

UNDP Submission to 2018 BA - Domestic Climate Finance Data

This submission to the 2018 BA drafting team includes 2016 and 2017 climate expenditure data collected from 10 countries out of which two, China and Vietnam, contain only provincial level data. The data has been collected from Climate Public Expenditure Reports or data automatically extracted from Public Financial Management Information Systems (PFMIS) and generated by different stakeholders in each country. UNDP is providing ongoing support to governments to analyze, track and manage domestic climate finance through various regional and global projects.

Public Climate Finance data remains patchy in most countries because there is no mechanism for consistently and regularly updating the data. Four countries, Indonesia, Nepal, Pakistan and The Philippines, have transitioned from standalone CPEIR reports to automated budget tagging within the PFM system which has resulted in yearly data of consistent quality. However, most countries still rely on manual expenditure analysis and in some cases manual budget tagging.

There remains much scope for standardization and universal interpretation of climate change related terms and methodologies. Definitions of 'adaptation' and 'mitigation' vary from country to country and the institutional and political contexts have influenced the way in which data is collected and stored. In Indonesia for example, climate related expenditure refers to mitigation only. No adaptation data is collected because there is no legislative mandate for sectors to report on it. Another example is Nepal's budget for climate change which is between 20-30% of the national budget. Nepal appears to be an outlier when compared to other countries, because it defines all reconstruction and rehabilitation in the wake of the 2014 earthquake as adaptation activity following a policy commitment to ensure that all reconstruction is resilient to climate disasters and the inclusion of transfers to State Entities conducting climate responsive activities (e.g. water etc.).

In terms of methodologies for climate related expenditures, countries have used different approaches from expert opinion to various formulae for the assignment of weightages and classification of climate change components of projects. This means that data is not comparable across countries. It is also often not clear whether expenditure data is based on climate change related expenditure (i.e. actual spending) or climate change related budget appropriation (i.e. allocation). Currently, these terms are used interchangeable by data providers without precision regarding at which stage of the budget cycle the data is collected.

Findings from a recent UNDP/GFLAC review of domestic data sources for climate finance flows in recipient countries which showed that comprehensive data on domestic climate expenditures is not readily available nor is it collected regularly or with a consistent methodology (across time within the country or across countries). Other aspects relating to domestic climate finance data that deserve closer examination include:

- Capacity building – Sector ministries continue to require support to develop climate responsive budgets which stack up to a national budget that clearly mainstreams climate change. Ministries of finance also require support to develop PFMIS systems that correctly tag climate change related expenditures to allow more consistent tracking and reporting on domestic climate finance.

- Public finance management reforms – are necessary for improving governance of climate finance in recipient countries. Many countries do not have systems such as performance based budgeting which could be used to tie budget expenditure to relevant policy outcomes such as climate change adaptation and mitigation.
- National tracking of climate finance flows – There is need to strengthen institutional co-ordination between agencies that collect domestic and international climate finance data. This will greatly improve national reporting on climate finance flows. However, in many countries, national focal points responsible for reporting to the UNFCCC often lack capacity (and mandate) for collecting or collating domestic public and private climate finance data. As a result, limited information is included in National Communications reports, BURs or as a part of any national climate change policy. Estimates of climate related finance included in national budgets have been produced but mainly through external programme support although increasingly countries are beginning to engage in PFM reforms that include establishing institutionalized budget tags that can track domestic climate finance.
- Estimation of financing needs - Few developing countries are quantifying the climate finance gap in relation to their climate change strategies, NAMAs, NAPs and NDCs.

Climate finance data from ten recipient country perspectives (focused on domestic finance)

Country	Year	Notes	Climate expenditure	Climate budget as % of national budget	Adaptation	Mitigation	Other	Foreign contribution
Cambodia	2016	Expenditure not budget	188,000,000.00	3.10%				99,400,000.00
Cambodia	2017	Data for 2017 not available						
China (Hebei province)	2016	Data only till 2015						
China (Hebei province)	2017	Data only till 2015						
Colombia	2016	Questions on yearly break up for programs, international v/s private; "other" implies both mitigation and adaptation	247,633,340.00	0.33%	42,887,917.00	110,834,845.00	93,910,578.00	
Colombia	2017	Data for 2017 not available						
Fiji	2016	Only till 2014						
Fiji	2017	Only till 2014						
Ghana	2016	Data for 2016 & 2017 not available						
Ghana	2017	Data for 2016 & 2017 not available						
Indonesia	2016	Expenditure not budget; percent of expenditure is only for mitigation, does not include adaptation		3.47%		5,360,000,000.00		
Indonesia	2017	Expenditure not budget; percent of expenditure is only for mitigation, does not include adaptation		3.93%		6,010,000,000.00		
Nepal	2015-16	Budget in header, expenditure in subheader	1,488,943,459.17	19.45%				

Nepal	2016-17	Budget; exchange rate average of monthly averages for 2017, taken from x-rates.com	1,934,319,648.85	19.22%				
Pakistan	2015-16	Awaiting data for 2015-16						
Pakistan	2016-17	Expenditure Budget; exchange rate average of monthly averages, taken from x-rates.com	2,866,665,567.00	6.55%	1,329,370,980.57	1,422,044,231.57	115,250,354.66	N/A
Philippines	2016	Budget; exchange rate average of monthly averages, taken from x-rates.com	3,708,689,556.52	5.86%	3,315,164,363.32	393,525,193.20		
Philippines	2017	Budget; exchange rate average of monthly averages, taken from x-rates.com	4,060,258,239.98	6.10%	3,867,896,143.72	192,362,096.26		
Vietnam	2016	Provincial level CPEIR; for 5 provinces: An Giang, Bac Lieu, Ca Mau, Kien Giang, Soc Trang	116,539,614.82					
Vietnam	2017	Provincial level CPEIR; for 5 provinces: An Giang, Bac Lieu, Ca Mau, Kien Giang, Soc Trang	62,595,489.85					
Bangladesh	2016-17	in takas, total and percentage based on budget of ministries	1,730,387,776.38	20.88%				
Bangladesh	2015-16	in takas, total and percentage based on budget of ministries	1,581,345,133.42	20.70%				
Honduras		Data available only till 2015						
Vanuatu	2016	Taken from regional Pacific report		7.70%				

Climate Financing Frameworks in Nepal and Pakistan

The approval of Climate Change Financing Frameworks (CCFFs) for Pakistan and Nepal represents a commitment from Ministries of Finance to formalize medium and long-term roadmaps for climate change related budget reforms. Climate change considerations are now integrated into key templates and policy documents within the formal budget process as well as in the Public Financial Management Information Systems for both countries.

In Nepal, the CCFF was approved in January 2018. It has linked two departments in the Ministry of Finance: budget division which deals with budget planning and the international cooperation division which is responsible for external funding. The newly established climate finance unit provides the bridging between the two departments and coordinates all climate finance related issues. Alongside the CCFF, the MOF in Nepal has also approved establishment of an Inter-Ministerial Climate finance coordinating committee led by the head of the programme budget division. The committee will support the implementation of the roadmap for CCFF and oversee the integration of climate change into the budget.

In Pakistan, the CCFF was approved and launched in October 2017. The Minister of Climate Change and UN Resident Coordinator have launched the reforms road map. The launch was covered in all major Pakistan newspapers calling it a “game changer” and “historic” The CCFFs and the institutional reforms that have already been implemented to enable the integration of climate change into the budget (see below) are strong indicators of Ministry of Finance ownership of the climate change agenda – a central achievement of the programme. That Ministers have signed off on the reforms has also demonstrated an engagement of high level decision makers which will enable changes in decisions over allocations moving forward. It is also notable that in Pakistan the Prime Minister used data generated by the climate change budget coding system to present at the International Conference organized by Global Change Impact Study Center in December 2017 used the CPEIR expenditure figures for his presentation.

Short Story on Coding and Tracking Climate Finance in Pakistan

A significant development during 2017 was the configuration and development of a Climate Change Coding and Tracking System in Pakistan. The coding and tracking system builds on the government Integrated Financial Management System and provides a system at the federal level to track climate change expenditures on continuous basis and report on periodic and/or need basis. The formal transfer of system to full government ownership from the program took place in October 2017 after Controller General of Accounts (in an effort to build more government ownership) conducted presentation to the Secretary of the Ministry of Climate Change and its Climate Change Policy Director. The system provides a powerful tool for the Ministry of Climate Change to track allocations related to climate change. As a result, Pakistan can track its CC budget spending in real time (i.e., over 1100 out of 5112 cost centers are tagged for FY 2017/18 as being CC relevant). The system can generate six different reports (i.e. use, per geographic location, economic functional classification, by specific Ministry or specific division, etc.) on spending related to adaptation, mitigation, mixed-use, and supporting activities at both at federal and provincial levels. The coding and tracking system

provide a powerful tool for the government to make more informed decisions for climate change allocations.

The Ministry of Finance in Pakistan through the budget Call circular letter in 2016-17 and 17-18 has requested all the line ministries to specifically indicate their climate change related budgets and where possible define their indicators and targets regarding climate change. Another significant development has been the inclusion of climate change budget allocations in the Ministry of Finance's publication of the Budget Policy Brief. This provides the basis for then monitoring expenditures the public financial management system. In addition on the budget formulation side, the Ministry of Climate Change has requested from Ministry of Planning to include climate change in the planning templates for all the line Ministries (so called PC1). The Economic Survey for Pakistan 2016-17 was developed and published by the Ministry of Finance and includes the section about climate change.

Climate Finance Tracking in Cambodia

Cambodia has also made progress in integrating climate change in budgeting through the development of a Climate Change Financing Framework (CCFF). This framework included an analysis of financing sources, costing, analysis of climate change impacts on the economy, and recommendations on financing modalities for the implementation of the Cambodia Climate Change Strategic Plan (CCCSP). In addition, the Ministry of Economy and Finance (MoEF) is now producing regular climate public expenditure reviews (annually since 2015) and the Cambodia Development Committee (CDC) has improved tracking of climate finance in the Official Development Assistance (ODA) database which logs finance from bilateral and multilateral projects. There is also ongoing work in priority sectors to strengthen climate change-related budget submissions and in integrating climate change in their monitoring and evaluation systems. To build capacity for climate responsive budget formulation within sector ministries, climate finance training modules have been developed in partnership with UNITAR and are being rolled out through the Economy and Finance institution (EFI), a national training institution under MoEF responsible for all public financial management training for civil servants in Cambodia.

Other related links

- UNDP and GFLAC conducted a REVIEW OF DOMESTIC DATA SOURCES FOR CLIMATE FINANCE FLOWS IN RECIPIENT COUNTRIES which you can access at: <https://www.climatefinance-developmenteffectiveness.org/sites/default/files/GFLAC-Web.pdf>
- Cambodia – How dedicated capacity development through coaching and training has improved budget formulation processes in sector ministries: <https://medium.com/unitar/closing-the-climate-finance-gap-in-cambodia-could-training-be-the-simple-answer-5adac74d6999>
- Nepal – How an inter-ministerial committee has been established to deal with climate finance issues. <https://www.climatefinance-developmenteffectiveness.org/content/government-nepal-initiates-systematic-reform-process-climate-finance>

- Pakistan – How the government is rolling out a new climate coding in the ministry of climate change and has launched its climate financing framework. <https://www.climatefinance-developmenteffectiveness.org/content/pakistan-launches-strategy-improve-climate-finance-management>