process will usually be subject to specific rules and policies covering how the relevant decisions are made. Once funds are authorized and committed for use by ministries, funds are then available for procuring goods.
Procurement

• The goal of this component is to provide for efficient and effective use of public funds. This requires that procurement of goods and services for implementation of government policy is based on clear, consistent rules that promote competition and value for money, and within a governance environment with sufficient controls to provide for enforcement and accountability. A well-functioning procurement system is characterized by a clear and comprehensive set of rules that promote transparency and competition. These rules will ensure equality of treatment of tenderers or potential suppliers and accountability for and transparency of decision-making. This requires well-trained procurement professionals; mechanisms for enforcement of the rules including a process by which bidders’ complaints can be heard and settled; and regular internal and external auditing of purchasing authorities to ensure they are adhering to the rules.
Procurement

• The procurement powers derive from legislative authority often through public finance legislation or a dedicated procurement law usually with detailed associated regulations. These regulations detail the rules of the procurement process mentioned above and are usually outlined in Procurement Guidelines or Manuals available to responsible officials. Clear guidelines on how the procurement process operates should be available to the private sector and the public to make clear obligations and responsibilities of all parties. Procurement processes are complemented by strong internal and external auditing procedures to reduce the potential for corruption.
Tangible Elements for CC: Procurement

- Public Financial Management Act or
- Dedicated Procurement Act
- Procurement Manual and Guidelines
- Public Tenders Committees or Boards
Treasury: Receipts and Disbursements

- Once approval is obtained, estimates are distributed to spending departments in time for the start of the financial year and the commencement of the disbursement phase of the budget.

- Line ministries then commence and manage their budgets and development projects with disbursements rationed, preferably according to a cash plan determined at the beginning of the financial year. This allows the Ministry of Finance through its Treasury function to manage its cash and bank accounts at a macro level while ministries have sufficient cash to implement policies and projects at a micro level.

- Treasury will control government bank accounts and monitor these to track receipts and disbursements. This includes tracking accounts for specific projects where a clear accounting of receipts and disbursement for externally funded projects will be undertaken.
Treasury: Receipts and Disbursements

• By using country systems, projects should avoid establishing accounts external to Treasury. Project disbursements if funded out of external funds will follow clear policies and guidelines and instructions detailed in project disbursement manuals. Staff in central finance

• e ministries, line ministries responsible for projects and project executing agencies will use these manuals. The Ministry of Finance will reserve the right to change allocations and associated disbursements during the year if circumstances change. Line ministries also have a process to follow whereby they can request variations to their disbursements. Agencies have a system of commitment for planning and control that ensures that expenditure does not exceed budget.

• The payments system is centralized and payments are made on time. In a decentralized system, payments do not exceed the appropriation limit and there are sanctions for overspending. However, where there are decentralized payments these do not undermine expenditure control and information on actual expenditure is available on time for monitoring tasks.
Tangible Elements for CC: Treasury-Receipts and Disbursements

- Public Financial Management Act
- Cash Management Plan – managing receipts and disbursements (including for projects)
- PFM Regulations
Financial monitoring is the process of maintaining the day-to-day accounting, recording and reporting of transactions from the budget. In Public Expenditure and Financial Accountability (PEFA) Assessments this covers the components of predictability and control in budget execution and the accounting, recording and reporting of day-to-day transactions of the spending authorised in the appropriation acts.
Accounting

• Fundamental to this system is strong financial management information systems to support this process. To develop strong financial performance and monitoring requires (i) predictability in the availability of funds for commitment of expenditures; (ii) timely and accurate in-year budget reports produced by MOF for line ministries and agencies reporting against budget estimates and commitments; (iii) regular accounts reconciliation to ensure data accuracy and reliability that are the foundation for high quality information; and (iv) quality and timeliness of annual financial statements based on a recognised government accounting standard.
Accounting

• If these systems are in place they will facilitate monitoring to supply management information (including financial information) to the service delivery units at the end of the service delivery chain (e.g. primary schools and health clinics). With respect to CCA there will need to be an appropriate coding system within the FMIS that incorporates the necessary tags and codes to track CC expenditure (both direct and indirect). This system will preferably be incorporated into an existing coding system as opposed to duplicating or overlaying a parallel coding system that might present additional administrative requirements.
Tangible Elements for CC: Accounting

- Effective Financial Management Information System (FMIS)
- Public Financial Management Act
- Internal Audit function
- PFM Regulations
- Appropriate coding system (able to track direct and indirect CC expenditure)
Monitoring and Reporting

• Performance monitoring is based on the existence of an initial monitoring and evaluation framework prepared during plan or project preparation stage.

• Monitoring is required at both the macro and micro levels. As such National Development Plans and projects will incorporate monitoring frameworks including performance indicators against which implementation is assessed.

• Monitoring is an integral part of the plan or project and not an addition to it. It involves the collection of data on identified performance indicators, analysis of this data and reporting to inform decision-making. The monitoring process and reporting process is undertaken in both the implementation and oversight phases of the budget cycle. The monitoring reports feed into the overall evaluation of the project. These reports will be assessed against implementation and working plans and provide for adjustment of interventions during implementation as well as feeding into final evaluations.
Tangible Elements for CC - Monitoring and Reporting

• Monitoring Frameworks for plans and projects with clearly identified performance indicators (including CC indicators) for outputs and outcomes
• Reporting timetable for progress reports
• Strong Statistical and Data Collection Agency(ies)
• Implementation and Working Plans
Auditing

• The ability to learn and improve the delivery of government services is fundamental to strong country systems. Oversight in the budget cycle is supported by a range of systems that ensure the feedback mechanism works well and delivers improved policy outcomes over time.

• Auditing in the public sphere is the process of providing independent and objective assessment of the ability of government to deliver services and perform in line with agreed standards. Audit institutions then report back in a transparent manner to governing bodies and the public.

• Auditing provides a disciplined and systematic approach to improving financial management and government performance.
Auditing

• This process involves both an internal and external perspective.
• Internal audit is an attempt at self-improvement through close inspection of processes and systems and ways to improve them.
• External audit shines a light on how the government operates with respect to its rules and regulations to ensure external scrutiny and transparency.
• Auditors analyse and inspect government operations to evaluate whether policies are achieving their stated purpose, governments are working in line with the law, and funds are used as intended and management has the necessary procedures to manage risks. This aims to reduce the risk of mismanagement and corruption in public institutions.
To be effective the auditing process requires:

- Organizational independence – usually answerable directly only to the legislature and with constitutional recognition;
- Adherence to agreed audit standards;
- Formal mandate – through the constitution and legislation;
- Unrestricted access to information to support its mandate;
- Adequate financial and human resource capacity to undertake its mandate;
- Strong leadership to present and speak out on findings and recommendations; and
- Stakeholder support including from elected and appointed officials and committee support such as from public accounts committees.
Auditing

• Strong institutions need to support the auditing effort – from internal audit offices to independent external audit offices and legislative committees to review and follow up on the findings of audit institutions. Finally the Ministries of Finance and other related institutions must have the maturity and support to take on recommendations and adjust policies and procedures to ensure improvement in service delivery and governance in general.
Tangible Elements for CC-Auditing

• Public Audit Act
• Independent Auditor General
• Office of Internal Audit with Government Strong Legislative Committee System
Tools and Resources

• CPEIR Methodological guidance note
• CPEIR Lessons Learned Report
• CPEIR Database
• Climate Budget Tagging Note
• Climate Change Fiscal/Financing Frameworks – How to DoNote
• LG and CC Finance Delivery Framework (in progress)
• Climate Change Integration Index (CCII)
• Peer to Peer network
Climate Public Expenditure and Institutional Review (CPEIR) Diagnostic Tool

• A policy and institutional review of government’s ability to coordinate and translate climate change objectives into the budget (at national level and some at sub-national level);

• A review of the relationships between different climate-related institutions, including decentralised entities;

• A definition and/or typology used to identify climate change relevant expenditures for the review;

• An analysis of recent trends on budget allocations and/or public expenditures that appear relevant to climate change;

• An illustration of trends in external funds flow and potential dependency;

• Recommendations on institutional reforms to mainstream climate change policy in the short- and medium-term;

• Recommendations on improving the relevance and impact of public expenditure for both mitigation and adaptation.
Climate Budget Tagging (CBT)

• Is a budget tool for monitoring and tracking of climate-related expenditures in the national budget system.
• It provides comprehensive data on climate relevant spending, enabling government to make informed decisions and prioritize climate investments.
• Also encourages planning officers and policy managers to incorporate climate considerations in project design from early stages.
• Assesses whether we are on track to reach our climate change spending targets.
• Further, with the information on climate related expenditure, this tool enables public scrutiny on government and donor spending towards addressing climate change issues.
A Climate Change Financing Framework (CCFF):

• Defines what actually constitutes climate change related activities in a manner that is robust, nationally-determined and commonly agreed by concerned stakeholders,

• Focuses on costing planned climate change response actions in the medium and longer term;

• Measures the actual resources available to address the climate change mitigation and/or adaptation challenges in the medium term and long term including climate change relevant domestic resources, climate change relevant overseas development assistance and additional change climate finance,

• Identifying the institutional entry points to bring public sources of climate change relevant finance (domestic and international) into the national planning, appraisal and prioritization, budgeting formulation, treasury, monitoring and evaluation, auditing and oversight systems, and aligning private sources of climate change related finance with the overall fiscal policy framework;

• Ensuring accountability over the use of climate change related finance, both domestically vis-à-vis the national public and beneficiaries, particularly the most vulnerable, as well as externally, to international donors and development partners.
Whole of Government Approach in Asia

• *The CPEIR process started in 2011 has led many ministries to start scale up their involvement in addressing climate change*

**Finance:**

**Bangladesh:** the Government of Bangladesh (GoB) adopted a Climate Fiscal Framework (CFF) in 2014 which proposes a climate expenditure tracking framework (CETF) which would be applied to all line ministries’ budget submissions and also tag on-budget ODA. The proposed CETF would weigh climate relevance and tag expenditure based on the six thematic priorities under the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) 2009.

**Indonesia:** Since 2014, Indonesia has introduced mitigation budget tagging (Low Emission Budget Tagging and Scoring System – LESS) in key ministries to track resources spent to achieve the national emission reduction target of 26% by 2020 (RAN-GRK). In 2014, LESS was also implemented in 3 central provinces to pilot mitigation expenditure tagging at the local level. MOF also developed the Green Planning and Budgeting (2014)

**Nepal:** is one of the first countries to adopt a climate budget tagging. In 2012, Nepal incorporated the climate tag to the budget system, at programme level, classifying expenditures by the level of climate relevance.

**Philippines:** The Philippines mandated CBT in national budget submissions for all government entities in FY2015 and has piloted climate tagging in Annual Investment Plan for local government units (LGU) before upscaling to all LGUs in FY2016.
Whole of Government Approach in Asia

**Environment:**

**Thailand:**
- Draft Climate Change Benefits Guidelines (forthcoming 2016)

**Cambodia:**
- Climate Change Financing Framework (2014) covering 9 ministries and the NCDM

**Planning:**

**Bangladesh:**
- Revision of the Project Appraisal Guidelines (DPP) to integrate Climate Change Impact Assessment as a prerequisite for the preparation of the Annual Development Plan,
- Develop and pilot the concept of local climate fiscal framework.

**Indonesia:** Mitigation Fiscal Framework (2013)
- Green Planning and Budgeting (2015)
Whole of Government Approach in Asia

**Agriculture:**

**Thailand:**
- ✓ How to integrate CC into the annual budget prepared MOAC for submission to the BOB?
  - Office of Agricultural Economics
  - Land Development Department
  - Royal Irrigation Department

**Cambodia:**
- ✓ How to integrate CC into the annual budget prepared by the MAFF for submission to the MOEF?
  - Fishery Administration
  - Department of Rubber Development
  - Department of Agro-Industry
  - Cambodia Agricultural Research and Development Institute
  - Animal Health and Production Department
  - Department of Planning and Statistics
  - General Directorate of Agriculture
Climate Public Expenditure and Institutional Reviews - An Entry Point to CC Responsive Planning and Budgeting

- **CPEIR** adapt the Public Expenditure Review Methodology of the World Bank which was sector focused (agriculture, health etc.) to cross cutting issues such as climate change.

They are articulated around 5 pillars:

- Climate Change Policy and Planning.
- Institutional Architecture of Climate Change.
- Responsiveness of Public Financial Management Systems to Climate Change.
- Public Expenditure Analysis.
- Local Governments.
CPEIRs Findings—Public Expenditure Analysis

Average Climate Expenditure as Percent of Total Government Expenditure

- Uganda: 0.93%
- Nepal: 6.68%
- Tanzania: 5.48%
- Thailand: 2.69%
- Samoa: 13.25%
- Cambodia: 5.62%
- Vanuatu: 12.90%
- Bangladesh: 6.51%
- Indonesia: 0.32%
CPEIRs Findings - Public Expenditure Analysis
CPEIRs Findings—Public Expenditure Analysis

AVERAGE ANNUAL CLIMATE EXPENDITURE (MILLION USD)

- Cambodia (2009-2012): 131 Million USD
- Bangladesh (2010-2014): 1,411 Million USD
- Tanzania (2010-2013): 419 Million USD
- Thailand (2009-2011): 1,637 Million USD
- Indonesia* (2009-2012): 335 Million USD
- Samoa (2007-2012): 36 Million USD

*Indonesia figures are mitigation-related only and exclude irrigation and roads.
CPEIRs Findings - Public Expenditure Analysis
CPEIRs Findings—Public Expenditure Analysis

CLIMATE CHANGE EXPENDITURES
BY SOURCE OF FUNDING

External Financing
Domestic Financing
## CPEIRs Findings - Public Expenditure Analysis

<table>
<thead>
<tr>
<th>Ministries / Countries</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>
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