Technical Annex:
Overviews of Climate Expenditure Tagging Frameworks

February 2021
## Acronyms

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<th>Acronym</th>
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<tr>
<td>CPEBR</td>
<td>Climate Public Expenditure and Budget Review</td>
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<td>CPEIR</td>
<td>Climate Public Expenditure and Institutional Review</td>
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<td>EU</td>
<td>European Union</td>
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<td>GCF</td>
<td>Green Climate Fund</td>
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<td>GEF</td>
<td>Global Environment Facility</td>
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<td>GFLAC</td>
<td>Grupo de Financiamiento Climático para América Latina y el Caribe (the Climate Finance Group of Latin America and the Caribbean)</td>
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<td>GHG</td>
<td>Greenhouse Gas</td>
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<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>IDFC</td>
<td>International Development Finance Club</td>
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<td>IFMIS</td>
<td>Integrated Financial Management Information System</td>
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<td>IPCC</td>
<td>Intergovernmental Panel on Climate Change</td>
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<td>MDB</td>
<td>Multilateral Development Bank</td>
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<td>MRV</td>
<td>Monitoring, Reporting, and Verification</td>
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<td>NDC</td>
<td>Nationally Determined Contribution</td>
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<td>ODI</td>
<td>Overseas Development Institute</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PFM</td>
<td>Public Financial Management</td>
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<td>SGB</td>
<td>Sovereign Green Bond</td>
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<td>SNG</td>
<td>Subnational Government</td>
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<td>SOE</td>
<td>State-Owned Enterprise</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNEP</td>
<td>United Nations Environment Programme</td>
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<td>UNFCCC</td>
<td>United Nations Framework Convention on Climate Change</td>
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<td>WRI</td>
<td>World Resources Institute</td>
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Technical Annex: Overviews of Climate Expenditure Tagging Frameworks

Bangladesh

CPEIR. A CPEIR was conducted in 2012 by the General Economics Division under the Planning Commission of the Ministry of Planning, funded and facilitated by UNDP. At the time of the review, the chart of accounts of the government of Bangladesh had over 13,500 administrative, operational, and functional budget codes, of which 19 referred directly to climate change. The review identified climate-relevance codes based on a broad definition of “any expenditure incurred to take measures to reduce risks, mitigate or address the impacts of climate change.” An indicative list of adaptation investments was elaborated based on climate variables, their impact, and the interventions required to address them. Mitigation expenditure was identified based on the OECD Rio marker definition.

The review covered development (investment) and non-development (recurrent) budgets. It identified programs and expenditures with some form of climate dimension, even if climate change was not the main focus and only some activities were directly relevant. In total, 849 codes were identified as climate relevant. Codes were attributed a weight (a share of budget considered climate relevant), depending on the location of the project, the vulnerability context, and the project activities. This was largely based on expert judgment. Codes were then classified into bands of relevance (1–4), depending on the share of budget allocated to the climate activity. Expenditures under each code were then finally weighted by the (weighted) average share of budget attributed to climate change within their band of relevance. The review suggested that a functional (or policy) climate change code be incorporated under the revised chart of accounts, aligned with the themes of the national climate change policy. It also recommended the introduction of a climate marker into the mid-term budgetary framework (similar to the gender and poverty tags).

Context. The climate public finance tracking methodology was finalized at the end of 2018 by the Ministry of Finance’s Finance Division, supported by UNDP and the World Bank. The 2012 CPEIR provided the basis for climate expenditure tracking but did not directly inform the design of the current methodology, which differs markedly in the definition of climate relevance, the weighting applied, and the budget system used. The tracking methodology is linked to the Bangladesh Climate Change Strategy and Action Plan (2009–2018).

Objectives. The stated objectives of tracking climate-relevant public funding are to “report on climate finance flows aligned with national climate strategies and plans, improve the governance of climate finance, facilitate the assessment of results from climate investments and support better project design.” The overall purpose is to report financial flows, build trust and accountability, and monitor trends and progress in climate-related investment. Expected benefits include: alignment of climate finance with national climate change policy; ability to report on climate finances (allocation and expenditure) and determine financing gaps and policy review/adjustment needs;
and enhanced awareness on the part of policy makers and planners. Climate tracking is a component of the climate fiscal framework and is described as part of a broader package of reforms to operationalize national climate change policies. As such, the methodology has a clear national focus. Climate relevance is defined according to national policy documents (see below), and results cannot be aggregated across countries.

Coverage. Bangladesh tracks expenditure across all sectors. In the latest Climate Budget Report, 25 out of 45 ministries reported climate-relevant expenditure. For the next year (2020/21) this will be expanded to 30, covering the principal entities engaged in climate action. The tagging covers both development (investment) and operational (recurrent) budgets. The latter includes funds transferred from the center to local government entities. Off-budget expenditures (including donor funding not channeled through the treasury) and expenditure on SOEs are not tracked.

Definition. The definition of climate relevance is based on the themes and programs identified under the national climate change policy. This includes six thematic areas (food security, social protection, and health; comprehensive disaster management; infrastructure; research and knowledge management; mitigation and low-carbon development; and capacity building and institutional strengthening) and 44 specific programs (marked by four-digit codes), distinguishing adaptation and mitigation. Expenditure is considered climate relevant if it contributes to one of the specific programs or falls under one of the thematic areas. Under each specific program, the methodology provides an indicative list of climate-relevant projects/activities. However, there is no exhaustive “positive list” of eligible expenditures, nor is there a “negative list” of non-climate-relevant expenditures. Activities with harmful climate change impacts are neither defined nor tracked.

Estimation. Bangladesh applies a climate-relevance weight to all relevant expenditures. The weight is defined in the climate public finance tracking methodology. For each intended climate intervention, the difference between the expenditure’s climate change relevance (percentage) and its share under a business-as-usual scenario is calculated. The weight for the overall program (four-digit code) is given by subtracting the sample standard deviation from the maximum intervention weight. Up to three climate-relevance criteria can be assigned to each program. For programs addressing more than one relevance criterion, the program relevance weight is calculated by applying the weighted reciprocal rank formula to distribute expenditure among the criteria (for three criteria, the weights are 0.55, 0.27, and 0.18; for two criteria, 0.67 and 0.33).

Roles. The Finance Division of the Ministry of Finance led the development of the tagging methodology. It was supported by the project team of the Inclusive Budgeting and Financing for Climate Resilience Project (UNDP). Consultations on the methodology were held with national stakeholders and through two focus group discussions in a particularly vulnerable coastal community. Suggestions from these processes were integrated into the design of the methodology. Tagging is applied automatically based on the information in the integrated budgeting and accounting system. A unit within the Ministry of Finance reviews ministries’ annual budgets and tags the relevant programs and projects. Line ministries are required to integrate climate change into their mid-term budget frameworks and annual budgets.

Budget process. According to the climate budget report, “modifications in the format of the Budget Circular (BC) [have been made] to provide guidance to the budget desk officials of the relevant Ministries/Divisions to be able to provide information related to climate change priorities and actions in their MBFs (Ministry Budget Frameworks).” The budget templates for ministries include a chapter asking budget entities to assess the impact of ministry projects/programs on climate change. Tagging is part of a broader reform effort under the country’s 2014 climate fiscal framework to better integrate climate change considerations into the budgeting process (e.g., costing and prioritizing climate actions, integrating climate policy with mid-term planning and budgeting, etc.). The data generated from the tagging support the monitoring of progress under the National Climate Change Action Plan.

Tagging method. Based on the line ministries’ annual development programs, a unit within the Ministry of Finance enters the climate-relevant projects and programs into the integrated budgeting and accounting system climate change module. The climate-relevance criteria assigned correspond to the 44 priority programs (four-digit code) and six thematic areas (two-digit code) under the national climate change policy. An additional criterion covers “non-climate finance” expenditures. Climate-relevance criteria (“tags”) and corresponding weights are assigned to projects and programs. When budget officers within the line ministries add project expenditures into the system, the climate relevance and weights are assigned automatically. For operational (recurrent) expenditures, climate relevance is established based on the climate relevance of the overall portfolio of projects and programs under the respective administrative unit. Transfers to local government entities are included in the ministries’ operating budgets.

Validation. There is no independent verification mechanism in place.
573 projects were identified, including donor-funded projects. Programs were then classified according to their relevance (high=climate resilience or mitigation as a clear primary objective; medium=resilience as a secondary objective; low=indirect adaptation and mitigation) based on a standard typology for different program types (e.g., forestry projects were to be classified as highly relevant, eco-tourism as medium relevant, livelihood improvement as less relevant, etc.). Finally, projects were weighted according to their climate relevance: a weight of 80 percent was applied for highly relevant projects, 50 percent for medium relevance, and 25 percent for low relevance. The CPEIR recommended the introduction of an annual Climate Change Monitoring Report to provide updates on policy and climate expenditure. It proposed a refined classification system to better account for directly climate-relevant expenditure within larger programs. The CPEIR acknowledged that the budget process and functional classifications did not permit the analysis of recurrent expenditures.

**Context.** Following the 2012 CPEIR, the Cambodian Ministry of Economy and Finance started conducting annual climate public expenditure reviews, with support from the National Council for Sustainable Development and the (donor-funded) Cambodia Climate Change Alliance program under the Ministry of Environment’s Climate Change Division. The methodology follows the initial CPEIR. Tagging is linked to the Cambodian Climate Change Strategic Plan (2014–2023) and sectoral climate change action plans.

**Objectives.** The annual climate public expenditure reviews do not specify the overall objective and purpose of tracking climate change expenditure. However, based on the information provided in the reports, the main focus appears to be on accountability and transparency, the integration of climate change into planning and budgeting, and the mobilization of international funding to address financing gaps.

**Coverage.** The scope of the climate public expenditure reviews has gradually been expanded. The latest available report (FY2017) covers the 15 ministries and agencies that have a Climate Change Action Plan in place. Although they cover a wide range of sectors and a significant part of government spending, not all government expenditures are included. The review covers development (investment) and operational (recurrent) expenditure. External finance is reported by donors through a dedicated database.

**Definition.** The definition of climate relevance is based on the OECD (Rio marker) definitions for adaptation and mitigation. Expenditure figures are presented both jointly (climate relevant) and separately (adaptation/mitigation). The defi-
nition does not include expenditures with a negative impact on climate. Although there is no exhaustive positive list of climate-relevant expenditures, a typology of 20 program types has been developed. This typology also serves as a guide for the allocation of weights to the various types of expenditure. The methodology does not provide a negative list of non-climate-relevant expenditures.

**Estimation.** Relevant expenditures are categorized as of high, medium, and low relevance based on a standard typology of 20 program types. However, the typology is not binding; for example, a program that would usually be considered of medium climate relevance may be highly relevant if it is implemented in a particularly vulnerable community. Expenditures are weighted according to their relevance (high 80 percent, medium 50 percent, low 25 percent).

**Roles.** The Ministry of Economy and Finance conducts the annual Climate Public Expenditure Reviews, with support from the National Council for Sustainable Development and the (donor-funded) Cambodia Climate Change Alliance program under the Ministry of Environment’s Climate Change Division. There appears to be no involvement of line ministries in the review of climate expenditures. It is not clear to what extent the findings of the review are disseminated beyond the Ministry of Economy and Finance and the Ministry of Environment.

**Budget process.** Guidance on climate change has been included in annual budget circulars since 2017. This provides a general discussion on the needs for climate change adaptation. There are no instructions on tagging, and expenditures are not tagged in the budget preparation process. An annual ex post expenditure review is conducted.

**Tagging method.** Projects and programs are assessed ex post through dedicated annual climate public expenditure reviews. These reviews analyze budget data provided by the Ministry of Economy and Finance. Off-budget development finance is reported by donors through the official development assistance database. Donors tag their funds with climate markers in the database; however, this is not done consistently, and the review includes a manual assessment of projects based on their descriptions.

**Validation.** There is no validation mechanism.

**Tracking.** Actual expenditures are not tracked. The budget settlement law is presented using the economic classification. There is no information on actual expenditure of the climate-relevant projects. The preparation of annual climate public expenditure reviews is not automated. Programs and projects are mapped manually.

**Publication.** Climate expenditures are not identified in budget documents. The Ministry of Economy and Finance produces an annual climate public expenditure review. The NGO Forum, a Cambodian civil society organization, published the first citizens’ climate budget in 2020.

**Audit and evaluation.** There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

**References**


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**Colombia**

**CPEIR.** A CPEIR was conducted in 2018, after the preparation of the national tracking methodology. The CPEIR was prepared by KPMG under the donor-funded GCF Readiness Programme led by UNEP, UNDP, and the WRI, with the National Planning Department as the government counterpart. The CPEIR applied the 2016 tracking methodology and does not make further methodological recommendations.

**Context.** The climate tagging methodology was developed in 2016 by the Financial Management Committee of the National Climate System and the National Planning Department, with support from the WRI. The methodology provides the framework for periodic reviews of climate public expenditure. It is linked to monitoring and reporting requirements under the UNFCCC and the Paris Agreement. Colombia has already used thematic budget tags to identify expenditures related to displaced persons, victims, peace agreement commitments, ethnic minorities, and poor households. These tags constitute a significant burden on national and subnational entities in terms of monitoring and reporting. Line ministries tend to view thematic tagging as an additional reporting requirement rather than a tool to improve their planning and budgeting. The National Planning Department is unable to review and validate all of the tags applied, and the quality and robustness of the data are therefore variable. This has impacted the development of climate tagging. The methodology was applied in three consecutive years at the national level (2015–17) with the support of donor-funded external consultants. The National Planning Department has limited capacity to continue annual reviews.
All thematic tags will be reviewed under an ongoing PFM reform project supported by the World Bank.

Objectives. In its 2015 NDC, Colombia committed to creating a monitoring system for climate financing. The declared objective was to “guide the analysis of financing linked to climate change mitigation and adaptation actions in Colombia, from public, private, national and international sources, for its classification and measurement.” The framework referred to reporting obligations as a component of the national monitoring, verification, and reporting system under the UNFCCC and the Paris Agreement. It was intended to identify funding gaps and options for the reallocation of funds, as well as investment opportunities. The definition of climate relevance is based on both international definitions and national policies.

Coverage. The methodology covers 11 sectors that are considered most directly linked to mitigation and adaptation actions: energy, environment and natural resources, agriculture, transport, housing, education, health, industry, waste, tourism, and disaster risk management. The methodology also includes a “transversal” sector covering actions that do not fall under one of the 11 sectors. The methodology covers national, regional, and local expenditures, recurrent (operational) and investment (development) budgets, and expenditures financed from royalties. Both budget allocations and actual expenditure are accounted for, but only actual expenditures are considered when quantifying the climate-relevant spending. Off-budget and SOE expenditures are not included. The government is currently considering harmonization with the taxonomy for private sector activities.

Definition. The definition of climate relevance is based on an adaptation of the OECD Rio markers and the GFLAC and does not refer explicitly to national climate policies. The methodology distinguishes four categories of climate-relevant actions: those explicitly aimed at climate change in general; those linked to mitigation, either explicitly or implicitly, independent of the intent; those linked to adaptation, either explicitly or implicitly, independent of the intent; and those that produce both mitigation and adaptation impacts. An indicative but non-exhaustive positive list of 310 climate-relevant actions (classified as mitigation, adaptation, or both) is grouped under 35 subsectors. Activities with a disproportionately negative effect on the environment and/or society are to be excluded, even if they contribute to significant emissions reduction or have adaptation benefits. Activities to be excluded include nuclear plants, large-scale hydroelectric power plants, and fracking. However, expenditures with an adverse impact on climate change are not defined or tagged.

Estimation. All relevant activities are weighted at 100 percent. However, activities that are not explicitly aimed at climate change are marked as “associated activities.” In the case of recurrent expenditures, the share of climate-relevant investment is applied to the recurrent budget.

Roles. A consultation on the CPEIR methodology took place in 2016 with the participation of government institutions, academia, the private sector, and civil society. The methodology was developed under the auspices of the National Planning Department and the Financial Management Committee of the National Climate Change System. The Ministry of Finance was not actively involved in the design and preparation of the expenditure reviews, which were instead conducted centrally by the National Planning Department, with external consultants playing an important role in application. This has resulted in a lack of ownership of the results and limited impacts on planning and budgeting. The methodological guide provides the framework for the climate public expenditure reviews, covering the different levels to be undertaken by different actors (SNGs and line ministries). There is limited awareness of the reviews and limited ownership of the methodology among key government agencies.

Budget process. Climate expenditure tagging is not part of the budget process.

Tagging method. The methodology provides a framework for the climate public expenditure reviews and as such, no climate tag is applied in the budget or chart of accounts. The methodology analyzes expenditures by administrative entity (ministry or subnational entity) and program/activity. Relevant activities are identified in a three-step approach: select the level of analysis (national, regional, or local); identify entities susceptible to being engaged in climate-relevant work (limited to one of 11 sectors and transversal activities); and extract budget data for the selected entities and screen for climate-relevant activities through the IFMIS, the information system of the single territorial form (for subnational entities), the database on autonomous regional corporations, and/or the unified system of public investment and finances, depending on the level of analysis. Given the fragmentation of budgets and financial management information systems, the tagging methodology cannot be completely standardized.

Validation. There is no validation process. The methodology encourages those preparing climate public expenditure reviews to: review national climate change policies to verify if the objective of the activity is aligned with them; cross-check budget figures with the National Administrative Department of Statistics, which conducts detailed budget reviews; or verify climate relevance through interviews with resource persons.
**Tracking.** There is no automated tagging or tracking process. The methodological framework provides the basis for periodic climate public expenditure reviews. The methodology covers both planned and actual expenditures. Data for reviews are generated by the budget and accounting systems but analyzed manually.

**Publication.** The national budget and citizens' budget prepared by the Ministry of Finance and Public Credit do not present climate change expenditure. A dedicated climate finance MRV platform provides interactive maps to visualize data on public climate expenditure by sector, implementing entity, subnational unit, and origin of funding. Raw data can also be downloaded. The portal includes data for 2011–17 but does not present narrative or analytical reports. Colombia’s Third National Communication (2018) under the UNFCCC includes a detailed discussion on climate change expenditures using data generated through the reviews.

**Audit and evaluation.** There are no specific audit and evaluation arrangements in place for climate-relevant expenditures. The methodology acknowledges that the impact of the climate-relevant actions is not assessed.

**References**


**Ecuador**

**CPEIR.** A CPEIR was conducted in 2017 by the Ministry of Environment with support from UNDP. At the time, the domestic climate tagging system was already in place. The CPEIR was described as a complementary tool to specifically analyze the consistency of public policies with climate priorities and government commitments. The CPEIR selected two priority sectors for mitigation (energy, land use, land use change, and forestry) and adaptation (agriculture, livestock and fisheries, and water resources) for further analysis. Climate-relevant programs and expenditures were identified based on a list of descriptors (such as resilience, renewable, emission, sustainable). A number of budget items were explicitly excluded (including debt service, financial investments). Relevant expenditures were categorized as mitigation, adaptation, or both and classified according to the OECD Rio methodology into principal, significant, and not targeted. These were weighted according to their relevance using a continuous scale.

**Context.** Climate change and environmental issues are relatively new on the policy agenda. Ecuador ratified the Paris Agreement in 2017, passed the Environment Code (Código Orgánico de Ambiente) in 2017, and submitted its first NDC in 2019. Climate budget tagging was introduced in 2016 by the Ministry of Economy and Finance. In addition to climate-relevant expenditures, it covers other environmental issues (biodiversity and natural resource management). As an environmental budget classifier, it complements the equality classifier that had been introduced earlier (covering expenditures related to gender, disability, migration, children, youth, and the elderly). A stand-alone climate budget tagging methodology is currently under development with support from UNDP.

**Objectives.** The declared objective of the environmental budget tag is to verify the extent to which program activities are aligned with strategic national targets and integrated into the budget and to facilitate the monitoring of budget execution.

**Coverage.** Tagging is applied across all public sector entities, including SNGs and SOEs. Both recurrent expenditures and investment (development) budgets are covered. Payroll expenditures are excluded from the tagging system because it is difficult to determine the share of time that government employees spend on tasks linked to specific themes. Off-budget expenditures are not included.

**Definition.** A definition of climate-relevant expenditures has been developed based on national policies and international conventions to which Ecuador is a party. There are 15 categories of environmentally relevant expenditures (including the nine categories of Eurostat’s Classification of Environmental Protection Activities), with three–six activities specified under each category as a positive list. Climate change is included as one of the 15 categories covering “protect the air, the climate and the ozone layer, including the implementation of measures for climate change mitigation and adaptation.” A transversal category covers efforts to “Promote and strengthen state institutions and public policies for the environment.” Activities with adverse climate change impacts are not included. There is a negative list of budget items to which the thematic tag cannot be applied (drinking water, irrigation, infrastructure, furniture, travel costs, audit costs, office supplies, etc.).

**Estimation.** No weighting is applied.

**Roles.** The methodology was designed by the Ministry of Economy and Finance in close collaboration with the Ministry...
of Environment and in consultation with other key agencies in the environmental sector (water, forestry, natural resource management). The process is decentralized; each public entity/government agency tags its activities following the standard methodology when entering them into the IFMIS. The Ministry of Economy and Finance, through its National Directorate for Fiscal Equity, consolidates the data and publishes thematic budget reports. Although public interest in environmental and climate change issues has been growing in recent years, it is still at a low level and there is little demand for information from civil society organizations.

**Budget process.** The annual budget circular requires agencies to apply the thematic tags. Activities are tagged when entered into the IFMIS. Unlike the previously introduced equality tags (in particular for gender and disability), which are well established and anchored in law and in which civil society plays a role in demanding accountability, the environmental tags have so far remained underutilized by line ministries. The environmental tagging system has not yet been sufficiently disseminated within the central government and at subnational levels, and there is limited commitment and ownership from the line ministries. Even though tagging is mandatory, not all institutions tag their budget submissions, and overall, the level of reported environmental expenditures is very low. However, agencies have become more aware of environmental issues and have started to develop specific project proposals.

**Tagging method.** Tagging requires an initial review linking program objectives to the themes under the environmental tagging system. The tag is applied by all public entities (e.g., line ministries, independent agencies) at the activity level during budget preparation when the activity is entered into the system. A six-digit thematic code is applied in the electronic IFMIS. The first two digits classify the expenditure as either equality or environment related. The second two digits identify the category of the expenditure (see “Definition” above), and the last two digits refer to the type of activity.

**Validation.** The tagging information received from public entities is validated by budget analysts and the Equity Directorate during the preparation of the annual budget documentation and the biannual reports.

**Tracking.** Tagging is integrated into the IFMIS. Climate-relevant expenditures can be tracked during budget implementation, and expenditure execution progress can be monitored in real time.

**Publication.** Data generated from tagging are to be made available on the website of the Ministry of Finance (https://www.finanzas.gob.ec/reportes-de-equidad/), which allows public access to real-time information. Final expenditures are not reflected in budget settlement reports.

**Audit and evaluation.** There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

**References**


**Ethiopia**

**CPEIR.** A review of climate finance (following the CPEIR approach) was conducted in 2014 by researchers from ODI and the University of Addis Ababa. The review analyzed expenditures in the federal budget but did not exhaustively examine each one. Instead, it adopted a “prioritized” approach, identifying sectors that are most likely to have climate-relevant expenditures, then determining corresponding government agencies, and finally analyzing expenditure items in the respective budgets. The selection of priority sectors is based on an analysis of the likely impacts of climate change in Ethiopia. Eight sectors and 23 corresponding agencies were identified. Individual expenditure lines were reviewed manually. Climate-relevant items were classified as high (clear focus on climate change adaptation or mitigation), medium (secondary objective related to climate change), or low (indirect adaptation and mitigation benefits) relevance. Projects were individually weighted, using 10 percent intervals. Highly relevant projects were weighted at 75 percent and above, medium between 26 and 74 percent, and low between 10 and 25 percent. The percentage of the recurrent budget of the sub-agency was also estimated based on the relevance of the activities (50 percent, 30 percent, and 10 percent, respectively). The purpose of weighting the climate-relevant expenditure was to provide an approximation of the spending that is directly relevant to climate change. Expenditures were classified as either mitigation or adaptation, following the OECD (Rio marker) definition. The report does not call for the establishment of a tracking system. It highlights the need for a better understanding of international climate funds, off-budget financing, and subnational financing and more effective implementation of climate actions.
Context. The tagging methodology was developed in 2017 by the Climate Resilient Green Economy Facility under the Ministry of Finance and Economic Cooperation. The methodology refers to the CPEIR approach and summarizes the findings of the 2014 review. Its approach is similar in identifying priority sectors first. However, it differs markedly when it comes to weighting expenditures: in the CPEIR, the relative weight of climate-relevant expenditures within a project budget was estimated based on expert judgement, and in the national methodology, each line item was separately classified as climate relevant or not. The tagging methodology was developed in the context of the national Climate-Resilient Green Economy Strategy and Ethiopia’s NDC.

Objectives. The tagging methodology was developed to “enable a comprehensive assessment of baseline climate finance invested between 2011-2015, project climate finance flows and climate related investment, and design [an] appropriate Climate-Resilient Green Economy Strategy (CRGES) financing strategy.” The objective was to provide information on the relative contributions of government and nongovernment sectors and forecast the balance between the flow of climate finance and the future investment demand. The methodology is for the preparation of periodic expenditure reviews.

Coverage. The methodology covers climate-sensitive sectors in line with the Climate Resilience and Green Economy Strategy and sectoral climate-resilience strategies. As a second step, it proposes to analyze climate-relevant expenditures in sectors not covered under those strategies. Both planned and actual expenditures are considered. There is no information on the coverage of subnational and off-budget expenditures, and it is not clear whether recurrent expenditures are covered and if so, according to which methodology. There is also no information on SOEs.

Definition. Climate-relevant expenditures are defined as financial flows that contribute to financing adaptation and/or mitigation interventions. The definition of adaptation and mitigation is based on the definitions used by the IDFC, which in turn are based on the OECD (Rio marker) definitions. This definition is linked to national strategies and sectoral plans. Activities and programs identified as climate relevant are classified as adaptation, mitigation, adaptation and mitigation together, or supporting areas. There is no positive list of climate-relevant activities and programs, but the methodology refers to relevant national policy documents where indications on climate-relevant programs are provided. There is no negative list of ineligible expenditures, and expenditures with adverse climate effects are not included.

Estimation. Following the OECD Rio marker methodology, climate-relevant projects and programs are marked as principal, significant, or not targeted. Principal projects are those that are explicitly undertaken to address climate change aspects. Significant projects are those that would have been undertaken anyway but that still contribute to climate change action (such as sustainable agriculture). Programs and projects in which more than 75 percent of the budget is allocated to climate-relevant activities are considered highly relevant; those with less than 25 percent as marginally relevant. Only relevant line items are included in estimates for climate-related expenditures.

Roles. There is no information on who conducts the CPEIR, at what frequency, or based on what data. There is also no mention of stakeholder engagement or the involvement of line ministries.

Budget process. The budget circular is not available online or in English.

Tagging method. Climate-relevant expenditures are identified at the program or project/activity level. Expenditures are not tagged in the budget system or the chart of accounts. The methodology provides the basis for an ex post CPEIR.

Validation. There is no verification mechanism.

Tracking. There is no automated tagging or tracking process. The methodology provides guidance for manually analyzing project and line items as part of the CPEIRs. The methodology covers the review of planned and actual expenditures.

Publication. It is not clear whether the methodology has already been applied. No reports are available online.

Audit and evaluation. There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

References

France

CPEIR. No CPEIR was conducted.

Context. The 2019 Energy and Climate Law requires the government to report to parliament on the positive and negative effects of the budget bill on climate change. In September 2019, the General Council on Environment and Sustainable Development and the General Inspectorate of Finance presented a methodology to identify fiscal measures and expenditures that have a significant impact on the environment. On this basis, the General Commission for Sustainable Development under the Ministry of Ecological and Inclusive Transition and the Budget Department, Tax Legislation Department, and Treasury Department under the Ministry of Economy, Finance and Recovery in September 2020 presented the Green Budget for 2021.

Objectives. The main objectives are to enhance the transparency of environmental information. The analysis of the state budget’s environmental impact is also intended to support decision making, in line with the government’s objective of greening the state budget.

Coverage. The methodology covers all central government expenditures, including budgetary credits, capped earmarked taxes, and tax expenditures. Transfers to SNGs (collectivités locales) are also covered, as well as the levies on receipts destined for the EU. Transfers from the central government to SOEs (in the form of subsidies, transfers, or earmarked tax revenues) are covered, but not total SOE expenditure. A number of expenditures are considered neutral without further analysis (see “Definition” below). Overall, less than 10 percent of the total budget is considered to have an environmental impact (positive or negative).

Definition. Environmentally relevant expenditures are defined as those with a positive, negative, or neutral impact on at least one of six environmental axes: 1) climate change mitigation, 2) climate change adaptation and disaster risk prevention, 3) water resource management, 4) circular economy, waste, and prevention of technological risks, 5) pollution abatement, and 6) biodiversity and protection of natural, agricultural, and forest areas.

Positive expenditures are defined as those with a principal or significant environmental objective, those with a strong indirect environmental benefit, and/or those with a short-term positive impact but that also may have a long-term risk of technological lock-in. Neutral expenditures are those with no significant impact on the environment or for which sufficient information to determine an environmental impact is not available. Negative expenditures either directly impact the environment or incentivize environmentally harmful behaviors.

Expenditure for general social transfers, unconditional transfers to private companies, civil servant salary costs (with the exception of staff directly employed for environmental programs), the levies on receipts destined for the EU, unconditional transfers to local governments, and expenditures for the armed forces and internal security, as well as ministries’ recurrent operational costs, are all considered neutral. Expenditures to support the nuclear sector are classified as positive on the climate mitigation axis but negative on the waste management axis.

Estimation. The methodology distinguishes “green expenditure” (positive on at least one axis without being negative on any other), “mixed expenditure” (positive on at least one axis but negative on at least one other), and “negative expenditure” (negative on at least one axis without being positive on any other). Expenditures are not weighted.

Roles. The state budget is analyzed centrally by an inter-ministerial working group comprised of members of the General Commission for Sustainable Development under the Ministry of Ecological and Inclusive Transition and the Budget Department, Tax Legislation Department, and Treasury Department under the Ministry of Economy, Finance and Recovery.

Budget process. The analysis is conducted based on the total government expenditure objective included in the finance bill for the following fiscal year.

Tagging method. The budget is analyzed manually. Expenditures are classified at the action or sub-action level for each of the six environmental axes.

Validation. No validation process is included in the current methodology.

Tracking. So far, actual expenditures of climate-relevant items are not tracked separately.

Publication. The comprehensive findings of the budget analysis are published in a detailed and separate analytical report (“Report on the Environmental Impact of the State Budget”) and are publicly available.

Audit and evaluation. There are no specific audit procedures for environmentally relevant expenditures.

Ghana

CPEIR. A CPEIR was conducted in 2015 by a team from ODI and the Institute of Statistical, Social and Economic Research of the University of Ghana, supported by the Ministry of Finance. The methodology followed five steps. First, identification of sector ministries and institutions involved in climate change–relevant activities. A total of 19 ministries, departments, and agencies were identified as relevant, and budget data were available for 16 of them. Second, identification of climate change–relevant expenditures in these ministries’ budgets for the period from 2011 to 2014 (allocated budgets, not actual expenditures). Climate change–relevant expenditure was identified at the policy objective level (five-digit budget code). Third, further classification of these expenditures as of high or medium relevance to climate change (five policy objectives were considered of high relevance and 39 objectives linked to actions under the National Climate Change Policy of medium relevance). Fourth, weighting of the expenditures according to their climate relevance. High-relevance expenditures were weighted at 100 percent and medium at 50 percent. Fifth, classification of the activities as adaptation or mitigation. The CPEIR recommended the development of reporting frameworks on actual spending at both the central and subnational level. It also proposed the creation of a national tracking tool for climate change finance under the Ministry of Finance to capture end-of-year outturn expenditures.

Context. The tagging methodology (CLIMFINTRACK) was revised in 2018 and replaced a methodology (CLIMATRONIC) established in 2016. CLIMFINTRACK was developed by the Natural Resources, Environment and Climate Change Unit under the Economic Strategy and Research Division of the Ministry of Finance. The tool is a guide for “sector planners, budget officers, research, statistics and information management officers” to identify climate change–relevant expenditures in their budget documentation. The tool builds on the CPEIR methodology, identifying climate-relevant expenditures at the policy objective level in line with the National Climate Change Policy. However, it is based on the new policy areas and budget codes introduced after the CPEIR took place. The weighting applied also differs from the CPEIR, which did not consider expenditures with low climate change relevance.

Objectives. The objective is to “identify and track climate relevant interventions and associated expenditure to secure better understanding of publicly funded climate change actions.” The tool seeks to enhance tracking, monitoring, decision making, and budgetary allocations for climate change–related activities. The tool should contribute to increased transparency and support of climate action.

Coverage. The methodology covers national (ministries, departments, and agencies) and subnational (metropolitan, municipal, and district assemblies) budget allocations and actual expenditures. The methodology does not include off-budget expenditures or those of SOEs.

Definition. The methodology identifies a positive list of climate-relevant policy objectives. Climate relevance is defined as “the extent to which the expenditure supports an action identified in the National Climate Change Policy.” The methodology distinguishes mitigation (defined as reduced GHG emissions) and adaptation (defined as reduced risks posed by the consequences of climate change). The methodology does not identify expenditures with adverse impacts on climate change. There is no negative list of non-climate-relevant expenditures.

Estimation. Expenditures on climate-relevant operations and activities are grouped in three categories (high, medium, and low relevance). Operations and activities with a clear focus on climate change adaptation or mitigation were classified as highly relevant and weighted at 100 percent; those with links to climate change objectives are considered of medium relevance and weighted at 50 percent; and those related to the medium relevant expenditures but not directly linked to climate change are considered low relevance and weighted at 20 percent. Estimations distinguish programs related to adaptation and mitigation and allow the expenditures to be split (at 50 percent each) when they support both objectives.

Roles. The methodology was prepared by the Ministry of Finance, which then presented it in consultative stakeholder workshops to test its viability. Government stakeholders have access to the data generated by the tool. The Ministry of Finance leads the process of integrating climate finance into the annual budget and planning processes and oversees the mainstreaming of the tracking tool. A steering committee oversees the application of the tracking tool. The Environ-

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The Ministry of Environment, Science, Technology and Innovation mandates the Environmental Protection Agency to verify the data generated by the tool before the final reports are published.

**Budget process.** The mid-term budget preparation guidelines (2020–23) refer to the tagging tool: “Climate Change: MDAs [ministries, departments, and agencies] are to mainstream climate change activities into their programmes and budget for climate change activities using the CoA. The revised Climate Change Finance Tracking Tools developed should be used to capture relevant end-of-year expenditures relating to climate change. MDAs will be expected to use the tool to track budget allocations including grants disbursement.”

**Tagging method.** Climate-relevant expenditures are identified based on the policy objectives and operation codes of the chart of accounts. All the budget codes were assessed for their climate change relevance.

**Validation.** The definition of climate-relevant policy objectives, operations, and activities is based on a review of sector and agency budgets. This definition was validated in a training and validation workshop with the budget and planning officers of the sector agencies. The revised methodology of the “Integrated MRV Climate Change Finance for Ghana” tool lays out the validation procedures.

**Tracking.** Tagging is automated. The budget codes of policy objectives and operations are marked for their climate relevance in the chart of accounts and tagged in the IFMIS. Climate-relevant expenditures can be tracked during implementation.

**Publication.** The climate budget is not presented in budget documents, the citizens’ budget, or in a separate report. An interactive tool (CLIMFINTRACK) allows government officials to view, import, modify, and share data and generate reports on climate-related expenditures in real time. The Ministry of Finance intends to generate biannual climate tracking reports at the national level.

**Audit and evaluation.** There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

**References**


**Honduras**

**CPEIR.** A CPEIR was conducted in 2016 jointly by UNDP, the General Directorate of Public Investments of the Ministry of Finance, and the National Directorate of Climate Change of the Natural Resources and Mines Secretariat (MiAmbiente). The methodology first identified 10 priority sectors for further analysis and then established a typology of climate-relevant activities for each sector. Each activity was classified as adaptation, mitigation, or climate disaster related or a combination thereof. Based on the level of climate relevance, the activities were assigned to four groups (completely relevant, very relevant, quite relevant, and relevant) and weighted accordingly (90–100 percent; 60–80 percent; 30–50 percent; and 10–20 percent).

**Context.** A climate change tag was introduced into the national budget system at the end of 2016. The General Directorate of Public Investments of the Ministry of Finance and the National Directorate of Climate Change of the Natural Resources and Mines Secretariat (MiAmbiente) led this initiative, with support from UNDP, GEF, and the Swiss Agency for Development and Cooperation. The climate change tag was developed in parallel with the CPEIR and uses the same methodology and definitions.

**Objectives.** The use of a climate budget tag and the analysis of climate-relevant expenditure are framed in the context of the UNFCCC and the National Climate Change Strategy. Climate-related budgets are presented as honoring commitments made under international climate change framework conventions.

**Coverage.** The general budget provisions mandate all public sector institutions that implement institutional programs and investment projects to apply the climate change tag at the activity level. Both investment and recurrent expenditures are included at the national level as well as expenditures by deconcentrated entities (such as provincial sector departments). SOEs, such as the national power company, also tag their expenditures. Local government expenditure is not covered.

**Definition.** The methodology identifies three categories of climate-relevant activities: adaptation, mitigation, and management of climate-related disasters. Adaptation is defined as
“the process of adapting to the current climate and its effects, as well as human interventions to facilitate the adjustment of natural systems to future climate effects.” Climate-related disaster management covers expenditures linked to reducing the impact of natural hazards and environmental disasters, including structural (i.e., hardware) and non-structural (i.e., administration, capacity building, organization) measures. Mitigation is defined as a reduction in GHG emissions and an increase in GHG sinks. The definition also includes other emissions with indirect climate impacts (such as black carbon and hydrofluorocarbons). Climate-relevant activities are classified under one of 10 sectors; for each sector, a list of eligible activities is specified. Activities that are considered climate relevant but are not on the list are tagged as “transversal” or “other.” Expenditures can be assigned to more than one sector and activity. Activities with adverse climate impacts are not included.

Estimation. Climate-relevant expenditures are estimated using four weight categories applied to each activity: relevant (limited climate change contribution, 10–20 percent of expenditures); quite relevant (significant and indirect climate change contribution, 30–50 percent); very relevant (climate change as a secondary objective, significant and direct contribution, 60–80 percent), and completely relevant (climate change as a principal objective, 90–100 percent).

Roles. The General Directorate of Public Investments of the Ministry of Finance and the National Directorate of Climate Change of the Natural Resources and Mines Secretariat (Mi-Ambiente) developed the tagging methodology through a series of consultative workshops with representatives of all government institutions. For the initial CPEIR, which provided the basis for the tagging system, small teams (budget analyst, climate change specialist, planning officer) were formed in each government institution to revise and tag all ongoing projects. The tagging system has strengthened coordination between the Ministry of Finance, the Ministry of Environment, the National Electricity Utility, and the National Forestry Institute. The Ministry of Environment advises other government agencies on the design of climate-related projects. According to the methodology, budget entities are responsible for tagging their own activities; in practice, however, the Ministry of Finance tags activities in the financial management system, and there is some resistance among line agencies to the increased workload entailed in assuming this responsibility. Nonetheless, the tagging system has increased the knowledge and awareness of climate change issues across government institutions and increased consideration of these issues in project design. Since the introduction of the tagging system, climate budget allocations have increased each year. Transfer of the responsibility for tagging to line ministries is foreseen for 2021.

Budget process. The budget circular (decreto presupuestario) contains two explicit climate change considerations. First, it “authorizes” the General Directorate of Public Investments to consider climate change indicators (along with disaster risk management, gender equality, women’s projects, and human rights) as part of the prioritization process for new investments. It also obligates all public institutions to identify and tag their climate-relevant activities in the programmatic budget structure. Funds may be reallocated between climate-relevant budget lines during the mid-year budget review to other climate-related activities or to cover expenditures for climate-related emergencies.

Tagging method. The tagging is applied at activity level during budgeting preparation by assigning: climate relevant sectors, activities, and objectives (adaptation, mitigation, or disaster management); the level of relevance weighting; and source of financing (national treasury, own resources, external credit, external grant, budget support). The climate change tag is integrated into the IFMIS. Activities are tagged when they are entered into the system.

Validation. There is no validation mechanism.

Tracking. The methodology allows for tracking actual and accrued expenditures. Information generated by the tagging system is used to inform budget reallocation decisions. At mid-year, budget allocations are shifted from non-performing climate projects to those with stronger implementation progress.

Publication. Climate budgets are presented in a separate analytical report, including the detailed budget tables of all climate relevant activities (the most recent available report is for 2019). There is no separate citizens’ climate budget.

Audit and evaluation. There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

References

Indonesia

CPEIR. A CPEIR was conducted in 2012. The report and methodology are not available.

Context. The Fiscal Policy Agency and the Directorate General of Budget under the Ministry of Finance, with support from UNDP, developed a budget tagging manual for climate change mitigation in 2016. It is framed in the context of the UNFCCC, the Paris Agreement, and the National Action Plan for Greenhouse Gas Emissions Reduction. Since 2018, adaptation expenditures have also been tagged.

Objectives. The objective of the budget tagging is to identify climate change mitigation–related outputs in the budget, to evaluate activities that have been implemented, and to identify the amount of funds used to finance climate change–related interventions. Climate change–relevant expenditures are identified based on the National Action Plan for Climate Change Mitigation. Budget tagging provided the basis for the issuance of a green sukuk (Islamic SGB). Proceeds are allocated to projects identified through the tagging system, and tagged expenditures were identified as the underlying assets when issuing the bond. Tagging may be used to earmark expenditures from a future carbon tax.

Coverage. The tagging is applied only in sectors and is done by the corresponding ministries of the central government budget that fall under the National Action Plan for Greenhouse Gas Emissions Reduction: agriculture; forestry and peatland; energy and transportation; industry; and waste management. Both operational (recurrent) and development (investment) budgets are covered. The methodology does not include off-budget or SOE expenditures or subnational entities’ budgets. However, a preparatory study to expand tagging to the subnational level and to earmarked transfers is ongoing.

Definition. The tagging methodology only covers outputs associated with either the reduction of GHG emissions, carbon sequestration, and/or the stabilization of carbon stocks. An indicative list of relevant activities is presented in the National Action Plan for Climate Change Mitigation. Activities with adverse climate change impacts are not included in the methodology. Since 2018, adaptation-related expenditures have also been tagged according to the same approach but based on the definition contained in the National Action Plan for Adaptation.

Estimation. Tagging is applied at a low level of the budget structure, the output level of programs (outcome>activity>output>sub-output>component). For example, under the Forest Conservation and Biodiversity Management program, forest fire control activity has five climate-relevant outputs, including the number of established forest fire control points and increases in staffing for bushfire control. Each output is tagged separately. No weighting is applied to the tagged outputs, and all expenditures are considered climate relevant.

Roles. The tagging methodology was designed by the Ministry of Finance’s Fiscal Policy Agency and the Directorate General of Budget, with support from UNDP. Within the line ministries that are mandated to tag their expenditures, tagging is applied at the level of technical directorates (Echelon II units). There is a climate change working group in each ministry. However, the tagging of the climate budget in the corresponding ICT application is done by staff from each ministry’s planning bureau (since they are the ones with access to work on the planning application), rather than the technical teams.

Budget process. Tagging is applied by line ministries’ technical directorates (Echelon II units) within the program-based budget at the output level and integrated into the budgeting system. During the reconciliation period of the budgeting process, the Ministry of Finance meets with the relevant ministries and agencies to discuss the tagged expenditures, which may be adjusted thereafter. Decisions from these reconciliation meetings are formalized in a document of agreement listing the tagged outputs, which then serve as the basis for the budget tagging within the system. Without a clear incentive and concrete benefit provided by the Ministry of Finance, the tagging constitutes an additional burden for line ministries. In certain cases, compliance is an issue, and expenditures are not tagged at the planning system stage but only later after reminders from the Fiscal Policy Agency, which has prepared a guidance book and delivered annual trainings on the tagging methodology to strengthen ownership and compliance. Tagging is beginning to have an impact on future budget allocations, though this benefit is not yet fully realized due to the lack of a monitoring and evaluation system for climate-related expenditures. There is also a weak government commitment to allocate budgets based on past results through the implementation of performance-based budgeting. Line ministries have used the information generated through the tagging to assess whether their investments are on track to achieve the NDCs and to secure additional resources if allocations are insufficient to achieve the targets.

Tagging method. Tagging is done at the output level within the activities of Echelon II units/technical directorates. Climate change mitigation is one of various thematic tags integrated into the budget planning system of ministries and agencies. Tagged expenditures appear with a check mark in the IFMIS.
Validation. Tagging is verified in reconciliation meetings between line ministries/agencies and the Climate Change Secretariat of the Ministry of National Development Planning. Tagging is validated for consistency with the NDC by the Ministry of Environment and Forestry and endorsed by the Ministry of Finance (Fiscal Policy Agency and Directorate General of Budget) during the reconciliation period of the budgeting process, before the budget is submitted for legislative approval.

Tracking. Expenditures related to program outputs are tagged in the IFMIS and can be tracked.

Publication. The Ministry of Finance’s Fiscal Policy Agency publishes analytical reports on climate change budget allocations. Climate expenditures are not reported in a separate or specific section in general budget documents and financial statement reports. Data from the tagging system are used for monitoring and reporting progress toward achieving the NDCs. The Fiscal Policy Agency produces analytical reports, although they are not systematically used for deciding future budget allocations. In addition, the agency recently conducted a joint study with a local nongovernmental organization on gender mainstreaming in the climate budget.

Audit and evaluation. There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

References


Ireland

CPEIR. No CPEIR was conducted.

Context. The Department of Public Expenditure and Reform developed a tagging methodology in 2018 as part of Ireland’s commitment to promote green budgeting as a member of the OECD Paris Collaborative on Green Budgeting. In addition, climate tagging meets a commitment under the National Mitigation Plan (2017) to develop “proposals for monitoring and reporting of climate related expenditure through the exchequer.” Ireland launched an SGB in October 2018, under the terms of which the government must report to investors annually on the disbursement of eligible green projects.

Objectives. The principal stated objectives of Ireland’s climate tagging are to 1) increase transparency by giving policy makers and the public insight into government action on climate change; 2) enhance effectiveness by providing better information for policy makers on the specific effects of individual climate measures; and 3) facilitate the reporting for investors in the SGB.

Coverage. The tagging covers central government expenditure. Only investment budgets are covered, except for the operating expenses of the Sustainable Energy Authority of Ireland. Subnational expenditures and SOEs are not covered. Environmentally harmful expenditures are not tagged.

Definition. Climate-relevant expenditures are broadly defined as “any expenditure which promotes, in whole or in part and whether directly or indirectly, Ireland’s transition to a low carbon, climate-resilient and environmentally sustainable economy.” This definition is derived from the International Capital Markets Association’s definition for green bonds. However, although the tagging methodology recognizes that programs with multiple objectives can be climate relevant, a precautionary approach is used when tagging expenditures. In practice, only the programs in which all or the majority of the investment supports improved climate and environmental outcomes are tagged.

Estimation. No weighting is applied. Complex programs in which only certain sub-heads are climate related are excluded from the tagging, as are programs in which less than half of the investment is climate relevant.

Roles. The tagging is led by the Climate Change Unit of the Department of Public Expenditure and Reform. After an initial review of all programs, potentially climate-relevant expenditures are identified. Government departments (i.e., line ministries) are then asked to validate the areas of expenditure selected, to highlight any items of expenditure that were missed in the initial exercise, and to flag any new areas of climate-related expenditure planned for the following year.

Budget process. The tagging is applied to the Revised Estimates for Public Services. The Revised Estimates Volume contains refined estimates of the receipts and expenditure of the state for each fiscal year. It is prepared based on the initial estimates submitted to parliament alongside the budget
as part of the annual budgetary process. The Revised Estimates Volume includes updated figures and additional details in relation to the expected allocations. It explicitly permits the inclusion of additional information of public importance, and a table on climate-related expenditure is published as an annex.

**Tagging method.** Tagging is centralized. The Climate Change Unit of the Department of Public Expenditure and Reform manually identifies climate-related expenditures at the sub-head level of programs.

**Validation.** The expenditures identified as climate relevant by the Department of Public Expenditure and Reform are validated by the relevant government departments.

**Tracking.** Actual expenditures of tagged programs are not tracked.

**Publication.** Information on climate-related allocations is published annually in an annex to the Revised Estimates Volume. The annex provides tables of climate-related expenditure by department and program.

**Audit and evaluation.** The Irish Government Economic Evaluation Service conducts rolling expenditure reviews. Several climate-focused programs have been evaluated since 2017. There are no specific audits for tagged programs.

**Context.** The national treasury developed a Climate Change Budget Code as provided under the Climate Change Act (2016). The Climate Tracking Methodology Handbook, finalized in 2019, was developed by a multi-stakeholder technical working group coordinated by the treasury and the Ministry of Environment, with technical and financial support from UNDP. The purpose of the methodological handbook is to equip state and non-state agencies with the requisite skills and knowledge to properly identify climate change elements, to plan, budget, and mobilize resources, and to code and track expenditures.

**Coverage.** The tagging methodology covers all sectors and expenditures that fall under the IFMIS and the standard chart of accounts. This includes national and county-level expenditures and all budget classes (recurrent, development, revenue, and deposit). The methodology does not cover off-budget expenditures, notably, donor funds directly allocated to non-governmental actors and expenditures by semi-autonomous government agencies that do not use the IFMIS.
Definition. The definition of climate-relevant expenditures is based on national climate change policies and strategies, particularly the Climate Change Act 2016 and the National Policy on Climate Finance. Climate-relevant expenditures must fulfill four criteria. First, they must address one or all of the climate change risk mitigation or climate-proofing categories: adaptation, mitigation, or enabling environment (climate awareness, training, policy, and capacity building) following the OECD Rio marker definition. Second, they must allocate more than 25 percent of expenditures to one or all of the above climate risk mitigation or climate-proofing categories. Third, they must demonstrate that incremental or additional financing has been used for climate change risk mitigation and climate proofing. Fourth, they must demonstrate that they have contributed to the outcome/output of increased resilience, reduced emissions, or increased awareness of climate change. There is no positive or negative list of climate-relevant expenditures. However, the methodology includes an indicative list of climate-relevant activities across different sectors. Activities with adverse climate change impacts are not considered.

Estimation. The Rio marker methodology is applied to classify activities as principal (explicitly stated climate change objective, primary driver), significant (explicitly stated climate change objective but not the primary driver), or not applicable/no cause (activity does not target adaptation or mitigation). No weighting is applied. Only expenditure items that allocate more than 25 percent of their budget to climate-related activities are considered relevant and tagged.

Roles. The tagging methodology was developed by a multi-stakeholder technical working group coordinated by the National Treasury and the Ministry of Environment and Forestry (previously Ministry of Environment and Natural Resources) comprising: the private sector (the Kenya Private Sector Alliance and various civil society organizations, including Transparency International and the Pan African Climate Justice Alliance); and representatives of government agencies (National Treasury, the Ministry of Environment and Natural Resources; State Department of Planning; Council of County Governors; Kenya School of Government).

Budget process. Climate change is not specifically mentioned in the 2019 budget circular. However, the circular refers to the “Big Four” Agenda, the government’s priority plan, in which one of the four pillars is “building a resilient, more productive and competitive green economy.” Linkage to the Big Four Plan is a criterion for prioritizing and allocating resources.

Tagging method. Tagging is applied to the program-based budget at the program, subprogram, and activity level, using a new segment in the chart of accounts. The four-digit segment is intended for the analytical and tracking purposes of expenditures in various thematic areas. The first two digits refer to the subject of tagging (in this case, climate change), the third digit shows the focus (adaptation, mitigation, or both/cross-cutting), and the fourth digit the relevance level (principal, significant, or not-targeted).

Validation. There is no information on a verification and validation process.

Tracking. The tagging is reflected in the chart of accounts and the IFMIS, enabling tracking of actual expenditures. However, so far, no implementation reports have been produced.

Publication. Climate expenditures are not identified in the budget document. There is no report presenting the climate budget and no citizens’ climate budget.

Audit and evaluation. There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

References


Moldova

CPEIR. No CPEIR was conducted prior to the development of the tagging methodology.

Context. The tagging methodology was developed in 2016 with support from the Supporting Moldova’s National Climate Change Adaptation Planning Process project, implemented by the Climate Change Office of the Ministry of Environment in partnership with UNDP. Tagging was introduced in the context of the National Climate Change Adaptation Strategy (2014). However, tagging has still not been incorporated into the budget process, neither for planning nor for reporting.

Objectives. The objective of the tagging methodology is to ensure the systematic identification of climate-related programs, activities, and projects in the national budget and to support the development of national capacity for fund mobilization,
management, and disbursement. Technical planners should also use the tagging to prioritize climate-related programs, activities, and projects in sectoral budget proposals. Tagging is intended to support the development of the financial records required to build a climate-financing framework.

Coverage. According to the methodology, all sectors, government ministries, institutions, and agencies are required to tag climate expenditures in their annual sectoral budgets. Recurrent expenditures are explicitly excluded from the tagging: “in general, financing and recurrent expenditures should not be counted as climate related expenditure. In certain cases, for example full-time staff hired to conduct climate related research, may be considered a climate-related expenditure in the first year and a recurrent expenditure in all following years.” The methodology does not include expenditures of SOEs.

Definition. The methodology builds on the OECD Rio markers, requiring adaptation and mitigation expenditures to satisfy criteria in terms of intent, activity, and context. For adaptation-relevant expenditures, the criteria are: the objectives of the expenditure are explicitly directed at addressing, or designed to address, climate change; the expenditure directly addresses vulnerabilities, the impacts of climate change, and climate variability or increases adaptive capacity; and the expenditure is included in the priority list of the National Adaptation Strategy or the National Adaptation Plan. For mitigation-relevant expenditures the criteria are: the objectives of the expenditure are directed at mitigating, or designed to mitigate, climate change; expenditures are related to a range of activities in renewable energy generation, energy efficiency, agriculture, forestry and land use, waste management, and transport that may lead to a reduction in GHG emissions or improve and protect carbon sinks; and the expenditure is included in the priority list of the Low Emission Development Strategy. The climate-relevant programs, activities, and projects are categorized into one of four key functions (climate change budget indicators): policy development and governance; research and development; knowledge sharing and capacity building; and climate response and service delivery. There is a positive list of climate-relevant expenditures for each of the four key functions (climate change budget indicators). Additional activities can be proposed to the Ministry of Environment’s (now: Ministry of Agriculture, Regional Development and Environment) Climate Change Office. Activities with adverse climate change impacts are not considered.

Estimation. The methodology applies climate-relevance weights. Programs, activities, and projects whose main objective addresses climate change are considered 100 percent climate change relevant and fully counted. For those that do not explicitly address climate change, the percentage of climate change–related activities and budget expenditures is calculated according to a relevance scale. Components with high relevance (more than 65 percent of activities dedicated to climate-related interventions, specific objectives) are weighted at 70 percent; those with medium relevance (between 40 and 65 percent of activities, secondary objectives or mixed programs) at 50 percent; those with neutral relevance (15–40 percent of activities, indirect benefits) at 25 percent; and those with marginal relevance (less than 15 percent of activities, very indirect and theoretical links) are not counted.

Roles. The Ministry of Environment led the development of the methodology. Sectoral ministries, agencies, and institutions are mandated to tag climate change expenditures in the annual sectoral budget proposals.

Budget process. The Ministry of Finance is mandated “to include the tagging of climate change expenditures, as well as changes and developments in related policies in the annual circular on developing proposals and draft budgets to the central and local public authorities.” The Ministry of Finance’s Order on Provisions of Budget Preparation, Adaptation and Changes (2017) states that expenditures should be tagged at the program level. However, in practice, this is not (yet) the case. Since tagging is not applied, the Ministry of Agriculture, Regional Development and Environment plans to conduct an expenditure review based on the 2019 budget implementation report by program classification.

Tagging method. According to the methodology, sectoral ministries, agencies, and institutions are required to tag climate change expenditures in the annual sectoral budget proposals by submitting a list of tagged programs, activities, and projects and their respective weights. Every tagged expenditure is assigned one of four climate change budget indicators depending on the type of activity: policy development and governance; research and development; knowledge sharing and capacity building; or climate response and service delivery. The climate change budget indicators are integrated into the performance-based budget system under the Ministry of Finance.

Validation. The tagging methodology provides for a validation process to improve data quality assurance and strengthen climate change mainstreaming in the planning, prioritization, monitoring, and reporting processes. Line ministries and agencies are required to submit a quality assurance and review form together with their sectoral budget. The form documents the rationale for the climate-relevance weighting and
the selection of the climate change budget indicator. The form lists each tagged program, project, or activity along with its main objective, climate change objective, climate-relevance share, and climate change budget indicator, as well as the climate risks it addresses and the climate information used. A working group under the National Climate Change Committee reviews the sectoral tagging decisions. This process has not yet been implemented.

Tracking. The degree of integration of the tagging within the IFMIS could not be confirmed. Currently, climate-relevant expenditures are not tracked.

Publication. Climate-relevant expenditures are not presented in published budget documents. Expenditures in the mid-term budget framework are presented by sectors, not consolidated by transversal thematic areas such as climate change. The citizens’ budget does not include information on climate change expenditures. The methodological framework mentions climate budget analysis, policy development, and budget recommendations as a purpose of the tagging process. No reports have been produced thus far.

Audit and evaluation. There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

References

Nepal

CPEIR. A CPEIR was conducted in 2011 by the National Planning Commission, with financial and technical support from UNDP and UNEP and the participation of the Ministries of Finance; Environment, Science and Technology; and Federal Affairs and Local Development. The definition of climate change was based on the OECD Rio marker definitions for mitigation and adaptation. The review identified climate change programs, cost centers, and projects in eight key ministries. Eighty-three program codes were classified as high, moderate, or low relevance. No weighting was applied. The review covered the budgeted expenditures (allocations) for five fiscal years and actual expenditures for the two most recent years. The review did not cover management functions (recurrent budget). The review identified the funding sources of climate-relevant programs and the amounts disbursed through off-budget technical assistance. The CPEIR recommended that the authorities give “some consideration to establishing coding structures that track thematic climate change expenditure at the point of expenditure” and a common chart of accounts for the central government, local governments, and donors.

Context. The tagging methodology was developed by the National Planning Commission in 2012 immediately following the CPEIR, supported by UNDP and UNEP. The methodology adopted was based on the CPEIR. Nepal had already applied thematic budget tags for poverty and gender before the introduction of the climate change tag. The development of the climate tagging methodology is linked to the 2011 Nepal Climate Change Policy and the Twelfth National Development Plan (FY 2013/14–2015/16). In 2017, Nepal developed a climate change financing framework with a roadmap for PFM reforms, including a revised climate tagging system. In 2018, the Ministry of Agriculture and Livestock Development piloted an improved tagging method with support from UNDP and the Food and Agriculture Organization. The new methodology foresees tags to be applied during planning and links climate change to gender and social inclusion issues.

Objectives. The objective of the tagging is to access international climate funds to finance climate change activities. Well-documented, transparent, and accountable records of climate investments are seen as a condition for accessing these funds. Tagging helps to identify the funding gap for climate action in each sector and to channel funds to where they are required. Allocations to programs tagged as highly relevant to climate change have gradually increased.

Coverage. Initially, tagging was applied to only 11 ministries, those most relevant to climate change, which were required to tag their expenditures. This has since been expanded to cover all federal/central-level government entities. In principle, only development (capital) budgets are covered, not recurrent budgets. However, ministries can tag recurrent expenditures that finance development activities. Transfers to subnational entities in the form of block grants by the Ministry of Federal Affairs and Local Development are also covered. Off-budget expenditures are not included.

Definition. Climate relevance is assessed based on a positive list of 11 climate change–related activities defined by the Climate Financing Working Group under the Ministry of Finance and the National Planning Commission. Both mitigation and adaptation activities are included, but no distinction is made between the two. Activities with adverse climate change impacts are not considered. The positive list comprises: sustainable management of natural resource and greenery pro-
motion; land use planning and climate resilient infrastructure; prevention and control of climate change–induced health hazards; prevention and control of climate change–induced hazards to endangered species and biodiversity; management of landfill sites and sewage treatment for GHG emissions reduction; sustainable use of water resources for energy, fisheries, irrigation, and safe drinking water; programs supporting food safety and security; promotion of renewable and alternative energy; technology development for emission reduction and low-carbon energy use; climate-induced disaster risk reduction; information generation, education, communication, research and development, and creation of a database; and reparation of policies, legislation, and plans of action related to climate change.

Estimation. A relevance score is assigned at the program level based on the sum of climate change–relevant activity budgets and expenditures. Programs are classified into three groups: highly relevant (more than 60 percent of program budget allocated to climate activities); relevant (20–60 percent); and neutral (less than 20 percent). To estimate the total cost of climate activities, the methodology counts the entire cost of highly relevant programs, half the cost of relevant programs, and none of the cost of neutral programs.

Roles. An inter-ministerial Climate Finance Working Group led the design of the tagging methodology. The working group comprised representatives of the National Planning Commission, the Ministry of Finance, the Ministry of Environment, Science and Technology, the Ministry of Federal Affairs and Local Development, and the Ministry of Forestry and Soil Conservation. The National Planning Commission, the Ministry of Finance, and sectoral ministries/agencies are engaged in the tagging process. The National Planning Commission provides capacity building and elaborates policy and budgeting guidelines, which has strengthened collaboration between the commission and sector ministries. Sector ministries tag development programs and projects in their budget proposal, usually in consultation with officials working on those activities. The National Planning Commission reviews and validates tagging in coordination with the Ministry of Finance. The tagging has raised awareness and understanding of climate change issues among policy makers, planners, and implementers.

Budget process. The National Planning Commission and Ministry of Finance communicate the budget ceilings and guidelines for annual plans to the line ministries. The budget ceiling and the guidelines for sectoral ministries/agencies are prepared based on the periodic plan and sectoral policies. The guidelines include provisions on emphasizing and proposing programs for adaptation and mitigation. Line ministries formulate their annual plans, based on inputs from district offices and departments. The tagging is applied at the ministry level by planning officers in consultation with the concerned officials of the projects and programs in the departments. The tagging methodology is fairly complex and time intensive, and the burden falls primarily on mid-level planning staff, who have to accomplish multiple tasks during the budget formulation process. The benefits of the tagging materialize at the higher level, where authorities use it to review and track allocations.

Tagging method. Planners in the line ministries prepare budget sheets for each program and its activities. Two climate change–specific columns have been added to the budget sheet format: the first indicates the climate relevance of each activity (yes/no) and the second the budget amount allocated to the respective activity. The share of climate-relevant activities in the overall program budget determines the climate relevance of the overall program. Tagging is done manually and then entered into the line ministry budget information system. Programs are subsequently tagged accordingly in the general National Planning Commission budget sheet as highly relevant, relevant, or neutral.

Validation. The National Planning Commission validates the tagging proposed by the line ministries before the budget is submitted to parliament.

Tracking. There is currently no methodology and reporting system to track implementation progress. The chart of accounts does not make it possible to calculate the activity-wise amount based on the climate change coding. However, trimestral and annual progress reports are prepared for all programs.

Publication. Climate change expenditures are presented in an annex to the budget document (Redbook), where overall and agency-wise climate expenditures are shown. An annual citizens’ climate change budget is published. The mid-term expenditure framework and annual development program also present tagged projects/programs as well as a summary result of budget estimations and expenditure projections.

Audit and evaluation. There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

References
Nepal, Government of, UNDP (United Nations Development

Nicaragua

CPEIR. A CPEIR was conducted in 2015 by consultants and government officials. The CPEIR recommended the design of a methodology to tag public climate expenditures to avoid the over- or underestimation of climate-related spending.

Context. The methodology was developed by the Ministry of Finance and Public Credit and introduced gradually from 2017 onwards. It is linked to the National Environment and Climate Change Strategy (2010–2015), the National Risk Management Plan (2010–2015), and the National Policy for Integrated Disaster Risk Reduction (2015).

Objectives. The overall objective of the thematic tag is to establish a link between the expenditures allocated to environmental management, climate change, and disaster risk reduction and the resource requirements identified in the respective national plans and policies. Tagging should provide information to decision makers so they can optimize resource allocations to disaster preparedness and reduction, mitigation, and adaptation. It should also serve as a tool to identify policy objectives requiring additional funding and to mobilize domestic and international resources.

Coverage. Tagging is applied by all central government institutions and covers both recurrent and investment expenditures. SOEs, SNGs (municipalities), and off-budget expenditures are not covered. Tagging is gradually expanded to cover all central government institutions. In 2019, eight ministries (the Ministry of Development, Industry and Commerce; Ministry of Education; Ministry of Agriculture; Ministry of Transport and Infrastructure; Ministry of Health; Ministry of Environment and Natural Resources; Ministry of Energy and Mines; and Ministry of Family, Community, Cooperative and Associative Economy) and three independent agencies (the National Forestry Institute, Nicaraguan Institute of Territorial Studies, and National System for Disaster Prevention, Mitigation and Response) were covered.

Definition. The definition of climate change mitigation and adaptation is based on the 2012 IPCC report (“Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation”) and the UNFCCC Warsaw International Mechanism for Loss and Damage related to Climate Change Impacts. Tagging covers four dimensions of expenditures. First, adaptation and disaster risk reduction: actions taken to support the adaptation of human and natural systems to current or future climate effects in order to moderate the damage or take advantage of beneficial opportunities. Strategies, policies, and measures aimed at improving the understanding of disaster risks, promoting the reduction of, and financial protection from, disaster risks, and improving disaster preparedness and response and recovery practices. Second, losses and damages (ex post): activities related to disaster response and post-disaster recovery (for climatic and geological events), including restoring the affected public infrastructure, goods, services, and livelihoods, either temporarily (rehabilitation) or permanently (recovery and reconstruction). Third, climate change mitigation: interventions to reduce sources of GHG emissions or improve sinks. And fourth, general environmental management: activities focused on institutional development and public policies for environmental management; planning, protection, and sustainable use of natural resources; the management of solid and liquid waste and chemicals and air, water, and soil quality; the management of biodiversity and protected areas; and the management of information and knowledge about the environment, education, awareness, and social participation (family and community). The methodology provides an indicative list of relevant activities under each area. Activities with adverse climate change impacts are not considered.

Estimation. No weighting is applied.

Roles. The tagging methodology was developed by the Ministry of Finance and Public Credit. Tagging has ensured that the issues of climate change, disaster management, and environmental management are placed on the public finance agenda. A climate finance office within the Ministry of Finance and Public Credit has been established to manage climate funding. Tagging has raised awareness of climate, disasters, and environmental issues as national priorities across government and encouraged sector agencies to define their role.

Budget process. The budget circular requires budget entities to tag climate-, disaster-, and environment-related expenditures. Budget entities tag activities in the IFMIS during the budget formulation process. The General Budget Directorate under the Ministry of Finance and Public Credit reviews and approves the tagging. Climate-, disaster-, and environment-related expenditures are presented in the annual budget at the program, subprogram, activity, or work level by type of expense (current and capital) and by source of financing (grants, loans, treasury income).
Tagging method. Tagging is applied at the lowest level of the programmatic budget structure (activity). Tags are applied in the IFMIS. The programmatic budget structure is linked to the chart of accounts, which associates expenditures with financing sources.

Validation. The Ministry of Finance and Public Credit’s General Budget Directorate reviews and validates the tagging.

Tracking. The thematic tag is associated with a budget code, which allows automated tracking of relevant expenditures. Tags may be revised during budget execution in the event of modifications. There have been no implementation reports, follow-up analyses, or evaluations of expenditures thus far.

Publication. Climate-, disaster-, and environment-related expenditures are presented in the general budget, and general budget execution reports reflect this spending. The final expenditures are included in the general budget liquidation report, which is subject to audit by the General Comptroller and is submitted to the National Assembly.

Audit and evaluation. There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

References

Odisha (India)

CPEIR. No CPEIR was conducted.

Context. The Indian state of Odisha took an early initiative in formulating the State Action Plan on Climate Change-I, 2010–15. The State Action Plan on Climate Change 2018–23 highlights the current and future vulnerabilities of Odisha under different scenarios based on scientific assessments. It also summarizes some major climatic events and their impacts as well as the state’s potential exposure to any similar events in the future. Odisha recognizes that there is a need to include climate change in planning and budgeting and accordingly initiated a Phased Climate Change Impact Appraisal. Eleven stakeholder departments were prioritized based on the climate change relevance share and the climate change sensitivity share of a majority of the schemes (development programs) of those identified departments. The methodology for tagging the climate-relevant budgeted expenditure of the 11 priority departments was integrated into the state budget for 2018–19 as a separate chapter and subsequently published.

Objectives. The objective of tagging the climate change relevance share and climate change sensitivity share is to identify the inherent climate mitigation or adaptation benefits of current public expenditure and plan future investments; to facilitate the realignment of the objectives of departmental schemes to achieve greater climate relevance in the future; to predict future loss and damage because of climate change given climate scenarios (regional projections) with current adaptation and mitigation efforts; and to standardize domestic and international climate action and expenditure reporting.

Coverage. The Odisha Climate Change Action Plan outlines strategies across 11 priority sectors, forming the basis for conducting the Phased Climate Change Impact Appraisal and the tagging. However, due to comparatively low budgetary allocations, expenditure from the Departments of Industries and Steels and Mines has been omitted from this analysis. On the other hand, Panchayati Raj, drinking water, and rural development have been included, since the expenditures in these departments have far reaching climate change adaptation benefits and at the same time are susceptible to climate change impacts. Only schemes are tagged.

Definition. Discarding the MDB and OECD approaches, Odisha seeks a methodology that suitably identifies the climate change benefits of the state’s existing budget expenditures, with indicators that will be helpful for the state in prioritizing climate actions. This approach takes into account the expected benefits of the schemes/programs and grades them based on their relative climate sensitivity to arrive at the climate change benefit share.

Estimation. The Phased Climate Change Impact Appraisal approach is applied to expenditures for all the schemes/programs across the 11 priority sectors, and the resultant percentages of the climate change relevance and climate change sensitivity shares will be imposed on the programmatic expenditure of these schemes. This exercise ultimately provides the overall climate relevance and sensitivity shares of public expenditure, thereby providing an additional classification in light of future climate expenditure as well as NDC reporting. Only scheme expenditure is assessed and tagged.

Roles. The Forest and Environment Department anchors the climate budget, and the 11 stakeholder departments provide the schemes relevant to climate change. There is a research unit in the Forest and Environment Department that determines the schemes’ climate change relevance and sensitivity shares.
**Budget process.** It is not integrated into the budgetary process and appears to be an exercise carried out independent of the main budgeting exercise.

**Tagging method.** The tagging is carried out in two phases. In the first phase, the climate change relevance share is determined through the following steps:

- List benefits: Identifying the beneficiaries of the program’s economic, social, and environmental benefits
- Identify importance: Marking each benefit with a ranking of importance (high/medium/low), applying a score (where H=3, M=2, and L=1), and providing a response to the rank assigned to the benefit
- Outline climate relevance: Describing whether each benefit leads to building climate resilience and/or mitigation
- Highlight the degree of climate relevance: Marking the relative importance of climate relevance (full/high/medium/low/nil) and applying a score (where F=100 percent, H=75 percent, M=50 percent, L=25 percent, and N=0)

In the second phase, the climate change sensitivity share is determined by following the steps given below:

- Identify the climate sensitivity of benefits: Describe how sensitive the benefit is to climate change, rank the degree (full/high/medium/low/nil), and apply a score (where F=100 percent, H=75 percent, M=50 percent, L=25 percent, and N=0).
- Calculate the share of benefits sensitive to climate change.

This methodology attempts to provide the climate relevance of public expenditure in step I, while in step II, it highlights the vulnerability of public expenditure to future climate impacts. If the results of both analyses are studied together, it will be observed that there are schemes in every sector that provide relatively greater climate benefits than others while also being sensitive to climate impacts, hence needing relevant design considerations to ensure that the benefits are not at risk. Similarly, schemes that are low in providing climate benefits might also be low in sensitivity, which could again call for design changes to accrue greater benefits at lower risk exposure.

**Validation.** Currently there is no independent verification mechanism in place.

**Tracking.** The climate budget is stand-alone document like the gender budget. It is not known whether there are any tracking reports.

**Publication.** It is part of the budget documents.

**Audit and evaluation.** Generally, documents, such as the gender budget, outcome budget, and so forth, that are outside the main budget are not audited as part of certification of accounts or value-for-money audits.

**Pakistan**

**CPEIR.** CPEIRs were conducted in 2015 and 2017, with support from UNDP. The CPEIRs covered federal expenditures and the expenditures of the four provinces and three federally administered areas. Both recurrent and development (investment) budgets were covered. The methodology consisted of three phases: identification of expenditures with an adaptation, mitigation, or supporting component; classification of climate-relevant expenditures along the themes and tasks outlined in the National Climate Change Policy; and rating of expenditures as of high, medium, low, or marginal relevance and assigning climate-relevance weights. The CPEIR report recommended that the authorities integrate climate change action into planning and budgeting across all relevant sectors and at the provincial level through the development of systematic tracking, managing, and reporting procedures, a process that was underway at the time of this report.

**Context.** The proposal for a climate change coding and tagging system was developed in 2016 by UNDP-financed consultants, complemented by a technical note on the climate change expenditure reporting framework. The tagging methodology has been integrated into the Development Planning Manual (revised in 2019). The methodology applies the same definition and classification used in the CPEIR report, and its coverage reflects the cost centers identified as climate change relevant in the CPEIR. The development of the methodology is linked to the 2012 National Climate Change Policy and the 2013 Implementation Framework. In 2017, Pakistan developed a climate change financing framework to systematically mainstream climate change into public economic and financial management. The climate change budget tagging was piloted in the 2018/19 budget cycle.

**Objectives.** The declared objective of tagging climate-relevant expenditures is to improve the government’s policy management capability, strengthen monitoring, and influence budget allocations to align with climate change policy priorities.

**Coverage.** All cost centers that have climate change–related activities as reflected in the National Climate Change Policy are covered. The climate change coding and tracking system covers only the federal level. Tagging is applied to both recur-
rent and development (investment) expenditures in the annual budget. Climate tagging has not yet been applied to planning instruments. Autonomous bodies are also covered through a special reporting template. Tagging is planned to also be rolled out at the provincial level, where work has started in Khyberpakhtunkhwa Province.

Definition. Climate relevance is assessed based on 11 tasks (sectors) derived from the National Climate Change Policy and grouped under adaptation, mitigation, and supporting activities. Adaptation encompasses water resources; agriculture, forestry, and livestock; land use changes; industry and manufacturing; and disaster management. Mitigation involves energy; agriculture, forestry, and livestock; transport; land use changes; industry and manufacturing; and waste management. And supporting areas include capacity building, awareness, education, and institutional strengthening; international and regional cooperation; and finance and technology transfer. An indicative list of activities is provided. However, activities with adverse climate change impacts are not considered, and there is no negative list of excluded activities. Separate typologies will be prepared for provinces to reflect their different functions.

Estimation. Relevance weights are assigned to expenditures identified as climate relevant. Expenditures are classified as having high (75 percent or more), moderate (50–75 percent), low (25–50 percent), and marginal (less than 25 percent) relevance. The definition of the weight is based on the climate change typology in the Manual for Development Projects and is not linked to the expenditures on activities that are directly climate relevant. The methodology provides examples of the different relevance categories.

Roles. The tagging system was designed by the Ministry of Climate Change and the Comptroller General of Accounts (under the Ministry of Finance). The Ministry of Climate Change regularly reviews the definition and relevance criteria in consultation with provincial-level counterparts. Tagging focal points in the Ministry of Climate Change centrally apply the climate change tag to cost centers created in the IFMIS. The Comptroller General of Accounts submits lists of newly approved cost centers to the Ministry of Climate Change for tagging. The Ministry of Climate Change prepares an annual report on climate allocations and expenditures, which is included as a chapter in the Economic Survey (fiscal performance and outlook report). The institutional framework has posed a challenge to the introduction of climate tagging because responsibility for budgeting, planning, and accounting is scattered across the Ministry of Finance, Ministry of Planning, and the Comptroller General of Accounts. As Pakistan is a federal state, provinces enjoy significant autonomy and different functions. As part of the process of integrating climate change into budgeting and planning, the Ministry of Climate Change established a Climate Finance Unit to facilitate access to international climate finance. There are standing committees on climate change in the national assembly and in the senate. Efforts are ongoing to develop a climate budget review guide to support their oversight function. Tagging has raised awareness of climate change issues across government entities and facilitated discussion on the fiscal impacts of climate change and the effect on budget allocations.

Budget process. The climate change expenditure tagging was piloted in the 2018/19 budget cycle. That year’s budget brief (review of the federal budget) summarized the methodology, though in the subsequent budget brief, there was no longer any mention of climate change. The process of tagging is fully automated. Cost centers are tagged in the government IFMIS. The tags and weights were assigned by a team of experts when the climate expenditure tracking system was introduced. New cost centers are reviewed, tagged, and weighted by technical staff at the Ministry of Climate Change.

Tagging method. Tagging is applied centrally to cost centers and programs. The coding structure for climate expenditure is introduced as a special module in the IFMIS. The code provides information on the type of activity (mitigation, adaptation, supporting areas), subsector, funding source (domestic/external), and its relevance weight (high, medium, low, marginal). The process is fully automated. Cost centers (part of the chart of accounts structure) are tagged in the IFMIS by staff at the Ministry of Climate Change. The tags and weights for each program were assigned by a team of experts when the climate expenditure tracking system was introduced. New cost centers are reviewed, tagged, and weighted by technical staff at the Ministry of Climate Change. For those autonomous bodies that are not integrated into the IFMIS, a special reporting template has been designed, consistent with the IFMIS reporting template, enabling them to share climate-relevant budget and expenditure information with the appropriate line ministry. The responsible line ministry consolidates this information at the sector level before submission to the Ministry of Climate Change and Ministry of Finance.

Validation. All cost centers were initially tagged by a team of experts. New cost centers are reviewed and tagged by technical staff at the Ministry of Climate Change. There is no validation mechanism.

Tracking. Tags are applied in the IFMIS, which allows for tracking actual expenditures and execution progress. Informa-
tion on actual expenditures is included in the annual Economic Survey. There are no specific rules for reallocation.

**Publication.** Currently, climate budgets and expenditure reports are not published. The Comptroller General of Accounts produces annual internal budget execution reports for climate expenditure for the Ministry of Finance. A chapter on climate change is included in the economic survey and in the budget brief, but it does not comprehensively present climate expenditure data. Since the tagging is fully integrated into the system, budget and expenditure reports can be produced at any time and at different levels of detail.

**Audit and evaluation.** The supreme audit institution’s Directorate for Environment, Climate Change and Disaster Risk is undertaking a pilot climate performance audit in one district.

**References**

**Philippines**

**CPEIR.** A CPEIR was conducted in 2013 by the Department of Budget and Management and the Climate Change Commission with support from the World Bank. The CPEIR covered five departments (agriculture, energy, science and technology, environment and natural resources, and public work and highways) and their subordinate agencies. Climate-relevant programs, activities, and projects were identified based on a previous tagging effort that linked programs to national development priorities, one of which was related to sustainable natural resource use and climate change adaptation and mitigation. The list was revised based on the identification of activities that fell under the National Climate Change Action Plan and in consultation with the departments. The CPEIR used the OECD Rio marker definitions to classify programs as mitigation or adaptation. Projects or programs contributing to both objectives were split to avoid double counting. The CPEIR recommended that tagging be used in the budget planning and management process throughout the government, employing updated guidelines for tagging with strengthened mid-year and end-year reporting on implementation.

**Background.** The climate change expenditure tagging methodology was introduced in 2014 and revised in 2016. Tagging established a climate change expenditure baseline for the outcome and outputs under the 2010 National Climate Change Action Plan. Work on the methodology was led by the Department of Budget and Management and the Philippines Climate Change Commission with support from the World Bank and the government of Australia. The methodology follows up on the CPEIR exercise, but the definitions of climate relevance and coverage and the approach differ.

**Objectives.** The initial objective of the expenditure tagging is to lay a foundation for climate budgeting, identify and track climate responsive expenditure, and facilitate a discussion on performance. Tagging generates statistics and baseline information for assessing trends, tracking execution, and monitoring physical performance. Today, the system serves as a common framework to identify, plan, prioritize, and monitor the climate change–related expenditures of national government agencies and local government units.

**Coverage.** All national government agencies tag their respective budgets. Tagging covers expenditures related to general administration, support to operations, locally funded programs, and foreign-assisted projects. Both recurrent and capital expenditures are covered. Local government units (a total of 1,760) are requested to tag budgets in their annual investment plans, including investment financed from own resources, central-level transfers, and donors. Funding from the central government to SOEs is covered, though their own climate-relevant expenditures are not. Off-budget expenditures are also not covered.

**Definition.** Climate-relevant activities are classified as either adaptation or mitigation related. Adaptation related is defined as an activity that intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks by maintaining or increasing adaptive capacity and resilience. Mitigation-related activities are those that contribute to the stabilization of GHG concentrations in the atmosphere by promoting efforts to reduce or limit emissions or to enhance GHG sequestration. Activities are further classified according to the National Climate Change Action Plan according to the strategic priority to which they contribute (food security, water sufficiency, ecosystem and environmental stability, human security, climate smart industries and services, sustainable energy, knowledge and capacity development, cross-cutting programs), the subpriority, and the instrument. A positive list of 247 climate-relevant activities has been established and is regularly updated. Activities with adverse climate change impacts are not considered.

**Estimation.** For programs, activities and projects whose main objective (or one of the main objectives) is climate change,
the entire budget is tagged as climate-relevant expenditure. If the main objective does not explicitly address climate change, only the expenditures on the components that do so explicitly are tagged as climate relevant.

**Roles.** The methodology was developed jointly by the Climate Change Commission and the Department of Budget and Management (Ministry of Finance). National government agencies are responsible for tagging their expenditures when entering them into the budget proposal system. The Climate Change Commission provides yearly orientation on climate expenditure tagging for ministry budget and planning officers, climate change focal points, and SOEs. A module on climate expenditure tagging is integrated into the wider capacity-building program for SNGs.

**Budget process.** The Budget Call released by the Department of Budget and Management contains general information on the budget process as well as the budget preparation forms and instructions. The climate change expenditure form is part of the package. Government agencies are asked to provide an overview of their climate-relevant expenditures (previous, current, and succeeding fiscal year). Climate-relevant programs, activities, and projects are classified according to their allotment type (personal services, maintenance and other operating expenses, financial expenses, and capital outlays). Government agencies are required to document the climate objective, outcome, and relevance of the tagged expenditure and to summarize and present their climate-related program budget requests in a climate budget brief. The brief discusses allocations in relation to previous years, highlights funding gaps with regard to activities identified in the National Climate Change Action Plan, and includes recommendations for the technical budget hearings. The briefs inform congressional budget hearings, presidential communications on climate change commitments, and the public. A proposed climate budget is provided as part of the president’s budget submission to the Congress. Allocations for climate-relevant programs, activities, and projects have increased since the introduction of the tagging system. However, this may be due in part to an initial undertagging and to improvements in compliance over the years.

**Tagging method.** Tagging is applied at the program level. Where climate change is not a main objective of the program, components (projects or activities) that directly address climate change are tagged. Each program, activity, and project has its own code in the Unified Accounts Code Structure. Budget entities tag programs, activities, and projects when they are entered into the Online Submission of Budget Proposal System. Budget proposal forms for climate-relevant expenditures are prepared by budget and planning officers, confirmed by chief accountants, and approved by heads of office/agency. A help desk within the Climate Change Commission supports government entities and local governments in the tagging process. The climate change expenditure tagging typology code has six digits: the first identifies the activity as either adaptation or mitigation; the second allocates it to one of the seven priorities under the National Climate Change Action Plan; the third allocates it to a subpriority under the respective strategic priority; the fourth identifies the type of instrument deployed (policy and governance; research and development; knowledge, capacity building, and training; action delivery); and the last two digits identify the specific activity. Climate-relevant programs, activities, and projects are classified according to their allotment type (personal services, maintenance and other operating expenses, financial expenses, and capital outlays). Government agencies can submit a request for additional typology codes to the Climate Change Commission. Tagging climate-relevant expenditures has helped agencies identify their climate change priorities. There are limitations in the methodology, however. Only one climate tag from the typology is assigned to each program, activity, and project, even if the intervention is relevant to several strategic priorities of the National Climate Change Action Plan. Moreover, the granularity of the data is low because tagging is done at the program, activity, and project level rather than at the level of subcomponents or budget lines.

**Validation.** The climate change expenditure forms prepared by budget entities are reviewed by the Climate Change Commission to ensure the consistency of tagging over time (previous/current/future fiscal year) and the climate responsiveness of the tagged programs. Programs that do not meet the criteria can be excluded after consultation with the government agency. However, compliance with the quality assurance and review process has been limited, and there was initially a low rate of return of the corresponding forms. Indeed, the requirement for agencies to provide additional information appears to have led to a decrease in the number of agencies tagging their expenditures. Compliance among local government bodies is poor. Local government tagging forms are submitted only after the plans have been approved by local councils, hampering adjustments after review by the Climate Change Commission. Moreover, the Commission’s human resources are insufficient to properly validate submissions from a large number of local governments and provide the required guidance and capacity building.

**Tracking.** Climate-relevant expenditures can be tracked at four stages: in the budget requests submitted by ministries and agencies; in the amount allocated in the budget proposal; in the general appropriations act (approved budget); and in the
actual expenditures reported by ministries and agencies. The National Climate Budget Brief presents the amounts allocated to climate-relevant interventions in the approved budget.

**Publication.** A National Climate Budget Brief is developed based on the climate change expenditure tagging and published. Climate expenditure tagging supports monitoring and reporting on the National Climate Change Action Plan. However, the expenditure tagging typology is not completely consistent with the Action Plan’s interventions. Data generated by the expenditure tagging system are also made available on the monitoring and reporting website for the Philippines’ commitments under the Paris Agreement (https://niccdies.climate.gov.ph/).

**Audit and evaluation.** Discussions on the participation of the Commission on Audit in the expenditure tagging system are currently ongoing.

**References**


**Uganda**

**CPEIR.** A CPEIR was conducted in 2013 by the ODI and the Advocates Coalition for Development and Environment (Uganda). Ugandan government institutions were not directly involved in the exercise. The methodology aimed to classify relevant public expenditure through six stages: identification of key policy areas for climate change and the associated ministries and agencies; identification of climate-relevant programs and projects; assessment of the climate relevance of the objectives; assessment of the climate relevance (high, medium, or low relevance) and geographic location of the program; assignment of a percentage weighting to each item of expenditure (high relevance, 75 percent or more; medium relevance, 26–74 percent; low relevance, 10–25 percent); and classification of expenditure as adaptation or mitigation focused. The CPEIR acknowledges that there is no coding for climate change–relevant expenditure in the PFM system and recommends further research to confirm the climate-relevance criteria developed in the CPEIR.

**Background.** The climate change budget tagging methodology was developed in 2018 by the Ministry of Finance, Planning and Economic Development with technical support from the World Bank. The methodology does not make any reference to the CPEIR, from which it differs significantly. The methodology is based on the National Climate Change Policy and its costed Implementation Strategy, in addition to other climate change–relevant sector policies.

**Objectives.** The objective of identifying, classifying, and tracking climate expenditure is to “assess trends, track budget execution and monitor financial and physical performance.” The results of the tracking are country-specific and cannot be aggregated.

**Coverage.** The tagging was piloted in four ministries and four districts in the FY2019/20 budget and is expected to be expanded to cover all ministries and districts in FY2020/21. Both recurrent and development budgets are covered. Off-budget and SOE expenditures are not covered.

**Definition.** Interventions are adaptation relevant if the objective includes a reference to climate change risks or vulnerabilities, and mitigation relevant if the objective includes a reference to GHG reduction or energy efficiency. Definitions are closely linked to the MDB approach. The MDB positive list of eligible activities is used as a reference for mitigation. Climate-relevant programs and projects are classified according to a typology based on the National Climate Change Policy, which specifies policy objectives, sectors, types of response, and specific strategies (activities). Thirty-two policy objectives and 141 specific strategies are included in the typology. There is no negative list. Expenditures with negative climate change effects are not considered.

**Estimation.** No weighting or relevance classification is applied. All expenditures for climate-relevant programs and projects are considered to be climate relevant.

**Roles.** The Ministry of Finance, Planning and Economic Development is responsible for the tagging methodology. It ensures the application of the tagging, raises awareness among ministries, departments, and local governments, reviews the tagged budget submissions, and generates annual reports.
on climate change allocations and expenditure. The National Planning Authority reviews climate-tagged investment projects to ensure their alignment with national climate change priorities and reviews the performance reports of climate change projects. The Climate Change Department under the Ministry of Water and Environment advises ministries, departments, and local governments on the application of the tagging and also compiles and consolidates information on climate change expenditures to inform budget hearings.

**Budget process.** Climate change tagging is not considered in the budget circular. However, the methodology specifies that budget entities should tag programs and projects during the preparation of the Budget Framework Papers following the issuing of the first budget call circular. Tagging may be revised during the budget consultations.

**Tagging method.** Planners in technical directorates and technical staff, working with climate change focal points at the local government level, identify climate-relevant programs and projects and tag the planned expenditures. Tagging is applied to outputs and subprograms and is fully integrated into the program budgeting system. A five-digit code was created in that system. Following the climate change typology, the first digit indicates the objective of the National Climate Change Policy; the second and third identify the sector; the fourth specifies the type of policy response; and the fifth identifies the specific strategy/activity.

**Validation.** Ministries, departments, agencies, and local governments charged with tagging are required to fill in a quality assurance and review form as part of the submission of their budget proposals. The form provides supporting information for the tagging, including on climate-relevant objectives and outputs. The Climate Change Department reviews tagged expenditures and suggests adjustments based on the forms.

**Tracking.** Actual expenditures can be tracked in the budget system. The annual report on climate expenditure will cover both actual and planned expenditures.

**Publication.** Climate-relevant expenditures are to be presented in annual reports by the Ministry of Finance, Planning and Economic Development. No such report has been generated yet.

**Audit and evaluation.** There are no specific audit and evaluation arrangements in place for climate-relevant expenditures.

**References**