



Climate change finance within national budgetary systems

Initial country experiences



Neil Bird, Research Fellow

**National Workshop on a Climate Change
Financing Mechanism, Bagamoyo Tanzania**

15 October 2012



Country studies completed for UNDP

**Climate Public Expenditure and Institutional Reviews:
Workshop on Past Experience and the Way Forward**

10-12 September 2012

Amari Watergate Hotel, Bangkok

<http://www.aideffectiveness.org/CPEIR-Workshop2012>

Country studies in Nepal, Bangladesh, Thailand, Samoa
and Cambodia



Country studies completed for UNDP

	Population (millions) (2005)	Total Area (km ²)	GDP per capita PPP (\$ 2011)
Nepal	27.1	147,000	1,200
Bangladesh	141.8	144,000	1,800
Thailand	64.2	513,000	8,700
Samoa	0.2	2,800	4,600
Cambodia	14.1	181,000	2,400
Tanzania	38.3	945,000	1,500

(i) Approach

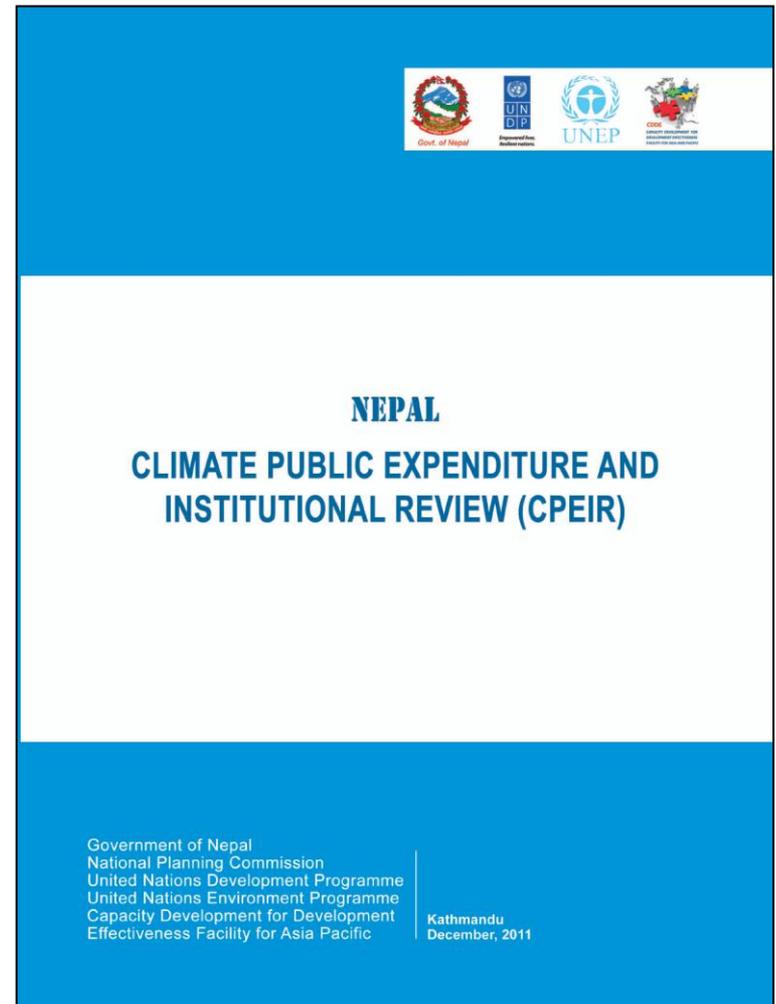
- The country study in Nepal had two objectives for its public expenditure analysis:
 1. to identify the scale and trends of planned and actual expenditure on climate change actions; and
 2. to understand expenditure patterns of climate sensitive spending agencies in the public sector.
- The review focussed on financial information contained in the Government of Nepal's Estimates of Expenditure (i.e. the national budget).

(ii) Key Findings

- Climate change expenditure can be identified within the national budget
- This initial identification of climate change-related expenditure is an indicative one
- Government spending on climate change action is significant and it is increasing
- Financial reporting systems for climate change actions are weakly developed
- The institutional response to climate change is starting to take shape
- There are challenges for national coordination over the response to climate change

(iii) Issues that require attention

- Defining climate change expenditure requires further work
- Strengthening national coordination is another priority



(i) Approach

The objectives of the expenditure and budgetary analysis in Bangladesh were:

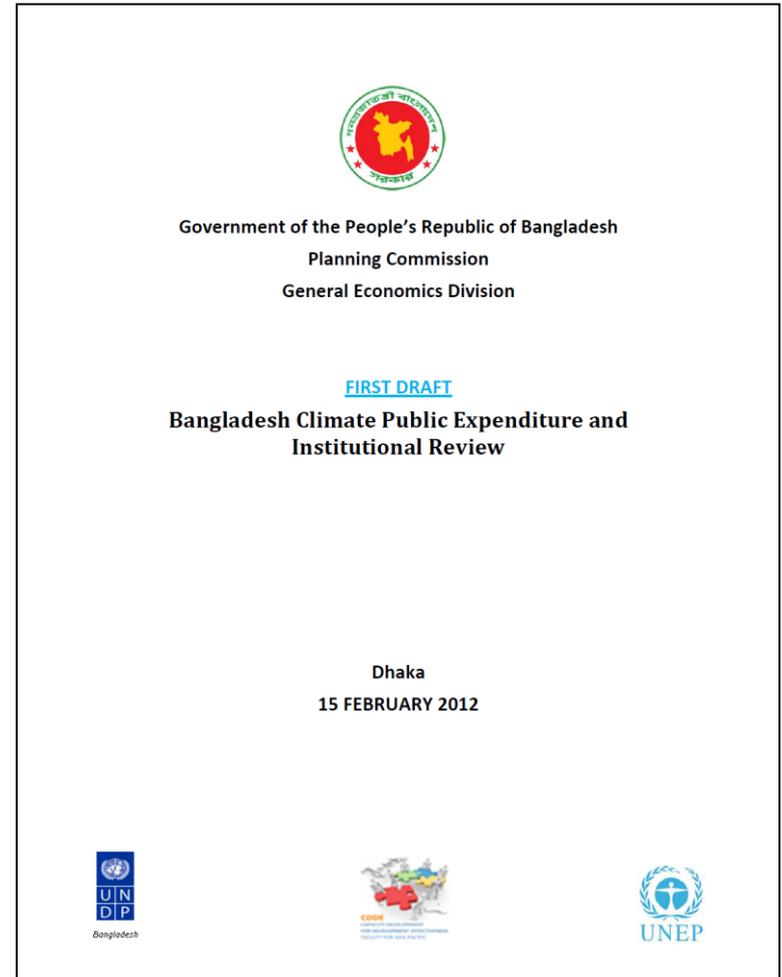
1. to set climate change-related expenditure in Bangladesh within an overall country context
2. to identify the scale and trends of planned and actual expenditure on climate actions
3. to understand expenditure patterns of climate sensitive spending by Central Government
4. to examine sources of funding for climate actions

(ii) Key Findings

- Climate change spending is not defined within the Government Chart of Accounts
- Climate change related expenditure is already significant across government
- Climate change spending often contributes to more than one outcome
- There are a number of financial mechanisms in operation for delivering climate change activities in Bangladesh
- Bangladesh was the first government in the world to set up a national climate change trust fund (the BCCTF), by allocating about USD100 million in 2009-10 from the non-development budget
- Coordination on climate change across government is limited

(iii) Issues that require attention

- Ministry Budget Frameworks need to identify climate change activity
- Strengthened coordination of public spending on climate change



(i) Approach

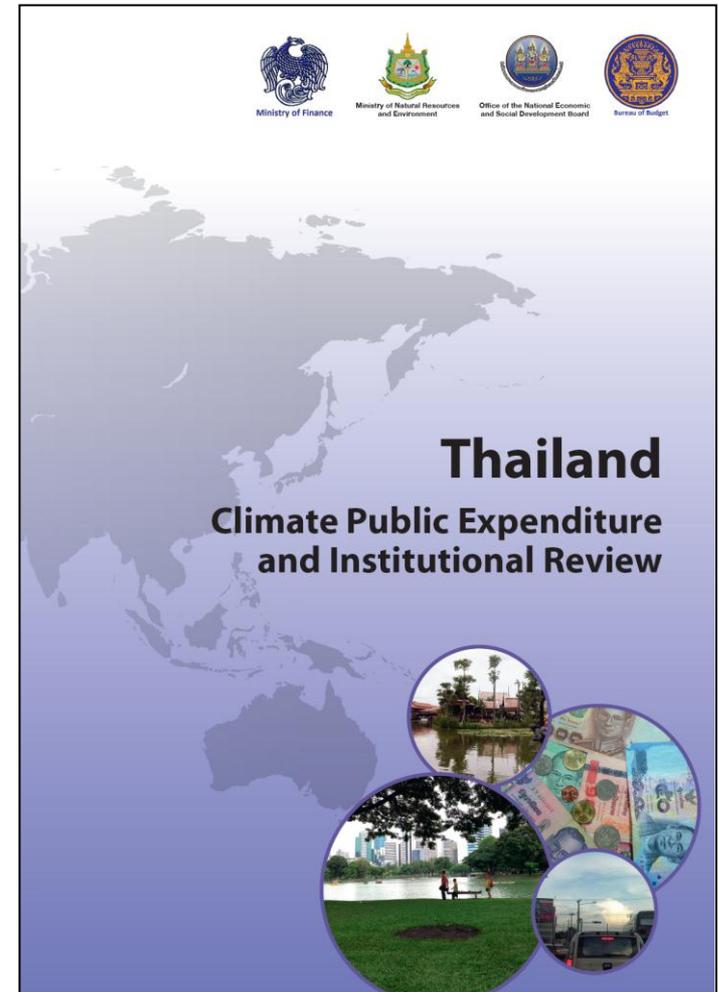
- All national budget expenditure codes were compiled from budget documents for 2009, 2010, and 2011. This produced a database containing 134,341 line items. Each function was then tagged according to whether the purpose and/or the effect of the expenditure was related to climate change. This resulted in climate change activity being identified within 26,774 line items.
 - For each line item an estimate was made of the proportion of expenditure considered relevant to climate change on a scale of 0 – 100%, based on project documentation and expert judgement.
 - All line items were then grouped into four categories (high, medium, low and marginal relevance) with the subsequent analysis based on these groupings.
-

(ii) Key Findings

- Overall, there is little, if any, fiscal flexibility in the Government of Thailand's budget
- There are two main PFM processes in Thailand: budgetary and extra-budgetary funds
- The climate budget has a large capital component (45%)
- There are 137 agencies involved in the delivery of climate activity across Government
- The majority of the climate budget was found in mid-relevance programmes
- Experience with international climate funds has seen slow disbursement of funds

(iii) Issues that require attention

- A national monitoring and evaluation system for climate change related activity should go beyond the measurement of financial inputs through the national budgetary system to look at the impact of the expenditure
- Further study at sector level is warranted



(i) Approach

The objectives of the country study were:

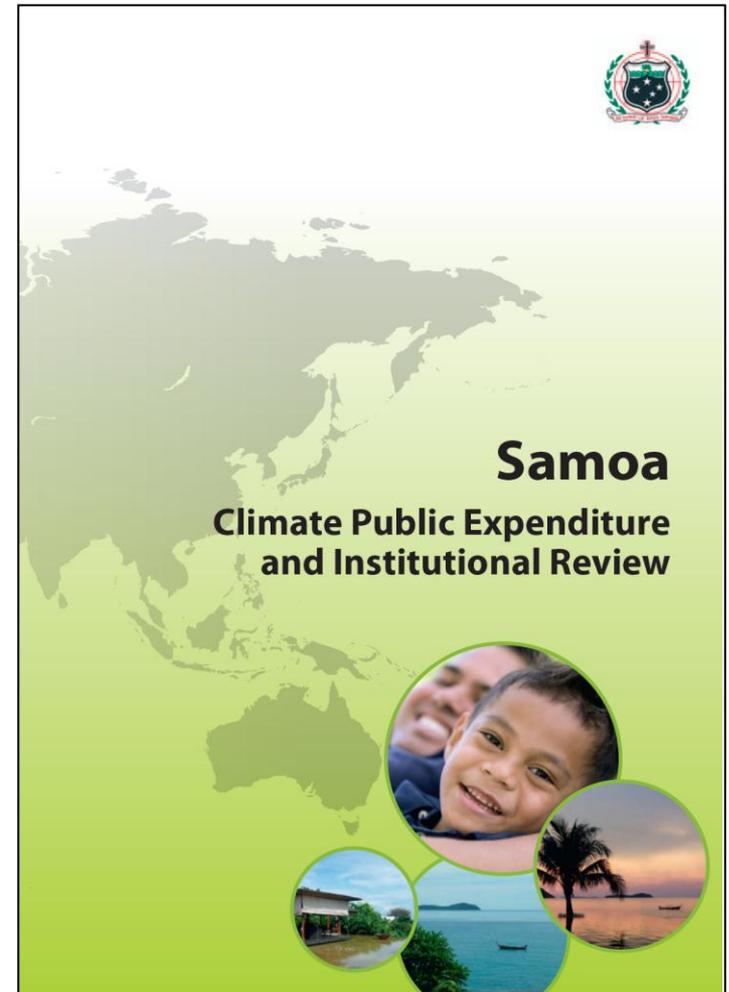
- to review public expenditure on activities that are related to climate change
- To assess the extent to which this expenditure is guided by existing policy and institutional responsibilities.

(ii) Key Findings

- The national policy position on climate change is well developed
- National planning is also well advanced
- However, national plans are not well costed, which limits the strategic allocation of financial resources across sectors
- Financial monitoring/tracking systems require strengthening, in terms of inputs
- Financial monitoring/tracking systems require strengthening, in terms of outputs

(iii) Issues that require attention

- A larger share of total resources needs to be devoted to implementing policy
- Measuring the impact of spending



(i) Approach

- Three main sources of expenditure data were used in the study: the national budget, a database for external 'on-budget' expenditure, and the database maintained for external 'off-budget' expenditure.
 - The classification of all these expenditure was undertaken by defining 23 categories, each of which was defined as being high, mid or low relevance to climate change.
-

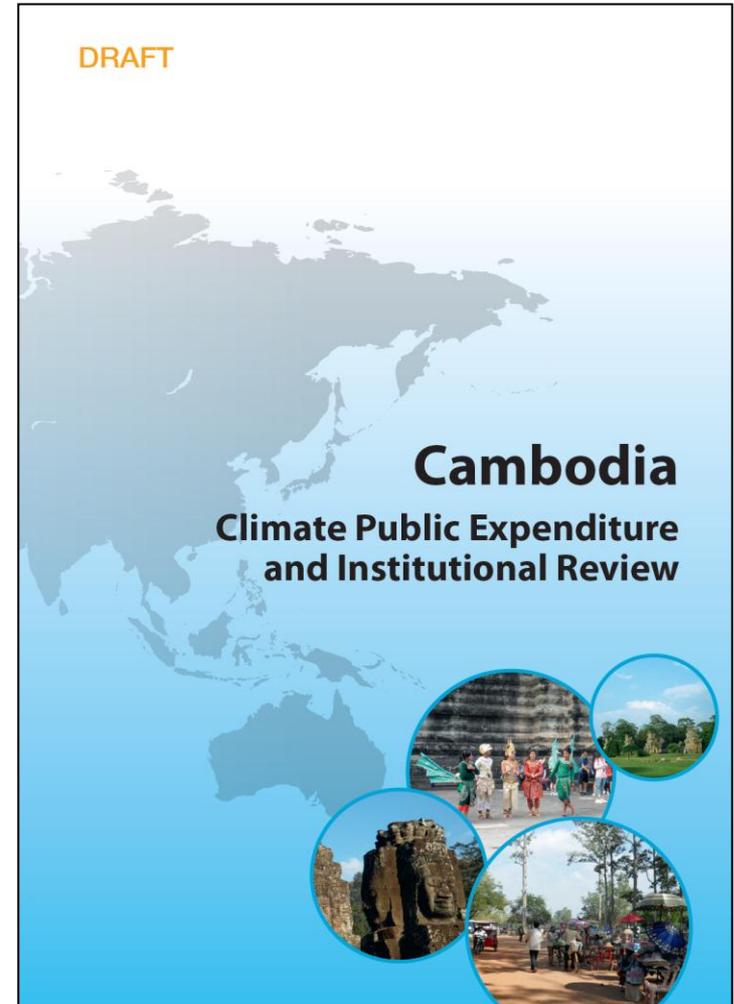
(ii) Key Findings

- The proportion of public expenditure classified as climate relevant has averaged 16% over the last three years
- The large majority of climate expenditure is provided by donors
- 'Off-budget' support predominates
- Climate relevance is spread relatively broadly across government programmes
- A range of different institutions have been responsible for implementing climate expenditure
- At the present time there is no coordinated monitoring of climate expenditure in Cambodia



(iii) Issues that require attention

- Improving the quality of mitigation and adaptation programmes and associated impact evaluation frameworks, alongside efforts to strengthen recurrent budget reporting
- Whatever project approval processes are in place should include a requirement to demonstrate that climate change has been taken into consideration.





Country studies completed for UNDP

Attribute	Thailand	Bangladesh	Nepal	Samoa	Cambodia
Annual expenditure on all climate change-related activities as a percentage of total Government Expenditure	3 %	6 %	6 %	14% (includes off-budget donor spend)	15% (includes off-budget donor spend)
Annual expenditure on <i>highly relevant</i> climate change-related activities as a percentage of Government Expenditure	0.5%	1.0%	1.8%	4.1% (reflects response to 2009 Tsunami)	Minimal
Percentage of climate budget spent on adaptation actions	68%	97%	75%	65 – 80%	High
Proportion of funding of government climate change expenditure that is met by donors through traditional ODA channels	Negligible	23%	55%	25 – 40% (almost entire development budget)	80% (almost entire development budget)



Conclusions from 5 country studies (1)

1. Climate change expenditure can already be identified within national budgets. This initial identification of such expenditures can provide indicative estimates to inform policy formulation. However, further work is required to define climate change expenditure more precisely.
2. Government spending on climate change action is already significant and it is increasing at a rapid rate. This is likely to lead to governance and institutional capacity becoming strained.



Conclusions from 5 country studies (2)

3. A number of financial mechanisms for delivering climate change activities are being used:
 - (i) (a) the non-development (or recurrent) budget; (b) the development budget; (c) domestic extra budgetary funds;
 - (ii) (a) climate change budget support; (b) multi-donor programmes; (c) bilateral donor projects; and (d) *international climate funds*

 4. Financial reporting systems for climate change actions are weakly developed, with no common reporting system yet in place between central government, local government and donors. Financial monitoring/tracking systems require strengthening, in terms of both inputs (having clear objectives for spend) and outputs (actual expenditures)
-



Conclusions from 5 country studies (3)

5. Experience with international climate funds has seen slow disbursement of funds, putting pressure on the national budgetary system to source funding in the short-term
6. Strengthening national coordination is a priority because a wide range of different institutions are responsible for implementing climate expenditure, and the present coordination mechanisms across government tend to be limited



ODI is the UK's leading independent think tank on international development and humanitarian issues. We aim to inspire and inform policy and practice to reduce poverty by locking together high-quality applied research and practical policy advice.

The views presented here are those of the speaker, and do not necessarily represent the views of ODI or our partners.

Overseas Development Institute
203 Blackfriars Road, London, SE1 8NJ
Tel: +44 207 9220 300

www.odi.org.uk

n.bird@odi.org.uk