Global Climate Change Alliance Support Facility

Training workshops on mainstreaming climate change in national development planning and budgeting

HANDOUT FOR PARTICIPANTS

MODULE 8

Mainstreaming climate change in the budgetary process

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MODULE 8 – Mainstreaming climate change in the budgetary process

TOPICS AND TOOLS COVERED BY THE MODULE:

- Implications of climate-related policies and measures for public revenue and expenditure.
- Linking the budget to policy objectives and expected results.
- Entry points for climate change mainstreaming.
- Public expenditure reviews (PERs).
- External resources.

KEY CONCEPTS AND MESSAGES:

Implications of climate-related policies and measures for public revenues and expenditures

1. The integration of climate-related measures in policies, strategies and programmes may have implications on the revenue as well as the expenditure sides of a budget:
   - *On the revenue side*, some measures may result in increased revenues:
     e.g. carbon tax or other taxes on high-emission activities;
     e.g. personal and business taxes on economic activities directly and indirectly related to climate adaptation and mitigation measures – including on the possible growth effects of increased competitiveness;
     e.g. receipt of foreign grants and other financial transfers related to adaptation and/or mitigation measures/policies;

     while others may lead to a fall in revenues:
     e.g. reduced personal and business taxes on economic activities that shrink or fail to develop as planned as a result of adaptation/mitigation policies.
   - *On the expenditure side*, some measures may result in increased expenditures:
     e.g. subsidies for adaptation & mitigation-related activities;
     e.g. current expenditures incurred in relation to adaptation and/or mitigation activities and infrastructure;
     e.g. public investment – 'capital expenditure' – in adaptation and/or mitigation-related infrastructure, including the 'climate proofing' of existing public assets;

     while others may lead to a decrease in expenditures:
     e.g. reduction in or removal of subsidies for fuel consumption and other high-emission activities;
     e.g. compared with a 'business-as-usual' scenario, reduced healthcare spending and reduced capital expenditure from avoided damage to infrastructure as a result of adopting climate adaptation measures.

2. The implementation of climate-related policies may thus potentially have some significant impacts on public finance and macroeconomic parameters. In some countries, the increased inflow of external resources related to adaptation and mitigation, if significant relative to the size of the budget and the economy, may potentially disturb macroeconomic balances (in the same way as large inflows of foreign aid); however, solutions exist to maintain price and exchange rate

stability in situations of increased inflow of foreign currencies, provided the measures that generate this inflow are firmly integrated in the country's development framework (Fankhauser & Schmidt-Traub 2010).

Linking the budget to policy objectives and expected results

3. A country's *fiscal strategy* is a set of economic policies that make use of public expenditures, public revenues, the size of the budget surplus or deficit, the extent of public debt and the way in which it is managed, to support national policies (including economic stability and growth, poverty reduction, achievement of the MDGs, composition of growth, etc.). The specification of a fiscal strategy, and the preparation of a national budget, are *highly political acts* involving the allocation of resources and reflecting the priorities of government. For optimal outcomes, policy, planning and budgeting should be integrated (Tulkens et al 2004).

4. A *budget* is an annual instrument. Given the time horizon of policies and strategies, it is useful to have a medium-term perspective for national and sector budgets; multi-year budgeting supports fiscal stability and discipline, improved predictability of budget resources and more effective and efficient allocation of resources (Petkova 2009). A *medium-term expenditure framework* (MTEF) is a forward-looking budgetary planning tool covering a 3- to 5-year period that systematically links strategic objectives (national/sector) and related outputs/outcomes with actions required to achieve them, corresponding expenditures and resources/resource requirements. By establishing intersectoral allocations (at the national level) and intrasectoral allocations (at the sector level) for the medium term and highlighting the links between a given level of expenditure and specific policy outcomes, the medium-term expenditure planning approach supports the prioritisation of expenditures and makes performance monitoring easier. It also facilitates consideration of the operating costs associated with new investment (OECD 2006, EC 2007a, Petkova 2009). This approach provides a particularly suitable framework for resource allocation decisions related to policies with a medium- to long-term horizon, such as environmental and climate-related policies (Petkova 2009).

5. A full-fledged MTEF is a rather demanding and sophisticated tool, currently used by relatively few countries. To generate the expected benefits, the tool requires the existence of strong 'budgetary basics' and sound public financial management practices (e.g. in terms of budget structure, scope and classification; and of accounting, information, evaluation and auditing procedures) (Petkova 2009). Adopting a medium-term budgetary perspective (for the budget as a whole or for the expenditure part of the budget) without seeking to achieve all the features of a MTEF system (which notably requires a shift to results-oriented budgeting[1]) is a good starting point, and may be enough in many cases (EC 2007a, 2007b).

[1] *Line item budgeting* is a generic term referring to the classical approach to budgeting, which does not link resource allocation to the objectives and results of government policy; rather, funds are allocated to various sectors or government departments for specific types of expenditures, usually with the expectation that the next year's allocation will be equal to the previous year's plus a small increment ('incremental budgeting'). *Programme budgeting*, in contrast, makes appropriations to programmes and sub-programmes to which performance indicators are associated; it is thus more results-oriented than line item budgeting, but may raise technical difficulties and accountability issues where programmes do not align with organisational structures. *Performance budgeting* makes appropriations to specific government units for the delivery of a number of specified outputs, which in turn are expected to contribute to specified programme outcomes. Both programme and performance budgeting aim to increase devolution of authority and accountability, but are complex to implement. In particular, the specification of appropriate, measurable programme outputs and outcomes is a challenging task and may require refinement over many years (Tulkens et al 2004).

6. An OECD study on 'integrating environmental public expenditure within multi-year budgetary frameworks' (Petkova 2009) reaches the following conclusions, which are also relevant for the integration of climate adaptation- and mitigation-related expenditures:

   - Allocating resources on the basis of well-designed and well-costed programmes is better than doing so by department or by economic classification[2]. (This may apply both to climate adaptation and mitigation programmes, and to 'non-climate' programmes that have mainstreamed climate-related aspects.)
   - To be credible, these programmes need to be based on sound economic analysis of their costs and benefits (see Module 7) – and on public expenditure reviews (see below) that support requests for higher levels of resources (i.e. demonstrate that the money can be spent and well spent).
   - A good understanding by ministries of finance of how environmental (and climate-related) programmes and measures can contribute to economic growth is key for obtaining adequate resources.
   - Public disclosure of the costs and expected benefits of environmental (and climate-related) programmes and measures contributes to transparency and accountability.

Entry points for climate change mainstreaming

7. **Annex 8.1** provides a set of guiding questions for engaging in the budgetary process.

8. At the *resource allocation stage* of the policy cycle, the mainstreaming of climate change requires:

   - adapting the budgetary and MTEF processes to incorporate adaptation- and mitigation-related priorities in resource allocation procedures;
   - reallocating funding to more vulnerable and/or priority sectors and regions;
   - providing funding for adaptation- and/or mitigation-specific plans or activities; the mainstreaming of adaptation, in particular, may be helped by the establishment of a horizontal 'adaptation fund' from which sector departments and agencies can draw resources to finance the extra costs of addressing climate change in their programmes and investments;
   - adding climate change considerations to the criteria used for screening and selecting projects and investments;
   - and making room for climate-related measures and activities identified in the context of cross-sectoral plans (e.g. disaster risk reduction plans) (OECD 2009a).

9. *Entry points for climate change integration* exist at practically all stages of the budgetary process[3]:

   - The determination of the macroeconomic outlook may increasingly involve consideration of the impacts of climate variability and change, and of adaptation and mitigation responses, on economic activity and growth. Where adaptation and mitigation are expected to generate significant inflows of foreign currencies, this aspect should also be integrated in the macroeconomic outlook (Fankhauser & Schmidt-Traub 2010).

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[2] *Economic classification* groups expenditures according to their economic category, i.e. current expenditures (salaries/wages and employer contributions, purchase of goods and other services, interest payments, subsidies and other transfers); capital expenditures; and net lending (i.e. lending minus repayment of domestic and foreign loans). It is sometimes associated with a *functional classification* of expenditures (e.g. health, education, transport, agriculture, defence, ...) and/or allocations by government department (Tulkens et al 2004).

[3] The identification of the typical stages in the budgetary process is based on Tulkens et al (2004).

- At the stage of multi-year strategic planning and determination of the next year's revenues and expenditures, account should be taken of the (extra) cost of implementing adaptation and mitigation programmes and measures, the extra external resources required and pledged in support of adaptation/mitigation efforts, and the revenues and/or cost savings possibly generated by policies in support of adaptation/mitigation.
- At the time of pre-allocating resources among line ministries, a (re-)allocation of funds to sectors or regions identified as particularly vulnerable and/or sectors playing a key role in mitigation efforts may be necessary (OECD 2009a).
- At the time of preparing the budget circular, instructions should be provided to line ministries and agencies on:

  (i) the screening of sector programmes and projects for climate risks and other climate-related considerations; and

  (ii) the costing of adaptation- and mitigation-related policies and measures (and ideally also the valuation of their expected benefits).
- At the sector resource allocation stage, in particular the preparation and submission of sector bids, climate change integration requires:

  (i) adding climate change considerations to the range of criteria used to screen and select projects and specific investments;

  (ii) incorporating adaptation and/or mitigation projects, activities and measures identified at the sector planning stage; and

  (iii) making room in the budget for climate change responses identified in the context of cross-sectoral plans, or claiming resources from a 'horizontal' fund to implement them (OECD 2009a).

  The sector bids submitted by line ministries and agencies for a share of the national budget can thus include the description and costs of adaption- and mitigation-related policies and measures – especially if the budget circular emphasized this aspect. The review of these sector bids may involve a review of the robustness of the costing of such measures. The existence and effectiveness of climate risk screening procedures for sector programmes and projects included in sector bids can also be reviewed at this stage.
- Budget negotiations, and the final endorsement of the budget by government, still provide opportunities for prioritising adaptation- and mitigation-related policies and measures. If ministries with decision-making power on budget allocations are actively involved in the coordination of climate change mainstreaming, there are better chances than otherwise that climate-related considerations are given weight in negotiations and influence final decisions.
- The discussion and adoption of the budget by parliament offers yet another opportunity of discussing climate-related issues and priorities.

10. Governments engaged in the mainstreaming of climate change adaptation and mitigation in their national and sector policies should take specific care, during budget preparation and then implementation, monitoring and reporting, to *'keep track' of all climate-related* (adaptation and mitigation) *public expenditures*. Indeed, in most cases the official budget classification does not have specific categories or line items for such expenditures – and even if specific categories or line items exist, the climate-related expenditures 'embedded' in national and sector programmes as a result of the mainstreaming process may not appear as such. It may thus be useful to adapt the budget classification and/or find ways of 'flagging' climate-related expenditures in non-climate programmes and projects (Hass 2008). Such tracking is useful for:

- monitoring the implementation of climate-related measures in national and sector strategies, including in the context of public expenditure reviews (see next point);
- reporting to the UNFCCC (National Communication reports) (Hass 2008);
- securing eligibility for funding from specific climate adaptation/mitigation funds, which may emphasise a separation of adaptation from development-related costs and limit eligibility to the former (Burton & van Aalst 2004, Fankhauser & Schmidt-Traub 2010), or place a special emphasis on the 'additionality' of mitigation-related activities.

A tool for mainstreaming climate change in the budgetary process: public expenditure reviews (PERs)

11. *Public expenditure reviews* (PERs) are a tool for analysing how budget resources are planned, allocated and actually spent across competing claims, objectives and priorities. Public environmental expenditure reviews (PEERs) are public expenditure reviews focused specifically on environment-related expenditures – those incurred not only by the ministry of environment and environmental agencies, but also by other branches of government. They are useful for the purpose of:
    - establishing the true amount of public environmental expenditures (part of which are usually 'hidden' in the budget allocations of non-environmental departments and agencies);
    - assessing the level of environmental mainstreaming in non-environmental sectors;
    - assessing how well environmental policies are being carried out, based on how well budgeted and actual expenditures match policy objectives and priorities (allocative efficiency, quality and effectiveness of public spending, availability of resources for operations and maintenance to match capital expenditures, ...) (Swanson & Lundethors 2003, EC 2009b).

12. General PERs or PEERs can be used as a tool for supporting the mainstreaming of climate change. For this purpose, they can specifically analyse adaptation- and mitigation-specific spending along with other development and environmental expenditures (World Bank n.d. Guidance Note #4, UNDP-UNEP 2011). **Annex 8.1** provides a set of guiding questions that can be answered by a public expenditure review.

13. *Entry points for mainstreaming climate change in a PER* include the analysis of:
    - the budget planning process: investigate the role of climate-related considerations in resource allocation decisions;
    - expenditure trends and categories: compare actual spending to budget allocations for adaptation- and mitigation-friendly measures, but also development programmes with a focus on climate risk management and climate-resilient / low-emission development; consider whether recurrent funding for climate risk monitoring and management is sufficient, especially in proportion to capital investment in this area;
    - budget financing: consider the level of and trends in allocations to 'climate-relevant' sectors and agencies, and the origin of such allocations (internal *vs.* external funding); examine the possibility of increasing internal resources contributing to climate-resilient development as a result of policies in support of adaptation (e.g. enhanced contribution of relevant economic sectors to climate-resilient growth) and/or mitigation (e.g. fiscal reforms involving a reduction in fossil fuel subsidies) (World Bank n.d. Guidance Note #4, UNDP-UNEP 2011).

External resources

14. *External resources* can supplement domestic resources to enhance government revenues (grants), and/or finance public deficits (loans). **Table 8.1**, based on information available on

www.climatefundsupdate.org, lists the main sources of external public financing for climate change adaptation and mitigation. **Table 8.2** highlights four (public) financing mechanisms that provide specific support for climate change mainstreaming.

15. In addition and for the record, private funding is available in the context of:

    - the Clean Development Mechanism;
    - and voluntary carbon markets.

16. *Budget support* is a 'transfer of financial resources of an external financing agency to the National Treasury of a partner country, following the respect by the latter of agreed conditions for payment' (EC 2007b: 10). Whether 'sector' or 'general', it provides extra resources for the national budget, either in the form of grants (e.g. EC) or loans (e.g. World Bank). National procedures apply to the commitment and disbursement of funds (budget support is implemented via the national public financial management system). This is expected to result in improved aid effectiveness (increased national ownership, increased alignment with country agendas and systems) and reduced transaction costs. Budget support is the tool by excellence for supporting national policies and priorities, either at the macroeconomic level or at the sector level. In contrast with project-based approaches, the focus of donors (in particular the EC) is primarily on results (outputs and outcomes) rather than on inputs and methods – which requires a performance assessment framework with indicators and associated targets to monitor achievements (EC 2007a, 2007b).

17. Budget support is the preferred financing modality of the EC (and the GCCA) where basic eligibility conditions are met. It can be provided in the form of sector budget support (to support a sector policy or programme [or the mainstreaming of climate change in the sector, in the case of the GCCA]), or general budget support (to support an overall development, poverty reduction or reform strategy [or the mainstreaming of climate change at national and cross-sectoral levels]) (EC 2007a, 2007b). Joint budget support operations are conducted with other donors where possible. An EC budget support programme typically has a 3–4 year duration, with annual disbursements.

18. There are 3 *general eligibility conditions* for EC budget support:

    (i) the existence of a well-articulated national or sector policy/strategy to which the budget transfer will contribute (when it comes to climate change budget support, the policy/strategy either already integrates climate considerations or more often is expected to make progress in this direction through the budget support programme);

    (ii) a reasonably stable macroeconomic framework; and

    (iii) a reliable or improving public financial management system.

19. Another characteristic of EC budget support is that annual disbursements include two types of 'tranches':

    - *fixed tranches*, paid in full as long as general eligibility conditions are met; they provide an element of predictability; additional specific conditions for the fixed tranches can be agreed on and included in the programme if deemed appropriate;

    - *variable tranches*, paid in full or (more often) in part based on actual performance against specific conditions (gradual in nature) and as long as general eligibility conditions are met; the criteria and targets are in principle taken from the performance assessment framework associated with the supported policy or strategy (see Module 9), with a view to providing a results-oriented performance incentive (EC 2007a, 2007b).

Table 8.1 – Sources of external public financing for climate change adaptation and mitigation

Source of funding	Activities supported	Adaptation	Mitigation	Remarks
Development cooperation programmes	- Defined with the partner government or organisations. - Focused on development.[4]	√	√	– A source of both grants and loans, depending on the donor and scheme. – Disbursed in the form of project support or (general or sector) budget support.
Least Developed Countries Fund (LDCF)	Preparation and implementation of national adaptation programmes of action (NAPAs) by least developed countries.	√		– Set up under the UNFCCC. – Managed by the Global Environment Facility (GEF).
Special Climate Change Fund (SCCF)	– Implementation of long-term adaptation and mitigation measures that increase the resilience of national development strategies to climate change and put them on a low-emission development pathway. – Includes 4 components, focused on: (a) adaptation (agriculture, land management, water resources management, fragile ecosystems, coastal zone management, health, infrastructure); (b) technology transfers (environmentally sustainable technologies that contribute to climate change mitigation); (c) specific sectors with mitigation potential (energy, transport, industry, agriculture, forestry and waste management); and (d) assistance to developing countries that are highly dependent on fossil fuels (for income and/or for consumption).	√	√	– Set up under the UNFCCC. – Managed by the Global Environment Facility (GEF).
GEF Trust Fund's climate change	– Activities related to renewable energies, energy efficiency, low	√	√	

[4] Both developed and developing countries are sometimes reluctant to use development funds to finance adaptation and mitigation – or conversely, to use adaptation and mitigation funds for anything else than measures 'purely' linked to the response to (long-term) climate change. Yet the use of development funding can be justified if one considers the sometimes significant overlaps between adaptation, mitigation and development. Financing adaptation/mitigation measures mainstreamed in development programmes, using 'blended funding sources', encourages effectiveness and efficiency in the use of resources (Burton & van Aalst 2004, Fankhauser & Schmidt-Traub 2010).

Source of funding	Activities supported	Adaptation	Mitigation	Remarks
focal area	GHG-emission energy technologies, sustainable transport. – Also, adaptation demonstration projects and 'enabling activities' (e.g. support for preparation of National Communications and fulfilment of other obligations under the UNFCCC)			
Adaptation Fund	Projects and programmes that reduce the vulnerability of communities and sectors to the effects of climate change.	√		– Set up under the Kyoto Protocol. – Financed through a 2% levy on Clean Development Mechanism (CDM) transactions. – Actual financing operations started in the last quarter of 2010.
Green Climate Fund	Will in the future channel a significant share of new multilateral funding for adaptation.	√		– To be set up on the basis of a decision made at the Cancun Conference (UNFCCC COP16, December 2010). – Operations have not yet started.
Clean Technology Fund (CTF)	– Demonstration, deployment and transfer of low-emission technologies with significant potential for long-term GHG emission reductions. – Supports both public and private investments (programmes and large-scale projects).		√	One of 2 multi-donor 'climate investment funds' managed by the World Bank.
Strategic Climate Fund (SCF)	– Overarching mechanism for supporting programmes aimed at testing innovative approaches to climate change adaptation and mitigation. – Components: (a) Pilot Program for Climate Resilience (PPCR), focused on climate risk and resilience mainstreaming in development planning; (b) Forest Investment Program (FIP), focused on public and private investment and structural measures aimed at reducing deforestation and forest degradation and promoting sustainable forest management; (c) Program for Scaling Up Renewable Energy in Low-Income Countries (SREP), focused on low-emission development	√	√	One of 2 multi-donor 'climate investment funds' managed by the World Bank.

Source of funding	Activities supported	Adaptation	Mitigation	Remarks
	pathways in the energy sector and increased access to energy through the deployment of renewable energy sources.			
Fast Start Finance	A mix of climate adaptation and mitigation measures adopted by developing countries.	√	√	Pledged by developed countries at the Copenhagen Conference (UNFCCC COP15, December 2009).
REDD+ (reducing emissions from deforestation and forest degradation)	– Preparation, pilot implementation and deployment of national strategies aimed at reducing emissions from deforestation and forest degradation. – UN-REDD programme: (a) country-specific actions (e.g. development of national REDD strategies, capacity building for REDD monitoring, support for implementation of REDD measures, equitable distribution of REDD payments); (b) cross-country work (e.g. technical and scientific support for enabling integrated and equitable approaches to REDD, knowledge sharing and management).		√	– A UNFCCC-related initiative. – Some funding pledged at the Copenhagen Conference. – Various streams of financing, including the UN-REDD programme, a joint UNDP–UNEP–FAO initiative.
Prototype Carbon Fund (PCF)	Pioneering approaches to mitigation that contribute to sustainable development.		√	One of the various 'carbon funds' funded by various sources and managed by the World Bank.[5]
Community Development Carbon Fund (CDCF)	Projects that mix community-based development with carbon sequestration.		√	One of the various 'carbon funds' funded by various sources and managed by the World Bank.
BioCarbon Fund	Carbon sequestration projects in forests and agro-ecosystems.		√	– One of the various 'carbon funds' funded by various sources and managed by the World Bank. – Focuses on and supports the development of methodologies for afforestation/reforestation projects under the Clean Development

[5] A number of these 'carbon funds' are listed here. Various other facilities funded by national governments and private funds are not mentioned here. For more comprehensive information, see http://carbonfinance.org.

Source of funding	Activities supported	Adaptation	Mitigation	Remarks
				Mechanism.
Forest Carbon Partnership Facility (FCPF)	Assists developing countries in: (a) getting prepared for participation in REDD ('REDD readiness mechanism', supporting the preparation of national strategies, the establishment of reference scenarios and the development of monitoring systems); (b) testing the feasibility of financial transfers based on verified emission reductions from REDD ('carbon finance mechanism').		√	One of the various 'carbon funds' funded by various sources and managed by the World Bank.
Carbon Partnership Facility (CPF)	Long-term, post-2012 (i.e. post-Kyoto Protocol) projects.		√	– One of the various 'carbon funds' funded by various sources and managed by the World Bank. – Co-financed by the EC.
Global Climate Change Alliance (GCCA)	Activities related to: – climate change adaptation; – REDD; – enhanced participation in the Clean Development Mechanism; – disaster risk reduction; – the integration of climate change into poverty reduction efforts.	√	√	– An EU initiative. – Provides technical and financial support. – Supports dialogue and cooperation on climate change-related issues between the EU and developing countries, with a focus on least developed countries (LDCs) and small island developing countries (SIDs).
Global Energy Efficiency and Renewable Energy Fund (GEEREF)	Invests in private equity funds that themselves invest risk capital in small and medium-sized enterprises (SMEs) and projects for supporting the implementation of energy efficiency and renewable energy projects.		√	– Public-private partnership scheme set up by the EC. – Aims to accelerate the adoption and deployment energy efficiency and renewable energy technologies.

Source: Adapted from information available on www.climatefundsupdate.org.

Table 8.2 – Funding mechanisms providing specific support for climate change mainstreaming

Source of funding	Activities supported	Adaptation	Mitigation	Remarks
Pilot Program for Climate Resilience (PPCR)	Pilot projects that demonstrate ways of integrating climate risk and resilience in development planning.	√		– A component of the Strategic Climate Fund (SCF). – Managed by the World Bank.
Global Climate Change Alliance (GCCA)	Supports, in particular: – the integration of adaptation plans into poverty reduction and development strategies; and – the development of institutional capacities for mainstreaming climate change.	√	√	An EU initiative providing technical and financial support.
MDG Achievement Fund	'Environment and climate change' is one of eight thematic areas supported by the fund. In this context, the fund notably supports the mainstreaming of environmental issues in national and sub-national policies, planning and investment frameworks.	√	√	– Set up by Spain and UNDP. – Supports efforts to achieve the Millennium Development Goals (MDGs).
UN-REDD	Supports the development of mechanisms and assessment techniques to ensure that: – REDD national strategies are well integrated into existing national development planning processes; – REDD payment schemes are aligned with pro-poor and environmental policies.		√	– A joint UNDP–UNEP–FAO initiative.

Sources: Adapted from information available on www.climatefundsupdate.org and in UNDP-UNEP (2011).

20. Several countries have now established *national funding entities* to:

- channel and manage external funding related to climate change;
- leverage existing funds and initiatives (incl. those financed with national resources);
- support the mainstreaming of climate-related programmes and projects into national development strategies.

This move is expected to generate a variety of benefits, including:

- improved alignment of external funding with national priorities;
- increased scope for building of national capacities and institutions;
- perhaps most significantly, the scaling up and increased effectiveness of the response to climate change (Gomez-Echeverri 2010).

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USEFUL WEBSITES:

Carbon Finance website of the World Bank:
http://carbonfinance.org

Climate Funds Update:
http://www.climatefundsupdate.org/

Annex 8.1 – Guiding questions for engaging in the budgetary process / Questions that can be answered by a public expenditure review

- Are budget planning and expenditures being directed toward the appropriate priorities in view of adaptation and mitigation? For example, is sufficient budget allocated and spent for irrigation modernization/development and water conservation in areas subject to increasing water stress and droughts; flood protection measures for critical infrastructure; reversing trends of land degradation in productive areas; implementing the national energy efficiency and clean energy development programme; preparing the country for participation in REDD+?
- Do recent changes in budget allocations and expenditures provide evidence of increased attention to adaptation to climate variability, disaster preparedness, low-emission development options?
- Do public investment decisions consider geographical distribution of climate risks and vulnerabilities? For example, are investments in water harvesting going toward the most water-stressed areas? Are investments in crucial transport networks going to cyclone-prone areas and, if so, is there any expenditure conditionality to ensure that critical infrastructure is climate-proofed?
- How can the revenue-generating, budget planning and allocation, and expenditure management systems be improved and/or revised to enhance the contribution of relevant economic sectors to adaptation, climate-resilient and low-emission development while supporting poverty reduction?

Adapted from: UNDP-UNEP (2011) ***Mainstreaming Adaptation to Climate Change into Development Planning: A Guide for Practitioners.*** Box 6.5, p. 68; and **World Bank (n.d.)** ***Mainstreaming Adaptation to Climate Change in Agriculture and Natural Resources Management Projects.*** Guidance Note #4: Developing Readiness for Institutional Capacity Development and an Enabling Policy Framework. World Bank, Washington, DC, pp. 16-17.