Mainstreaming Climate Finance in Budgeting

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Climate Change = Cross-cutting risks ...

- Food insecurity
- Water scarcity
- Impacts on health
- Increases risks of conflict and displacement
- Loss of ecosystems

The Arab region is already the world’s most water-scarce, food-import dependent region, and climate change could trigger a further 20-40% decline in food and water productivity. The acceleration of climate impacts is exacerbating ecosystem fragility, triggering displacement and conflict, and reshaping prospects for development.
... Which require CC-integrated responses

- Budget as the main vehicle through which mainstreaming can take place
- Objective: **Integrate climate change and climate finance** – domestic and international – in the budget cycle
  - Setting a baseline of current climate allocations/expenditures
  - Strengthening the institutional response to integrating climate finance through a climate change financing framework
- Ministries of Finance as the key partner, but a **Whole of Government** approach required

Experiences from Asia-Pacific, UNDP Regional Hub Bangkok
Why focus on the budget?

The Budget is the most effective means to translate policies and political commitments into actions that can be implemented.
Bridging conversations

Practical tool: Climate Public Expenditure and Institutional Reviews (CPEIR)

- A qualitative and quantitative analysis and review of a country’s climate change plans and policies, institutional framework and public finance architecture in order to make recommendations to strengthen them
- Provides evidence on public expenditure (or allocations), including those that are climate related, across all ministries
- Definition of “climate related expenditure” is tailored and made context specific to each country, based on national consultations
What did CPEIRs show?

- CC relevant allocations/expenditures were visible across different sectors
- “Environment” and CC challenges were presented in terms that made sense to non-environment/CC experts
- Policy makers had evidence about the magnitude of response
- Policy makers had an overview of the capacity (or lack thereof) to respond more effectively
SO WHAT?
Is it enough? Is it going where it should be?

- Are climate change finance investments effective, and making a difference where it matters? (the poor who are most climate vulnerable)
- What is the basis on which climate change investments are decided?
- Is climate change finance enough?
- Is the balance between mitigation and adaptation reasonable?
- Are public investments climate proofed? Are they good for climate (if yes, upscale; if no, downscale)?
- Do expenditures match allocations?
- Is the government accountable for its decisions?

Climate change finance investment decisions:
Oversight stakeholders’ capacity

• Strengthen the capacity of relevant stakeholders (parliament, CSO, media) to fulfill their oversight roles, and as advocates for reforms

• **Access:** Do institutions that have a mandate of oversight have access to relevant information?

• **Analysis:** Is the information understandable to key policy makers (and the public)?

• **Dialogue:** Can the information be used to enable dialogue among key stakeholders, and strengthen public awareness?

• **Reform:** Do relevant actors have the required capacity to use available information to advocate for reform?
Sample guiding questions:

• For Programme X, have you undertaken vulnerability assessments?
• Have you looked at reference X on existing vulnerabilities in district A in the process of designing this budget?
• Which policies did you refer to when formulating the budget?
• Did you look at Policy X when formulating the budget?
• Did you look at expenditure report from the last FY?
• Did you look at project monitoring report from year X?
• Did you see the latest report on impact of CC on irrigation)? How was this taken into account?
Comprehensive package of support

- Accountability
- Climate Change policies
- Climate Financing Framework
- Expenditure diagnostic s CPEIRs
- Climate responsive budgeting
- Budget Tagging
Trigger for more climate responsive budgeting

• Budget coding and tracking in place
• Dedicated output in the Medium Term Budgetary Frameworks
• Climate Change Financing Frameworks adopted
• Changes in Budget Call Circular
• Addition in Budget Policy Briefs
• References to climate change in the Budget Speech
• Climate Budgeting Guidelines
• Establishment of Climate Finance Units within Ministries of Finance
• Risk screening tools to ensure sector initiatives are more resilient to impacts of climate change
• Requirements to report on climate relevance in budget submission processes
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