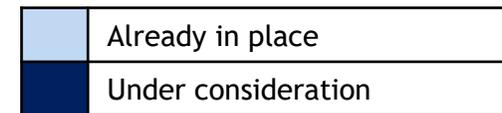


Helsinki Principle 4

Take climate change into account in macroeconomic policy, fiscal planning, budgeting, public investment management, and procurement practices

| | Macro-economic forecasts | Debt sustainability analysis | Fiscal risk assessments | Assessment of tax expenditures | Fiscal plans and frameworks | Expenditure and spending reviews | Program evaluations | Budget guidelines | Budget documentation | Climate-related expenditure tagging | Intergovernmental transfers | Reporting | Project selection and appraisal | Use of shadow price for carbon | Assessment of climate risks | Procurement procedures | Use of energy efficiency criteria | Use of life-cycle costing |
|--------------------|--------------------------|------------------------------|-------------------------|--------------------------------|-----------------------------|----------------------------------|---------------------|-------------------|----------------------|-------------------------------------|-----------------------------|-----------|---------------------------------|--------------------------------|-----------------------------|------------------------|-----------------------------------|---------------------------|
| | Macro-economic Policy | | | Fiscal Policy | | Budgeting | | | | PIM | | | Public Procurement | | | | | |
| Iceland | | | | | | | | | | | | | | | | | | |
| Latvia | | | | | | | | | | | | | | | | | | |
| Netherlands | | | | | | | | | | | | | | | | | | |
| UK | | | | | | | | | | | | | | | | | | |
| France | | | | | | | | | | | | | | | | | | |
| Austria | | | | | | | | | | | | | | | | | | |
| Germany | | | | | | | | | | | | | | | | | | |
| Luxembourg | | | | | | | | | | | | | | | | | | |
| Finland | | | | | | | | | | | | | | | | | | |
| Spain | | | | | | | | | | | | | | | | | | |
| Ireland | | | | | | | | | | | | | | | | | | |
| Portugal | | | | | | | | | | | | | | | | | | |
| Poland | | | | | | | | | | | | | | | | | | |
| Cyprus | | | | | | | | | | | | | | | | | | |
| Denmark | | | | | | | | | | | | | | | | | | |
| Norway | | | | | | | | | | | | | | | | | | |
| Switzerland | | | | | | | | | | | | | | | | | | |
| Equatorial Guinea | | | | | | | | | | | | | | | | | | |
| Kenya | | | | | | | | | | | | | | | | | | |
| Uganda | | | | | | | | | | | | | | | | | | |
| Cote d'Ivoire | | | | | | | | | | | | | | | | | | |
| Philippines | | | | | | | | | | | | | | | | | | |
| Fiji | | | | | | | | | | | | | | | | | | |
| Indonesia | | | | | | | | | | | | | | | | | | |
| Canada | | | | | | | | | | | | | | | | | | |
| Mexico | | | | | | | | | | | | | | | | | | |
| Guatemala | | | | | | | | | | | | | | | | | | |
| Dominican Republic | | | | | | | | | | | | | | | | | | |
| Colombia | | | | | | | | | | | | | | | | | | |
| Paraguay | | | | | | | | | | | | | | | | | | |



Mainstreaming Climate Change World Bank Work Plan

| Task | Primary Research | Consensus Building | Technical Guidance | Existing Tool | Training Materials | Santiago Action Plan | Institutional Partners |
|---|------------------|--------------------|--------------------|---------------|--------------------|----------------------|------------------------|
| 1. Budget Classification & Tagging | | ✓ | | | | ✓ | OECD, IMF, UNDP, PEFA |
| 2. Public Investment & Asset Management | | | ✓ | ✓ | ✓ | ✓ | IMF |
| 3. Green Procurement | | ✓ | ✓ | ✓ | ✓ | ✓ | EU |
| 4. Subnational Government | ✓ | | ✓ | | | ✓ | IDB |
| 5. Disaster Resilient PFM | ✓ | | ✓ | ✓ | ✓ | ✓ | DRM Network |
| 6. Institutional Framework | ✓ | | ✓ | | | ✓ | Grantham Institute |
| 7. SOE Reporting | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |

Climate-Smart Public Investment Management

Policy, planning, institutions - all need to take account of climate change

| | Type | Impacts |
|-------------|---|---|
| Environment | Extreme weather events | Damage and loss of infrastructure. |
| | Slow onset environmental change: shift and disruption of agro-ecological zones | Stranded assets: no longer appropriate for environmental conditions. Path-dependency and Lock-ins: cannot adapt to new environmental conditions |
| Transition | Too late: continued use of high carbon technologies and unsustainable land use practices | Wrong Signaling: does not raise awareness or provide guidance Stranded assets: costly or redundant when market conditions and/or regulations change Path dependency and Lock-ins: choices limit options for adaptation to new technologies |
| | Too early: early adoption of low carbon technologies and land use practices | Poor fit: choices are high cost and/or not well adapted to future technologies, market conditions and regulations Path dependency and Lock-ins: choices limit options for adaptation to new technologies |
| | Too messy: poorly planned, poorly structured changes | Poor signaling: send confusing signals to households and market and so fail to provide consistent guidance Mixed bag of poor fit, stranded assets, lock-ins and path dependency challenges |

Climate-Smart Public Investment Management

Policy Planning Programming

- ▶ long & medium term CC plans (NDCs, LTS, adaptation plans)
- ▶ Landuse plans especially important; plus regulations

Tools, expertise, PIM system

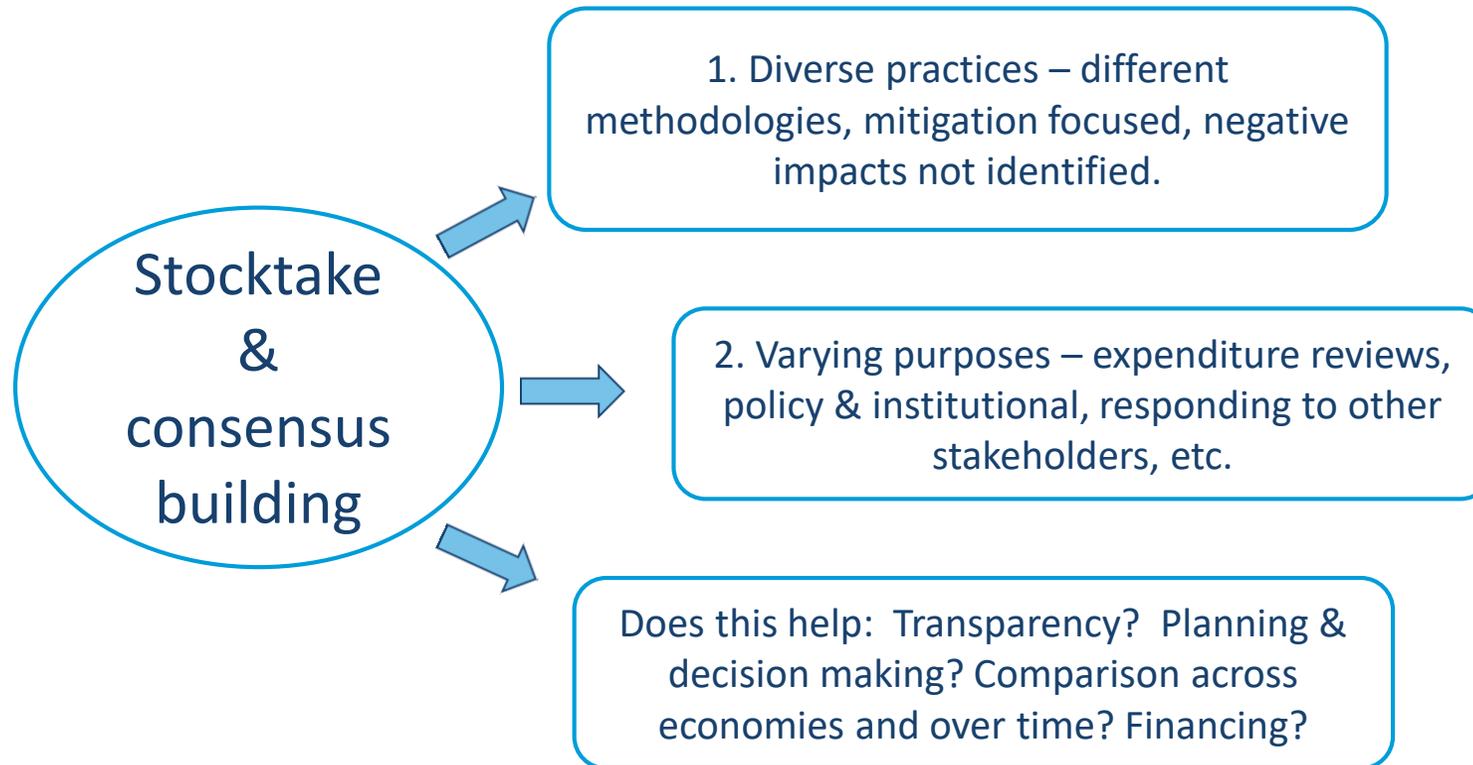
- ▶ Design flexibility
- ▶ Data & analytics
- ▶ Risk screening, appraisal tools

Reporting & financing

- ▶ Green bond & statutory requirements
- ▶ asset management, insurance
- ▶ PPPs

Expenditure Tagging Methodologies

To ask – why we do this, and are we achieving our goals?





PEFA

Climate Change Responsive Public Financial Management

Abidjan, Côte d'Ivoire

25 February 2020

PEFA Secretariat

www.pefa.org

#PEFA

What is and why use a climate change responsive PFM assessment?

- A framework to inform how PFM systems can support the implementation of government climate change actions

Climate change responsive budget circular

Does the budget circular(s) require budgetary units to include information on the impacts of their spending proposals on climate change?

| SCORE | MINIMUM REQUIREMENTS FOR SCORES |
|-------|--|
| A | The budget circular requires budgetary units to provide the climate change impacts of new spending proposals and proposed reductions in expenditures. The budget circular includes instructions to classify climate change expenditures. |
| B | The budget circular requires budgetary units to provide the climate change impacts of new spending proposals and proposed reductions in expenditures. |
| C | The budget circular requires budgetary units to provide the climate change impacts of new spending proposals. |
| D | Performance is less than required for a C score. |

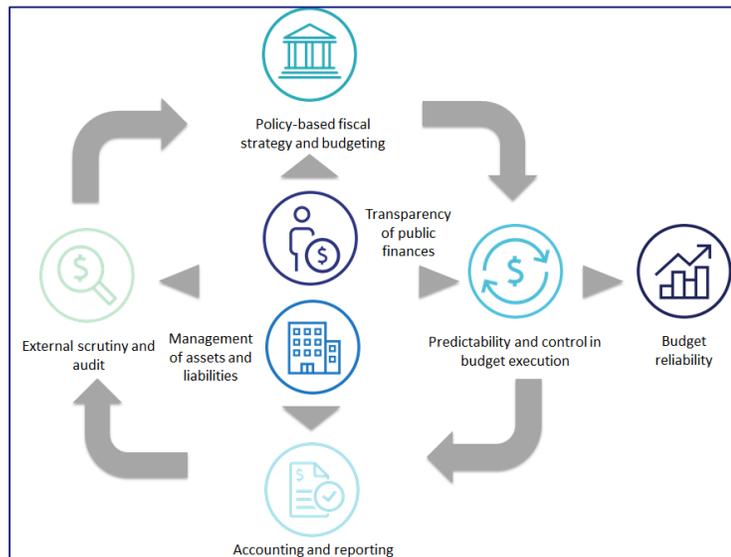
Coverage
Budgetary central government

Time period
Last budget submitted to the legislature

Scoring & calibration

Each dimension is scored separately.

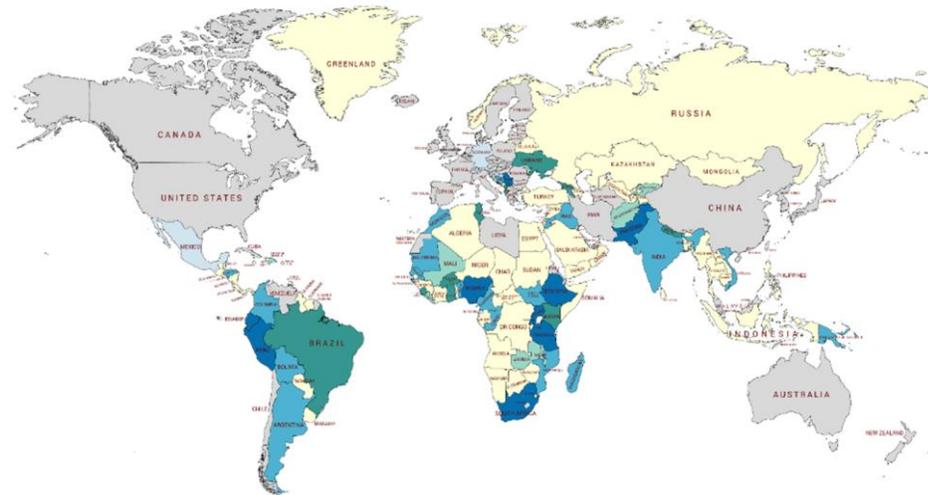
| | |
|---|--|
| A | • High level of performance that meets good international practices |
| B | • Sound performance above the basic level |
| C | • Basic level of performance broadly consistent with good international practices |
| D | • Either less than the basic level of performance or insufficient information to score |



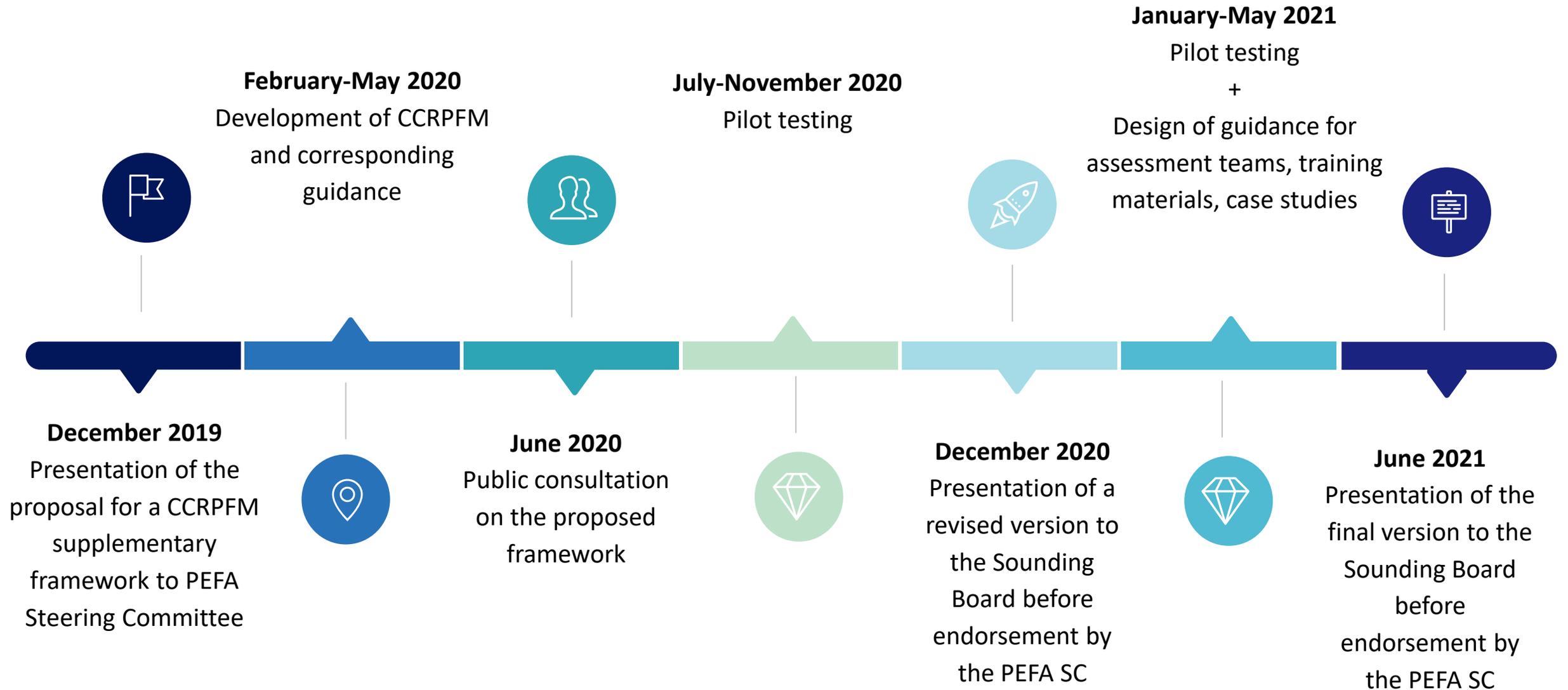
- Key elements of the full PFM cycle
- Consistency in, and convergence on the vocabulary used
- Agenda setting on climate change and PFM and reference for reform design and implementation

Supporting the work of the Coalition - Principle 4

- Close collaboration with the members of the Coalition in the development of PEFA CCRPFM
 - Technical feedback
 - Sounding board members
 - Pilots



Next steps in the Design of PEFA CCRPFM



Upcoming Events

Institutional Partners and Country Leads

| Activity | Date |
|---|------------|
| Joint 3rd OECD Paris Collaborative on Green Budgeting Expert Group Meeting & 1st Workshop of the Coalition of Finance Ministers on Climate Action on Helsinki Principle Four “Macroeconomic Management and Public Finance | March 2020 |
| Sustainable Finance (Ireland) | June 2020 |
| APEC DRFI Study Course focusing on the elements of Principle 4 in relation to DRR and CC (Philippines) | TBD |