
Measuring the Integration of Climate Change in PFM Systems

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Outline

1. Introduction of the CCII methodology and tool
2. Results of CCII assessment for Nepal - 2015

Background

- As climate change will impact the whole of the economy, it has to compete all along for policy attention.
- Major climate change programs have been planned with external support.
- Climate change finance and the need to increasingly fund more of it from domestic resources is in the policy agenda of many countries in the Asia-Pacific Region.
- Efforts are underway to integrate climate change dimension into the national budget systems in one or the other way.
- Some countries have introduced technical means to track CC finances, while others try to influence that process by introducing high-level policy goals.

Background

- Some development partners assist countries with introduction of CC tracking mechanisms while others set global policy goals on CC (SDG).
- However, absence of an objective assessment for measuring integration of CC into the PFM system remains a challenge for the policy makers.
- The fragmented evaluation of progress on diverse initiatives does not allow a cross-country comparison of the level of integrating of CC into PFM systems.
- Use of isolated tool or process or report on CC finances may not suffice for a comprehensive assessment of a country's progress in CC mainstreaming, which is crucial in long term to fund CC programmes.

Comprehensive Methodology

Standard and comprehensive methodology is needed to assess the level of CC integration in the PFM systems :

- For a more objective validation of the progress towards CC integrated PFM system in countries.
- Setting a baseline, prioritization and helping with formulation of a reform agenda for CC integration (guidance for formulating the country's reforms directions and agenda).
- Cross-country comparison (relevant at the regional level).
- Platform for cooperation framework with development partners.
- Capacity analysis tool and identification of learning gap for CC finance-PFM systems

CC Integration Index (CCII)

- CCII - an assessment methodology and tool - has been developed to carry out the assessment from various perspectives of a PFM cycle.
- CCII as a multi-component assessment mechanism helps independently assess several aspects of CC integration into PFM systems.

Methodology

CCII methodology examines integration of CC in four dimensions

- **Policy dimension**

level of awareness on CC policies, recognition and commitment to integrate CC, availability of enablers to link CC policies with budgets.

- **System dimension**

capacity and current practices of PFM systems to absorb CC.

- **Accountability dimension**

how much is the CC been part of the overall PFM accountability system.

- **Development Partners dimension**

how much is DPs' CC finance integrated into national PFM systems.

Categories

<i>Dimension</i>	<i>D Weight</i>	<i>Category</i>	<i>C Weight</i>
P. Policy	30	P1. Policy	10
		P2. Requirements	10
		P3. Priorities	10
S. System	30	S1. Reporting	10
		S2. Coding/tagging	10
		S3. Calculation	10
A. Accountability	30	A1. Performance (Value for Money)	10
		A2. Parliament	10
		A3. Civil Society Organization	10
D. DPs	10	D1. Donors	10
CCII	100		100

Sub-categories

<i>Policy Category</i>	<i>Questions</i>	<i>What is assessed</i>
P1. Policy and Strategic Planning Context for CC	Do the CC policy paper(s) help and inform MoF in CC budget formulation?	Is there a relevant policy adopted?
		If yes, by whom (who endorsed)?
		Is it specific enough to help budget people to plan climate budget based on the policy goals?
		Is policy reflected in relevant budget document?
P2. Requirements: Legislative and other procedural requirements on CC dimension for PFM	What are the legal and institutional requirements to indicate climate finance in the budget formulation?	Legislative requirement on climate budget presentation in budget document.
		Guideline/instruction on climate budget presentation in budget document.
		What is the institutional coverage of the requirement on climate finance during the budget planning?
		Does it require information on issues such as impact, costing or performance?

Sub-categories

<i>Policy Category</i>	<i>Questions</i>	<i>What is assessed</i>
P3. Priorities:Climate Change as a priority in the budget system	How is climate budget allocation and expenditure prioritized in budget system?	Do the programme appraisal systems include CC dimension during budget preparation?
		Does CC budget get priority in budget formulation process?
		Is there any institution with clear mandate to coordinate climate budget allocation?
		How is climate change related expenditure viewed in terms of importance?
<i>System Category</i>		
S1. Reporting :Climate Change Expenditure	How is climate budget expenditure reported and validated?	Is there a requirement to report on consolidated climate expenditure ?
		What is the status of endorsement of climate expenditure?
		Is climate expenditure validated by external auditor?

Sub-categories

<i>System Category</i>	<i>Questions</i>	<i>What is assessed</i>
S2. Coding :CC budget coding (FMIS)	Has climate budget code/tagging system been used for budget allocation and expenditure?	Is there a budget tagging system applied during budget formulation?
		Is there a budget tagging system applied to track climate budget expenditure?
		When is climate budget information available?
S3. Calculation: Methodology on calculating CC finance	How precise is the methodology used in calculating climate budget?	Is there any formally adopted methodology for defining climate budget?
		What is the level of accuracy in calculating climate budget allocation?
		Is there accepted methodology to determine the level of climate relevance?
		Does the climate finance methodology cover both mitigation and adaptation?
		Is it possible to compare cross-period climate finance ?

Sub-categories

<i>Accountability Category</i>	<i>Questions</i>	<i>What is assessed</i>
A1. Performance CC performance information (Value for Money)	Do climate finances have performance indicators?	Is performance information available for climate finance?
		Do performance indicators meet SMART criteria?
		At what stage of budget formulation performance indicator used?
A2. National Parliament Parliament's engagement in the CC budget discussions	What is the role of parliament in approving climate budget?	Is there a parliament committee on climate change?
		If not, where does the discussion on climate budget take in the parliament place before approval?
		Is there any provision for effectiveness and efficiency analysis of climate budget?
A3. Civil Society Organization: CSO participation in CC finances	How do CSOs participate in CC finances?	Is there a provision for budget hearing?
		What is the institutional space for CSOs in CC finance
		Do CSOs participate in climate budget formulation?
		Do CSOs participate in CC budget monitoring/reporting?

Sub-categories

<i>DP Category</i>	<i>Questions</i>	<i>What is assessed</i>
D1. Development partners: Integration of CC activities of Development Partners in the national PFM systems	How are DP's CC programme/project integrated into the national PF system?	Is it required that DP funded CC projects are reflected in budget documents?
		How much of DP's CC finance is integrated in PFM system?
		Are DP's CC projects reflected in budget document?
		What percent of the DP's climate fund is channelled through PFM system?

Evaluation process

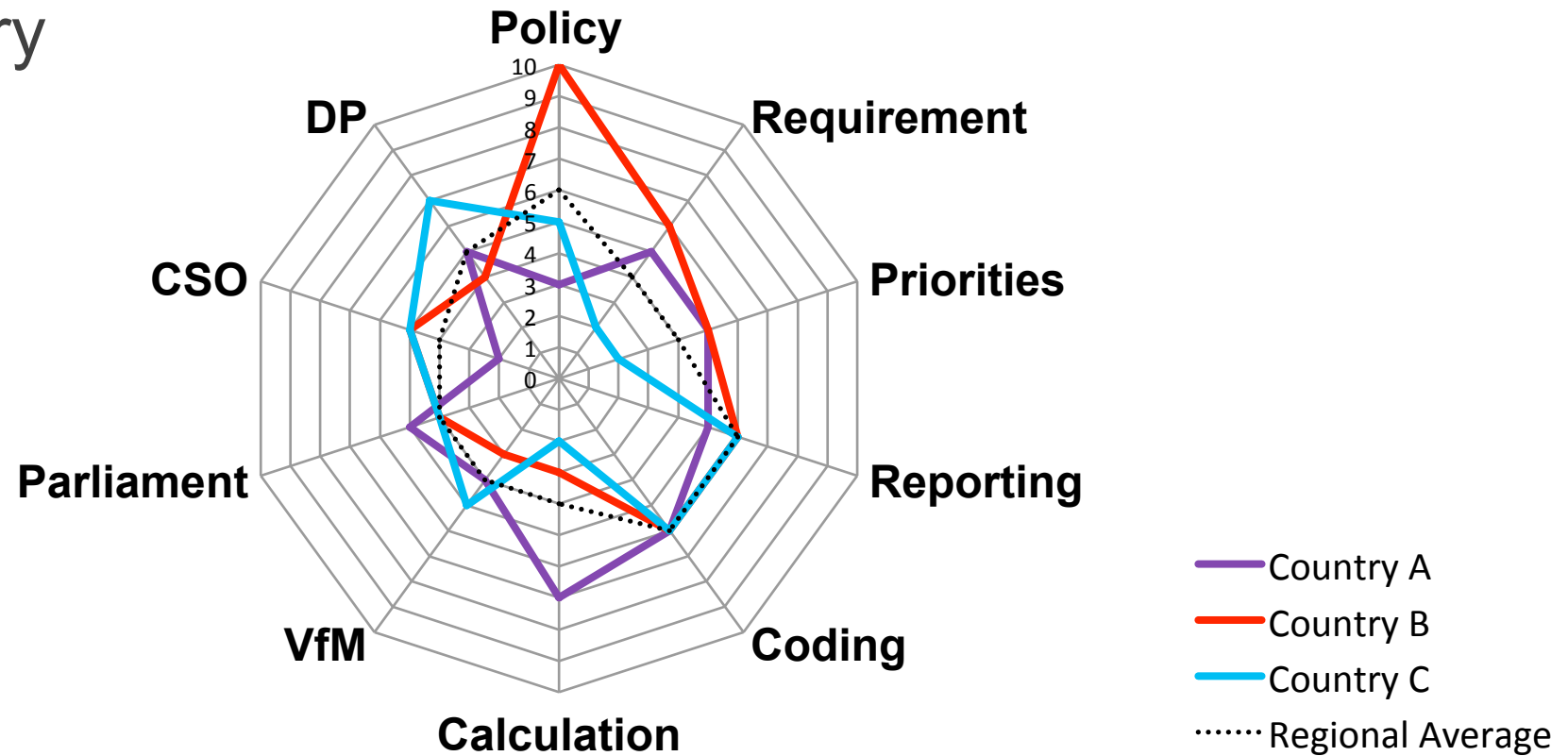
- The CCII provides a broad guideline of assessment by suggesting how each of the assessments should be conducted: desk study, interview or calculation etc.
- Most of the categories and sub-categories can be assessed using desk review.
- Some require interaction with stakeholders including the country offices and government stakeholders, while some need calculation for numbers.
- The assessment uses information for the last completed Fiscal Year.
- Assessment process for each category flows bottom-up and starts from the lowest level upwards.

Grading

<i>Category/ Subcategory.</i>	<i>Query</i>	<i>Grading</i>	<i>Means of Verification</i>	<i>Points</i>
P1. Policy and Strategic Planning Context for CC				10
P1.a. Existence of a specific high-level policy on CC	Is there a high-level multi-year policy document on CC?	1: Yes and it is finalized within last 5 years. 0: No or it is older than 5 years.	Reference	1
P1.b. Level of endorsement of the CC policy/ies	The level of endorsement of CC policies.	2: CC policy is endorsed by the high level of the Executive and/or the Legislature. 1: CC policy is endorsed by a political actor (e.g. level of minister or equivalent). 0: CC policy is not endorsed or endorsed at a non-political level.	Reference	2

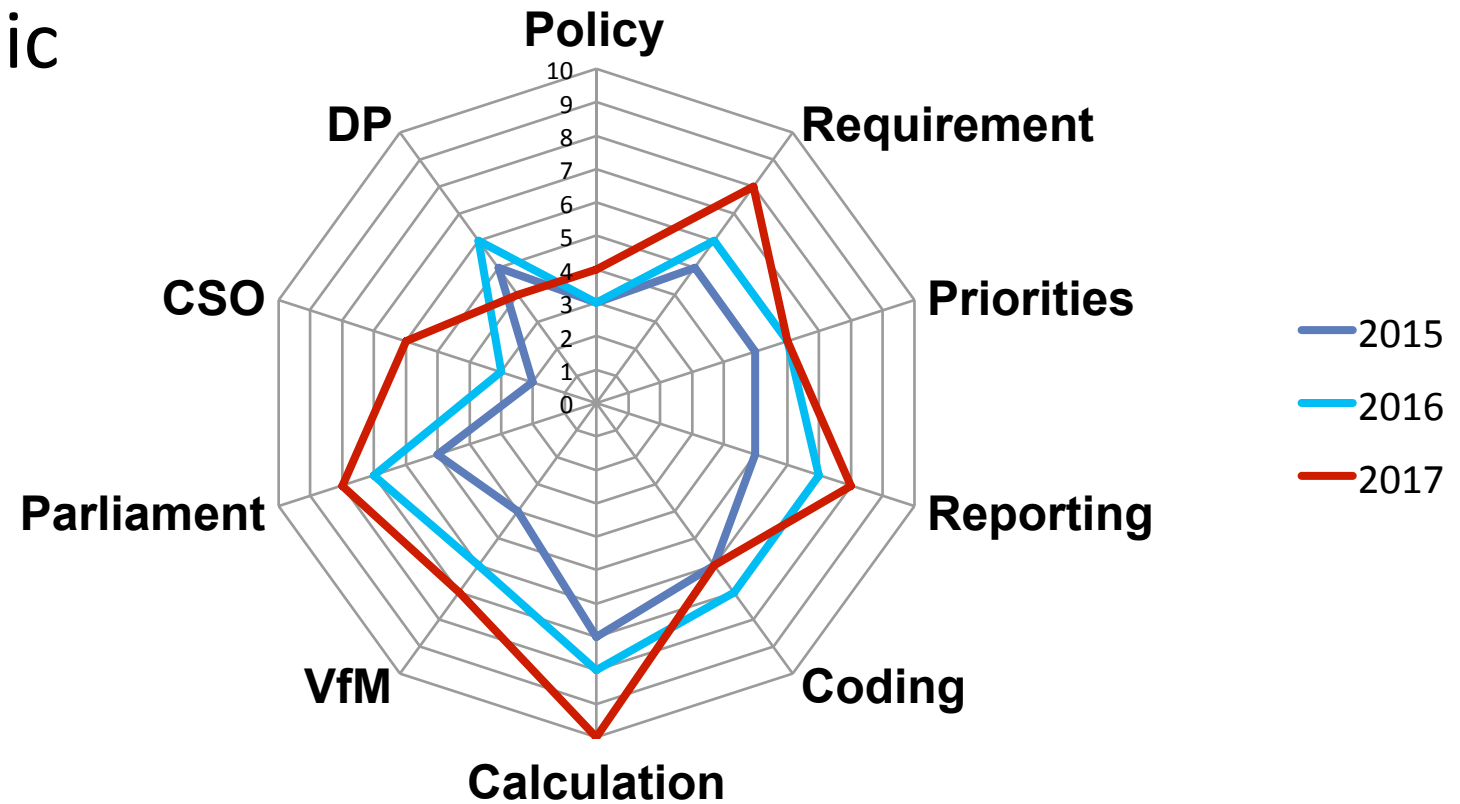
CCII Results Illustration

Cross-country



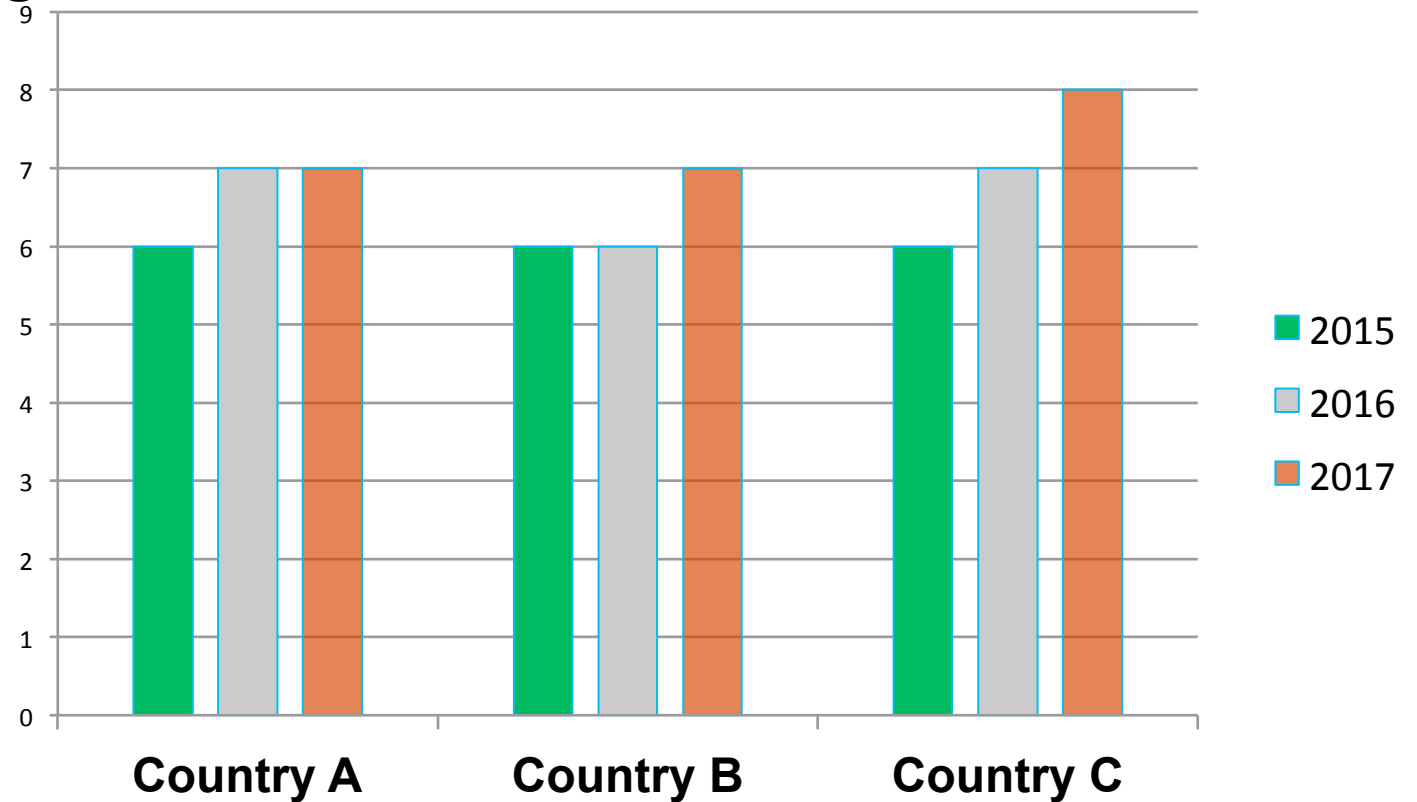
CCII Results Illustration

In-country dynamic



CCII Results Illustration

Application of CC Coding



CCII Assessment – Nepal, 2015

Context

- Nepal is one of the most vulnerable countries to the impacts of climate change, and hence the Government of Nepal (GoN) has given high priority to climate change.
- Developed NAPA in 2010 for immediate and urgent programmes.
- But, we had, and still have, limited understanding of the cost of responding to climate change.
- Besides dedicated donor funded CC projects, GoN has been funding substantial number of climate change related programmes through its domestic funds.

Context

- Nepal was one of the 1st countries to begin several initiatives required to manage the response to climate change
- When climate finance was at an early and formative stage, Nepal conducted a study on Future for Climate Financing to gain a forward looking perspective in CC financing. The study showed that:
 - Meeting the needs of most vulnerable to CC impact will require a strong local finance delivery mechanism.
 - Because of the diversity in the delivery of development financing, a key principle of CC finance should also be to match the finance modality with institutional functions and spending objectives.
 - Acknowledging the centrality of national budget , all ‘off budget’ external support should cease within a specified period.
 - Nepal should be able to have direct access to global climate finance.

Context

- CPEIR was conducted in 2011 to promote a whole of government approach to climate finance and promote the use of country systems.
- The Climate Budget Code was developed and introduced to track budget allocation for CC activities through public funds.
 - Climate Code provides information on level of PF being directed to implement CC related activities.
 - However, it does not indicate the extent to which the climate change has been integrated in the national systems.

Context

- All these have helped develop a broader understanding about climate financing including sectoral priority and the gaps in delivery of policy commitment.
- Now, we find it relevant to assess all these initiatives in a more systematic way to strengthen the country system.
- CCII will serve that purpose.
- Taking current status of progress as the benchmark, we will use CCII to help the GoN in designing the next steps that are most relevant for Nepal's climate financing.

CCII Process

- CCII was conducted in two ways:
 - I. Desk study - web search, review of budget speech, budget guidelines, the Annual Development Programme for the fiscal year 2015/16, and budget code documents; and
 - II. Interview with government officials responsible for budget planning at Ministries of; Science, Technology and Environment; Forest and Soil Conservation, Finance, and National Planning Commission.
- Time spent
 - Desk study - about 4 days and meetings with officials took about a week including collecting relevant materials from the institutions.
 - Some of the institutions were visited twice to validate some of the informations.

Assessment

- CCII was conducted for four dimensions of integration: Policy, System, and Accountability and Development partners.
- Each category and sub-categories under these dimensions and were examined thoroughly against the grading options.
- Assessment of grading was done from lowest to highest. Higher option was tested, when the lower one met the criteria.
- Reference or Means of Verification to support the evidence was recorded.
- Marks were given and computed for each dimension.

How was it done?

Policy and Strategic Planning Context for CC		References	Pts
Sub-category	Sub-category		
Existence of specific policy targets and costing that can be linked with budgets	<p>3: Clear policy targets with indicators and cost estimates by years and individual programmes of CC relevant initiatives.</p> <p>2: Clear policy targets with indicators and cost estimates for at least next fiscal year and individual programmes for at least 50%.</p> <p>1: Some policy targets with measurable indicators exist but no cost.</p> <p>0: Policy document does not contain measurable targets and costs.</p>	<p>Annual Plan/ Program 2072/73, Part 1</p> <p>www.npc.gov.np/.....</p>	3

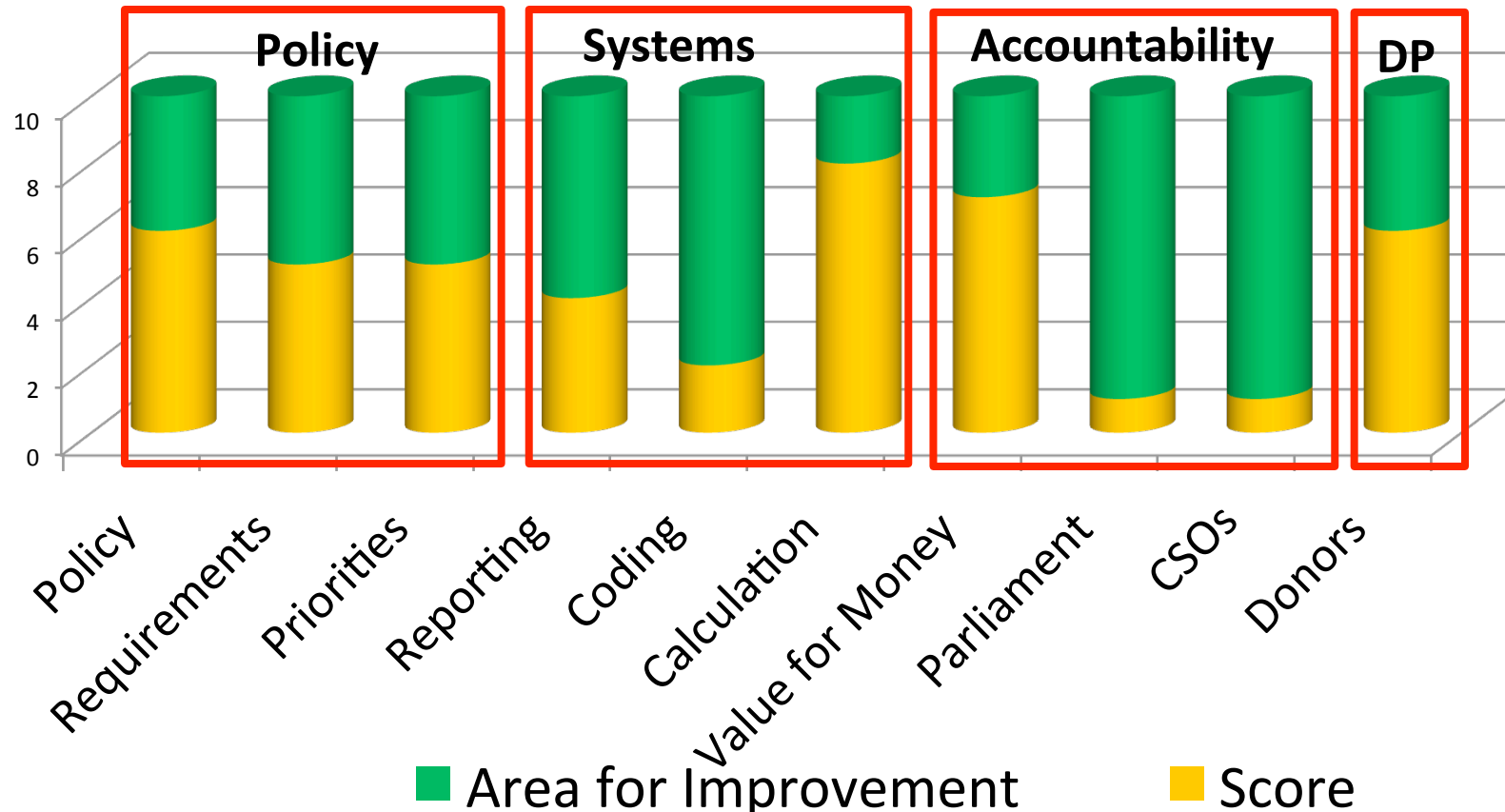
How was it done?

Policy and Strategic Planning Context for CC		Referenc es	Pts
Reflection of CC policies in strategic budget documents	<p>4: A Climate Change Financial Framework or a designated section on CC policies and finances for particular period with closely linked allocations and expected performance exists in the strategic budget documents (MTEF).</p> <p>3: Strategic budget documents contain policy references to CC policy documents and financial data explicitly linked to such policies are available for at least 50% of CC related expenditure plans.</p> <p>2: Strategic budget documents contain policy references to CC policy documents but financial data is not explicitly linked.</p> <p>1: Documents are available that contain policy references to CC policy documents with financial data available and explicitly linked with policy targets.</p> <p>0: Strategic budget documents (MTEF or equivalents) do not contain explicit reference or policy goals from relevant CC policy documents or no relevant document is available for assessment.</p>		0

Ranking of CCII Dimensions

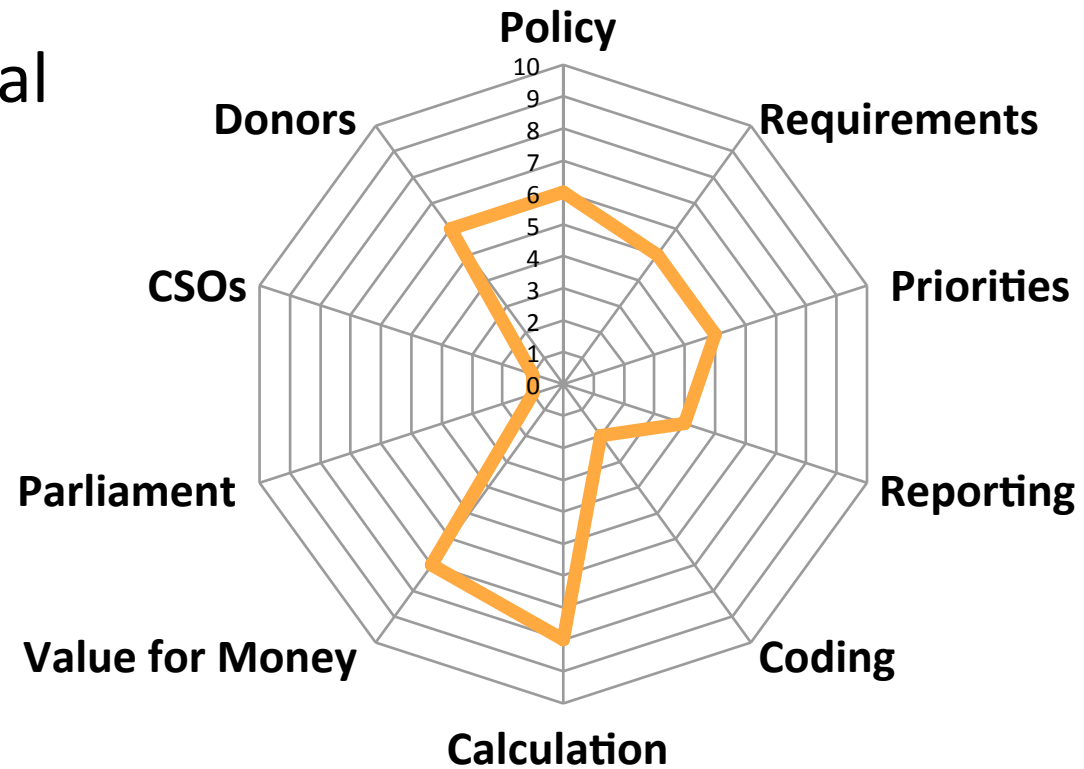
<i>Dimension</i>	<i>Dimension rating</i>	<i>Category</i>	<i>Category rating</i>	<i>Ranking</i>
P. Policy	16/30	P1. Policy	6	Medium
		P2. Requirements	5	Medium
		P3. Priorities	5	Medium
S. System	14/30	S1. Reporting	4	Weak
		S2. Coding	2	Weak
		S3. Calculation	8	Strong
A. Accountability	10/30	A1. Performance (Value for Money)	7	Strong
		A2. Parliament	1	Very weak
		A3. Civil Society Organization	1	Very weak
D. DPs	6/10	D1. Donors	6	Medium
CCII	46/100		46	

Findings



Findings

CCII status - Nepal



Conclusions

- Nepal CCI assessment points out the aspects that should receive more attention in designing next step :
- At policy dimension, many initiatives have been in place in mainstreaming CC in PFM. It has a score of 16 out of 30. The need is to take selective steps for improvement in requirements and priorities. Ex. MTEF reflecting CC finance, and so on.
- There is a lot to be done for CC mainstreaming at the system dimension (with a score of 14 out of 30). Except for calculation, which is strong, the categories of reporting and coding seem weak. Reporting and validation of CC finance, as well as coding at subnational level is needed.

Conclusions

- At the accountability dimension, the ranking seems very weak with a score of 10 out of 30. The role of parliament and the civil society has to be greater than the current status to improve CC finance mainstreaming in the national system.
- The DP's dimension scored 6 out of 10. Most of the multilateral projects are 'on budget' while there are still many others including bilateral projects that need to be brought into PFM systems.

Lessons Learnt on CCII Methodology

- CCII is a simple and easy-to-implement methodology.
- Uses information mostly from published materials that reduces hassles of collecting information.
- CCII goes across sectors and works at the systemic level.
- Provides independent evaluation in a short period.
- Helps understand what exactly is needed in capacity building and where, at what level and with what scope.

Thank You