



**4th Meeting of the sherpas**  
of the coalition of finance ministers  
for climate action

**4<sup>ème</sup> Réunion des sherpas**  
de la coalition des ministres des finances  
**pour l'action climatique**

Abidjan - Côte d'Ivoire  
24-26 Février 2020



## HELSINKI PRINCIPLE 6

Ministries of Finance Engagement in NDC  
Discussing Guidelines and Good Practices

# OUTLINE

## 1. Background to NDCs, Principle 6, and Country Needs

## 2. Why MoFs Should Engage?

- Macroeconomic Impact of CC
- Opportunities

## 3. How MoFs Can Engage?

- Aligning the NDC cycle with the National Budget Cycle and Creating an Enabling Environment

## 4. Draft Guidelines

## 5. Way Forward: Questions for Sherpa's / Feedback

# BACKGROUND

**What are Nationally Determined contributions (NDC)?**

**Principle 6 and Country Needs**

# WHAT ARE NATIONALLY DETERMINED CONTRIBUTIONS (NDC)?

At the heart of the Paris Agreement and the Agenda 2030

**NDCs are actions to address climate change and support sustainable development goals**

*In practice related to sector investments*

## ✓ Mitigation

- Renewable Energy investments;
- Energy efficiency;
- Public transport, cargo infrastructure, e-mobility;
- Sustainable forest management;
- .....

## ✓ Adaptation

- Agriculture prepared to droughts and changing climate patterns;
- Infrastructure adapted to floods and extreme events;
- Water Resource Management;
- .....



# PRINCIPLE 6

## Finance Ministries

Active engagement in NDCs

Working with other ministries and financial institutions

Supporting the integration into budgeting

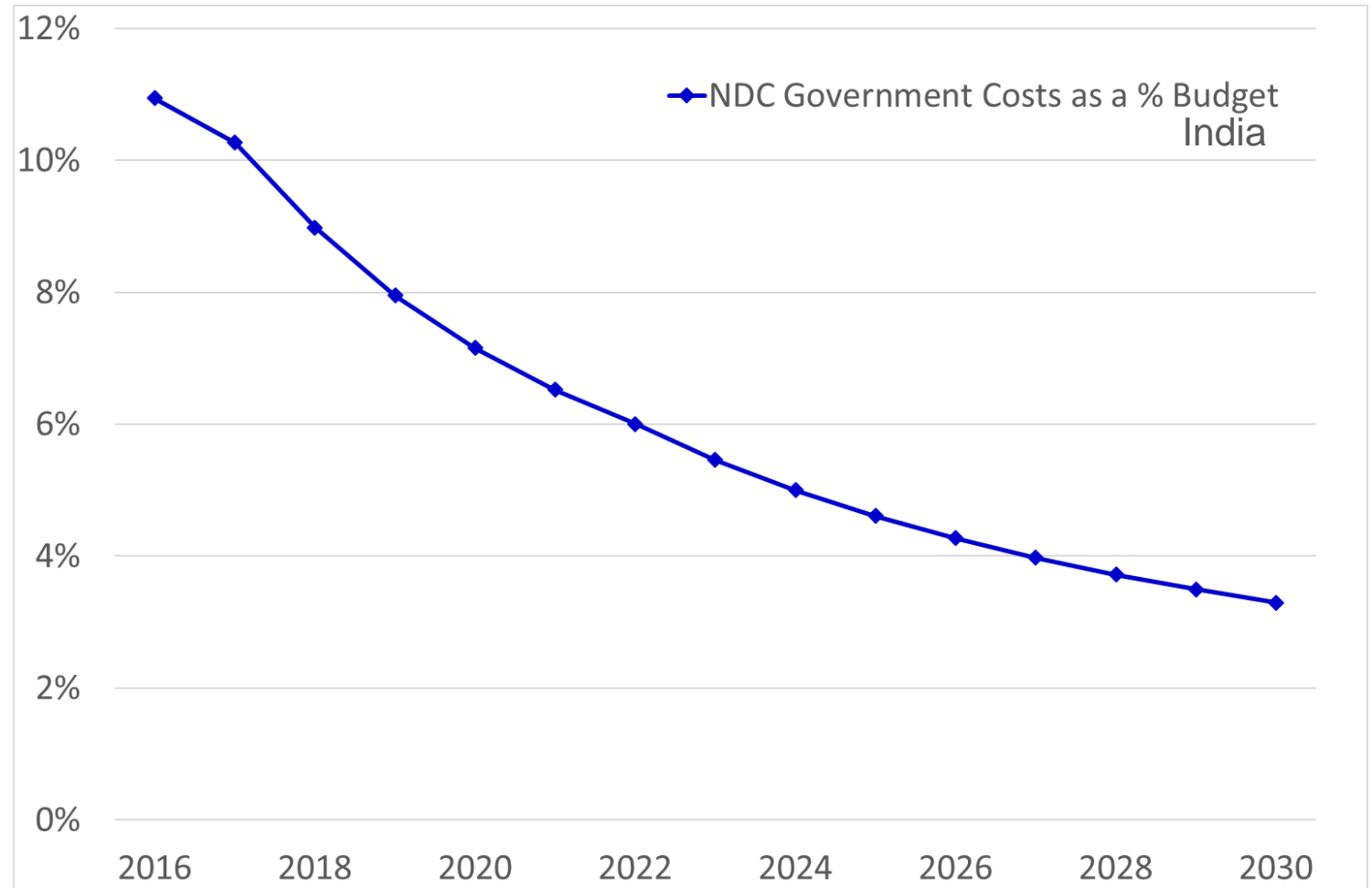
Providing technical input to other Ministries

Coordinating technical assistance and financing

# NEW NDCS TO BE DEVELOPED, MUST BUILD AND IMPROVE ON EXISTING NDCS

## Assessment of NDCs:

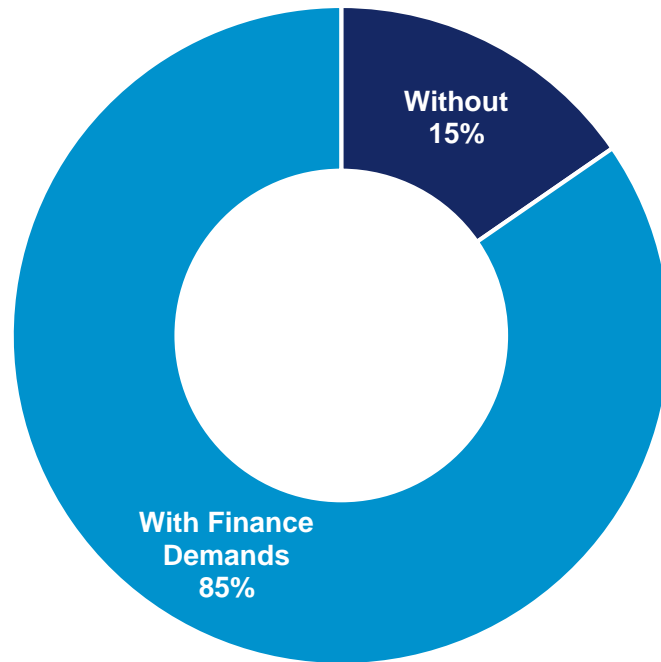
- Good documents on Climate Change issues, agenda setting
- However: Cost of NDC not aligned with available budgets; i.e. no realistic budgeting
- Often, weak link between planning - budgeting - M&E; i.e. no feedback loop to policy impact or wider economy



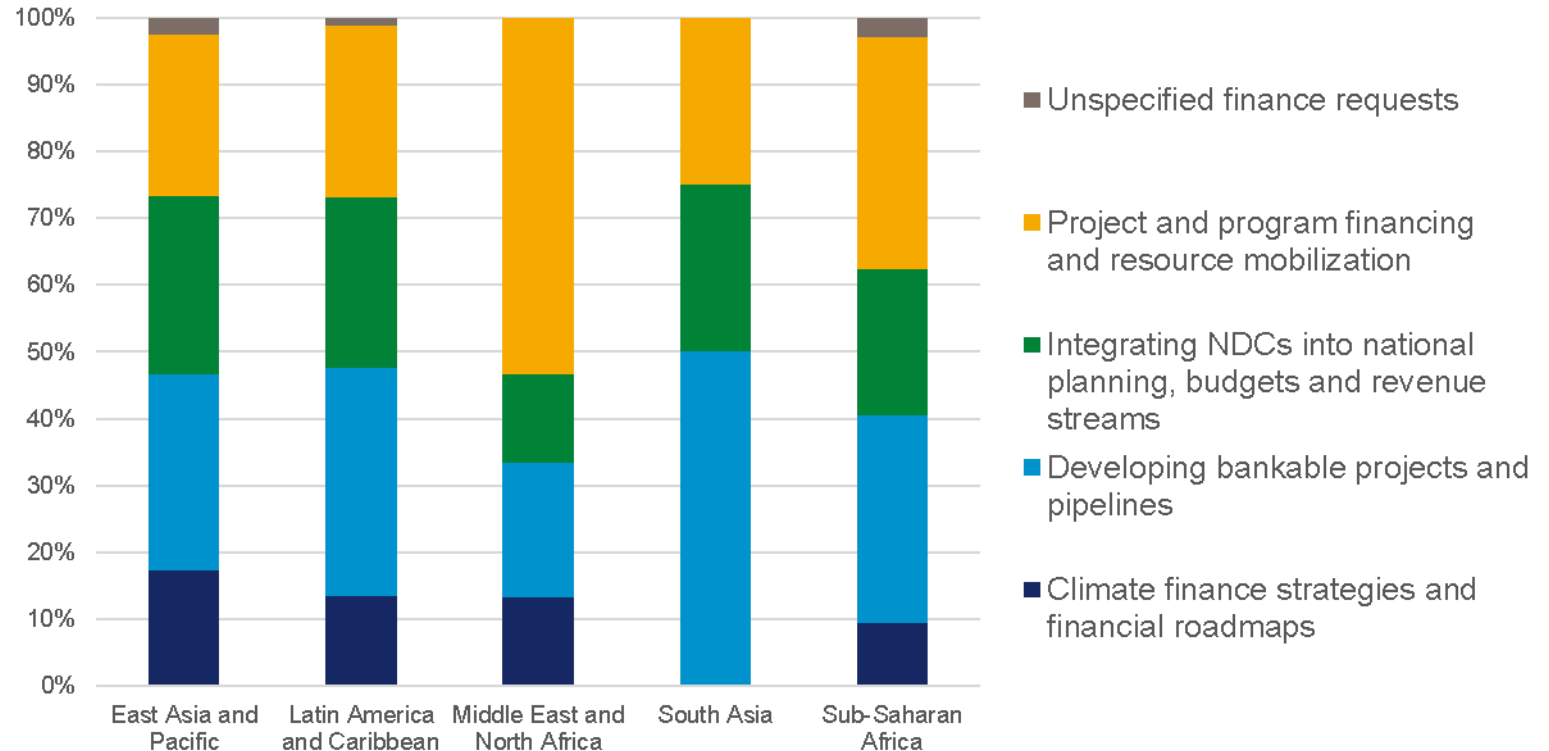
# WHAT DO NDC FINANCE NEEDS LOOK LIKE?

## What kind of request do countries ask NDCP for support?

% Countries with demands related to Finance



Type of finance request by region



Source: NDC Analysis, 65 countries submitting requests of support



# MOFS NEED TO BE INVOLVED IN DEVELOPING NDCS

## 2019 Coalition of Finance Minister Survey:

1. NDCs lacking MoFs macroeconomic underpinning , e.g. forecasting and costing of policies;
2. But there are varying degrees of understanding of how to engage, MoFs are unsure who/ what NDCs are, Why this is relevant, What they are being asked to do.

### Expertise of MoFs required to:

- **Place NDCs within national development context and develop feasible goals**
- **Forecast and integrate NDCs into national budget cycle**

**Address this with guidelines to identify entry points and support for MoFs**



# WHY MOFS SHOULD ENGAGE?

## Macroeconomic Impact of CC and Economic opportunities

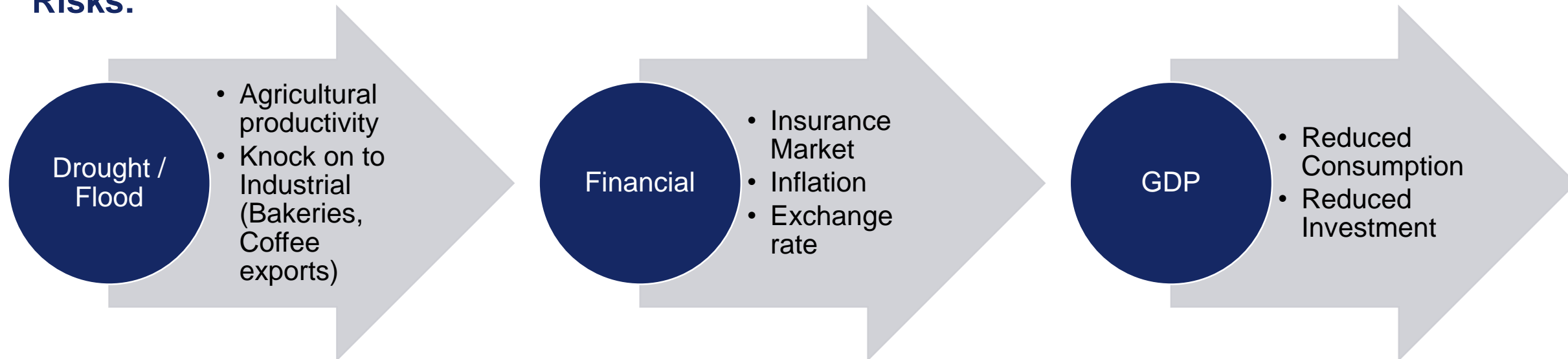
# CLIMATE CHANGE - NOT JUST ABOUT OFFSETTING ENVIRONMENTAL RISKS

## Evidence of growing problem affecting wider economy, macro-fiscal indicators and derailing growth and development

- **Australian** wildfires estimated to reduce GDP in 2020 by 1% (Reserve Bank of Australia, 2020)
- Economic cost of floods in **Thailand** 2011: Losses \$15-20 billion, \$22 billion including opportunity cost (UNDP GEF, 2020)
- Direct, immediate reduction in employment in the areas affected by Hurricane Katrina in **USA** between 280,000 and 400,000 jobs (Congressional Budget Office, 2005)
- 2000 flood in **Mozambique**: annual GDP growth dropped from 7.8% to 1.7% in 1999 (Teneo, 2019)

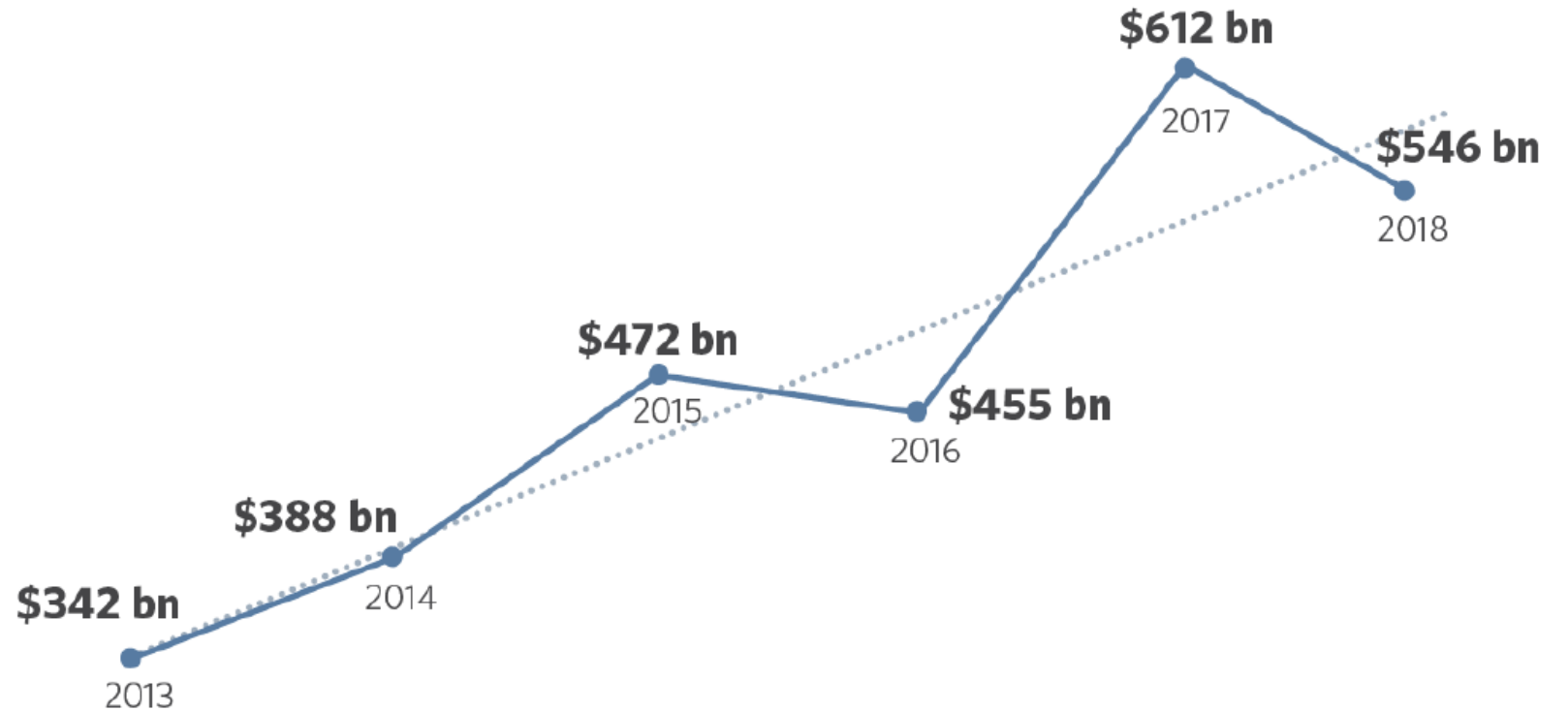
# NEED TO MITIGATE WIDER CLIMATE CHANGE RISKS

- Increasingly diverse linkages from climate change to macroeconomic growth and stability => “*Climate policy should not be seen in isolation, but should rather be considered an integral part of the broader policy agenda to promote economic growth*” (Bank of England, 2018)
- **Risks:**



# AND OPTIMISE OPPORTUNITIES

- Energy efficiency provides cheaper production costs;
- New technologies create opportunities for net job creation;
- Rising Global Climate Finance Flows can address poverty and inequality if used well; i.e. utilise not only for Climate Change but wider development and growth needs



Global Climate Finance Flows (2013-2018) Source: CPI Report 2019

# WHY IT IS IMPORTANT FOR MOFS TO ENGAGE?

**MoFs can reduce risks and gain opportunities through coordination of economic and Climate Change policies**

**Will ensure feasibility of NDCs: fiscally, macro-economic stability, enabling environment for financing**

“Finance ministries have a key role in ... integrating climate risks and financing into macro-fiscal frameworks; addressing political economy aspects; and coordinating strategies across ministries”. (IMF, 2019)

# HOW CAN MOFS ENGAGE?

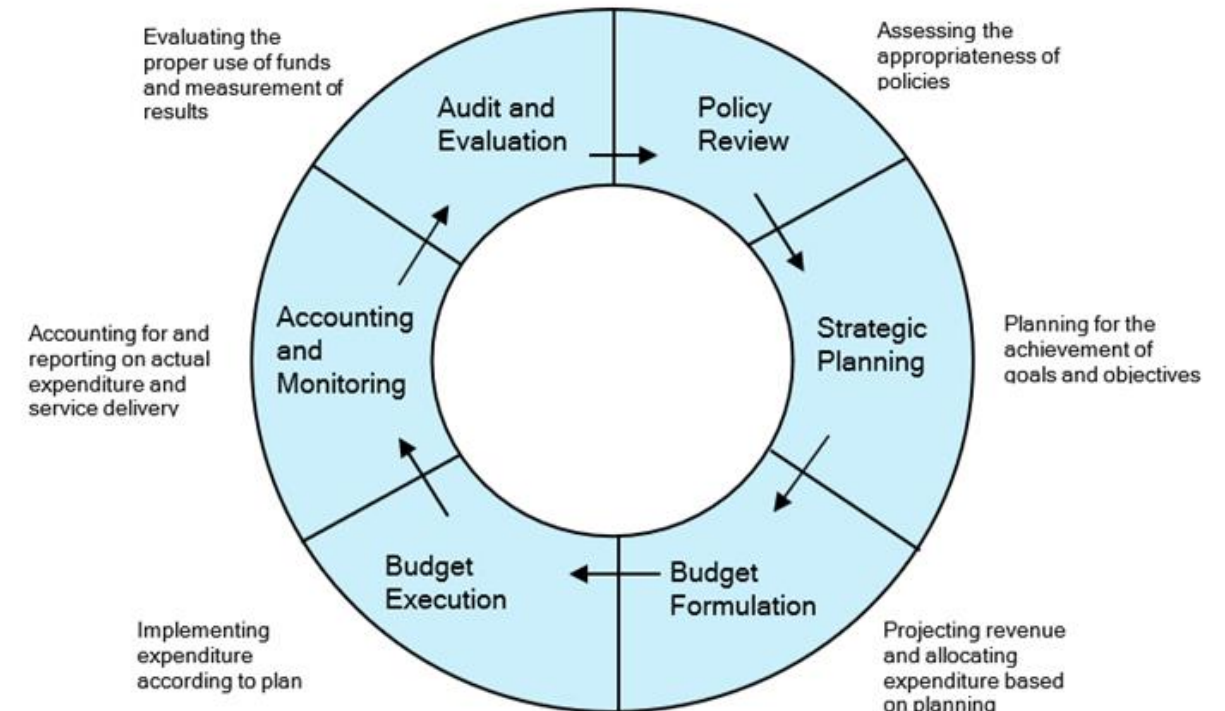
**Aligning the NDC cycle with the National Budget Cycle  
Creating and Enabling Environment**

# HOW CAN MOFS ENGAGE WITH NDC DEVELOPMENT?

## MoFs as Champion in every country regardless of budgeting and PFM systems

- Use national budget cycle – NDCs cannot be isolated process
- Multiple climate change projects ongoing:
  - How do we know how much is spent?
  - By whom?
  - Is it effective?
- Flexible (Annual, MTEF, Decentralised)

### ➔ Helsinki Principle 4



Source: Adapted from World Bank (1998).



# HOW CAN MOFS ENGAGE WITH NDC DEVELOPMENT?

## MoFs to create an Enabling Environment

- **Linked to budget cycle integration is the wider PFM Systems for creating an enabling environment:**
  - **Fiscal policy** mechanisms for change and revenue mobilisation (subsidies and taxation) (incl. HP3);
  - **Regulation / Legislation** for changes to tax system, new financing mechanisms, procurement, and to induce investment (HP4);
  - **Accessing financial sources and innovative resource mobilisation (HP5):**
    - Private sector;
    - Donor funding;
    - New global climate financing, e.g. green bonds, blended finance, specialized climate funds

# DRAFT GUIDELINES

# SHERPAS GUIDANCE ON WAYS FORWARD TO PRINCIPLE 6

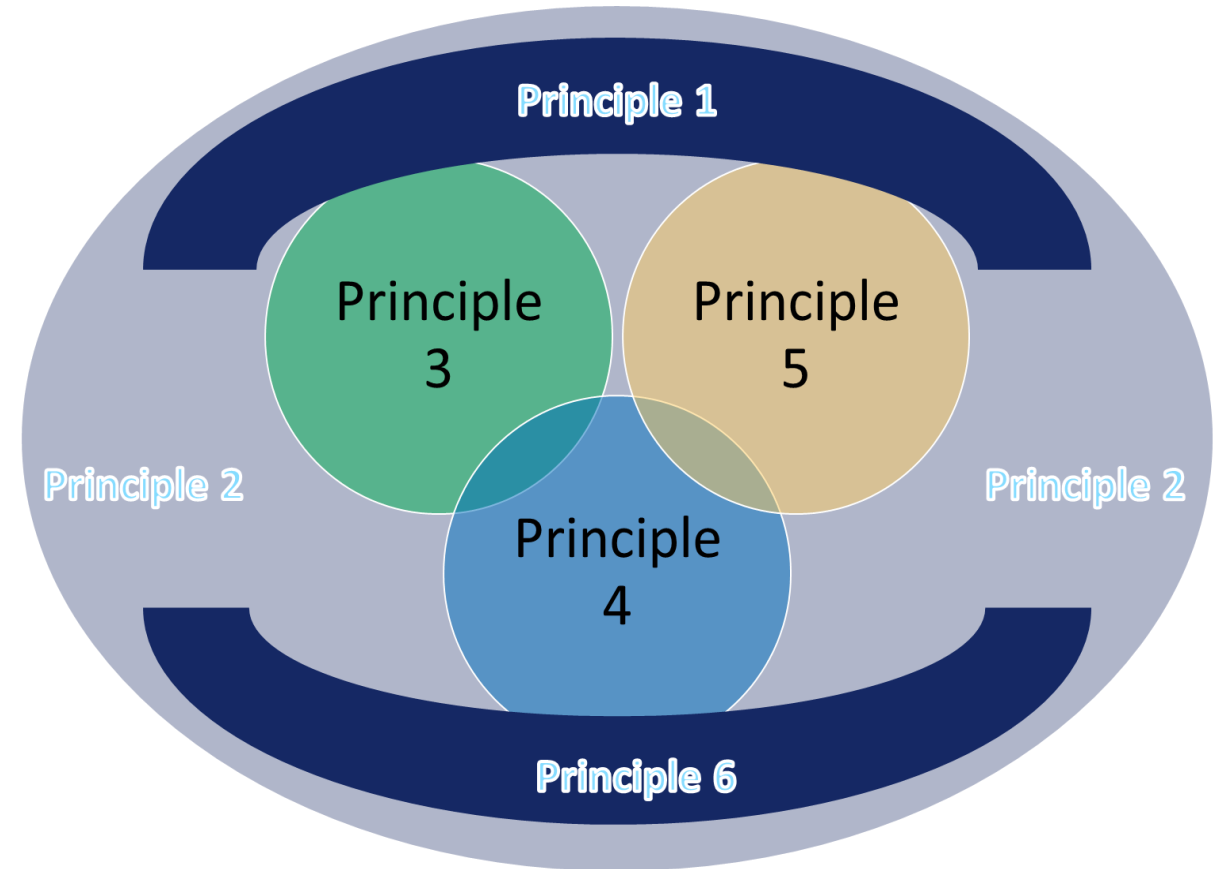
- ⇒ **Need for guidelines for Ministries of Finance to engage in NDC review and implementation process (As per Santiago Action Plan)**
- ⇒ **Need to use Q1 and Q2 in 2020 as timeframe for MoFs' involvement in the NDCs that are due in Glasgow (COP26)**

## **Guidelines:**

- Short and accessible document for policy makers, 5-7 pages;
- Using MoFs language and terms
- Uses case studies and lessons from existing studies to develop improved and implementable NDCs
- Reference document that points to other Helsinki Principles

# HELSINKI PRINCIPLES INTER-RELATIONSHIP

- **Principle 1** and **6** are **interconnected** (Long term and NDCs) and
- **Principle 2** **platform** of exchange.
- **Principles 3** (Carbon Pricing), **4** (Climate Change in Macroeconomic Management and Public Finance) and **5** (Financial Sector Development)



# OUTLINE FOR GUIDELINES FOR MOFS ON NDC INTEGRATION

1. Introduction to NDCs
2. Why MoFs should engage
3. How MoFs can engage:
  - i. NDC Review and Development - Macroeconomic impact of climate change, economic benefits, costing → designing implementable NDCs
  - ii. NDC Implementation - Aligning NDCs with the national budget cycle and contributing to an enabling environment (fiscal mechanisms, private sector, new financing sources)
4. Conclusion and avenues for support

# MAINSTREAMING NDCS / CLIMATE CHANGE INTO NATIONAL POLICY

↙ PFM legislative regulation requirements ↘

- NDC impacts
- Effective and efficient policy
- Financing options



- NDC costing and planning – Inc. Financing options
- Macro impact analysis



Tools: Annual reviews, PERs, Parliamentary Budget Committees, Civil Society

Tools: Macroeconomic Framework, Budget Framework Papers, Call Circulars, Budget line tagging

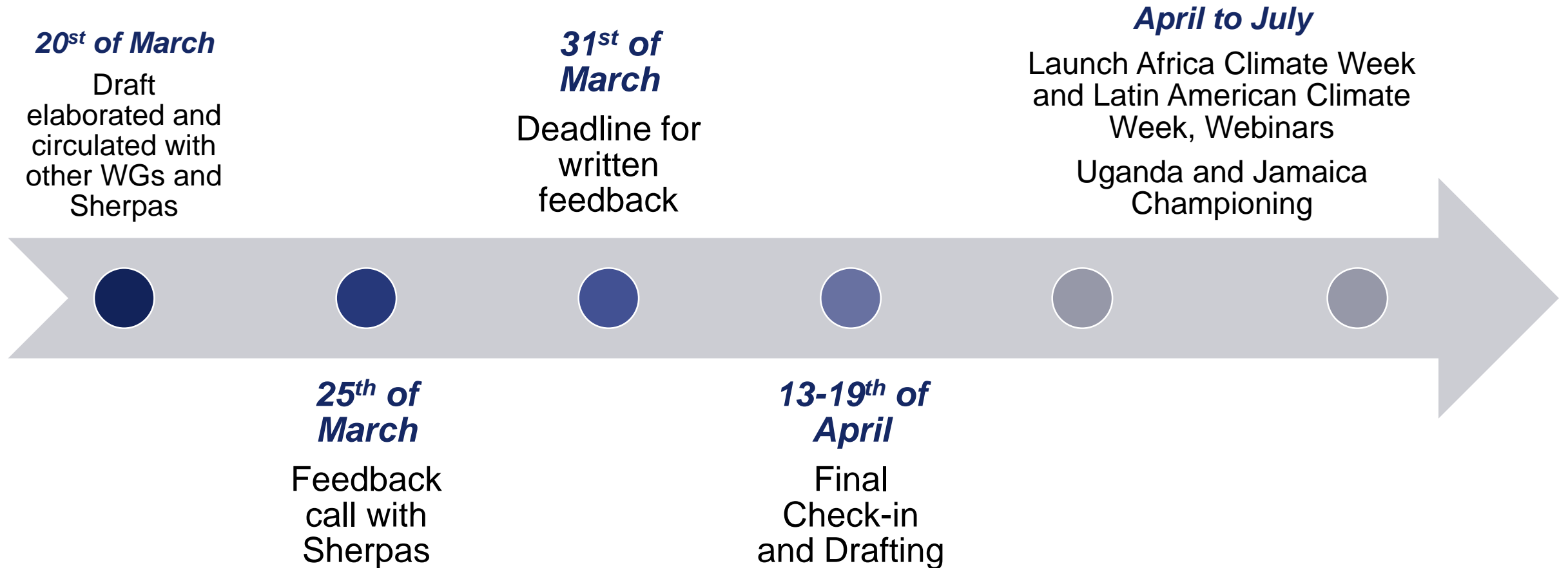
- NDC budget execution
- NDC budget tracking



- NDC budget allocation
- NDC budget lines



# PROPOSED PROCESS FOR DRAFTING THE GUIDELINES





# WAY FORWARD

## Questions for Sherpas and Feedback

**PLEASE GO TO MENTI.COM**

# Thank You

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**Deputy Country Engagement Director**



