DRR and CCA expenditure tracking

Experiences: initial findings

Europe and selected CA

October 25, 2022
Outline of presentation

• Which countries do tag and track?
• Experiences: initial findings
• Recommendations and points for discussion
Can you answer these questions about your country

- How much money in the state budget is for CCA and DRR?
- Who spends that money and on what?
- Is all this money spent on what are CCA and DRR priorities?
- How effectively this money is spent?
- How big is the funding gap and for what?

If not, can you justify clearly the need to increase the funding for DRR and CCA?
CCA/DRR expenditure tracking – which countries?

• Annually:
  • CCA and DR prevention expenditure tracking – France; Moldova – not implemented
  • Climate expenditure tracking - Austria, EU Funds, Ireland, Finland (only mitigation), Italy and Luxemburg
  • Green budget tracking (climate not covered) - Norway

• Once-off:
  • Climate public expenditure and institutional review: Armenia, Azerbaijan (in preparation)
  • Disaster response expenditure: Armenia, Georgia, Serbia

• Climate budget tracking systems planned to be developed in Cyprus, Greece, Spain, Lithuania, Poland, and Slovenia
### Expenditure and policy reviews vs regular tracking

<table>
<thead>
<tr>
<th>Policy Analysis:</th>
<th>Institutional analysis:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Policy and monitoring framework</td>
<td>- Institutions: roles, responsibilities, capacities</td>
</tr>
<tr>
<td>- How policy translates into programmes and instruments</td>
<td>- Budgetary and planning process, links with policies and programmes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Budget tagging = to track expenditure:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Positive</td>
</tr>
<tr>
<td>- Negative</td>
</tr>
</tbody>
</table>
### Expenditure tracking – main components

<table>
<thead>
<tr>
<th>Objectives: transparency, national and international commitments, improved policies/implementation, green bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage: favourable expenditure; <strong>France, Finland, Italy</strong>: also negative</td>
</tr>
</tbody>
</table>
| Funds covered: Most countries: central government (all sectors)  
  **France**: also transfers to local level and State Owned Enterprises |
| Attribution: Mostly binary; **Armenia, Azerbaijan, Italy, Moldova** and **EU funds**: scaled |
| Special funds: Environmental / climate / DRM funds / schemes.  
Limited earmarking: **Slovenia** (fire tax), all **EU countries**: ETS auction revenues (however, mostly spent on mitigation) |
Expenditure tracking – illustration of estimates

Comparison of the environmentally positive and negative expenditure (as share of the total state budget) – Finland and France

- **negative expenditure**
- **positive expenditure**

Environmental expenditure per sector - Italy
Relevant highlights – main impacts

Expenditure reviews - effective tools for:
  • rising awareness, understanding, and communicating
  • creating/increasing support or demand for certain climate related fiscal reforms, in particular reforms related to climate taxation
  • identification of priorities for further integration of DRR and climate budgeting in national budgeting systems
  • Identification of priorities for policy reforms
  • helped to identify shortcomings with institutional arrangements, bottlenecks with disbursement of funds, capacity and funding gaps and to develop recommendations to address these issues
Relevant highlights – main impacts

Budget tagging and tracking:

• Increased transparency

• An opportunity for environmental ministries to engage in inter-ministerial discussions and to influence budget discussions

• Higher engagement / interest by civil society

• A first step in assessing the relationships between the budget and DRR and CCA goals

• Tagging negative expenditure allows to put the positive expenditure in a more proportional context and to prioritise measures for removing such negative expenditure

Budget tagging is only a tool, it is only useful if it serves strong political action!
Challenges

• How to ensure political commitment and institutionalisation?
  • Critical role of ministries of finance;
  • Capacities (time, specialised knowledge, methodologies)
  • Many institutions involved: how to coordinate, who does what?
  • Donor supported initiatives need to carefully consider longer term sustainability

• Identification of DRR and/or CCA expenditure:
  • Clear definitions, methodologies
  • Identification at local level

• Interlinkages between DRR and CCA often identified at the level of broader policies, but implementation is still largely in silos. Great potential to optimise expenditure (cost effectiveness of prevention measures)

• Separating prevention from response (prevention, risk mitigation, preparedness, response and recovery)
Recommendations

• Need for comprehensive integrated DRM and CC policies/strategies that clearly present the objectives of DRM / CC policy, expected outcome(s), main directions of policy interventions

• The (strategic) planning for DRM should have capacity to integrate CCA strategies and efficiently consider adaptation measures during DRM planning

• Before embarking on developing tagging and tracking system (or as part of the process):
  • Carefully examine the roles, jurisdiction and mandates.
  • Understand what can be realistically achieved (capacities)

• Learning and gradual optimisation? Start simple and introduce additional features as the capacity increases?
Points for discussion / further consideration

DRR / CCA budget tagging: how do you see it could benefit your countries? Why would you consider introducing it? What would be your first steps? Whom would you engage? Why? How?

What are the main capacity gaps in your country to design and implement DRR and CCA expenditure tagging and tracking system? How could these gaps be addressed?

Can you share the experience in your country? Please contact Baiba.gaile@gmail.com!