



Public participation in climate budgeting

Learning from experiences in Bangladesh, Indonesia and Nepal

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Effective climate budgeting requires meaningful participation and systematic public engagement. Without these it is difficult for governments to provide climate financing that aligns with household priorities, and households will continue to spend large amounts of money responding and adapting to climate change without, and sometimes against the flow of, public financing.

Using a case study approach, this paper explores the role of public participation in climate budgeting in Nepal, Bangladesh, and Indonesia by assessing these governments' adherence to the Global Initiative for Fiscal Transparency (GIFT) principles of public participation in fiscal policy. It also analyses secondary data on household climate and disaster priorities against government climate and disaster expenditure estimates, and finds that households in these countries are significant financiers of climate resilience. But their governments are not yet enabling households to meaningfully participate throughout the public financial management (PFM) process that would lead to better alignment and targeting of the public climate budget. The paper also identifies cross-country learning and makes recommendations to support improvements in public accountability and participation processes, particularly through interventions to improve national adherence to the GIFT principles.

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1

Introduction

Climate change-related public financial management (PFM) is complex. The funds available to address climate change within any one country generally come from multiple external (eg bilateral and multilateral aid and overseas private investments) and internal sources (eg public revenues generated domestically and local private sector and household investments). In addition, these funds are typically managed by various government ministries, departments and administrative units at both the national and subnational level, and by private companies or nongovernmental organisations (NGOs) at the project level. Moreover, climate financial resources are likely to flow through various channels, including the government's annual budget, special 'off-budget' funds, and direct project funding, as well as mechanisms such as grants, loans, and direct government expenditure on programmes and capital outlay. Adding to this complexity, which is also evident in other sectors where the government is a major actor, is the need to quickly build and operationalise effective and accountable climate change finance systems.

Even within this context, mitigating climate change and ameliorating its impacts are more likely to happen if the public budget systems that govern investments toward these goals are fully transparent, participatory, and have meaningful checks and balances. At its core, strong and accountable climate-related PFM is built

on the same three pillars of accountability that the International Budget Partnership (IBP) has identified for all PFM systems: transparency; public participation; and strong public oversight institutions.¹ A growing body of research indicates that such formal public finance systems are more likely to set and implement effective policies when they are embedded in a broad accountability ecosystem in which civil society organisations (CSOs), media, and formal oversight institutions, including legislatures and supreme audit institutions, are engaged in ensuring that public financial resources are used efficiently and effectively to meet national mitigation and adaptation objectives.² This three-pillar framework emphasises that public accountability – defined as the answerability of public officials for their decisions and actions so as to guarantee that government initiatives meet their stated objectives and respond to the needs of the communities they are meant to be benefitting – is a function of both the accountability that results from the institutions (the rules, processes and systems) of the state, and from the engagement of the state by non-state actors, including CSOs, the media, communities and citizens.

Despite the importance of this subject, there is a noticeable gap in the literature on public participation in the context of climate budgeting. In addition, amid discussions pointing to the promising outcomes

¹ For a more in-depth discussion of the International Budget Partnership's model of strong public finance accountability, which incorporates widely accepted international standards from the International Monetary Fund, the Organisation for Economic Co-operation and Development, the Public Expenditure and Financial Accountability Program, and IBP, and its latest assessment of how countries around the world perform against this standard, see Open Budget Survey 2021 <https://internationalbudget.org/open-budget-survey/open-budget-survey-2021>

² For more on public finance accountability ecosystems and how donors and international nongovernmental organisations can support them, see Creating Incentives for Budget Accountability and Good Financial Governance Through an Ecosystem Approach: What Can External Actors Do? International Budget Partnership and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), May 2016 www.internationalbudget.org/publications/creating-incentives-for-budget-accountability-through-ecosystem-approach/

associated with citizen participation, several scholars have underscored the lack of empirical evidence of the posited benefits. In contributing to this debate, we explore the role of public participation in climate budgeting. Our hypothesis is that governments are not yet providing for meaningful participation and systematic public engagement for climate budgeting. We test this hypothesis using a case study approach to assess the extent to which public participation is embedded in fiscal policy throughout the budget process, through the lens of the Global Initiative for Fiscal Transparency (GIFT) principles, in three countries: Nepal, Indonesia, and Bangladesh. The study acknowledges that governments are falling short when it comes to citizen participation in climate-related PFM processes. Without adequate public participation to guide governments on providing financing that aligns with household priorities for climate change, households continue to spend a large proportion of their budget on responding and adapting to climate change without, and sometimes against the flow of, public financing. Consequently, it is crucial that fiscal policy aligns with and supports poor and climate-vulnerable households that are bearing the burden of climate impacts.

This study is relevant to governments, practitioners, civil society and external actors, amongst others, who could use it to help gain insights into how to promote effective and accountable climate-responsive PFM. Also, while the question of the capacity of climate finance accountability actors is the primary focus of the work being undertaken through a broader IBP-IIED partnership, this study seeks to both support their country engagements and contribute to the broader climate PFM governance/accountability field, notably on the enabling environment in which these actors engage with one another over the use of climate-related financial resources.

The paper is structured as follows. Section 2 provides a brief review of the literature. Section 3 outlines the conceptual framework adopted to assess public participation in climate-budgeting. Section 4 describes the study's methodology, including its design, the countries selected and data collection and evaluation strategies. Section 5 presents the results. Finally, Section 6 concludes and provides policy recommendations.

2

Literature review

2.1 Perspectives on public participation

Public participation has been much debated in the social sciences. Contemporary scholarship characterises participatory spaces and opportunities as sites of cooperation and contestation, as well as being thoroughly embedded in structures of power and politics (Cornwall and Coelho, 2007). Many analysts of citizen involvement point to Sherry Arnstein's observation made decades ago that what is often described as participation is in reality a diverse set of activities, some of which provide opportunity for citizens to take part in or control communal decision making, and others that simply serve to manipulate or placate those individuals (Arnstein, 1969).

At its best, participation can transform 'citizenship' from an idea into practice. Lister (1998) captured this phenomenon well by stating, "Citizenship as participation can be seen as representing an expression of human agency in the political arena, broadly defined". Engagement can place power in the hands of individuals and communities and allow them to exercise their agency to make decisions and solve problems, thus presenting the opportunity to simultaneously create a more civic-minded citizenry and more responsive institutions.

However, scholars have pointed to the lack of empirical evidence of the posited benefits of participation (Cleaver, 2001). Analysts have also argued that this assertion is too often the product of assumption, rather than arising from an honest accounting of the complexity of the exercise of agency by poor and marginalised actors (Cleaver, 2001; 2004). Additionally, potential elite control or capture of participatory processes

cast doubts on the democratising effects that some analysts have suggested result from such opportunities (Fritzen, 2007).

Indeed, the conditions under which participation leads to better decisions may imply certain trade-offs. For example, the 'wisdom of crowds' emphasises that crowdsourcing is effective when inputs are sought from independent actors who are anonymous and do not influence one another (formally, actors have diverse opinions, are independent, decentralised, and there is an aggregation mechanism that pools independent views) (Surowiecki, 2004). The logic of these conditions is that they ensure that when increasing numbers of people are added to a decision-making process, they bring additional information and avoid 'herding' behaviour.

The idea that citizens influencing one another, or 'herding', is something to be avoided also runs counter to the civic ideal of open, deliberative forums with government where people not only can, but ideally do, influence one another. 'Independence' is also problematic from the perspective of social movements and other forms of collective action that might be considered important in improving the results of participatory processes for marginalised groups. For citizens to influence the state, their views not only need to be aggregated, but also must be represented by organised groups that can be heard (Fox, 2015).

All this is echoed in a review of 100 cases of participation from numerous countries, through which Gaventa and Barrett (2010) documented four areas of potential 'ends' or goals of civic involvement: 1) strengthening citizenship; 2) building capacities for exercising agency; 3) enhancing state responsiveness; and 4) supporting social inclusion. The authors highlighted the contingent

nature of these outcomes with any given experience of engagement while also noting that positive results have been realised even under adverse circumstances. Their analysis underscored the fact that citizen participation can yield promising outcomes, but such efforts can be undermined by a variety of challenges and obstacles as they unfold.

2.2 Inclusive and meaningful participation: key factors and approaches

Even when participatory spaces are open to all and engagement is encouraged and facilitated, there will always be individuals who, for different reasons, do not get involved. Even in best-case scenarios, only a minority of the population is able to and choose to engage. Thus, whether acknowledged or not, participatory spaces are often sites of representation in which individuals (or organisations) speak for other groups and communities and make decisions on their behalf. Women, those who suffer poverty and other marginalised groups typically face the most barriers to effective participation in governance and who therefore often find themselves represented by others, including CSOs (Mahmud, 2007; Navarro, 2010). Some commentators have disputed the legitimacy of the representative claims of such groups, whether NGOs or grassroots organisations (Brysk, 2000; Chandhoke, 2009; de Wit and Berner, 2009). They argue that many such organisations lack accountability measures and consequently, instead of promoting the voices of marginalised groups, can put them into vertical, dependent power relations. The question, “who speaks for the poor?” must be asked in all participatory spaces within which decisions are made that affect marginalised populations. If the answer is, “not those actors themselves,” then representational claims must be carefully justified.

Cornwall and Coelho (2007) argued that irrespective of formal, and even legal, inclusion, marginalised groups are frequently excluded or further subordinated despite their engagement in supposed participatory spaces. These authors further observed that new involvement opportunities and institutions are subject to the constraint of existing power structures and political culture. Robert Putnam (1993) reached a similar conclusion in his study of political organisations in Italy. Cornwall and Coelho (2007) also noted that many formal participatory spaces lack ‘teeth’ (institutional backing for decisions made), and in such instances are hollow and may actually undermine the agency of those involved by engaging them in a process that may offer little more than the illusion of meaningful decision making.

Finally, scholars have argued that the political and institutional context of participatory spaces is a critical factor in societal actors’ abilities to utilise such opportunities to promote positive change. Are democratic spaces integrated with other institutions and sites of decision making and deliberation, or are they isolated and relegated to the margins? For participatory openings to provide opportunities to strengthen citizenship and agency, they must encourage spill-over actions or contagion effects into other arenas of public (and private) life (Cornwall and Coelho, 2007). That is, engagement spaces must become embedded in a wider political project of citizenship-building if they are to bring about the transformative outcomes often associated with them (Hickey and Mohan, 2004).

2.3 Public participation and climate budgeting

Transparency, accountability and public participation are essential to ensuring that public resources invested in climate-related activities are spent effectively and reach the intended beneficiaries – the people and communities most vulnerable to the negative impacts of climate change – with minimum leakages. A preliminary estimate by IIED of the finance channelled to local climate activities puts the flow at below 10% (US\$1.5 billion) of international, regional and national climate funds between 2003 and 2016 (Soanes et al., 2017). This spending must not only reach the intended beneficiaries, but also must support their needs and priorities and fill the finance gaps indicated by their own climate-related expenditures.

Research by IIED on Bangladesh presents the world’s first household climate expenditure review based on secondary data. The IIED research demonstrates that rural households – who make up a substantial portion of those directly affected by climate change – spend almost US\$2 billion a year on disaster preparedness and response. In absolute terms, this is more than double the government climate and disaster risk reduction spending and more than 12 times higher than multilateral international financing to Bangladesh’s rural population (Eskander and Steele, 2019). When household spending is measured as share of income, women are found to spend three times more than men on climate and disaster. Household spending in response to climate threats or hazards strongly indicates where there are gaps in public investment.

Particularly relevant to climate change planning and public finance processes is the theoretical basis for the idea that democratic participatory approaches to decision making are likely to yield higher quality decisions that better represent the public interest (Mercier and Landemore, 2012). This argument is

based on the importance of 'cognitive diversity' (diverse information and ideas) in improving decision making. There is also some empirical evidence suggesting that participatory approaches to budgeting can lead to improved outcomes for the poor (Touchton and Wampler, 2013). This emerging evidence is particularly relevant to climate change PFM because of the disproportionate negative impact of climate hazards on those who suffer poverty, discrimination and other intersecting forms of marginalisation (see an example in Box 1). However, there are also cases where participation leads to polarisation, intolerance and worse outcomes for ordinary people (Sunstein, 2002).

However, findings from IBP's Open Budget Survey (OBS) indicate that many of the countries that are managing substantial amounts of financial resources for climate actions have some of the least open and accountable budgeting practices in the world (International Budget Partnership, 2020).³ The risk is that such systems are more likely to produce inadequate, poorly designed, or poorly implemented investments in climate change mitigation and adaptation, potentially squandering the opportunity to support people most affected by climate hazards. Given the interaction between climate catastrophe and poverty, failure to improve these systems threatens to undermine efforts under both the Paris Agreement and the 2030 Sustainable Development Agenda to realise equitable,

just and sustainable societies. Thus, it will be imperative to strengthen domestic climate finance accountability, particularly at the local level, where policies and projects are most likely to be developed and implemented.

In recent decades there have been many experiments in opening formal spaces and processes for citizen engagement in budgets and beyond. Evidence points to the centrality of the political dynamics and inequalities within these arenas for policy outcomes and implementation, noting the challenge in making these mechanisms inclusive and meaningful, rather than superficial or subject to elite capture (World Bank, 2017; Rigon, 2014).

Nevertheless, we also know of factors that lead to more meaningful and inclusive citizen participation (see Box 2). Gaventa and Barrett (2010) found that the most meaningful changes for marginalised groups – from influencing decisions to ensuring accountability – are those that involve mobilising through both formal and informal participatory spaces and involve more durable forms of citizen organising through unions, cooperatives, associations, and social movements. Thus, evidence and practice suggest the need for broader citizen groups, formal CSOs and government reformers to each play a role in enabling more robust participatory spaces and mechanisms, while working in parallel with these to achieve meaningful change.

BOX 1. WOMEN'S ROLE IN CLIMATE-RELATED PUBLIC BUDGETING AND OVERSIGHT

To avoid exacerbating existing inequality, mitigation and adaptation strategies must pay attention to the gender dimension of climate change. Women and girls are disproportionately impacted by climate-related weather hazards. For example, women, particularly those living in poverty, are more susceptible to climate change impacts than men because they are more likely to live in inadequately constructed homes in high-risk areas; often rely heavily on natural resources for food, fuel and income; and have limited economic options. Women also have limited capacity to respond to climate hazards because of existing structural inequalities: discrimination; unequal access to financial services like credit and insurance; insufficient provision of public services like education, healthcare and disaster recovery support; and little or no opportunities to participate in the decision-making processes that might allow them to challenge these structural issues.

Women may be more vulnerable to climate risks than men, but they also are change agents who have

experience and knowledge that, once recognised and supported, can help provide solutions to climate-related issues. As stewards of forests and other ecosystems, key food producers and leaders in disaster preparedness, women are already playing critical roles in minimising risks of and adapting to climate change impacts. They are also contributing to mitigation strategies as in the example of female entrepreneurs advancing low-carbon renewable technologies, such as solar water heaters. Drawing on women's knowledge of climate-sensitive sectors, such as agriculture, water and sanitation, in planning and policy making provides a tangible opportunity for governments to address both gender inequality and climate change. Through a 'dual mainstreaming' approach that recognises, engages and supports women as active and informed agents in crafting and executing policy responses, governments are more likely to identify actions with multiple benefits, including in addressing climate change and gender inequality.

Source: Patel et al. (2021)

³ The Open Budget Survey looks at overall budget transparency, public participation and strength of oversight institutions for highly climate-vulnerable countries. For access to Open Budget Survey data, visit www.internationalbudget.org/open-budget-survey/

BOX 2. GUIDANCE ON ENGAGING MARGINALISED GROUPS

It is useful to look to other sectors for lessons for engaging marginalised groups, which include creating an engagement infrastructure that:

- Builds trust through ongoing involvement and starting with small activities and deepening over time
- Supports dialogue and engagement over long periods of time
- Ensures that people see 'benefits' from their participation, which can be on two levels: as consumers of public goods (better services and investments in community) and as citizens (opportunities to ask questions, learn from one another, make suggestions and influence final decisions)
- Guarantees 'safety' for users of services to criticise without losing services or status
- Starts from a user's perspective, leading with their needs and priorities

- Balances tension between needs assessments and constraints due to limited funding.

Beyond the engagement infrastructure, broad engagement faces several challenges. For instance, marginalised groups may be hidden within communities or unwilling to participate because of previous bad experiences. For those seeking to engage these groups, strategies include:

- Developing an understanding of disadvantage and marginalisation within the particular setting
- Embedding oneself in the setting
- Engaging community leaders or key informants to help recruit
- Undertaking community mapping with key informants (what are the power structures, who is marginalised, who are the groups' leaders, and how can members be engaged).

Sources: O'Keefe and Hogg (1999) and Pratt (2019)

3

A conceptual framework for assessing public participation in climate budgeting

3.1 Defining public participation

This study is based on a conceptual framework that combines the Global Initiative for Fiscal Transparency (GIFT) Principles of Public Participation in Fiscal Policy, and the UNDP-IBP Framework for Accountability in Climate Budgeting (see Annex 1). The GIFT is a global network of governments, CSOs, international financial institutions and other stakeholders that seek to improve fiscal transparency, participation and accountability through dialogue, peer-learning, research and advocacy. To promote norms and standards for fiscal transparency and accountability, GIFT established a set of high-level principles that were endorsed by the United Nations General Assembly in 2012 (UNGA Resolution 67/218). Principle 10 establishes that “[c]itizens and non-state

actors should have the right and effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies.” Because there was a dearth of guidance on how governments and state oversight institutions should engage the public on PFM, GIFT developed a set of Principles of Public Participation in Fiscal Policies for all public authorities.

GIFT defines public participation as “the variety of ways in which the general public, including civil society organizations and other non-state actors, are invited or have generated space to interact directly with public authorities by means of face-to-face communication, deliberation or decision making, or by written forms of communication using electronic or paper media” (Global Initiative for Fiscal Transparency, 2016). The GIFT framework is based on the following ten principles:

1. **Accessibility:** facilitate public participation in general by disseminating complete fiscal information and all other relevant data in formats and using mechanisms that are easy for all to access, understand, use, reuse and transform, namely in open data formats.
2. **Openness:** provide full information and be responsive with respect to the purpose of each engagement, its scope, constraints, intended outcomes, process and timelines, as well as the expected and actual results of public participation.
3. **Inclusiveness:** pro-actively use multiple mechanisms to engage citizens and non-state actors, including traditionally excluded and vulnerable groups and individuals, and voices that are seldom heard, without discrimination on any basis, including nationality, race, ethnicity, religion, gender, sexual orientation, disability, age or caste; and consider public inputs on an objective basis irrespective of their source.
4. **Respect for self-expression:** allow and support individuals and communities, including those directly affected, to articulate their interests in their own ways and to choose their preferred means of engagement, while recognising that there may be groups that have the authority to speak on behalf of others.
5. **Timeliness:** allow sufficient time in the budget and policy cycles for the public to provide inputs in each phase; engage early while a range of options is still open; and, where desirable, allow for more than one round of engagement.
6. **Depth:** support each public engagement by providing all relevant information, highlighting and informing key policy objectives, options, choices and trade-offs, identifying potential social, economic and environmental impacts, and incorporating a diversity of perspectives; provide timely and specific feedback on public inputs and how they have been incorporated or not into official policy or advice.
7. **Proportionality:** use a mix of engagement mechanisms proportionate to the scale and impact of the issue or policy concerned.
8. **Sustainability:** all state and non-state entities conduct ongoing and regular engagement to increase knowledge sharing and mutual trust over time; institutionalise public participation where appropriate and effective, ensuring that feedback provided leads to review of fiscal policy decisions; and regularly review and evaluate experience to improve future engagement.
9. **Complementarity:** ensure mechanisms for public participation and citizen engagement complement and increase the effectiveness of existing governance and accountability systems.
10. **Reciprocity:** all state and non-state entities taking part in public engagement activities should be open about their mission, the interests they seek to advance, and whom they represent; should commit to and observe all agreed rules for engagement and should cooperate to achieve the objectives of the engagement.

3.2 Climate change and public participation

Climate change, and public policy responses to it, have characteristics that make public participation (particularly by marginalised groups) in all climate budgeting processes especially important. Climate change involves issues that affect many sectors and stakeholders, so effective responses will depend on information gathered from as many actors as possible. Specifically:

- Climate change poses the greatest threats to very marginalised people with limited economic and political rights. These include women, those suffering poverty, indigenous people, people with disabilities, those in remote rural areas, and those facing multidimensional forms of discrimination. Accordingly, while these individuals may have critical information for effective climate-related actions/investments, their voices are unlikely to be heard in budget processes without government or civil society intentionally engaging them.
- Climate change response has aspects of a public good (eg research and development for climate-smart agriculture) and a private good (eg families spending their own resources to rebuild dwellings damaged by climate disasters). As such, household investments in adaptation that are identified by government entities through meaningful dialogue and participation with citizens need to be combined effectively with public finance through the budget process.
- The physical impacts of climate change, such as drought, shifting rainfall patterns, changes in access to water and other resources, are generally very localised. Therefore, inviting specific households to share their insights on how these impacts are playing out in economic, social, and political terms is essential to identifying and investing in activities best suited to local conditions and contexts.
- Climate change solutions involve significant innovation that depends on comprehensive knowledge of the problem to be solved and the context in which actions will be implemented. This can be generated by engaging with a broad range of people with direct experience and information.

- Climate change involves issues and impacts across many sectors (eg agriculture, infrastructure, social welfare, energy) and many stakeholders from state, private and civil society. Hence, effectively integrating responses will depend on information gathered from as many actors as possible.
- Climate change impacts are multigenerational. So, addressing the needs of current and future generations is most likely to occur when civil society and other stakeholders (who often have fewer constraints than government on focusing on long-term sustainability) are involved in budgeting processes.

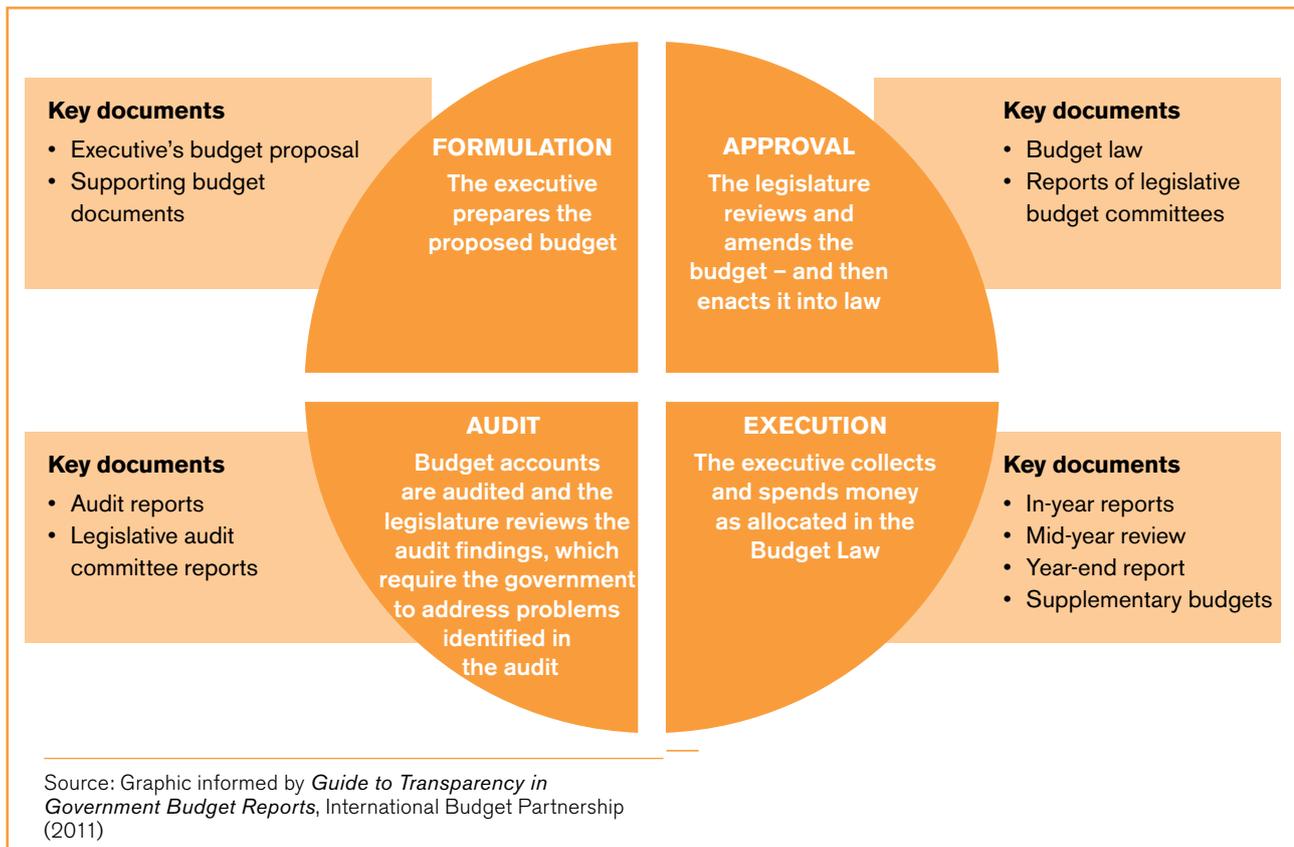
3.3 Entry points for public participation in the climate budgeting process

The budget process consists of four main stages: budget formulation (including planning); budget approval; budget execution (or implementation); and budget oversight (Figure 1). Participation can take place at all stages of this budget cycle, as exemplified in: budget preparation that facilitates meaningful

consultation with the public; budget approval that engages the public on needs and priorities; budget implementation that includes public monitoring; and budget oversight that provides for climate budget audits with public participation.

As previously stated, we used the UNDP-IBP Framework set out in Annex 1 to identify points in the budget process for climate change where public participation is happening. The framework presents a conceptual model for evaluating accountability in climate finance that includes actors, institutions and processes (GIFT, 2016; Fölscher et al., 2018). The framework defines 16 components of climate-sensitive budgeting (referred to as 'climate budgeting'). Then, it considers the transparency requirements and potential roles of accountability actors in each stage (through horizontal and vertical accountability mechanisms). The accountability roles are coded according to whether they reflect or contribute primarily to: a) improved access to information; b) improved participation; or c) improved action by oversight institutions. This information was leveraged to isolate aspects of the climate-related PFM processes in each country that facilitated public engagement, which were then assessed against the GIFT principles.

Figure 1: The budget process



4

Methodology

4.1 Study design

We adopted a case study approach to explore the extent to which governments are providing for meaningful participation and systematic public engagement for climate budgeting as defined by the GIFT principles. The study seeks to better understand the current state of public accountability for climate-related PFM; that is, the **capability** of actors outside of the executive (primarily CSOs and citizens and media, as well as formal oversight institutions) to engage one another and the executive to ensure that climate funds are managed effectively and with full accountability in order to create more sustainable futures, especially for poor and marginalised people. The concept of 'capability' encompasses both the **capacity** of state and non-state accountability actors to play an effective role in budgetary decision-making and oversight processes, and whether the **policy and political enabling environment** in which climate resources are managed (eg public access to climate finance information, willingness of government to engage with accountability actors, and formal opportunities for public participation in the budget process) allows them to deploy this capacity towards accountability (Fölscher et al., 2018).

4.2 Case selection

The research centred on case studies of public participation in climate budgeting in three countries: Bangladesh, Indonesia, and Nepal. In selecting the countries for the case studies, priority was given to

countries that had both a high level of risk of negative impacts of climate change, and established systems, institutions and practices that would support climate-responsive public financial management. Given the relatively advanced state of climate-responsive PFM in the Asia and Pacific region compared to other regions, the selection of countries focused on this region. COVID-19 travel restrictions were another critical factor in the final selection of Bangladesh, Indonesia and Nepal for the study. As researchers from IBP and IIED were unable to travel to the countries to conduct the case studies, it was necessary to draw from their respective work in the region to identify national research teams. In terms of their climate risks, Nepal, Bangladesh and Indonesia were ranked the 12th, 13th and 14th most climate-impacted countries in the world, respectively, in 2019 in the Global Climate Risk Index 2021 (Eckstein et al., 2021). They are among the countries that have suffered most from the impacts of climate change, through floods, forest fires, drought and other climate-induced disasters. These countries are on the frontline of responding to these impacts and are already channelling significant volumes of climate finance in their response. They have also developed legal and institutional frameworks to support effective planning and budgeting for climate change mitigation and adaptation, and all three have integrated public consultation and participation into these governance frameworks. Thus, the combination of climate risk, climate-responsive budgeting systems that should be supporting robust public engagement, and local research capacity drove the country selection.

4.3 Data collection

We used a variety of research methods to collect data. Specifically, we developed, tested and administered in-depth semi-structured interviews with a variety of stakeholder representatives in each of the three countries. A snowball sampling technique was used to identify respondents from targeted stakeholder groups, which included the supreme audit institutions, the legislature (eg climate change, budget, and public accounts committees), CSO representatives, media actors, key climate change external actors based in-country, and the finance ministry. We conducted interviews with up to 50 respondents and held validation workshops to discuss findings with both state and non-state actors. The interviews were done face-to-face or through telephone calls through country-based research. When allowed, the interviews were recorded and then transcribed.

In addition to the interviews, data were obtained from secondary document reviews. Documents reviewed included: country climate policies, strategies, and laws; development policies and plans; budget data and reports, including climate budget reports where available; reports from public audits or other oversight institution reports; national public participation policies and laws; and CSO and civil society reports and publications. Field visits were not possible due to COVID-19 restrictions during the course of the study.

4.4 Data analysis

Our analysis followed a five-step process. First, we described the components of the climate change budgeting and accountability systems in each country. To this end, we provided detailed information on the climate change-responsive fiscal governance arrangements; the expenditure management institutions at the national and subnational levels; the extent to which national and subnational formal oversight institutions are engaged in climate change budgeting and accountability; and the legal and administrative requirements for public participation in climate-related PFM and oversight.

Second, we analysed the extent to which an enabling environment for public climate finance accountability was supported in each country. This entailed an evaluation of the existing formal mechanisms for public participation, including the degree to which they were functioning, as well as the informal spaces used by state and non-state actors for public participation.

Third, we identified and assessed the degree of public participation in the budget process. The observed practices of public participation were compared against the GIFT principles. In particular, our analysis included a description of:

- The characteristics of the functioning mechanisms for participation (**openness, depth, proportionality, timeliness** and **reciprocity**)
- The extent to which adequate and timely climate-related budget information was made available for use in participation/consultation spaces (**accessibility**)
- The **sustainability** of public participation in climate PFM
- How existing public participation mechanisms support or reinforce climate-related public financial management processes and systems (**complementarity**)
- The **inclusiveness** of participation spaces, including the extent to which the climate finance system facilitates the participation and meeting of the needs of poor and marginalised groups, particularly women, that are more vulnerable to the impacts of climate change
- The degree to which individuals and communities, including those directly affected, are allowed and supported to provide inputs in their own ways and to choose the means of engagement that they prefer (**self-expression**).

In the fourth step, we evaluated the political economy context factors that could support or undermine public participation in climate-related budgeting and accountability, with a focus on the following questions:

- What is the role, if any, of external actors? What role can they play in the future? Does civil society or other non-state actors facilitate the engagement of more marginalised climate-vulnerable people?
- What are the norms on civil society participation, the role of the media, and legislative power relative to the executive in practice?
- What incentives and interests drive accountability or lack of accountability for climate change financing in the country?

Finally, we conducted a quantitative assessment of public contribution to the climate budget of each country. This analysis used secondary data on household climate and disaster priorities as well as household climate and disaster expenditure estimates. These data were then matched with a review of data collected on government and development community (donor) climate and disaster expenditure and aid flows. Where possible, the comparison identified complementarities and mismatches, such as households' priority on social protection and livelihood support versus government and donor preference for large infrastructure. We also analysed the political economy of these relative priorities.

5

Results

This section presents a summary of the scope and quality of public participation in climate change budgeting in Nepal, Bangladesh, and Indonesia, based on the data gathered through interviews, observations and desk reviews. The section concludes with a review of the quantitative results on the public contribution to the climate budget.

5.1 The key components of climate change budgeting and accountability

The results indicate that all three countries examined have undertaken budget reforms that support greater transparency of climate-related budget information. In particular, all three countries have developed a Climate Change Fiscal Framework (CCFF) – Bangladesh and Indonesia since 2012, and Nepal since 2017 – to map out reforms in the planning, execution and reporting of climate finance, and for engaging with CSOs and parliamentary committees to improve the accountability of climate finance.

Climate Public Expenditure and Institutional Reviews (CPEIRs), undertaken in 2012 in Bangladesh and in 2011 (national) and 2017 (district level) in Nepal, provided key recommendations for mainstreaming climate change into planning and budgeting processes, which led to the development of the CCFFs in those countries. In Indonesia, CPEIRs in selected provinces were undertaken post-CCFF development to support its ongoing strengthening.

As part of the reforms under the CCFFs, Indonesia and Nepal have established climate budget tagging systems used to identify and tag expenditures intended for

mitigation or adaptation activities. Such coding systems produce useful, though highly aggregated, information on a government's investments in response to climate breakdowns, which can be used to track trends in climate-related spending over time and across sectors and ministries. To support citizen and civil society engagement in monitoring expenditure on the ground and feeding resulting information into the formal audit and oversight processes, governments must produce and make available in machine-readable formats far more detailed data at the programme and project level.

The government of Bangladesh has produced climate budget reports since fiscal year 2016–17. These reports present data on allocations for climate-related activities subsumed into the total budgets of 25 key ministries and divisions. While these reports have helped improve transparency, CSOs have called for the reports to include data on actual expenditures, to show expenditures broken down by programmes or projects, and for the government to track the effectiveness of the expenditures, to further improve the usefulness of the information.

In all three countries, the ministries of finance play important roles as lead expenditure management institutions. This is usually in consultation with parliament and supported by relevant subnational authorities, such as the Budget User Authority at the regional level in Indonesia. Planning authorities support the integration of climate policies and strategies in period plans and provide budgeting guidelines for all levels. In Indonesia, provincial governments are mandated to produce action plans aligned with the national action plan, which are then reflected in local government workplans and budgets. The roles and responsibilities of local governments in the budget setting and expenditure management process are much less clear in Nepal and Bangladesh.

Supreme Audit Institutions (SAI) can play important oversight roles to ensure transparency and accountability of flows. They carry out financial, performance and compliance auditing of public climate expenditure. The SAI in Nepal has a policy of citizen participation in audit (CPA), which supports national and subnational performance audits. In Indonesia, the SAI has offices in every province, and additional scrutiny is provided at the local level by provincial and district inspectorates. In Bangladesh, however, the SAI does not have a specific division or desk charged with oversight of climate programmes, which limits the scrutiny in this area.

Parliamentary committees can also play important oversight functions during the formulation and enactment of annual budgets and in ensuring that the government follows up on audit recommendations. In Bangladesh, several parliamentary standing committees are engaged with climate policy. In addition, an All-Party Parliamentary Group (APPG), established to provide capacity support and technical assistance to members of parliament (MPs), has a subgroup on climate change and the environment.

Legal and administrative requirements for public participation in climate-related public financial management and oversight are key in providing the mandates to ensure participation mechanisms and commitments to transparency. In each country the constitution establishes fundamental rights. In Bangladesh, the constitution states that citizens should have direct pathways for participation in and management of local government. However, provisions for participation in national budget processes are more limited. The constitution of Indonesia establishes public participation as a constitutional right, and this is then captured in the country's regulatory framework – including in the National Development Planning System Law (2004) at the national level, and at the regional level in regulations such as Law No.23 on regional government. The constitution of Nepal guarantees the fundamental right of every citizen to live in a clean and healthy environment. This is embodied through Nepal's Environmental Protection Act (2019), which specifies provisions for engaging the public in climate-responsive and environmental protection activities. As part of this, the Environment Protection Rules (2020) stipulate the process and timeline for conducting public hearings and reporting.

5.2 Enabling factors that support public climate finance accountability

Formal and informal participation spaces for state and non-state actors are important mechanisms for public climate finance accountability.

Formal participation spaces follow from legal and administrative requirements. For example, under Indonesia's National Development Planning System Law, development planning should be carried out with the participation of the public at central and regional levels through a *Musyarawah* (consensus decision-making) process. The participation space in this process is known as the development planning discussion (*Musrenbang*). The *Musrenbang* is a formal space that begins in villages and goes up to district/city levels.

In Nepal's federal system, at the federal level, the Ministry of Finance has a pre-budget submission, and (limited) e-consultations during budget implementation, but there are no focused discussions or engagement. There is no separate mechanism for participation at the provincial level. At the local level, the Local Government Operation Act 2018 establishes civic mechanisms such as users' committees, and the 2018 local-level planning and budget formulation guidelines include provisions to make the process of local-level annual plan formulation and budget allocations participatory. There are several social accountability tools for budget monitoring (eg Follow the Money and public expenditure tracking surveys [PETS]) and technological tools, platforms and systems that enable citizens to engage in climate budget oversight to strengthen their role in the accountable use of public finance.

In Bangladesh, the Union Parishad (UP), the lowest administrative tier of government, facilitates at least two annual ward-level consultations ensuring representation from the communities within the ward jurisdiction. These are part of the Open Budget process, which includes a pre-budget meeting in February; a presentation of the proposed budget in April; and a mid-year progress meeting in November or December.

Informal participation spaces can be used for consultation, discussion, and engagement of citizens, which support greater awareness, community debate, and consensus-building. Such spaces at the community level may include discussions in village consultations, community forums and town hall meetings; discussions

in interest groups, such as mothers' groups, youth groups, senior citizens forums, buffer zone committees around national parks and wildlife reserves, disaster response committees and farmers' groups; or social media posts and pages on platforms such as Facebook and Twitter.

As well as these community spaces, across the countries, CSO actors have organised spaces to disseminate budget information where available, gather and coordinate input to submit to formal spaces, and support accountability processes. In relation to disseminating budget information, a national television show in Bangladesh, *Kemon Budget Chai* (2017–2018), presented views from different actors during the pre-budget phase, thus helping to widely disseminate considerations and different perspectives ahead of budget planning. In Bangladesh, the Climate Finance Governance Network (2010–2018) also worked to gather and disseminate international climate finance information to support accountability and transparency. The Democratic Budget Movement, a platform of CSOs and NGOs, which brings together citizens, taxpayers and professionals in different regions of Bangladesh to engage in the national budget process, and an alliance of 35 CSOs in Nepal that coordinates inputs to the government ahead of high-level global and national events, are key informal coordination mechanisms. The Climate Finance Accountability Initiative in Bangladesh is a CSO-led process whose objective is to analyse the climate budget and strengthen accountability, including by supporting social audits to ensure public participation in the climate budget process. Several CSOs across the countries also present post-budget analyses, which review budget allocations and highlight gaps and recommendations.

5.3 Scope and quality of public participation in climate change budgeting

The results of the analysis of public participation in climate change budgeting in Bangladesh, Indonesia and Nepal through the lens of the GIFT principles are presented in this section. Table 1 below provides basic characteristics of the cases of public participation that were examined in each country and is followed by short descriptions of each.

The government of Bangladesh has existing laws, policies and procedures to ensure public participation in national budget processes, especially at the local level. While there are no climate-specific processes, the 'open budget' process provides an opportunity for citizens to raise climate risks and priorities for minimising the negative impacts of climate change and building their resilience. The case study explored the planning and budget process at the Union Parishad (UP), the lowest administrative tier of the government. The UP is legally mandated to facilitate at least two ward-level consultations ensuring representation from the communities within the ward. Through the 'open budget' process, the UP: engages ward communities at a pre-budget meeting to propose, discuss and select a list of priorities; presents the approved budget to standing committees and local people and explains its final budget policy choices; and holds a mandatory mid-year meeting with at least 5% of voters to report on the progress of the budget implementation.

Table 1: The stage of policy cycle, participation mechanism type and lead actor in the public participation case in the three case study countries.

| COUNTRY | STAGE OF POLICY CYCLE | PARTICIPATION MECHANISM TYPE | LEAD ACTOR(S) |
|------------|-----------------------------|--------------------------------|---|
| Bangladesh | Planning/budget formulation | Ongoing annual consultation | <i>Union Parishad</i> (smallest rural local government units) |
| Indonesia | Planning/budget formulation | Ongoing annual consultation | Village and district/municipal government |
| Nepal | Planning/budget formulation | Ongoing quarterly consultation | <i>Nagarik Sajha Sabal</i> (Citizens Common Concerns) initiative to collaborate with local government |

In Indonesia, the case study focused on the *Musrenbang* process through which local governments encourage public participation in the drafting of the General Budget Policy (KUA) for regional revenues and expenditures as well as the Provisional Budget Priorities and Ceiling (PPAS). The *Musrenbang* discussion begins at the village, sub-district and district/regency levels. To support public participation, a pre-announcement should be issued seven days before the discussion. Formal community participation begins in January and goes through to June at the *Musrenbang Desa*, or the village development planning discussion. During these discussions, the village consultative body (BPD), the village government and sections of the community agree on the priority needs and problems that should be addressed in programmes and activities for the coming year. The results are then proposed to the *Musrenbang Kecamatan*, or sub-district development planning discussion. The outcome of this discussion informs the regional unit's strategic plan, the KUA, and the PPAS.

Although we analysed three cases of public participation in climate-related planning and budgeting processes in Nepal, this discussion focuses on the civil society–local government collaboration in the Gorkha district, Gandaki province. In response to the limited capacity and lack of attention to using public financial resources to meet climate targets, CSOs in Gorkha formed the *Nagarik Sajha Sabal* (Citizens Common Concerns) initiative to elevate citizens' needs and priorities. Local governments also accepted the existence of this civic mechanism and expressed readiness for collaboration in planning and budgeting. In 2019, the local governments invited Citizens Common Concerns representatives to participate in formulating and implementing the budget. Every three to four months local governments held meetings with CSOs to review their collaborative work and receive feedback for improvements in performance. Prior to these meetings, the CSOs hold meetings to prepare feedback on issues, including climate change and environment-friendly governance.

5.4 Case analysis using the GIFT principles

There are some common elements across the cases examined for the three countries – all are at the local level and during the planning and budget formulation process, and none were climate-specific. But they differ from one another in terms of the lead actor in the participation mechanism (ie Bangladesh and Indonesia were government-led legally mandated, while Nepal was civil society-led), the extent to which citizens could actively participate (ie in Nepal consultations continue throughout the year, while in Bangladesh and Indonesia

the consultation happens early in the planning and budget process), and the level of engagement (ie in both Bangladesh and Indonesia, levels of participation were more limited than that observed in Nepal). Despite these differences examining them against the GIFT principles can point to promising approaches as well as gaps.

Though none of the mechanisms focused exclusively on planning and budgeting for climate change, they all are mechanisms that should enable the informed use of public financial resources to invest in effective responses to negative climate impacts. That is not to say that there have not been climate-specific consultations in the countries. In Nepal, for example, between 2013 and 2017, as many as 17 village units of Gorkha had framed and rolled out Local Adaptation Plans of Action and Community Adaptation Plans of Action with direct public participation for implementing the adaptation plans. The fact that the participation mechanisms included in the studies were not climate specific should not be viewed negatively, as governments in the region have established integrated whole-of-government approaches to planning and budgeting for climate responses. As climate responses, particularly adaptation, are typically integrated into regular development activities, separate, parallel processes for climate budgeting could undermine public finance governance that enables financial resources to be used efficiently and effectively to support development in the face of climate impacts.

Accessibility

Meaningful public participation in budget processes requires timely access to relevant fiscal information so that people can understand the government's plans for raising and spending public money and engage in ways that can shape policy or improve execution and oversight. This is especially true for climate change budgeting because lack of access to detailed, programme/project-level data impedes the effective connecting of government spending to identified adaptation or mitigation needs. Access to this kind of budget information was problematic across all three countries. In Indonesia, public access to local government processes and information is established in law, but in practice it is limited. The Local Budget Index, a study by the Indonesian Forum for Budget Transparency, reported a transparency score for the 70 districts and cities assessed of 0.58 out of 1, falling short of the measure's benchmark for adequate information for meaningful participation. In Bangladesh and Nepal, access to aggregate, climate-specific budget information at the national level is provided online and through climate budget reports, but citizens and civil society actors struggle to get more local-level, detailed data on funds for climate-related investments. In Bangladesh, weak capacity and lack of financial

resources for information dissemination were identified as factors that limited accessibility. One of the reasons cited for finalising the UP Budget in April was so that it could inform the national budget process. However, the lack of disaggregated information makes it unclear as to whether this happens in practice. In Nepal, there is no routine disclosure of climate-related performance information, including spending data, and this undermines timely and informed engagement of citizens and CSOs in climate change affairs.

Openness

In terms of how well-informed citizens in the study countries were about the participation processes, the results were mixed. In Nepal, every three to four months the local government holds meetings with the Citizen Common Concern (CCC) group (representatives from different associations and federations of community-based organisations, the media, lawyers and teachers, as well as informal groups) to review their collaborative work. No strategic communication and engagement approach or mechanism was found to be used by government to reach out to the public in a targeted manner. Many of the communication mediums for public outreach, particularly online digital platforms, are not accessible by people experiencing poverty and marginalisation. Local government relies on the CCC to relay information to citizens on the types of feedback the government seeks. It gathers this information in community meetings and presents it to the government. While this symbiotic relationship is filling a gap in local government capacity, it falls short of ensuring that citizens have the information they need to fully participate directly. In Indonesia, we found that not all sections of society were aware of the agenda because the outreach to communities and groups on *Musrenbang* activities or other public participation forums was not adequate, which in turn lowered participation numbers. In Bangladesh, the legal framework (section 4 of the UP Act 2021) sets out with some clarity the process, timeline, relevant bodies and committees involved, functions, rules for who attends, and requirements for a quorum, but the UP process is weakened by practice and does not necessarily follow the law.

Inclusiveness

The mechanisms of public participation that were examined in all three countries lacked broad representation. This is especially problematic for climate budgeting as poverty, exclusion and other forms of marginalisation place people at higher risk of climate hazards. Bringing these people into planning and budget processes in ways that allow them to inform and influence the process requires capacity, resources

and will, but failure to do so risks poor policy choices and loss of public trust. In Bangladesh, the UP Open Budget process aims to include all groups by inviting all local CSOs, as well as representatives of other sectors, to participate in the meeting. It is mandated that the Ward Councillor announces the date, time and place of consultation, and invites women and men to join the consultation. However, based on our document review and interviews, no evidence was found of a substantial government-led effort to engage people in climate-related budgeting, particularly those most affected by climate change and often shut out of policy making and accountability processes. A concerted effort is needed to make spaces non-discriminatory and to facilitate participation of women, those suffering poverty and other marginalised groups. In Nepal, the range of representatives of different segments of the society within the CCC and the engagement of local media have helped channel information between government and citizens. But there is no civic structure or mechanism that represents marginalised people and those at risk from or suffering the impacts of climate change that would promote their participation and their voice around climate justice. However, with mounting pressure and collaboration between CSOs and local government, good practice has been initiated for allocating budgets for climate-vulnerable populations. In Indonesia, the *Musrenbang* mechanism is intended to engage citizens and non-state actors directly in planning and budgeting, including religious and community leaders and farmers, fishers, women, and student groups. In practice, though, it has not resulted in broad engagement, particularly of those who face various forms of marginalisation and are at greatest risk from the impacts of climate change.

Respect for self-expression

An important aspect of inclusiveness is to enable participants to use languages and ways of communicating that allow them to access relevant information and express their views accurately and effectively. Attention to this principle is essential to both the level of participation and the ability of participants to effectively influence outcomes. In the countries studied, this element was either subsumed within the lack of inclusion, as in Indonesia, or a contributing factor to it, as in Nepal, where asymmetry in access to information has made it difficult for underrepresented communities and people to engage in policy making and its evaluation. In Bangladesh, the UP budget process aims to create an enabling environment for communities and individuals to express their interests in their own way based on their needs, but the study did not find examples of this in practice.

Timeliness

To be meaningful, public participation mechanisms must happen on schedules that allow citizens to input to decisions and oversight processes when their inputs can actually make a difference to outcomes. The public should also have the opportunity to engage throughout the budget cycle. Across the three countries, the principle of timeliness appeared to be fulfilled in the mechanisms studied. In Nepal, the meetings of the CCC and local government take place in a timely manner in terms of informing policy and budget choices and happen throughout the entire cycle, though questions were raised about the flow of relevant and disaggregated information regarding climate policy before consultation. In Bangladesh, the timing of the pre-budget consultations allowed for citizen input in sufficient time to influence the UP's budget. In Indonesia there was some variation across regions in the *Musrenbang*, with some regions delaying the schedule. Factors leading to such delays included problems in organising the *Musrenbang* and document preparation.

Depth

The GIFT principle of depth is complementary to the principle of openness in that it goes beyond providing essential and logistical information on the particular engagement and intended outcomes, to provide citizens with complete information on policy/budget matters, priorities and potential impacts of choices to inform the discussion, as well as providing timely feedback on how public inputs were incorporated into final decisions. The latter is critically important for building trust in and understanding of the process, as well as supporting improvements in consultations on both the government and public sides. In Indonesia, the government provides a sufficient level of depth to support public involvement, but it fails to make this information accessible to all community members (eg simplifying language and using more graphics, or delivering it through radio or television broadcasts). In Nepal, the CCC civic mechanism to engage local government in policy and budget processes shares information with community members to gather their views, although the information is not accessible by all. The local governments do not issue any statement on how the public inputs are used in the final policy choices, including those related to climate change. Reporting back to citizens in Indonesia was also found to be suboptimal. While the government is required to gather and consider citizens' priorities and, when not acted upon, to explain why not, this does not appear to happen consistently. Respondents said that the public is only asked to hear and agree to the final policies to be carried out by the government. Similarly, in Bangladesh, the UP process provides the opportunity for government to provide some relevant information about choices and trade-offs on where the prepared budget differs from the prioritisation

determined in the public consultation, but the limited engagement of marginalised groups and poor reporting back on final budget decisions undermines public trust in the process.

Proportionality

With respect to whether the engagement mechanisms matched the scale and impact of the policy concerned, Bangladesh and Indonesia have formal consultations that theoretically could be proportionate but fall short in reality. In Nepal, the local government has not yet ensured formal consultation. Civil society-led participation in climate-related planning and budgeting in Nepal is beneficial but is insufficient for the scale and impact of failing to appropriately invest public funds in effective climate responses. However, with mounting pressure and collaboration between CSOs and local government, good practice has been initiated for allocating budget for climate-vulnerable populations. Local-level representatives have developed greater awareness of the need for and approach to green and inclusive development. In Indonesia, the *Musrenbang* process is central to determining policies, including budget policies, that meet public needs and priorities, so it merits substantial effort to maximise engagement. However, the outreach to communities and groups on *Musrenbang* activities or other public participation forums has been suboptimal, which has direct implications on broad participation. In Bangladesh, the formal process is not sufficient in that the UP is only required to hold consultations in two of the nine wards, and only 5% of the population must be involved. The limited scope is exacerbated by the lack of inclusion.

Sustainability

On the question of whether the state/non-state or public engagements studied in the countries lead to ongoing dialogue and increased trust, which is institutionalised and contributes to policy choices, the biggest threat across all three countries is the lack of inclusion in the participation mechanisms explored, and in Nepal the voluntary nature of the CCC mechanism. In Bangladesh and Indonesia, the local-level budget and planning mechanisms are institutionalised in law, so in that sense they are sustainable. While we observed that in Bangladesh there are some UPs engaging in more substantive consultations, this did not appear to be consistent over time or across UPs, leading to a call for stronger accountability measures to ensure compliance with the law. In Indonesia, the perceptions of elite capture threaten to undermine citizen trust and engagement and, thus, sustainability. In Nepal, the CCC mechanism in Ghorka benefits from the willingness of the local government to engage but without some effort to institutionalise public consultations, sustainability is not guaranteed.

Complementarity

With the exception of Nepal, which examines a civil society-led initiative, the participation mechanisms in the study countries fulfil the GIFT principle by ensuring that the mechanisms complement and increase the effectiveness of existing governance and accountability systems. In Bangladesh, the Open Budget UP process provides for direct citizen input but leaves the final decisions on budget preparation to the UPs, adding a means for citizen inputs in a way that strengthens the constitutional arrangements. In Indonesia, the results of the *Musrenbang* input into the preparation of the regional development plan, which becomes a guide in formulating the KUA and PPA documents, embedding it into the formal requirements in the budgeting process.

Reciprocity

It is challenging to identify the extent to which the state and non-state entities involved in public participation are open about their mission, interests, and whom they represent – or whether they observe all agreed rules for engagement and cooperate to achieve the objectives of the engagement. In each of the countries studied, the government's commitment to open, inclusive and meaningful consultations was questioned, including respondents in Nepal and Indonesia raising concerns about elite capture of the processes. If a range of citizens and civil society groups are not engaging in the mechanisms, examining their transparency is difficult, if not impossible. In Nepal, while there is evidence that the non-state actors were open about their positions and agendas in the CCC mechanism, there is a concern that apparent capture of the formal government process impedes the genuine participation of people from diverse communities in formulating and implementing budget policies, thus risking the diversion of funds intended for climate response to activities with limited climate relevance. In Indonesia the *Musrenbang* has not generated the level of public engagement intended, but alternative spaces for participation can and have been created through commonly used informal participation spaces, including village consultations (*Rembuk/Musyawah Desa*), community forums, and other formats. If such informal participation is institutionalised as has happened through the Regional Regulation (*Perda*) No.1 of 2016 on village consultations to resolve conflicts in Lampung District, or *Perda* No.3 of 2019 on guidelines for drafting village regulations in Bantul district, the transparency of citizens and CSOs can be more readily assessed.

5.5 Political economy context factors that affect public participation in climate-related budgeting and accountability

In all three countries, public participation spaces have, to some degree, been co-opted by political actors, such as by legislators and community leaders who are close to those in positions of power, or officials who are involved in the implementation of formal or informal spaces for participation. In Nepal, there are informal committees and mechanisms that are powerful in informally lobbying and shaping discussions with authorities, and these are generally male-dominated and influenced by higher caste people, resulting in limited capture of the views of marginalised groups.

Several factors also more broadly inhibit community engagement and participation levels, including: a lack of information and responsiveness from the authorities in relation to public inputs – which discourages further inputs; a lack of awareness of the implementation of the formal consultations and participatory spaces – which signals lacking communication from the authorities; public perceptions that the discussions are only formalities – which again signal a lack of meaningful engagement and reciprocity from local authorities; poor facilities and infrastructure to support public participation; and an overall lack of transparency and accountability in budget development and implementation at all levels – which makes meaningful engagement hard from a citizen perspective.

There are also gaps in the oversight and accountability processes. For example, in Bangladesh, only the annual budget is shared for parliamentary input and approval, but not the mid-year revisions, which can be substantial.

The informal spaces opened by CSOs and NGOs have supported greater engagement and coordinated calls for more transparency and accountability. In Nepal, the formation of the network of CSOs, journalists, lawyers, teachers, civic groups and citizens was a game-changing initiative to increase the negotiating power of citizens for participation in planning and budgeting, as well as to bridge the capacity and technical gap of local government in climate planning and budgeting. CSOs have been instrumental in increasing public participation in these processes. CSOs and the media are also important accountability actors in Nepal and have implemented several media campaigns and dialogue programmes.

Similarly, spaces for civil society participation in Bangladesh have been increasing in the last few years, as government efforts, such as the release of climate budget reports, have increased information and accessibility. Several CSOs in Bangladesh, including ActionAid Bangladesh, the International Centre on Climate Change and Development (ICCCAD) and the Democratic Budget Movement, are active in budget monitoring and engagement to support and facilitate civil society engagement. However, the government's climate budget report still lacks some aspects of accessibility, openness, and inclusiveness, particularly with regard to meaningful public engagement in the design or implementation process for assigning climate relevance to projects and activities – and CSOs are lobbying for improvements. There has also been some media participation to increase awareness and accountability in Bangladesh, such as through the pre-budget phase TV programme.

The increasing importance of climate change means there is greater focus on the need for strong national frameworks. For example, Nepal is making efforts to put in place constitutional, legal and policy frameworks and institutional mechanisms to address the emerging and growing issues of climate financing and accountability.

5.6 Quantitative analysis of public contributions to the climate budget

As discussed in Section 2.3, Eskander and Steele's study (2019) on the climate-related expenditure of rural households in Bangladesh demonstrates that rural households spend almost US\$2 billion on disaster preparedness and response. In absolute terms, this is more than double the Bangladeshi government climate and disaster risk reduction spending and more than 12 times higher than multilateral international financing to Bangladesh's rural population.

As there are no existing datasets on household climate-related expenditures, a similar analysis to update the data from the Bangladesh study, and to look at household expenditure in Indonesia and Nepal, was not possible within the scope of this study.

However, even a rough comparison of loss and damage from recent disasters versus national budget spending indicates a disparity between household needs and priorities and areas of government spending.

For example, in Nepal, loss and damage is a major issue, with households affected by flooding, landslides and heavy rain. Such disasters caused damages to housing (US\$164.5 million in 2017), irrigation (US\$147.7 million in 2017), livestock (US\$90.3 million in 2017) and agriculture (US\$60.7 million in 2017), suggesting losses of over US\$463.2 million in 2017. The losses can be up to ten times households' annual earnings, which can lead families into a 'poverty trap'.

In comparison, Nepal's National Climate Change Budget was approximately US\$3.3 billion in 2017–2018. According to the Financial Comptroller General Office, only US\$1.4 billion (43%) was actually spent. Of the budget, only 9.1% was allocated to support housing and community amenities, 59.3% was allocated to general public services, 27.8% to economic affairs (agriculture, fuel and energy, and other economic activities), and 3.6% to environmental protection. This indicates a disparity between household priorities and government support.

Similarly, in Indonesia, loss and damage figures from forest and land fires during 2019 reached US\$5.3 billion, and from the Jakarta floods in 2013 reached US\$490 million. These events suggest disaster risk preparedness and improvement in infrastructure are key household needs.

Comparatively, the national climate change budget in 2018 was US\$7.6 million. Of this amount, US\$4.1 million was allocated to mitigation (particularly railway infrastructure and roads) and US\$2.6 million was allocated for adaptation (particularly dam construction, construction of flats and normalisation of rivers). These components of major spend of the national budget again suggest a mismatch between household-level priorities and needs, and national spending.

While the lack of household spending data makes it difficult to more accurately determine the misalignment between government and household climate disaster spending, the rough comparisons provide evidence that current public investment is inadequate and differently focused. Clearer data and analysis on how climate impacts are shaping household spending, and therefore priority areas, would help both the municipality and the federal government to plan for and provide better support for households and to complement household efforts. Improving public participation throughout the public budget process is a clear way to bring households into these essential conversations about impacts and priorities and who is bearing the burden in financing the country's responses to the climate crisis.

6

Conclusion and policy recommendations

Through the literature and document reviews and the country case studies, the research team is not able to reject either of the two hypotheses tested. With regard to the first hypothesis on public participation, in all three countries studied, the governments fell short of providing spaces for citizens, CSOs, and others to engage in climate budgeting and oversight. This weak performance on participation was seen across all three countries and at national and subnational levels, even though the governments in the countries acknowledge the importance of public input to decisions on climate mitigation and adaptation investments and strong accountability. While capacity issues were cited in each country, there was strong evidence that political forces are a major factor.

The findings are not surprising in that global comparative assessments, like the Open Budget Survey, find that few countries provide meaningful opportunities for the public to participate in the budget process.⁴ However, there are now norms and standards for public participation in PFM processes, like the GIFT principles that are integrated into the OBS and PEFA, to help guide governments in designing and implementing – and ultimately assessing – public engagement mechanisms, as well as emerging models

being piloted.⁵ While this analysis used the principles as a broad frame for these initial case studies into participation in climate budgeting, there is further potential to develop and test a robust comparative diagnostic and assessment tool that could be incorporated into a GIFT assessment framework.

To address these issues, governments should explicitly adopt the GIFT principles and illustrate how they are adhering to these principles in practice. Specific recommendations for the case study countries include the following:

- As governments may lack the capacity for engaging traditionally marginalised people, they could partner with CSOs or other organisations that have connections to these groups. These organisations could help to inform them through accessible language and presentations of climate budget choices, and bring them directly into formal and informal engagement in ways that allow diverse voices to be heard.
- Governments must support public participation and broader public accountability by disclosing timely, accessible and comprehensive information on the budget, broken down by activities being funded.

⁴In the Open Budget Survey 2019 assessment of public participation, few of the 117 countries surveyed provide opportunities for public participation in the budget, and even fewer do so in ways that align with the GIFT principles. See International Budget Partnership, 2020, 2019 p. 48. www.internationalbudget.org/sites/default/files/2020-04/2019_Report_EN.pdf

⁵International Budget Partnership, 2020, pp. 53–56; and GIFT Public Participation Case Studies at <https://fiscaltransparency.net/case-studies>

- As several national ministries play key roles in the national level structure for climate budgeting, close coordination between these ministries is essential to ensure effective public participation.
- Structures to support coordination and development at the national level should be vertically integrated through the government system – that is, implemented also in subnational government authorities – to ensure local-level participation.
- Several processes must come together to support meaningful participation spaces, including the training and sensitisation of government officials on the need for such spaces and on how to facilitate them.
- Governments should increase trust in and accountability for public participation by: a) building a mechanism or instrument that regularly reviews and reports on the public participation process; and b) informing participants in consultations or other engagements on how their inputs were used in decisions. Citizens should also be made aware of the different participation opportunities and be able to voice concerns around participation processes, and highlight capacity issues, perceptions of elite capture, and other barriers to meaningful participation.

On the second hypothesis on the collection and integration of household spending data on climate change, the study finds that there is no specific effort to define climate-related household spending and collect the data in any of the three countries studied. Using the extremely limited data that is available, it was possible to make some cursory conclusions about the misalignment between government climate expenditure and household spending. While these conclusions should not be seen as definitive, they point to how household spending data could inform government targeting of resources to better align with people's needs and priorities.

There is an urgent need for countries to undertake climate household expenditure reviews. These can be integrated into general expenditure reviews of the government, which are often supported by the World

Bank and other development partners. Once available, this data can guide government and donor spending on climate to ensure alignment with household priorities and needs. Making such data publicly available, along with comprehensive and timely climate-related budget information, is an essential factor in ensuring effective climate-related public finance management and robust public accountability.

In addition to providing decision makers with valuable information on the needs and priorities of the people facing the greatest threats from climate change, the quantitative analysis supports the argument for public participation in budgeting and oversight by showing that the public are already partners in financing countries' responses to the climate crisis. As with donors and the private sector, households' direct investments contribute to the pot of financial resources available to mitigate the causes of climate change and build resilient and sustainable economies and societies. To ensure that governments adequately connect public investments with people's needs and priorities, efforts to understand household spending are needed. This can best be achieved through, for example, household climate expenditure reviews which can be integrated into World Bank-supported household expenditure surveys.

Further analysis and consultation, led by citizens and CSOs, is needed to understand the impediments to public participation in climate budgeting and financing. This could include:

- Designing and testing a GIFT assessment framework that scores governments on their adherence to the GIFT principles.
- Further analysis on the barriers to public participation for marginalised groups (on the basis of sex, gender, ethnicity, economic status, work or other forms of discrimination).
- 'Action research' in selected countries of public participation and oversight in climate budgeting, which would document the process and results, and draw lessons.

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Annexes

Annex 1: Table of accountability entry points

The conceptual framework presented in Table 1 defines 16 components of climate-sensitive budgeting (referred to as 'climate budgeting') and then considers the transparency requirements and potential roles of each accountability actor (AA) in each stage (through both horizontal and vertical accountability mechanisms). The framework lays out a model for accountability in climate finance that includes actors, institutions and processes. The accountability roles are colour-coded by whether they reflect or contribute primarily to: a) improved access to information (green); b) improved participation (red); and c) improved action by oversight institutions (blue).

Table 1: Conceptual framework for accountability in climate budgeting

| CLIMATE BUDGETING COMPONENTS | TRANSPARENCY REQUIREMENTS | POTENTIAL ROLES OF ACCOUNTABILITY ACTORS |
|---|---|---|
| Planning and policy institutions underlying budgets | | |
| 1. Inserting climate change (CC) mitigation and adaptation considerations in strategies (e.g., a CC strategy, or development, sector or institutional strategies that incorporate CC), including budget implications that would be reflected in a budget strategy paper (BSP) and/or other pre-budget documents | <ul style="list-style-type: none"> National, sector, and climate change strategies are publicly available, accessible, and set out in formats that are useful for identifying CC mitigation and adaptation issues and actions Financing chapters of strategies and plans are sufficiently disaggregated and/or include assessment of cost of climate change measures | <ul style="list-style-type: none"> CSOs (including those with CC or public finance expertise and those representing CC vulnerable populations, communities, and sectors) participate in strategy preparation around the degree to which CC considerations are included in strategies Media & CSOs review and raise awareness of CC strategies and their inclusion in pre-budget documents Parliamentary CC committee (PCCC) and budget/finance committee debates and comments on CC strategy and BSP/pre-budget documents Parliament reviews and comments on CC strategies and BSP/pre-budget documents |
| Macro-fiscal institutions | | |
| 2. CC risks are incorporated into macro-fiscal forecasts, policies, and sensitivity analyses (Off-budget CC financing and expenditures are included in fiscal framework forecasts, policies, and analysis) | <ul style="list-style-type: none"> CC parameters and assumptions underlying macro-fiscal forecasts and their use in forecasting models are public Outcomes from macro-fiscal sensitivity analyses are public and available in pre-budget papers and/or the Executive's Budget Proposal Timely and comprehensive information is available on off-budget CC financing and expenditures | <ul style="list-style-type: none"> Academic institutions/CSOs undertake and publish work on fiscal space and fiscal impact of CC factors to support accountability actors' assessments of CC and fiscal frameworks Academic institutions/CSOs comment and engage finance ministry or equivalent on how CC is incorporated into macro-fiscal models / forecasts and policies PCCC and budget/finance committee debates implications of CC for fiscal policy and vice versa, and robustness of inclusion of CC risks in macro-fiscal processes |

| CLIMATE BUDGETING COMPONENTS | TRANSPARENCY REQUIREMENTS | POTENTIAL ROLES OF ACCOUNTABILITY ACTORS |
|---|---|---|
| Revenue institutions | | |
| <p>3. Tax/revenue policies support CC mitigation, and CC-linked tax measures are fair, efficient, and effective, and administered fairly</p> | <ul style="list-style-type: none"> • Public information is available on total body of cumulative tax/revenue measures • Tax/revenue policy proposals are published before enactment • In-year reports include disaggregated revenue and tax data to enable monitoring of implementation • Audit reports include assessment of the reliability of on-budget CC-linked revenue accounts | <ul style="list-style-type: none"> • Academic institutions/CSOs undertake and publish work on fairness and efficiency of CC-linked tax measures and CC impact of tax system and proposals to support parliament and other accountability actors to hold government to account for decisions • CSOs scrutinise and analyse In-Year, Year-End, and Audit Reports on CC-linked revenue and include findings in engagement with finance ministry and other public actors • CSOs/media/academic institutions monitor implementation and raise awareness of tax policy impacts, and media reports on unfair application of CC-linked tax measures • PCCC and budget/finance committee debates CC impact of tax measures and proposals, and of CC-linked tax proposals • Relevant parliamentary committees scrutinise In-year, Year-end, and Audit reports on CC-linked revenue |
| <p>4. Off-budget CC revenue flows are transparent to the finance ministry and the public and monitored</p> | <ul style="list-style-type: none"> • In-year and year-end revenue reports include information on off-budget CC revenue flows • Audit reports include assessment of the reliability of off-budget CC revenue accounts | <ul style="list-style-type: none"> • CSOs scrutinise and analyse In-year, year-end, and audit reports on off-budget revenue and include findings in engagement with finance ministries and other public actors • CSOs/media/academic institutions monitor management of off-budget revenue flows and raise awareness of impacts and problems |
| Intergovernmental institutions (where relevant) | | |
| <p>5. Intergovernmental grant system and rules for subnational borrowing include due attention to CC considerations, including</p> <ul style="list-style-type: none"> • the weighting of intergovernmental grants for CC relevance • consideration of CC issues in conditions for subnational borrowing | <ul style="list-style-type: none"> • Rules and conditions for, and approvals of, subnational borrowing are transparent • Intergovernmental grant budgets and realization are public, including conditions and an analysis of CC relevance | <ul style="list-style-type: none"> • CSOs assess intergovernmental grant system design, budgets, and implementation for CC commitments and include their findings in engagement with relevant executive institutions and parliament • Media reports on and publicises CC-financing issues arising out of intergovernmental grant system • PCCC and/or budget/finance committees includes intergovernmental system in its system and annual review and accountability processes |

| CLIMATE BUDGETING COMPONENTS | TRANSPARENCY REQUIREMENTS | POTENTIAL ROLES OF ACCOUNTABILITY ACTORS |
|---|--|--|
| Public Expenditure Institutions | | |
| <p>6. Ministry of Finance (MOF) issues guidelines to line ministries (LMs) on incorporating CC into their budget submissions, including regulations and technical instructions</p> <p>Budget submission requirements include request for information on LM CC interventions financed off-budget (including through donor financing in developing countries)</p> | <ul style="list-style-type: none"> • Budget guidelines are made available on MOF websites | <ul style="list-style-type: none"> • CSOs available to provide input into guidelines/instructions • CSOs review guidelines/instructions to ensure that CC issues are included, adequate, and appropriate • PCCC and/or budget/finance committees debates guidelines |
| <p>7. LMs respond to CC guidelines in their programme design work and budget submissions</p> | <ul style="list-style-type: none"> • No direct transparency dimension | <ul style="list-style-type: none"> • CSOs support LMs in integrating CC into programme design and budget submissions • Media report on proposed CC programmes |
| <p>8. Classifying CC relevance (the percentage of a project or program that relates to CC) and “real-time” monitoring of CC weighted expenditure during budget negotiations</p> | <ul style="list-style-type: none"> • Approach to and methodology to weight expenditure for CC relevance is publicly available | <ul style="list-style-type: none"> • CSOs support and validate LM work to define CC percentages • Media and CSOs monitor and report on CC expenditure trends during budget negotiations • CSOs testify on CC priorities, proposed CC expenditures and weights • PCCC and/or budget/finance committees reviews and comments on weighted expenditure trends |
| <p>9. Budget approval includes commitment to weighted CC expenditure targets</p> | <ul style="list-style-type: none"> • Pre-budget statement sets out aggregate proposed expenditure for CC • Executive’s budget proposal sets out details of proposed expenditure and expected results for CC | <ul style="list-style-type: none"> • PCCC and/or budget/finance committees hold hearings and debate CC provisions in budget, and parliament approves CC provisions in budget • CSOs participate in budget hearings on CC • CSOs and media help public understand CC aspects of the enacted budget (eg including accessible non-technical presentations of CC in articles, broadcasts, and citizens budgets) |
| <p>10. LMs and subnational governments execute CC-related expenditure in enacted budget</p> | <ul style="list-style-type: none"> • Systems to enable tracking of CC weighted expenditure, either ex post or through real-time mechanisms, such as tagging and coding through the expenditure management and accounting system • Performance information systems to track effectiveness and efficiency of CC weighted expenditure | <ul style="list-style-type: none"> • CSOs use public budgets and publicly available information on budget execution at the subnational level to monitor spending and service delivery on CC projects and programmes • CSOs engage local officials, parliamentarians, and government officials on issues related to execution and performance of CC funds • CSOs and media publicise progress on execution, including mismanagement and misuse of CC funds |

| CLIMATE BUDGETING COMPONENTS | TRANSPARENCY REQUIREMENTS | POTENTIAL ROLES OF ACCOUNTABILITY ACTORS |
|---|--|--|
| <p>11. In-year reports, including monthly accounts, include CC-weighted spending</p> <p>In-year reports are available on off-budget CC expenditure, particularly for dedicated and off-budget climate change funds</p> | <ul style="list-style-type: none"> Public and accessible in-year reports with sufficient disaggregation and/or reporting against CC commitments Public and accessible In-Year Reports on dedicated and off-budget climate change funds. | <ul style="list-style-type: none"> CSOs and media monitor in-year Reports and investigate variance between budgeted and actual expenditures and revenues CSOs support parliamentary in-year review processes, for example by participating in hearings or sharing analysis with committees PCCC and/or budget/finance committees monitor and debate In-Year Reports (on- and off-budget) and investigate variance between budgeted and actual expenditures and revenues Parliament, CSOs, and media comment on in-year Reports |
| <p>12. Mid-year supplementary budgets</p> | <ul style="list-style-type: none"> Explanatory documentation submitted with the mid-year supplementary budgets sets out revised aggregate and detailed CC expenditure and financial and nonfinancial performance to date | <ul style="list-style-type: none"> PCCC and/or budget/finance committees and parliament debates/approves CC relevance of supplementary budget proposals CSOs participate in parliamentary hearings and advise finance ministry on revised financing of CC priorities and performance to date, based on policy/trends Media analyses and reports on options for CC priorities |
| <p>13. Year-End Report includes CC-weighted expenditure</p> <p>Year-End reports include information on off-budget CC expenditure, including expenditure funded by donors</p> | <ul style="list-style-type: none"> Ministry, department, and agency and/or aggregate Year-End Report provides information on CC-weighted expenditure and performance and off-budget CC expenditure and performance | <ul style="list-style-type: none"> PCCC, budget/finance committees and/or sector committees reviews year-end reports and interrogate public officials on expenditure and performance CSOs and media review and comment on annual accounts CSOs participate in any hearings by parliament on year-end reports |
| <p>14. CC expenditure weighting is audited, and audited financial statements include audited CC weighted expenditure</p> <p>Off-budget CC expenditure is routinely audited as part of supreme audit institution (SAI) mandate</p> <p>Public accounts committee recommendations include attention to CC weighted expenditure</p> | <ul style="list-style-type: none"> Audit reports for general government are submitted to parliament and public Audit reports include section on reliability of information in public accounts on CC weighted expenditure Public accounts committee (or equivalent) recommendations are public Government responses to public accounts committee recommendations are public | <ul style="list-style-type: none"> SAI audit CC weighted accounts and performance information In cases where SAI has policy/performance auditing capacity, SAI comments on methods used to produce the weighted expenditure CSOs undertake social audits of CC-related expenditure CSOs and media analyse and publicise <ul style="list-style-type: none"> SAI audit findings social audit findings public accounts committee recommendations on CC expenditure and progress on government responses to recommendations; and performance information on CC expenditure SAIs engage civil society as part of risk assessment of public expenditure and public institutions for auditing |

| CLIMATE BUDGETING COMPONENTS | TRANSPARENCY REQUIREMENTS | POTENTIAL ROLES OF ACCOUNTABILITY ACTORS |
|---|---|---|
| <p>15. Comprehensive annual CC monitoring report is undertaken, including information on, and analysis of, the flows and performance of CC-linked tax measures; CC weighted budget expenditure; and CC off-budget expenditure</p> | <ul style="list-style-type: none"> Annual CC monitoring report is publicly available | <ul style="list-style-type: none"> CSOs participate in preparation of report, bringing information from expenditure and service delivery monitoring and social auditing activities CSOs and media comment on report PCCC and/or budget/finance committees scrutinise report, hold hearings, and call government officials to account for flow of funds and performance |
| <p>16. Occasional evaluation/ program review reports by the government and/or SAIs updating evidence on policy, programme, and project effectiveness, efficiency, economy, and impact, and CC weightings</p> | <ul style="list-style-type: none"> Evaluation TORs and report are public | <ul style="list-style-type: none"> CSOs involved in evaluations, including by providing technical expertise, evidence, and viewpoints and/or acting as evaluators CSOs provide independent assessment of evaluations Media reports on evaluations PCCC debates evaluations and calls for wider parliamentary debate, if necessary |

Note: improved transparency – green; participation – red; oversight – blue

Annex 2: Cross-country summary

1. WHICH COMPONENTS OF A CLIMATE CHANGE BUDGETING AND ACCOUNTABILITY SYSTEM ARE IN PLACE?

| Bangladesh | Indonesia | Nepal |
|--|--|--|
| <p>Frameworks: CPEIR (2012), CCFF (2014), climate budget reports (annually, starting from FY 2016–17).</p> <p>Expenditure management is led by the MoF, with partial consultation with Parliament.</p> <p>The SAI does not have a specific division or desk charged with the oversight of climate programs. The Implementation Monitoring and Evaluation Division (IMED) has provided very little scrutiny to climate-related projects. The All-Party Parliamentary Group (APPG) has a subgroup on climate.</p> <p>The Constitution of Bangladesh (2016) states that its citizens should have direct pathways for participation in and management of local government.</p> | <p>Frameworks: CCFF (2012), CPEIR (selected provinces) (2015/16), climate budget tagging (CBT) (2016).</p> <p>Expenditure management is led by the MoF at central level, and the Budget User Authority at regional level. The Indonesia Climate Change Trust Fund, set up in 2009, collects and coordinates various sources of climate finance.</p> <p>The SAI provides some climate finance scrutiny, with offices in every province. Additional scrutiny is provided from provincial and district inspectorates at local level.</p> <p>The Constitution of Indonesia establishes public participation as a constitutional right. The National Development Planning System Law (SPPN) (2004) stipulates that any development planning related to the public interest must provide spaces for the public to be involved.</p> | <p>Frameworks: CPEIR (national) (2011), climate budget code (national and provincial level) (FY 2012–13), CCFF (2017).</p> <p>Expenditure management is led MoF and supported by the Financial Comptroller General Office.</p> <p>The SAI carries out some financial, performance, and compliance auditing of climate public expenditures, and has a policy of Citizen Participation in Audit. There is no House of Representative committee specifically for climate or environment.</p> <p>The Constitution of Nepal (2015) guarantees the fundamental right of every citizen to live in a clean and healthy environment. The Environmental Protection Act (2019) specifies provisions for engaging the public in climate-responsive and environmental protection activities. The Environment Protection Rules (2020) stipulate the process and timeline for conducting public hearings and reporting.</p> |

2. TO WHAT EXTENT IS AN ENABLING ENVIRONMENT FOR PUBLIC CLIMATE FINANCE ACCOUNTABILITY (CFA) SUPPORTED?

| Bangladesh | Indonesia | Nepal |
|--|---|--|
| <p>The Union Parishad (UP), the lowest administrative tier of government, facilitates at least two annual ward-level consultations ensuring representation from the communities within the Ward jurisdiction. This part of the Open Budget process, which includes a pre-budget meeting in February; a presentation of the proposed budget in April; and a mid-year progress meeting in Nov/Dec.</p> <p>CSO actors have developed several informal spaces for public participation, including:</p> <ul style="list-style-type: none"> • post-budget analysis by CSOs • Climate Finance Governance Network (2010–2018), to track international climate finance • Democratic Budget Movement, a platform of CSOs and NGOs working to create an enabling environment for citizens, taxpayers, and professionals in different regions of the country to engage in the national budget process. • Kemon Budget Chai ('The Budget We Want') (2017–2018), a television show by the International Television Channel Limited (NTV), focused on an exchange of views from different actors during the pre-budget phase • Climate Finance Accountability Initiative, a CSO-led process to analyse the climate budget, including supporting social audit to ensure public participation in the climate budget process. | <p>Under the National Development Planning System Law (2004), development planning should be carried out with the participation of the public at central and regional levels through a 'Musyarawah' (consensus decision-making) process. This space is known as the development planning discussion (<i>Musrenbang</i>). The <i>Musrenbang</i> is a formal space that begins in villages and goes up to district/city levels.</p> <p>In local development budgeting, public participation is carried out through public consultations, discussions, and/or deliberations for the drafting of the General Budget Policy for regional revenues and expenditures as well as the Provisional Budget Priorities and Ceiling (PPAS).</p> <p>Informal spaces commonly used at community level include village consultations (<i>rembuk/musyawah desa</i>), community forums, and other local formats such as village meetings.</p> | <p>At federal level, the MoF has a pre-budget submission, and (limited) e-consultations during budget implementation, however, no focused discussions or engagement. At provincial level there is no separate mechanism. At the local level, the Local Government Operation Act 2018 establishes civic mechanisms such as users' committees, and the 2018 local-level planning and budget formulation guidelines include provisions to make the process of local-level annual plan formulation and budget allocations participatory. There are several social accountability tools for budget monitoring (e.g., Follow the Money and public expenditure tracking surveys [PETS]) and technological tools, platforms, and systems enable citizens to engage in climate budget oversight to strengthen their role in the accountable use of public finance.</p> <p>CSO spaces include:</p> <ul style="list-style-type: none"> • An alliance consisting of 35 CSOs are coordinating to submit inputs to the government ahead of high-level global and national climate change events. • Kachahari (town hall meetings), social media (Facebook and Twitter), mothers' groups, youth groups, senior citizens forums, buffer zone committees around national parks and wildlife reserves, disaster response committees, flood-displaced struggle committees, small farmers' groups/cooperatives, and climate school of farmers. |

3. FINDINGS OF PARTICIPATION IN A BUDGET PROCESS AGAINST GIFT PRINCIPLES

Bangladesh

The Open Budget process is well timed to be able to input meaningfully into budget preparation, budget approval and budget implementation and oversight processes (**timeliness**). However, in practice, the inputs allow for limited level of **openness, depth, inclusiveness, and reciprocity**, and more closely resembles a process to fulfil procedural requirements as a formality rather than for any meaningful participation. The information provided by the government generally lacks the detail needed for the public to build a clear picture of how the budget will be invested or to engage in decision-making or oversight processes (**accessibility**). Although the strong legislation and embeddedness in the decentralisation process supports an element of sustainability, the process activities are not necessarily carried out consistently and would benefit from a monitoring and reporting mechanism that provides consequences for non-compliance (**sustainability**). The mechanism is also very limited in engaging, including provides resources to support the engagement of, women or other marginalised or vulnerable groups (**inclusiveness**), nor does it provide **proportionality** through broader spaces that provide **respect for self-expression**.

Indonesia

The *Musrenbang* process starts at the village level, to agree priority needs for the next year, which are then brought forward in forums as the process develops to higher tiers of administration, to support the integration of these priorities in regional and national strategic plans (**depth**). This direct integration into the policy development process supports **sustainability and complementarity**. The activities are intended to run from January to June, however, these schedules are sometimes delayed because of organising issues or incomplete preparation of documents (**timeliness**). Disclosure of engagements is limited, and meetings are not held to support wide attendance at discussion forms (**openness**), which tend to not be representative of the population (**inclusiveness**). The meetings tend to have limited scope for public inputs (**respect for self-expression, proportionality**), and instead request approval of pre-formed policies (**reciprocity**). Policy and preparation documents are to be provided ahead of the discussion meetings, however in practice, these documents are not sufficiently accessible to the community (**accessibility**). The process does engage various civil society groups in the deliberations, including women's groups, children's forums, and others, but it has not exhibited broad engagement, particularly of those who face various forms of marginalisation or the most vulnerable.

Nepal

There is no civic structure or mechanism that represents marginalized people and climate change survivors in advancing their participation and voice for climate justice (**inclusiveness**). The federal system is opening up opportunities for institutionalising and sustaining public engagement at the three tiers, and mechanisms and levels of engagement currently vary across the districts. Good practice has been seen in the form of CSOs supporting transparent disclosure of information, which has enabled proactive public participation (**accessibility**), CSOs working with the authorities to support Users' Committees that are facilitating the leaders of marginalised communities, including women and vulnerable groups, to input their priorities into the process (**inclusiveness**), and the use of social accountability tools (**openness, respect for self-expression, depth** through the reliable allocation of budget, open forums and joint monitoring and evaluation of government and CSOs, and **sustainability** through regular engagement and **reciprocity** of actors. However, these represent only instances across different mechanisms, and there are also many areas for improvement. For some mechanisms, engagement is seen as a formality, and public inputs are ignored in policy decisions (**reciprocity**). Elite and political capture is also evident, impeding genuine participation (**openness**). In general, asymmetry of information has compromised the ability for under-represented communities and people to engage in policy and evaluation (**proportionality, inclusiveness, accessibility**). Authorities have not issued any information as to how the public inputs are used (**depth**), and there is no evidence of aligning engagement to ensure effective inputs into the budget cycle (**timeliness**).

4. WHAT ARE THE POLITICAL ECONOMY CONTEXT FACTORS THAT SUPPORT OR UNDERMINE PUBLIC PARTICIPATION IN CLIMATE-RELATED BUDGETING AND ACCOUNTABILITY? HOW DO THESE FACTORS AFFECT THE IDENTIFIED GAPS AND THE LIKELIHOOD OF THE GAPS BEING FILLED?

| Bangladesh | Indonesia | Nepal |
|--|--|---|
| <p>Several CSOs in Bangladesh are active in budget monitoring and engagement, including ActionAid Bangladesh, the International Centre on Climate Change and Development (ICCCAD), and the Democratic Budget Movement, that supports and facilitates civil society engagement.</p> <p>Spaces for civil society participation have been increasing in the last few years, as provisions like the climate budget report have increased information and accessibility. There has been some media participation, such as the budget TV programme, but in general, the media has not been notable.</p> <p>The provisions in the Development Project Performa of the government encourage public participation in project development, but in practice, there is a lack of openness for participation and information sharing.</p> <p>The government's annual Climate Budget Report supports an increase in transparency on allocations, revisions, and expenditure, but still lacks some aspects of accessibility and openness. Parliament input is limited by mid-year revisions being made but not sent to Parliament for approval.</p> | <p>The study finds that public participation spaces have been co-opted by political actors, such as legislators and community leaders, who are close with those in positions of power, or related officials who are relevant to the implementation of formal or informal spaces for participation.</p> <p>There are several factors that inhibit participation levels in the community:</p> <ul style="list-style-type: none"> • public perceptions that the <i>Musrenbang</i> is only a formality; • lack of information and responsiveness of the authorities in relation to public inputs; • lack of awareness of the implementation of the <i>Musrenbang</i> discussions or other participation spaces; • views that develop in the region should be the sole responsibility of the government, which can affect people's willingness to participate; • lack of transparency and accountability in the implementation of development and budgeting at all levels; and • poor facilities and infrastructure that support public participation in development. <p>Other political factors that can affect participation relate to actors, power status, social capital, and level of interest.</p> | <p>There are informal committees and mechanisms that are powerful in informally lobbying and shaping discussions with authorities. However, these are generally male-dominated and influenced by higher caste people, so the views of marginalised groups are not being captured. The formation of the network of CSOs, journalists, lawyers, teachers, civic groups, and citizens was a game-changing initiative to increase negotiating power of citizens for participation in planning and budgeting, as well as to bridge the capacity and technical gap of local government in climate planning and budgeting. CSOs have been instrumental in increasing public participation in these processes. CSOs and the media are also important accountability actors in Nepal, and have implemented several media campaigns and dialogue programs. Nepal is making efforts to put into place constitutional, legal and policy frameworks, as well as institutional mechanisms, to address emerging issues of climate financing and accountability. Many challenges however remain in relation to the institutional arrangements and technical capacities, and resource availability of local governments.</p> |

5. QUANTITATIVE COMPONENT: PUBLIC CONTRIBUTION TO THE CLIMATE BUDGET

| Bangladesh | Indonesia | Nepal |
|---|--|--|
| <p>National climate change budget estimation: US\$2.9 billion for FY 2020–21. 41% of this finance goes towards food security, social protection and health.</p> <p>Household climate change budget estimation: US\$ 2 billion for FY 2015–16. Key household spending is on disaster-related house repairs and other emergency preparedness.</p> | <p>National climate change budget estimation: US\$3.3 billion in 2017–18.</p> <p>Household climate change budget estimation: no data available. However, loss and damage is a major issue, with households affected by flooding (estimated loss from 2010–2016 of US\$130 million), landslides and heavy rain. This caused damages on housing (US\$164.5 million in 2017), irrigation (US\$ 147.7 million in 2017), livestock (US\$90.3 million in 2017) and agriculture (US\$60.7 million in 2017).</p> | <p>National climate change budget estimation: US\$7.6 million in 2018. US\$4.1 million to mitigation (particularly railway infrastructure and roads) and US\$2.6 million for adaptation (particularly dam construction, construction of flats, and normalization of rivers).</p> <p>Household climate change budget estimation: no data available. However, loss and damage figures from forest and land fires during 2019 reached US\$5.3 billion, and from the Jakarta floods in 2013 reached US\$490 million. These events suggest disaster risk preparedness and improvement in infrastructure are key household priorities.</p> |

6. RECOMMENDATIONS

| Bangladesh | Indonesia | Nepal |
|--|--|---|
| <ul style="list-style-type: none"> • strengthen implementation of regulations and legislation stipulating public participation • ensure greater engagement and consultation of direct beneficiaries during project development, implementation and monitoring • increase transparency of information during the April budget meetings, providing justifications for shifts in allocations • establish a joint task force with representatives from ministries, CSO and the private sector to support planning, implementation and monitoring. Undertake joint government-CSO social audit processes. • develop a climate finance registry and share online details of climate projects that CSOs can access and disseminate • provide greater resources to support participation, particularly of the marginalised and most vulnerable | <ul style="list-style-type: none"> • ensure more meaningful and inclusive space for society to influence policy through enforcing regulations and legislation clarifying public participation. Build mechanisms or instruments to regularly review and strengthen the public participation process, drawing on the GIFT principles. • ensure that the local government budgets for the cost of conducting regular <i>Musrenbang</i> forums at the village level through the APBD • government at all levels should involve national partners (CSOs, academia and the private sector) who focus on climate change issues and have relationships to communities, as participants and co-organisers in development planning meetings. • government should put mechanisms in place to reduce the elite capture of participation forums. They should increase the transparency around how many of the community proposals are included in the Annual Regional Government Plan and the local budget and why not, where they have not been. | <p>For state convenors:</p> <ul style="list-style-type: none"> • integrate inclusive participation, equity and incentives into financial instruments and processes, recognising the different needs and interests of diverse stakeholders. • focus on inclusion, voice, and participation • build coherent mechanisms and systems to support subnational governments • categorically stipulate citizen engagement strategies and entry points in all phases of the budget cycle. Collaborate with CSOs that have experience in engaging excluded and vulnerable groups. • all three tiers of government to proactively public disaggregated data and information on the benefits and participation of citizens • formal oversight institutions such as parliamentary committees and the Office of Auditor General (OAG) to scrutinise climate finance at various stages of the budget cycle. • improve multi-stakeholder engagement, including universities, in research to generate evidence for policy making, the private sector to augment climate investment, and CSOs to bridge the information gap • the Central Bureau of Statistics should collaborate with national and subnational governments to deliver a national survey on households' climate change expenditure <p>For non-state actors:</p> <ul style="list-style-type: none"> • support existing civic mechanisms such as users' committees to be more inclusive and representative. Employ alternative mechanisms for civic engagement and accountability to reach different groups. • augment policy dialogues to bring together the beneficiary, government representatives, provincial lawmakers, and CSOs in joint understanding on climate change issues and their effects. • advocate for and bring voices from informal spaces into formal mechanisms • use data and information related to climate related performance in their monitoring, advocacy, and oversight roles |

Effective climate budgeting requires meaningful participation and systematic public engagement. Without these it is difficult for governments to provide climate financing that aligns with household priorities, and households will continue to spend large amounts of money responding and adapting to climate change without, and sometimes against the flow of, public financing.

Using a case study approach, this paper explores the role of public participation in climate budgeting in Nepal, Bangladesh, and Indonesia by assessing these governments' adherence to the Global Initiative for Fiscal Transparency (GIFT) principles of public participation in fiscal policy. It also analyses secondary data on household climate and disaster priorities against government climate and disaster expenditure estimates, and finds that households in these countries are significant financiers of climate resilience. But their governments are not yet enabling households to meaningfully participate throughout the public financial management (PFM) process that would lead to better alignment and targeting of the public climate budget. The paper also identifies cross-country learning and makes recommendations to support improvements in public accountability and participation processes, particularly through interventions to improve national adherence to the GIFT principles.

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