

# Climate Public Expenditure and Institutional Review (CPEIR) - United Nations Development Programme



## Objective and features

### 1. Objective

CPEIR aims to help countries review how their national climate change policy aims are reflected in public expenditures. CPEIR also reviews how institutions may be adjusted to ensure the financing of climate change initiatives is delivered in a coherent way across the government.

The specific objectives of the CPEIR tool vary between countries and stakeholders, but generally consist of (1) assessing the status of a national response to climate change, (2) improving the understanding of roles and responsibilities of the institutions involved, (3) quantifying climate-related expenditures, (4) strengthening cross-governmental coordination, and (5) identifying opportunities and constraints to integrating climate change within the national budget.

### 2. Institutional coverage

National governments.

### 3. Technical coverage

The PFM functions assessed by the tool focus on climate public expenditure analysis in areas of:

- budget allocations and outturns;
- climate relevant expenditures; and
- proportional analysis (climate-relevant expenditures as a proportion to total government budgets/expenditures and as a proportion to GDP).

### 4. Application method

Self-assessment or by external entity. A CPEIR may be conducted by a country's government, donors (such as WB), and UNDP CPEIR practitioners.

## Methodology



### 5. Methodology

There are three types of analysis undertaken during a CPEIR: policy analysis, institutional analysis, and climate public expenditure analysis.

### 6. Benchmarking system

Narrative evaluation.

### 7. Linkage to PEFA framework

PEFA results for the following performance indicators are used in the CPEIR: revenue outturn (PI-3), central government operations outside financial reports (PI-6), fiscal risk reporting (PI-10), public investment management (PI-11), public asset management (PI-12), debt management (PI-13), medium-term perspective in expenditure budgeting (PI-16), internal audit (PI-26), financial data integrity (PI-27), and in-year budget reports (PI-28).

### 8. Complementarity with PEFA framework

Both PEFA and CPEIR focus on policy-based fiscal strategy and budgeting where the fiscal strategy and the budget are prepared with regard to government strategic plans; however CPEIR is specific to climate change plans.

## Development and use



### 9. Development and coordination

The tool was developed in response to the immediate needs of some countries in the Asia-Pacific region and the discussions with UNDP on how climate change can be integrated into a country's PFM system. Before this, many of these countries had a series of financing mechanisms and donor-government dialogue on how to address emerging climate change issues. However, these were isolated from other issues such as the government's role in promoting economic and social development.

CPEIR was developed based on the WB's PER (A07) methodology. It was first implemented by Nepal in 2011. Since its inception, the framework has not been revised. This is because it is based on expert judgment and contains a very substantive policy and institutional analysis.

### 10. Assessment management

The methodological guidebook provides information on how to conduct a CPEIR step by step, and information on the methodology and the tools required. The CPEIR process involves six steps (as national circumstances vary by country, these steps can serve as a guide): (1) CPEIR stakeholder and concept initiation, (2) CPEIR institutional arrangement, (3) CPEIR terms of reference development, (4) CPEIR analysis, (5) validation and finalization, and (6) taking recommendations forward.

To achieve government ownership of the CPEIR, initial discussions with key government ministries are needed to identify the needs and main issues to be addressed. Typically, these key ministries include finance, planning, environment, and local government. To ensure government ownership and oversight of the process, institutional arrangements for CPEIR implementation should be established through a steering committee involving representatives from the relevant ministries, civil society organizations, and development partners.

Government data is used for CPEIR analysis to ensure accuracy and consistency. A country's PEFA assessment results are used in the analysis of the CPEIR to answer particular questions that the review asks.

CPEIR is performed by a cross-governmental steering group led by the Ministry of Finance with technical input from the Ministry of Environment. A cross-governmental approach ensures policies and institutions are reviewed fairly. The analysis is then quality assured and verified by UNDP country offices and regional experts and then reviewed by the Steering Committee.

### 11. Uses by the government and members of the PFM community

Ministries of Finance and Ministries of Environment use the CPEIR as a starting point to mainstream climate change into the budgeting and planning process. It is a tool for national planning and budgeting in terms of identifying and tracking budget allocations that respond to climate change challenges.

The tool was designed to be used by governments with the support of UNDP. However, some countries have chosen to perform the CPEIR with support from WB. GIZ has also helped implement CPEIR in some instances.

### 12. Sequencing with other tools

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### 13. PFM capacity building

CPEIR provides recommendations for improvement.

### 14. Tracking of changes and frequency of assessments

Governments can use successive CPEIRs to track how institutions, policies, and expenditure related to climate change have evolved over time. There is no predefined frequency of assessments, but it is acknowledged in the Lessons Learnt review that CPEIRs should not necessarily be a one-off exercise. UNDP officials advise that assessments be conducted every four to five years to allow for time to change between assessments. To ensure systematic and continuous analysis of climate finance, CPEIR will potentially be replaced by Climate Budget Tagging in the future.

### 15. Resource requirements

According to the guidebook, the cost is about US\$150,000. The time needed for an assessment is six to nine months between the start of the review and the completion of the draft report. Another three months are usually required to validate and finalize the report.

## Transparency



### 16. Access to methodology

The [methodological guidebook](#) and [methodological note](#), which outline the methodology for conducting a CPEIR, including an example of terms of reference, are publicly available.

### 17. Access to assessment results

CPEIRs can be found on the UNDP [website](#) under publications.