Role of Local Government in integrating Climate Change into local development planning and budgeting processes

Presented to the Asia Pacific Regional Forum on Climate Change Finance and Sustainable Development; September 2, 2015, Jakarta, Indonesia
Overview of planning and budgeting process

1. Planning Process
   - Follows a five year planning cycle [Currently in the 11th FYP: 2013-2018]
   - GNH based planning process
   - Established Mainstreaming Reference Group to integrate Environment, climate change, Gender and other cross-cutting issues into LG’s plans.

2. Budgeting process
   - LG’s depend on central government for resources;
   - Annual Capital Grant based on RAF
   - Introduction of PBCCAG to ensure climate resilience of LG’s development activities.
Annual Capital Grant (ACG) and its Resource Allocation Formula (RAF)

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<thead>
<tr>
<th>SN</th>
<th>Criteria</th>
<th>Weights</th>
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<tbody>
<tr>
<td>1</td>
<td>Multidimensional Poverty Index (MPI)</td>
<td>45 %</td>
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<tr>
<td>2</td>
<td>Population</td>
<td>35 %</td>
</tr>
<tr>
<td>3</td>
<td>Area</td>
<td>10 %</td>
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<tr>
<td>4</td>
<td>Transportation Cost Index</td>
<td>10 %</td>
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*Transparent, equitable and objective resource allocation*
Logical Model of Performance-based Climate Change Adaptation Grant System

PBCCAG Funds → PBCCAG 25% → Regular Capital Grant Allocation → National Gov’t

Inter-governmental Fund Transfer

125% of LG expenditure goes to building climate resilience → Local Gov’t
Purpose and Objective of PBCCAG

• To reduce existing Climate Change Adaptation (CCA) funding gaps at local government level.

• Allow Local Governments to respond to the increasing impact of climate change in accordance with local vulnerabilities and prioritized CCA needs.

• Promote and stimulate PFM systems and good governance procedures and practices by enhancing the local governments’ capacity.

• Strengthen the overall intergovernmental fiscal transfer system in Bhutan.
Features of the Grant(s) – Minimum Conditions

**Minimum Conditions:**

- Annual LG plans and budgets in accordance with the assignment of functional and financial responsibilities of the LGs, endorsed by their respective Committee/Council.
  - *The format for annual plan as provided by Planning and Monitoring System (PlaMS) and budget format by DNB, MOF.*

- Monthly accounts as per the Fund Release Guidelines of Ministry of Finance

- Minutes of Committee/Council meeting(s) related to Annual Plans.
Integrating climate change into local planning

Local Mainstreaming Reference Group (MRG): inter-sectoral working group

- **Advocacy of Gender, Environment, Climate Change, Disaster and Poverty (GECDP):**
  - Sensitization of local government officials, elected representatives, and communities.

- **Capacity development in integrated planning**
  - Mainstreaming framework
  - Environmental Overview
  - SEA/EIA and Cost Benefit Analysis

- **Advisory role**
  - Assist sectors, agencies, institutes in the development of mainstreaming processes & approaches;
  - Review, screening and approval of the LG plans and budgets.
Mutually Strengthening Components of the PBG System

1. CAPITAL/DEV. GRANT
   • Clear formula-based distribution
   • Performance-based award
   • Significant local discretion

2. ASSESSMENT PROCESS/INCENTIVES
   • Assessment manual with clear indicators
   • Annual assessment process

3. CAPACITY Development
   • More easily available than capital grant
   • Combination of local discretion and supply-side constraints/inputs

Strong Institutional Set-Up

LG

LG

LG

LGs use capacity-building resources to improve performance in response to incentives!
Opportunities & Challenges

**Opportunities:**
- GNH development philosophy operationalized through the national development plans and policy process.
- GECDP mainstreaming currently being institutionalized in all LGs through local MRGs with technical support from the national MRG.

**Challenges:**
- Gray area(s) between the regular development initiatives and Climate Change Initiative.
- Capacity gaps of LGs in integrating climate change into plans and budgets and financing mechanisms
- Limited financial resources to respond to increasing costs related to climate change.
THANK YOU for your kind attention!