

FAQs for Green/Climate Budget Tagging

1. What is climate budget tagging?

Climate budget tagging is a public financial management tool that enables the government to systematically identify, classify and track climate relevant expenditures. Each budget holder whether current or development budget shall be tagged. The process consists of two steps i.e identification of climate relevance and then determining an estimated degree of climate relevance.

2. How is a budget tagged.

- Scope

- 1 Both the current and development budget will be tagged. For current budget, individual budget holders will be tagged i.e. the budget of each cost center will be tagged. For development budget the PCI Form will be tagged.
- 2 Budget tagging will be part of the annual budget preparation exercise.

- Methodology

- 1 Each Cost Center will follow the steps listed below for Climate Budget Tagging
 - i Prepare the current budget by properly filling Form BCC II and Form BCC IV. Ensure that all activities and expenditures are properly recorded in these forms.
 - ii Once the budget estimates are established, review the list of climate Actions and Measures provided in Annexure G to the Budget Circular for the year 2026-27
 - iii Carefully review all the actions and measures to obtain a detailed understanding of the scope of each action and measure listed therein.
 - iv Identify those climate actions and measures that are directly or indirectly related to the current and future activities of your cost center.
 - v Carefully examine all the proposed and on-going activities that are directly or indirectly contributing in achieving the identified Actions and Measures in step IV above

- vi Map each identified activity to the identified Actions and Measures
- vii Ensure that the linkage between the activity and the Actions and Measures can be established and justified
- viii For each climate-relevant activity, estimate the **proportion of time, effort, and resources** allocated to climate-related objectives.
- ix This estimation should be based on a **reasonable and evidence-based judgment (best estimate)**, considering:
 - The primary objective of the activity
 - The extent to which climate considerations are integrated
 - The share of outputs contributing to climate outcomes
- x Assign a **percentage weight** to each identified activity/action based on its climate relevance.
- xi Where multiple climate-relevant activities exist, aggregate the assigned proportions to determine the **overall climate relevance percentage** for the cost center/program.
- xii Apply the aggregated climate relevance percentage to the **total budget of the cost center/program/project**.

Climate-Relevant Budget = Total Budget × Climate Relevance Percentage

- xiii The resulting amount represents the **climate-tagged expenditure** attributable to that budget holder.

3. On what basis is climate relevance determined for a department or cost centre?

Climate relevance is determined by:

- The mandate and rules of business (e.g. forests, irrigation, disaster management);
- The design and objectives of programmes/schemes (e.g. climate-resilient crops, flood protection); or
- The share of activities directly or indirectly contributing to climate mitigation/adaptation.

- 4. Can a department be considered “highly climate relevant”?**
Yes, where the majority of the proposed and on going activities of the cost center can be mapped with majority of the Actions and Measures list provided in Annexure G of the Budget Call Circular and majority of the resources time, money and activities can be linked to these actions and measures.
- 5. Can a department with mostly non-climate functions but some climate-related activities be climate tagged?**
Yes. If a department has some specific activities (e.g. flood preparedness, climate-resilient infrastructure standards, tree plantation campaigns, climate education) which can be mapped to the Actions and Measures List provided in Annexure G and only limited resources of the cost center are assigned to the identified Actions and Measures. a partial climate tag can be applied to the to these activities (e.g. 5–25%).
- 6. Can a department with no identifiable climate-relevant mandate or activities be climate tagged?**
No. If the mandate, programme or activities cannot be linked to the Actions and Measures List the department cannot be tagged for climate..
- 7. How should Energy and Power be treated/ tagged?**
Energy and Power are directly relevant to Climate Change. If the department invests in renewable energy (hydro, solar, wind), energy efficiency, reduction of transmission losses, and low-carbon technologies it can be positively tagged for climate. Since these activities can be directly linked to the Actions and Measures therefore the department can be medium tagged. Relevant portions of the budget can be given medium to high tags (e.g. 20–60%). Conventional fossil-fuel-based generation without mitigation components may not be tagged .
- 8. Can Relief & Rehabilitation / Disaster Management authorities be climate tagged?**
Yes. The department can be tagged as positively climate relevant because some of its activities may be directly linked to the Actions and Measures provided in Annexure G. These include disaster preparedness, adaptation and resilience building.
- 9. How should the District Administration (AC/DC offices) be climate tagged?**
The District Administration has a broad mandate including overall local administration, critical role in disaster preparedness and coordination of climate-related initiatives. Since these activities can be mapped to Actions and

Measures provided in the List of Actions and Measures in Annexure G, a medium climate tag of 15–25% may be assigned, reflecting the share of their time and resources devoted to climate disaster management and resilience functions.

10. How should cross-cutting departments (Finance, P&D, Statistics, Information) be tagged?

These can receive low to moderate tags if they:

- Integrate climate in planning, appraisal or M&E;
- Manage climate finance;
- Produce climate-related data and statistics; or
- Lead climate awareness campaigns.

The tag would reflect the share of their work and the resources allocated that may be climate-related often in the range of 5–15%.

11. Can health sector expenditures be climate tagged?

Yes, to some extent. Health systems are increasingly impacted by climate-sensitive conditions, including vector-borne diseases such as malaria and dengue, as well as illnesses associated with heatwaves, floods, and other climate-related hazards. Accordingly, expenditures related to emergency preparedness, climate-linked disease surveillance, heat and flood response, and the development of climate-resilient health infrastructure can be considered for climate tagging. Typically, this may account for approximately 5–15% of total health sector spending, depending on the extent to which climate and disaster-related components are explicitly integrated.

12. Can infrastructure departments (roads, buildings, C&W) be climate tagged?

Yes, when they incorporate climate-resilient design standards such as flood-resilient bridges, erosion-resistant roads, improved drainage, slope stabilization and other climate-proofing measures and which are reflected in the List of Actions and Measures. The climate tag will apply to the climate-resilient share of their investment and O&M budgets (e.g. 10–30% depending on how systematically climate resilience is integrated).

13. Can a police station be climate tagged?

Ordinarily, no. A conventional police station cost centre has negligible climate relevance. However, if the police have dedicated units or budget lines for enforcement of environmental/climate-related regulations they can be mapped

against the List of Actions and Measures. The specific portion could be tagged (likely very small).

14. Can a cost centre be climate tagged without any documented link to climate ?

No. If the current or proposed activities cannot be linked to any of the Actions and Measures in the list provided at annexure G of the Budget Call Circular for the year 2026-27.

15. Can tree plantation campaigns by non-environment/climate related departments be climate tagged?

Yes. Tree plantation, slope stabilization, watershed protection or urban greening campaigns coordinated by Education, Local Government, C&W, etc., are climate-relevant. The share of budget for these activities should be tagged accordingly (e.g. 5–10% of that department's budget, if substantial).