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National budgets must take climate into account

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It's the extreme weather season in Asia again. Deadly cyclones, blinding rains, ensuing floods and mudslides are becoming the norm from Nepal to Fiji. During this same time, the world's finance ministers are preparing for their IMF-World Bank meetings in Tokyo. While their discussions are unlikely to touch on the storms and floods that are sweeping across Asia with increased regularity and ferocity, the extreme weather patterns should be on their minds, and in their budgets.

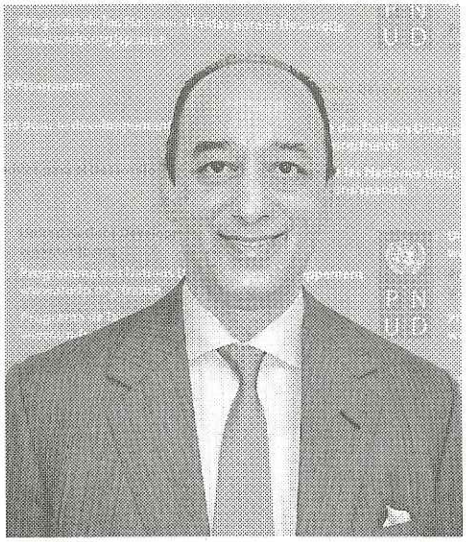
After all, in Thailand alone, epic floods last year amounted to $46.5 billion, while reconstruction costs will reach at least $50 billion, according to the government and U.N. rapid assessments. Widespread flooding two years ago in Pakistan affected 20 million people. Damage estimated by the World Bank reached $10 billion, with recovery and reconstruction calculated as high as $9 billion.

How can countries find funds today to build "climate resilient" roads, bridges, schools and other vital infrastructure to prevent losses tomorrow? What can they do to prepare for a changing climate when the only certainty is uncertainty?

One answer is of course in more international finance under the principle of common but differentiated responsibility. This means that developed countries should take the lead in combating climate change and its adverse effects. They are more likely to have the technical and economic capacity to address climate change, whereas developing countries may not.

But another part of the answer can be found when developing countries take a look at how climate change is reflected in their own national budgets and expenditures. While the debates continue internationally about who should cover the costs of reducing carbon emissions or adapting to climate risks, developing countries themselves are also responding to climate change by examining more closely their own domestic resources from their own existing budgets.

The U.N. Development Program (UNDP) has begun work with a handful of countries in Asia — Bangladesh, Cambodia, Indonesia, Nepal, Samoa and Thailand — to help them to undertake a "Climate Public Expenditure and Institutional Review." The idea is catching on. More than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20 countries sent representatives to a UNDP and World Bank workshop in Bangkok recently to learn how the approach works.

In simple terms, this means looking through the national budget to identify where climate change is already influencing allocations. For example, how much is being allocated to strengthen infrastructure so it is resilient to increased flooding? Or spent to adapt agricultural extension services to help poor communities in areas with increased risk of drought? Or spent to reform the energy sector to reduce carbon emissions?

Traditionally, Ministries of Finance have not reviewed their budgets from a climate finance perspective. This means that existing climate-related expenditures are not always evident or visible to national leaders, politicians and decision makers.

With a better understanding of exactly how much and where existing national budgetary resources are going on climate change, more informed choices can be made about how and where to channel additional resources that are needed, or how to realign funds that are already being spent.

For example, the Nepal climate expenditure review signaled the need to channel more funds to local agencies that are better placed to deal with climate challenges, rather than continue to channel most of the resources to national authorities.

In Thailand, the climate expenditure review has helped to show how fiscal measures, such as a carbon tax, might be introduced to promote the government's energy conservation aims, and to leverage much needed private capital.

In all countries, these studies have pinpointed which sectors are receiving the most climate funding, and how much is coming from domestic versus international sources. They are also useful in charting trends like changes in the proportion of climate spending in overall public expenditure.

These budget reviews can also help to target increased international climate finance, when available, by ensuring that it is better aligned with national planning and budgeting. One of the main criticisms of traditional ODA (official development assistance) has been that it is fragmented, and therefore of limited impact, and not sufficiently in line with national priorities. There is an opportunity to avoid these same mistakes in new international funds that will provide climate finance, such as the Green Climate Fund.

In general, these climate expenditure reviews are trying to solve a common problem that ministers of finance face. How do you make sense of the need to resolve challenges that are going to affect peoples' lives in 40 years by spending money now? Where does one spend it, how does one find the money, and how does one put it into the normal national planning and budgetary processes?

By building more climate resilient infrastructure today, countries can save money in the long run. International climate finance can help in this regard as countries may not have the money up front. This type of international finance can assist countries as they realign their own budgets with a climate-related lens.

This is not only a matter of new funds changing hands, but also a matter of realigning existing funds, of new ideas changing old ways, and ultimately, of investing today for a safer tomorrow.

While the finance ministers who are meeting in Tokyo may not be able to change the weather in the immediate future, they could go a long way to helping countries build resilience to better deal with it.

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