



*Empowered lives.  
Resilient nations.*

# 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

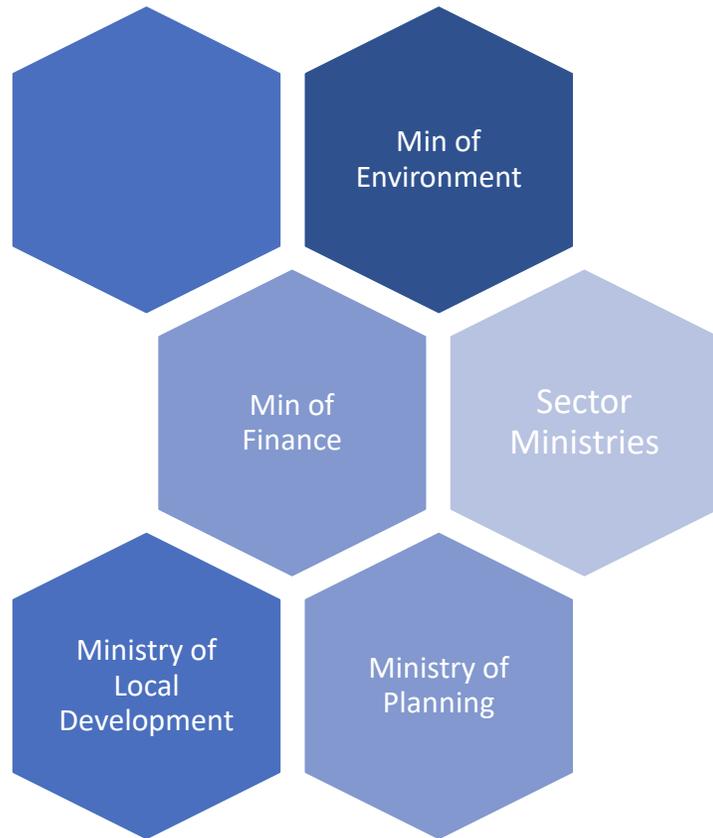


Loss of ecosystems



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

# Why focus on the budget?

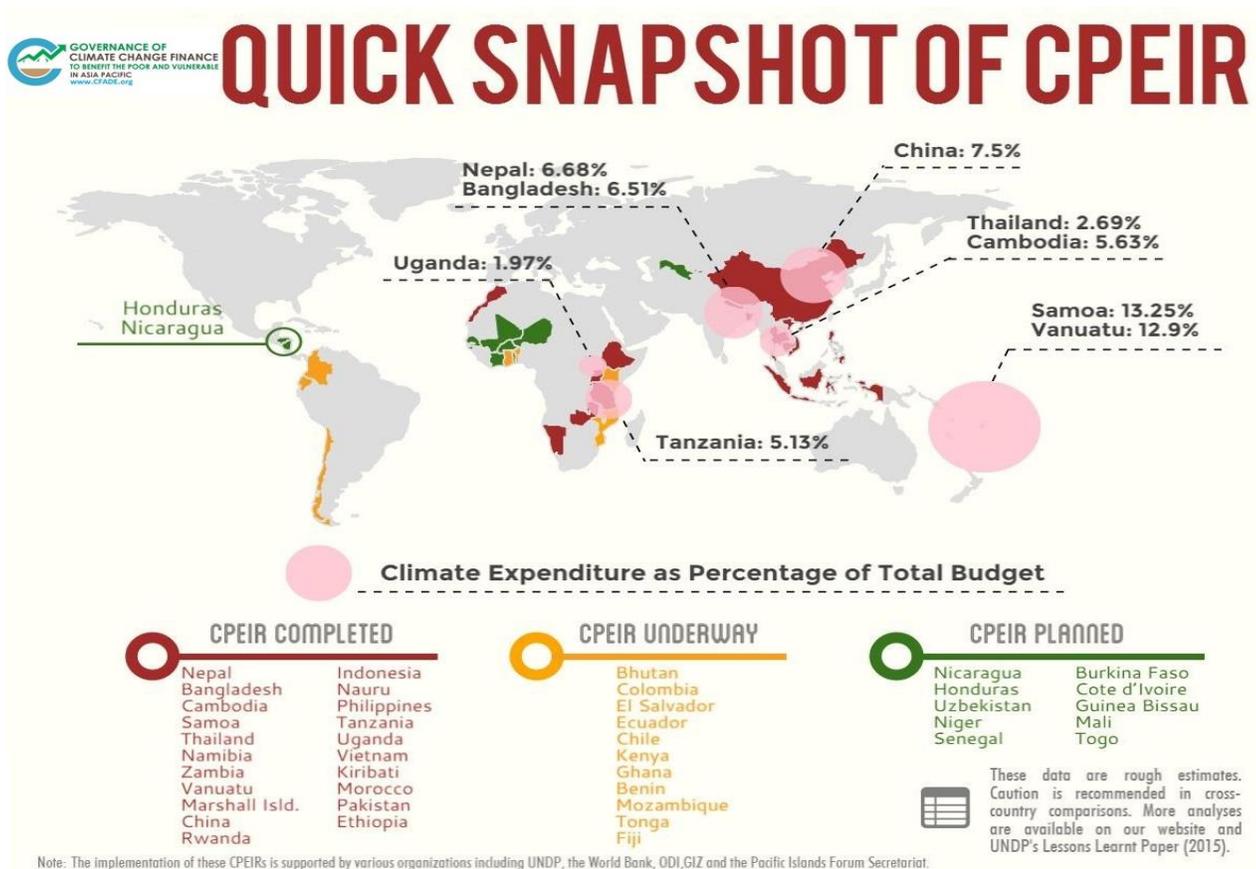
The Budget is the most effective means  
to translate policies and political  
commitments into actions that can be  
implemented

# 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:**

**“Where? Why? How Much? For What?”**

# 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?

# Budget Review Toolkit

## **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



# 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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