Climate Responsive Budgeting: Ensuring that Climate Finance Reaches the Poor and Promotes Gender Equity

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Regional Workshop on Climate Responsive Budgeting. UNDP, Sweden, UK Aid and IBP. 7 November 2014. Bangkok.
Issues of discussion

• How to incorporate climate change and poverty issue in the Thai public expenditure?
  – The Thai government already has an institution to do incorporate poverty and social issues into the budgeting process, but not yet the climate change issue.

• How to incorporate the needs of the communities into the central government budget?
  – A research work is in progress, but still a long way to go

• Accountability: how to guarantee positive net social benefit from the climate expenditure projects?
  – A problem of NIMBY
1. How to incorporate climate change and poverty issue in the Thai public expenditure?

- Mr. Mukherjee provides an interesting methodology, which will be useful for countries that have not yet established the service level agreement (SLA) between government agencies and the government.
- In Thailand, the SLA has been implemented by the Office of Public Development Commission (OPDC) more than a decade.
- Government agencies have to prepare their budget according to the Government’s policy, the national plan and the constitution (the so-called “directives principles of fundamental state policies”, which include social, health, economic, land and natural resource policies)
- We also have a national committee on climate change chaired by the prime minister which rarely convenes
Thailand’s service level agreement (1)

• The institution: the SLA is signed between the head of agencies (permanent secretary) and the PM
  – Following the UK model
  – Responsible agency: OPDC
  – Objectives: to enhance the efficiency of the implementation of government policies
  – Incentive: a special bonus depending on the performance measured by the KPIs agreed upon between the agency heads and the committees

• The 2014 SLA strategies include
  – Competitiveness
  – Equity, inclusive growth and green growth
Thailand’s service level agreement (2)

- Each strategy is measured by a set of KPS broken down by sector, e.g.,
- Competitiveness:
  - Agriculture: value of major commodities, yield, GAP
- Equity/inclusive growth/green growth:
  - Environment: no. of enterprises that satisfy the Green Industry Criteria, waste disposal, water quality
  - Social: no. of poor households that have income lower than the basic need requirements
- Each KPI has different weights depending on its importance and the result of negotiation between the heads of agency and the OPDC committees
Thailand’s service level agreement (3)

• The problem is that climate change, not poverty or any social issues, that is not yet included in the SLA.

• Even the new master plan on water management does not directly incorporate the climate change issue as an integral part of the plan. 

WHY?

• “not yet enough knowledge on climate change, particularly its impact and required adaptive strategies”

• Paradoxically, most farmers who are regularly subject to floods and drought, do not yet understand what how the climate change will affect their production and livelihood.
Thailand’s service level agreement (4)

• Though there has been studies on CC in Thailand, most of the studies on its impact, and needs are still in the infant stage and speculative

• A TDRI study on farmers’ adaptation to extreme weather events attempts to measure the cost-benefit of climate change and estimate the expected future net benefit of the adaptation strategies
  – But due to a small number of weather forecast stations, we have difficulties measuring the climate change at the community level (sub-district and village), let alone forecasting the future climate at the sub-district level.

• Until we have more credible estimates of the impact of CC, no politician will be willing to provide any budget for the unforeseen future because they have a large number of short-run demands from the voters that have to be urgently satisfied
2. The needs of the communities for large enough budget for the projects that serve several communities to cope with climate change

- After the 2011 flood in the Chao Phraya river basin, the governments have plans to invest in major flood protection projects for major cities, especially Bangkok, but at the expense of many peri-urban communities outside the protection dykes.
- Many communities, which were heavily flooded, have to organize themselves and develop plans for their communities, thanks to the support and coordination work of some foundations and university action research teams.
- Some communities have also successfully organized the water management to cope with drought.
2. The needs of the communities for large enough budget (2)

- But their plans have been under-funded because the communities – most of which are very small (>7,500 tambons) – receive too small budget

- **Serious fiscal decentralization problems**: Community leaders have to seek big budget from the government departments (the so-called regional administration), using all sorts of informal connection with national politicians
  
  - Yet the projects, say a dyke to protect several connected villages along the river, are given very small budget that it will take many years before the projects are complete
  
  - One major problem of budget allocation process is “fragmentation” and lack of coherent strategy despite the fact that we have so many “national committees” and “the national plan”. This is due to the nature of Thai law which gives power to the “government agencies at the department level”
  
  - Worse, the budget that each tambon receive from the decentralization budget, can’t be spent outside the tambon. But the canal or river passes through many tambons. If you dredge only part of the canal that is in your tambon, you will not be able to solve the flood problem.
2. The needs of the communities for large enough budget (3)

• In the deliberative forums organized by TDRI, village leaders informed us that a number of informal organizations/network have been successfully established in order to cope with the future flood and drought.
  – Yet they have neither enough budget nor legal power.
  – They recognize a need to link their horizontal organizations with the central government which has both money and power.
  – The link will enable them to inform the government and to submit their projects for the approval.

• The remaining problem is what type of link and mechanism between the community network and the central government.
  – TDRI is working on the alternative models of linkage institution.
  – If successful, the climate budget could be more effectively and equitably allocated to serve the needs of the poorer communities in coping with the extreme weather events.
3. Accountability

• Ms Kanpur’s work on education finance and accountability in India is very useful and give lessons for other countries, especially Thailand which spend a lot of money on education, much higher than most developing and developed countries
  – but the performance is very poor. Quality of education is very poor, particularly in rural area
  – But we have different problems of gender, i.e., male access to education is worse than that of female

• TDRI has done research on the problems of accountability in the education system and has proposed a concept of “direct accountability” where the school head master has to be accountable to the parents of their students (through an exit exam whose result will be disclosed publicly and school is allowed to recruit its own teacher, as well as the concept of education coupon)
Framework for Accountability

Parents

School

School Selection/Involvement in Controlling and Managing School

Direct Accountability

Voice in Politics

Government

Indirect Accountability

Control and Management

TDRI (2011)

School

Teachers

www.tdri.or.th
3. Accountability (2)

- In a case of climate budget for flood protection in Thailand’s master plan on flood management, our problem is not lack of money at the national level
  - one of the most serious problems is that the rural people and CSOs strongly have opposed some major projects, especially dams and flood way.
  - Why?
- In a meeting with the villagers in a western province who will be affected by the flood way construction, an irrigation officer told the villagers that……” You have to sacrifice so that Bangkok can be protected from flood”.
- The villagers responded that “My village has no flood problem. So why do we have to sacrifice for Bangkok?”
3. Accountability (3)

- Why people oppose the construction of big projects?
  - Unfair compensation
    - Their lands are expropriated at the unfair price (below the market value)
    - They are directly affected by the project, e.g., being flooded because their community is outside the protection dyke. But they are not compensated
  - Many irrigation and flood protection projects failed to provide the “promised” benefits for several reasons, e.g., technical, management and maintenance
  - Problems with feasibility study (cost-benefit), EIA & HIA: unreliable, distorted, and wrong
    - No common guidelines for preparation
    - No common definition of output, e.g., definition of drought
    - Conflict of interests of the implementing agency
    - No preliminary EIA
    - Problems with valuation of irreversible natural resources
    - Etc.
3. Accountability (4)

• People participation

– People who are affected (positively as well as negatively) have never been informed or given any information before the project is decided, let alone “consulted”

– So they have never been given other alternatives, or asked whether or not there is any better alternative and cheaper way to solve the problem

– The 2007 constitution recognized the rights of people and stipulated that any projects that had social, health and environmental impact, “must first” carry out a people participation process

– But most participations are carried out at the end of the project simply to meet the requirements

– Many participation processes are distorted and biased. Not enough information is provided.
Participatory Irrigation Management

YOU PARTICIPATE, HE PARTICIPATES, SHE PARTICIPATES, THEY PARTICIPATE,

...I DECIDE!

NOW LET'S TALK ABOUT COST RECOVERY
3. Accountability (5)

- In conclusion, if any climate change projects are to be widely accepted by the public, we need to have a new approach of economic management that take into account the followings:
  - provide options for people to choose (or deliberate),
  - objectively assess the impact of the projects,
  - fairly compensate the affected parties with a proper tax on the beneficiaries,
  - reforming the people participation process
- If these are done, climate budgeting would have no problems of incorporating equity and social issues.
Thank you for your attention

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