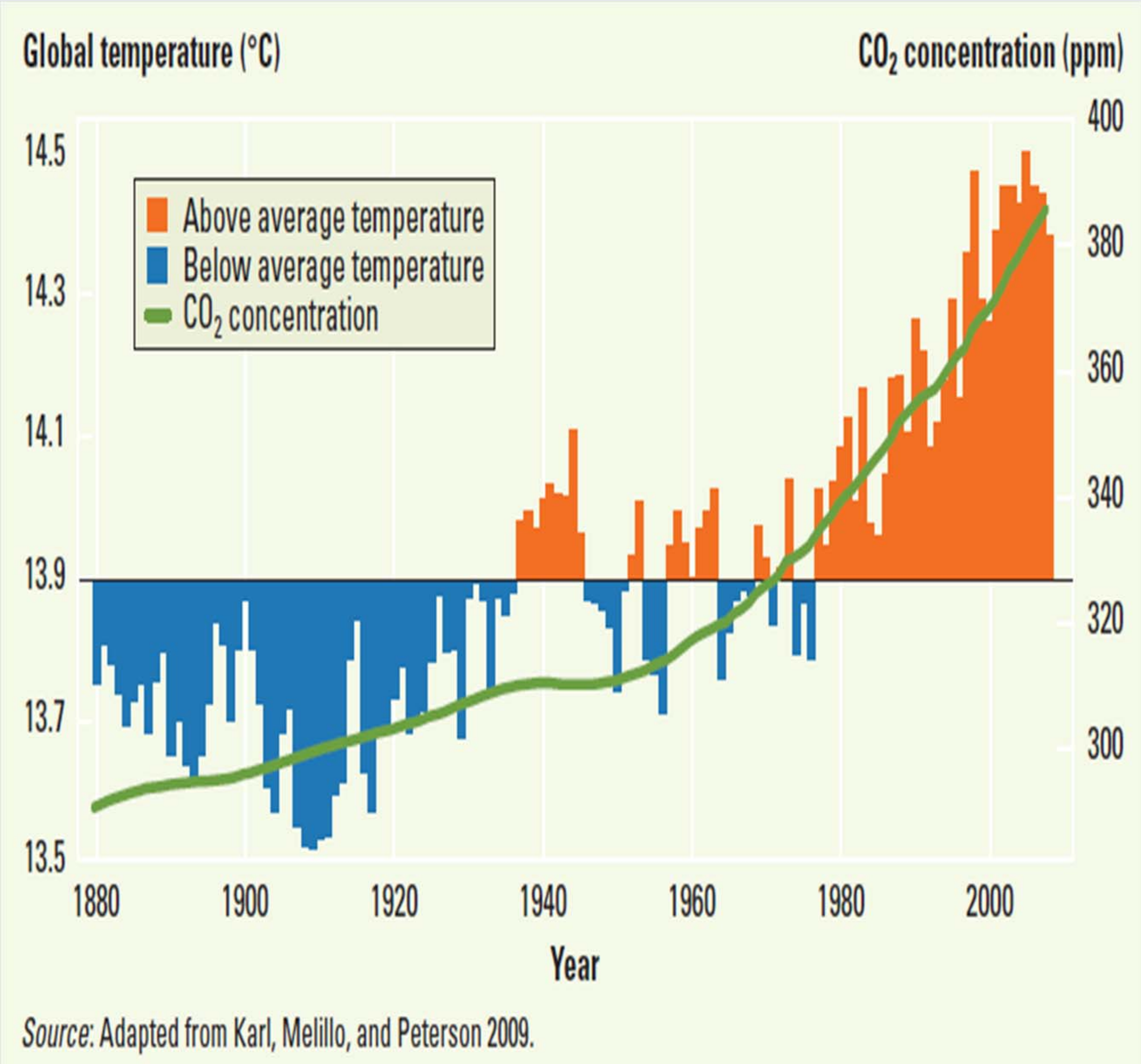
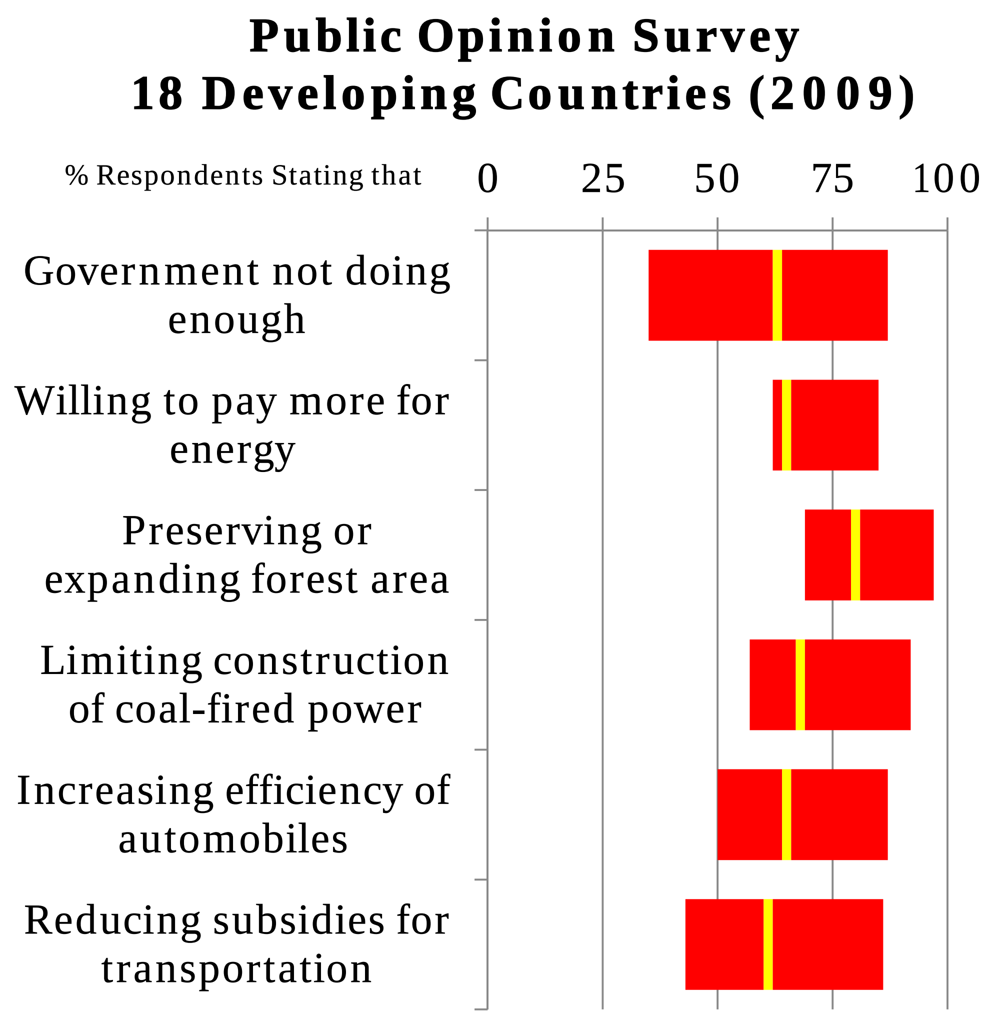

Climate Change
Implications for
Central Finance Agencies

Why should we care?



- 70-80 % of cost of climate change borne by developing countries
- 2°C rise could reduce GDP in Asia and Africa by 5%
- Increased risk and cost of climate hazards

Why should central finance agencies care?



Source: Data WDR 2010 Background Papers

- ✓ **Realize Benefits**
- ✓ **Mitigate Risks**
- ✓ **Fulfill International Commitments**
- ✓ **Financial Incentives**
- ? **Manage tradeoffs across political cycle**

Adaptation Policy: What to spend on, how much and when

1. Vulnerability Assessment: national, sectors, regions
2. Promote resilience and adaptation by households, communities, private sector and local authorities
3. Invest in hard-adaptation when economic case
4. Avoid lock-ins and enable flexibility

Mitigation Policy: Changing Behavior

- **Getting prices right**: fossil fuel subsidies, carbon pricing, congestion charging
- **Regulation**: efficiency standards, fuel blend, energy sources
- **Public investment**: innovation, subsidies, infrastructure

- **Incentives:** Payments for environmental services (REDD+), resource ownership
- **Regulation**: land use zoning, environmental protection
- **Public investment**: increase land productivity

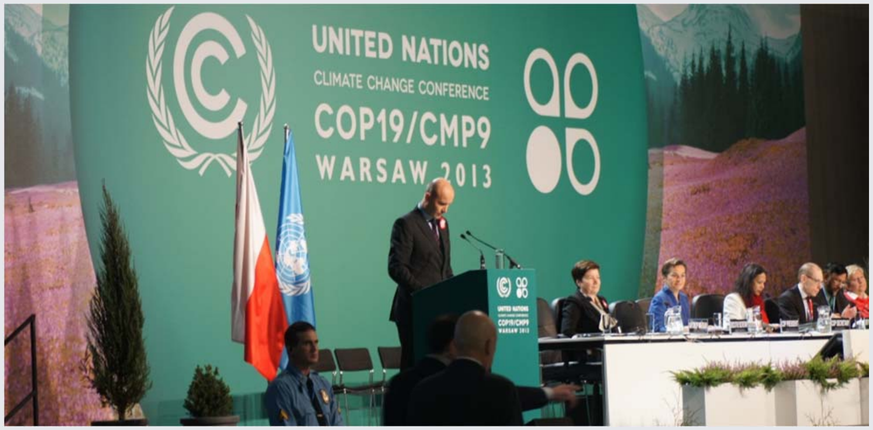
Whole of Government Solution

Climate Change Focus

- Driven by UNFCCC processes (National Communications, National Adaptation Plans, Low Emission Development Strategies)
- Led by environment / specialist Climate Change agencies

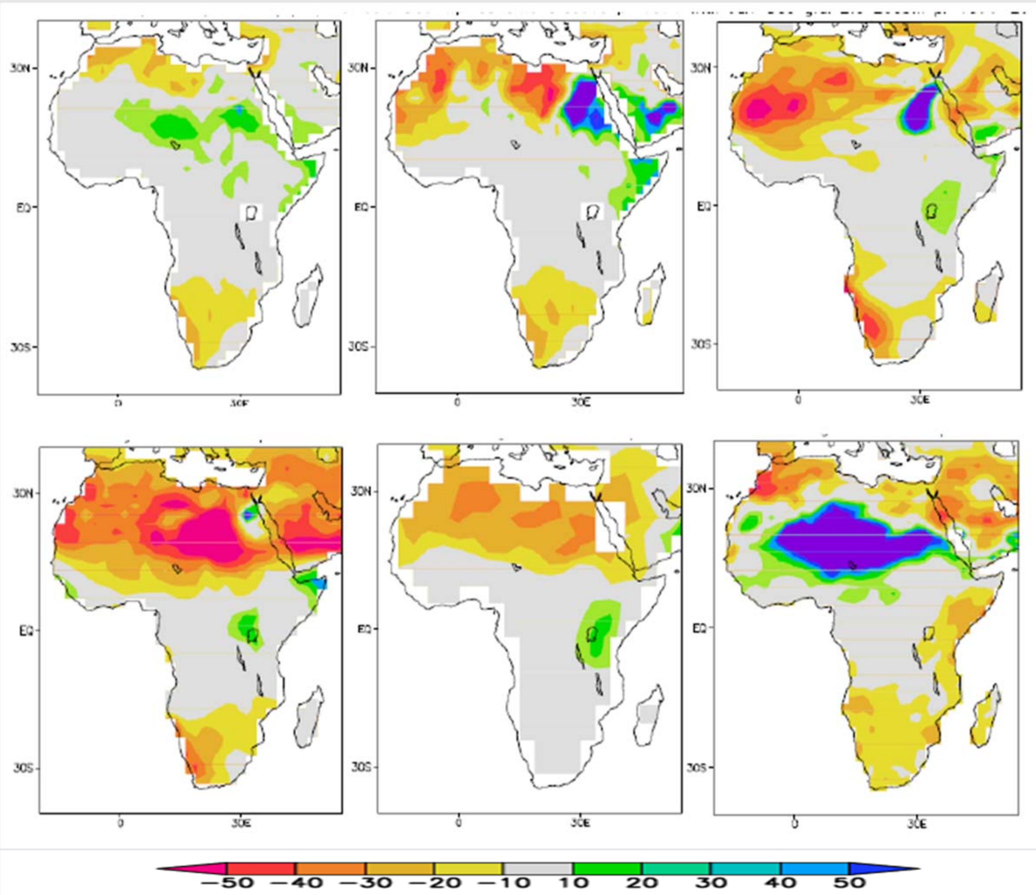
Development Focus

- Driven by routine planning and decision-making (budget)
- Leadership, coordination and leverage from center
- Targets public, private, households and local government
- Long-term policy continuity: targets, legislation



Uncertainty

Percentage change in annual mean precipitation in 2050 compared with 1971-2000 average in selected climate models.

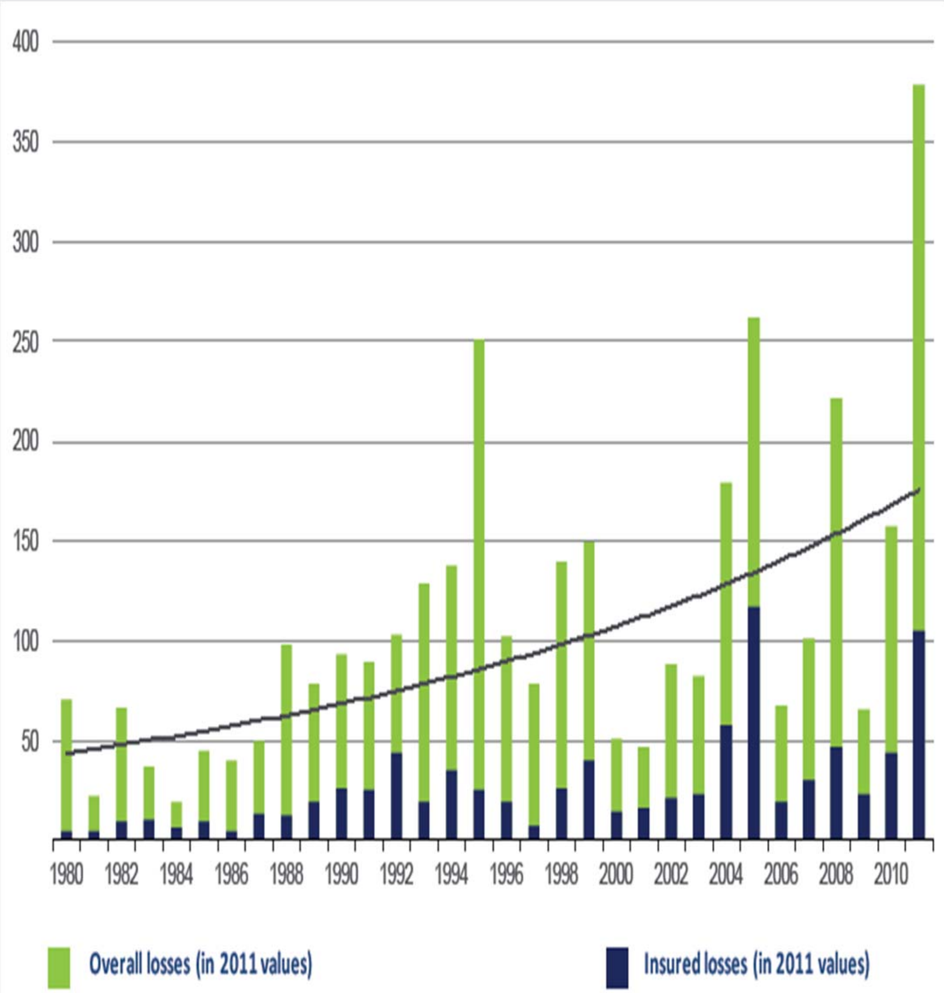


Climate Change demands a change in approach to decision-making:

- Acknowledge uncertainty
- Incorporate flexibility and learning into policies, programs and engineering design
- Consider emerging techniques for largest, highest risk investments:
  - Probabilistic Scenarios
  - Robust Decision-Making
  - Real Options

Risk Management

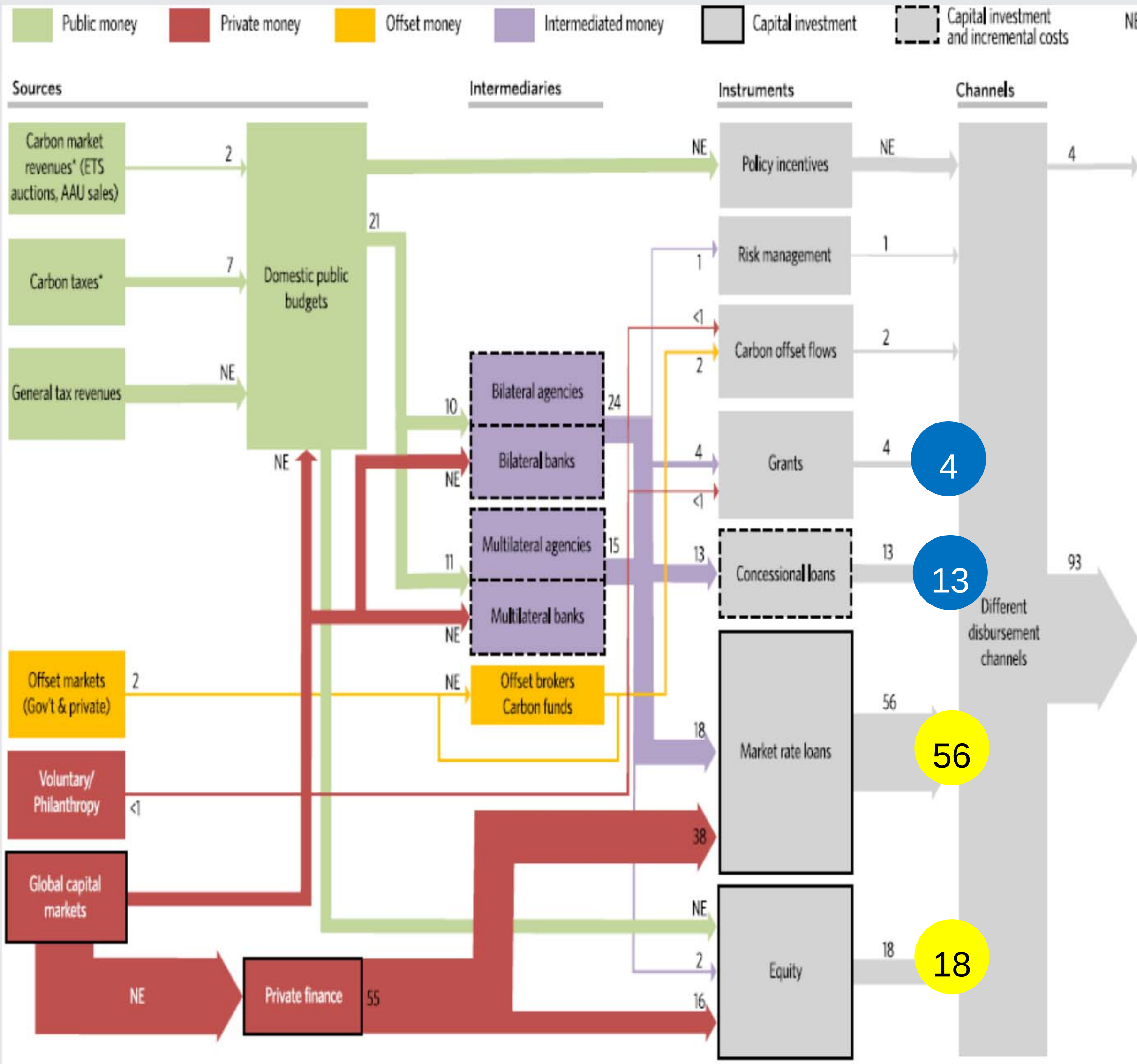
Insured and Uninsured Cost of Disasters
(US$ billion, Constant 2011 prices)



Source: G20, 2012

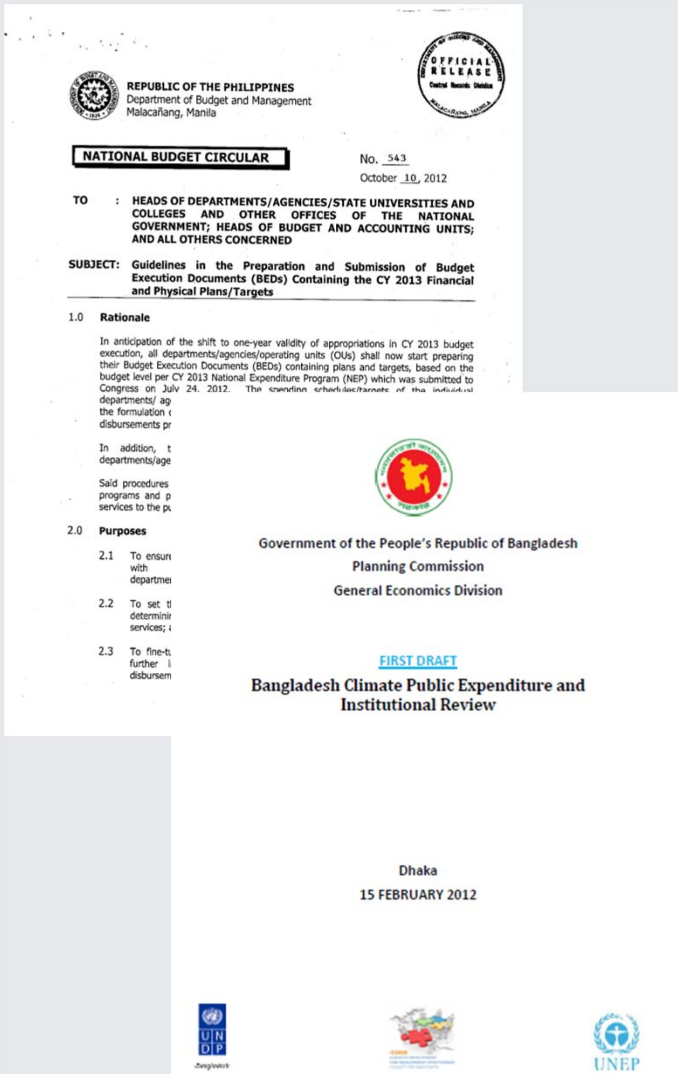
1. Risk Assessment
2. Assign responsibility and define liability to avoid moral hazards: households, private sector, local government, central government
3. Promote risk reduction: information, regulation, invest protection
4. Manage financial risk proactively: layering instruments
5. Plan ahead for response to extreme events

Mobilizing Finance



- Private sector source and destination of most CC financing
- Public CC funds geared to financing mitigation
- Public CC funds seek to leverage private financing
- Public CC funds earmarked, projectized and follow segregated procedures
- Slow move towards flexible modalities

Financial Management


REPUBLIC OF THE PHILIPPINES
Department of Budget and Management
Malacañang, Manila

OFFICIAL RELEASE
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MALACAÑANG, MANILA

NATIONAL BUDGET CIRCULAR

No. 543
October 10, 2012

TO : HEADS OF DEPARTMENTS/AGENCIES/STATE UNIVERSITIES AND COLLEGES AND OTHER OFFICES OF THE NATIONAL GOVERNMENT; HEADS OF BUDGET AND ACCOUNTING UNITS; AND ALL OTHERS CONCERNED

SUBJECT: Guidelines in the Preparation and Submission of Budget Execution Documents (BEDs) Containing the CY 2013 Financial and Physical Plans/Targets

1.0 Rationale

In anticipation of the shift to one-year validity of appropriations in CY 2013 budget execution, all departments/agencies/operating units (OUs) shall now start preparing their Budget Execution Documents (BEDs) containing plans and targets, based on the budget level per CY 2013 National Expenditure Program (NEP) which was submitted to Congress on July 24, 2012. The spending schedules/targets of the individual departments/ ag… the formulation … disbursements pr…

In addition, t… departments/age…

Said procedures … programs and p… services to the pu…

2.0 Purposes

2.1 To ensur… with … departme…

2.2 To set t… determini… services; …

2.3 To fine-tu… further … disbursem…

Government of the People's Republic of Bangladesh
Planning Commission
General Economics Division

FIRST DRAFT

Bangladesh Climate Public Expenditure and Institutional Review

Dhaka
15 FEBRUARY 2012

UNEP

- Budget and Public Investment Guidance
- Present CC policies and their expenditure implications
- Acknowledge off-budget and "dirty" expenditures
- Consider expenditure targets, virtual funds

- Climate change funds

Key Messages for Central Finance Agencies

Why?

- ✓ Climate change is <u>**your**</u> problem and <u>**you**</u> have to take the lead in government response
- ✓ Climate change can be reconciled with development and poverty reduction objectives

How?

- ✓ Integrate climate change strategy in routine plans and budgets
- ✓ Acknowledge uncertainty
- ✓ Proactively manage risk of extreme events
- ✓ Promote household, community, private sector and local government adaptation and mitigation actions