



Public Financial Management for Climate Action Network (PFM4CA)

Europe and Central Asia (ECA) First Regional Peer Learning Event Summary

May 27th, 9am-12:15pm (CEST)

Hybrid – virtual / in-person at the
Austrian School of Government, Vienna

EVENT SUMMARY

Public Financial Management for Climate Action Network (PFM4CA)

May 27, 2024

Online / Austrian School of Government

On May 27th, 2024, the World Bank held its first hybrid Public Financial Management for Climate Action Network (PFM4CA) event in Vienna. The event, co-hosted by the Austrian School of Government and the Austrian Federal Academy of Public Administration, with support from the European Commission (EC), marks the launch of the Europe and Central Asia (ECA) PFM4CA network, a collaborative platform for sharing insights, experiences, and priorities for strengthening public financial management's (PFM) core practices and advancing to climate-smart policies and practices.

A core focus of the network and this event was public investment management (PIM) and public asset management (PAM). The event convened around 75 participants, consisting of senior government officials from across the ECA region, alongside international development partners and experts, coming together to share knowledge and priorities for advancing climate-smart policies and practices in PFM. The event was an opportunity to discuss policies and practices from the Western Balkan, Caucasus, and European Union countries, present the network's strategic objectives and planned activities, and to foster a dialogue to understand and align with the needs and expectations of the World Bank's counterparts.

The first half of the event focused on PIM and PAM tools and approaches, including how innovative digital tools can be leveraged to make PIM and PAM more climate smart and climate informed. The second half of the event focused on sharing experiences from various ECA countries on PIM and PAM.

Please see below the results of the Slido poll and key takeaways from the panel discussion.

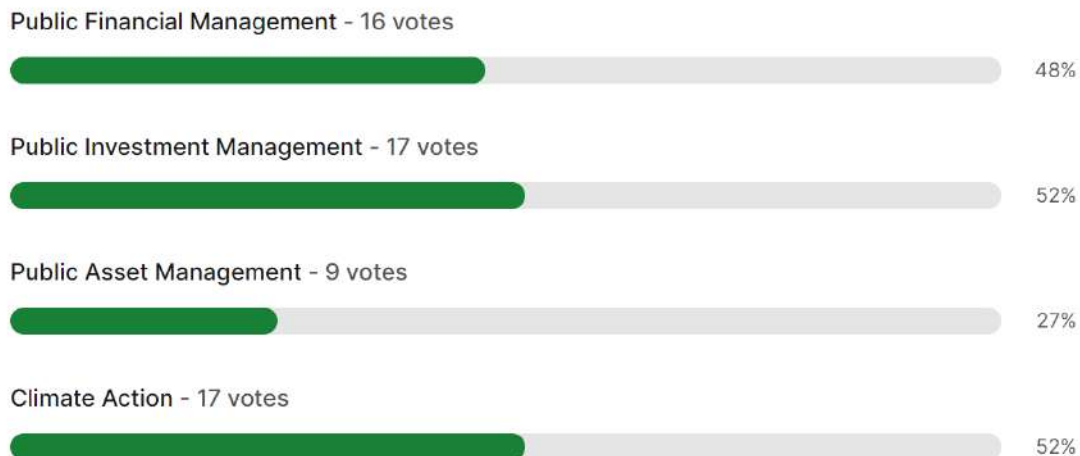
Where are you located?



What are you hoping to get out of the PFM4CA Network?



What is your main area of expertise?



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PANEL DISCUSSION SUMMARY

PIM and PAM Policies and Practices: Regional Challenges and Way Forward

- **Ken Cleary, Principal Officer, Department of Public Expenditure, NDP Delivery & Reform, Ireland**
- **Renald Petriti, Head of Sector, Public Investment Management, Ministry of Finance, Albania**
- **Ana Veljanovska, Head of Public Investment Management, Ministry of Finance, North Macedonia**

During the panel discussion, speakers shared experiences of PIM in their respective countries. The first question was for all speakers:

Question 1: As we aim to strengthen both PIM and PAM with a focus on foundational and climate-smart policies and practices, could each of you share your key experiences and priorities in these areas? Specifically, how have you integrated climate resilience into your PIM regulatory frameworks, and what reforms do you believe are essential to making these practices more effective and sustainable in the face of climate change?

Ana mentioned the development of public investment management in North Macedonia was created in 2023. In September last year the team drafted a new Organic Budget Law with technical assistance from the World Bank, with recommendations for integrating climate change considerations. The ongoing PIM reform process has provided an opportunity to integrate climate change analysis from the beginning. This includes designing the appraisal methodology and incorporating climate adaptation and mitigation considerations into project prioritization. Additionally, some criteria for future investment decisions on all capital projects, regardless of funding sources, have been established. It covers both climate mitigation elements and also climate adaptation elements.

Renald noted that at the end of 2022, with the assistance of the World Bank, Albania approved new public investment procedures, which was the result of challenges identified during the implementation of the old procedures. International partners recommended the government to strengthen PIM procedures in terms of monitoring fiscal risks, and evaluating/approving projects, taking into consideration climate change and gender. The Minister of Finance has a list of National Strategic Priority Projects that notes the strategic importance in terms of economic and social development, which is approved by the Council of Ministers, in line with the government's strategic priorities. Within the new regulation, the project proposal must take into consideration the impact on the environment and climate change adaptation and mitigation. Climate considerations are also integrated into projects feasibility assessments.

Ken spoke about introducing climate reforms into PIM frameworks and budgetary process in Ireland. The government introduced green budgeting, and started identifying, tracking and tagging green expenditures in the budgetary process and reporting this to the public. The government also started identifying expenditures that were having a positive effect on greenhouse emissions. He also mentioned that Ireland issued its first green bond in 2018 and has since issued over ten billion euros in green debt, making up more than fifty percent of the country's overall debt issuance last year. This has been very popular among investors. He stressed the need have definitions, tagging systems and tracking systems. Fundamentally, he noted that definitions of green expenditures and tracking them in the budgetary process is a good area to start with, as well as introducing a shadow price of carbon into the investment appraisal. He concluded these tools provide information that help governments make informed decisions and balance the best value for money.

Question 2: Ana, North Macedonia has made significant strides in structuring its Public Investment Management (PIM) Department in alignment with the new Organic Budget Law (OBL). Can you share the Ministry of Finance's experience in establishing the PIM unit, particularly the challenges encountered, and the strategies used to overcome them?

Ana noted the challenges included institutional capacity of the MoF on the PIM, supporting the legal framework for PIM and cooperating with other relevant institutions on the PIM system, and integrating IT systems with the new PIM function at the MoF. In terms of climate change, the most important challenge is building capacity, not only in the MoF but across all institutions and government levels.

Question 2: Renald, Albania, with Decision No. 887 now in place, what are the next steps for Albania in terms of implementation? What strategies or initiatives are being planned to ensure that these regulations are fully adopted and that the intended climate resilience outcomes are achieved?

Renald noted line ministries face difficulties to complete the information required by the new decision. However, the MoF provides support to assist them in filling in the required information. Moreover, since Albania is considered high risk from a climate change perspective, when proposing investment projects, institutions have to now answer a series of climate related questions as a requirement.

Question 2: Ken, Ireland has been at the forefront of integrating climate-smart principles into its public investment frameworks. Can you share some specific examples of how these frameworks have been implemented across various sectors? How have line ministries adapted to and embraced these new regulations?

Ken emphasized that the clearest lesson for Ireland was the importance of integrating evaluation frameworks within the existing system and ensuring that it is not an add on (or afterthought) but embedded in the budgetary and capital investment management process, and when it's tied to overall critical priorities. In doing so, it will ensure that it will be taken seriously and likely that it will be taken into account. In terms of building capacity/training, consistency was important. A template and guidebook were created to help staff from line ministries understand how to apply the template which helped provide consistency of results.

Kai closed the event with a brief summary of upcoming activities including the launch of the first Climate Government Academy training modules in the autumn, the development of knowledge products on PFM4CA is accessible on the PFM4CA website (in process of a revamp), the further development of digital decision-support applications towards digital public goods standards, and an increased emphasis on country specific projects. He highlighted that a survey would be conducted to understand from participants what would be useful in terms of capacity building, events, sharing information, learning, etc.

THANK YOU FOR YOUR PARTICIPATION!

