Climate Finance Network

UNDP

GUIDANCE NOTE

Using Public Financial Management to Implement NDCs and NAPs

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Abbreviations

ADB: Asian Development Bank
BUR: Biennial Update Reports
CBT: Climate Budget Tagging
CC: Climate Change
CCBII: Climate Change Budget Integration Index
CCBII+: Climate Change Budget Integration Index +
CCDRs: Country Climate and Development Reports
CCFF: Climate Change Financing Framework
CEGIM: Climate Economic Growth Impact Model
CFLs: Compact Fluorescent Lamps
CFN: Climate Finance Network
CLIMATE-PIMA (OR C-PIMA): Climate-Public Investment Management Assessment
COFOG: Classifications of the Functions of Government
CoP: Conference of Parties (as in COP 16, COP21, COP29)
CPEIR: Climate Public Expenditure and Institutional Review
CSOs: Civil Society Organisations
EU: European Union
ETF: Enhanced Transparency Framework
FAO: Food and Agriculture Organization of the United Nations
FMIS: Financial Management Information Systems
FYP: Five-Year Plan
GDP: Gross Domestic Product
GFPN: Global Fiscal Policy Network
GFSM: Government Finance Statistics Manual
GHG: Greenhouse Gas
GIZ: Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
GoI: Government of India
GST: Global Stock-take
IBFCR: Inclusive Budgeting and Financing for Climate Resilience
ICLs: Incandescent Lamps
ICMA: International Capital Market Association
IIED: International Institute for Environment and Development
IMF: International Monetary Fund
INFF: Integrated National Financing Framework
INTOSAI WGEA: International Organization of Supreme Audit Institutions Working Group on Environmental Audit
IPSAS: International Public Sector Accounting Standards
KPIs: Key Performance Indicators
KRISNA SYSTEM: (a system used in Indonesia's CBT cycle)
LDCs: Least Developed Countries
LT-LEDS: Long-term Low-emission Development Strategies, or Long-term Strategies
MDGs: Millenium Development Goals
MEF: Ministry of Economy and Finance (Cambodia)
MoF: Ministry of Finance
MRV: Monitoring, Reporting and Verification
MTBF: Medium-term budgetary framework
MTEF: Medium-Term Expenditure Framework
MTFF: Medium-term Fiscal Framework
NAPs: National Adaptation Plans
NCQG: New Collective Quantified Goal on Climate Finance
NCSD: National Council for Sustainable Development (Cambodia)
NDCs: Nationally Determined Contributions
OECD: Organisation for Economic Co-operation and Development
PEFA: Public Expenditure and Financial Accountability
PEP: Pemantauan Evaluasi dan Pelaporan (a system in Indonesia)
PFM: Public Financial Management
PIIE: Peterson Institute for International Economics
PIMA: Public Investment Management Assessment
PRI: Principles for Responsible Investment
SAI: Supreme Audit Institution

SDGs: Sustainable Development Goals
SIDS: Small Island Developing States
SMART SYSTEM: (a system used in Indonesia's CBT cycle)
SRN: Sistem Registri Nasional (a system in Indonesia)
UN-DESA: United Nations Department of Economic and Social Affairs
UNCED: United Nations Conference on Environment and Development
UNCDF: United Nations Capital Development Fund
UNDP: United Nations Development Programme
UNEP: United Nations Environment Programme
UNFCCC: United Nations Framework Convention on Climate Change
UNDRR: United Nations Office for Disaster Risk Reduction
WRI: World Resources Institute

ACKNOWLEDGEMENT

UNDP's Climate Finance Network (CFN) would like to express gratitude to all those who contributed with their valuable inputs into the development of this guidance note. This includes staff in UNDP regional and country offices who gave their time generously to share their experiences and insights on this subject matter. In particular, we would like to thank Gianluca Merlo, Krib Sitathani, Montserrat Xilotl, Nohman Ishtiaq and Saran Selenge for their useful contributions. The CFN team is grateful to Sudyuma Dahel from UNDP for reviewing the document.

The report was prepared with inputs from Asif Shah, Cristina Gregorio and Vivek Misra and under the overall guidance and inputs of Asad Maken from the UNDP's CFN team.

ABOUT THE CLIMATE CHANGE FINANCE TEAM (UNDP)

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ABOUT THIS REPORT

This report is intended for officials responsible for climate finance within Ministries of Finance, Ministries of Planning, sector ministries and climate change policy-making bodies who wish to strengthen the integration of NDC and NAP priorities into their public financial management systems. It can also be a useful guide for development practitioners and researchers working on climate finance and related issues.

ABOUT UNDP

The United Nations Development Programme (UNDP) partners with people at all levels of society in order to help build nations that are equipped to withstand crisis, and have ability to drive and sustain the kind of growth that improves the quality of life for all. On the ground in more than 170 countries and territories, we offer global perspective and local insight to help empower lives and build resilient nations.

TITLE: Guidance Note – Using the public financial management system to support implementation of nationally determined contributions (NDCs) and national adaptation plans (NAPs) (Jun 2025)

Cover Photo: Tea plantation at Pengalenga, Indonesia @ Yedija Luhur

This report was made possible by the generous support of Foreign, Commonwealth & Development Office (FCDO) and the Government of Sweden through the Swedish International Development Cooperation Agency (Sida).

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Foreword

The climate crisis continues to grow, with floods submerging cities, droughts decimating harvests, and extreme weather events displacing entire communities. Climate action to address these challenges at the national and global level is hindered by lack of climate finance, which also remains fragmented and outpaced by the scale of need.

In the Asia-Pacific region alone, climate investment needs are estimated to exceed USD 1.1 trillion annually, with an estimated shortfall of USD 800 billion.[1] To deliver on global and national climate goals, countries need robust systems that translate commitments and plans into action.

Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs) provide a framework to align national development strategies with global climate commitments. But plans alone are not sufficient. They must be translated into tangible results, based on financial governance systems that align policy, planning, and public finance.

This is where Public Financial Management (PFM) enters as the bridge between policy and implementation. PMF anchors climate priorities in budgetary decision-making, ensuring climate investments are targeted, transparent, and accountable, delivering measurable results on both mitigation and adaptation aligned with the NDCs and NAPs.

Domestic budgets need to be the engine of climate action. Ministries of finance and sectoral planners have powerful tools to enhance domestic resource mobilization, plan towards informed and evidence-based climate outcomes, and drive efficiency through climate-integrated budgeting. This includes embedding climate performance indicators derived from goals and benchmarks laid down in NAPs and NDCs, alongside adding markers into budget classifications and budget codes, greening procurement frameworks, and strengthening transparency and accountability mechanisms.

When governments lead with credible, transparent climate finance systems, they not only improve the value of their climate investments but also unlock greater confidence from private investors and international partners alike to invest in climate action.

This Guidance Note provides a practical roadmap, drawing on governments' experience, as well as UNDP and other development partner's technical support in Asia-Pacific. It outlines actionable entry points, tools, and methodologies for integrating NDC and NAP priorities into national systems.

Designed for ministries of finance, planning agencies, sector ministries, and development partners, this Note offers technical guidance to strengthen climate-responsive PFM systems and scale up finance for resilience and low-emission development.

1. International Monetary Fund (IMF), Unlocking Climate Finance in Asia-Pacific: Transitioning to a Sustainable Future, January 2024.

We invite you to explore and use this Guidance Note and contribute your experience—so that this resource evolves together with the fast-moving climate finance landscape.

UNDP supports this effort with financial assistance from the Governments of Sweden and the United Kingdom, and we hope this note serves as a trusted and practical companion in advancing climate-smart public finance for a more sustainable, resilient future.

Christophe Bahuet
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UNDP Bangkok Regional Hub

Executive

Summary

This guide provides suggestions on how the Public Financial Management (PFM) system can support Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs) implementation. It provides the rationale for using the PFM system for the prioritization of NDCs and NAPs, and for tracking and matching of allocated and spent resources to address NDC and NAP priorities, including mechanisms for transparency and accountability of climate finance. It delves deeper into the operational framework required for integrating NDCs and NAPs priorities at each stage of the PFM cycle.

This operational guide:

A Helps identify entry points for integrating NDCs and NAPs at different stages of the PFM cycle – fiscal framework, national development plans, budget preparation, budget execution, accounting & reporting, audit & legislative oversight.

B Provides specific tools and methodologies to enable their institutionalization. These include climate change financing/fiscal frameworks, medium term fiscal frameworks, climate cost benefit analysis, budget call circulars, climate budget tagging, climate expenditure reports, and climate performance audits.

The guide draws insights and learnings from a range of countries and international experiences. It is meant to provide basic guidance to policy makers and development practitioners on how they can develop reform strategies and roadmaps for NDC and NAP implementation through government budgetary and PFM systems. It is a companion piece which follows on UNDP's (2021) Budgeting for Climate Change: A Guidance Note for Governments to Integrate Climate Change into Budgeting.

NDCs and NAPs are mechanisms of the UNFCCC 2015 Paris Agreement (2015), or COP 21, This is a legally binding international treaty on climate change (CC) that was adopted by 196 signatories parties. The overarching goal of the Paris Agreement was to keep the global average temperature rise to 'well below' 2°C above pre-industrial levels, and furthermore to pursue efforts to limit any increase to global temperature to only 1.5°C above pre-industrial levels.

The framework to provide evidence of this progress is referred to as Nationally Determined Contributions (NDC), whereby countries are required to submit their national climate action plans every five years. As of 2024, 198 countries have submitted new or updated NDCs. Following the global stocktake, countries are expected to submit NDCs again in 2025, more know a NDC 3.0. As of early 2024, and 60 countries have submitted National Adaptation Plans (NAPs)[1].

Moreover, given the high vulnerability of Least Developed Countries (LDCs) and Small Island Developing States (SIDS) to the effects of climate change, consensus was reached at COP 16 in 2010 for the establishment of a process to formulate and implement the NAPs in a way that provides a medium- to long-term view, for the purpose of building resilience of communities and countries. The priorities that countries identify in their respective NDCs and NAPs require large-scale investments to be made so that proposed pledges can be implemented, as well as for societies and economies to reduce the impacts of climate change and build resilience. The role of climate finance, therefore, is critical to the achievements of NDCs and NAPs targets.

For many countries, domestically mobilized resources – particularly through the national budget – is the

1. UNFCCC NDC Registry / WRI's Climate Watch for NDCs, UNFCCC NAP Central for NAPs.

major source of climate finance, and is key in ensuring that the climate policy agenda is appropriately resourced and integrated across a range of sectoral ministries. At the global level, public climate finance accounted for more than half (51%) of the total climate finance in 2021/22, and 16% of the public flows were through government budgets, with adaptation finance remaining heavily dominated by public actors (98%) and fragmented flow from the private sector[2]. According to 2025 data, private climate finance grew more than 50% between 2022 and 2023, while public climate finance fell by around 8%, amid constrained domestic budgets post pandemic.

However, particularly with budgets stretched – especially in light of various recent shocks, including COVID-19 – this is considered to be nowhere near enough to address a range of domestic priorities, and there is a growing understanding of the need to also leverage international and other domestic sources of finance.

As NDCs and NAPs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change, the PFM system can play an important role in enabling effective implementation of NDC and NAP priorities. The PFM system can enable more efficient allocation and use of scarce public resources, both domestic and international, through the budgetary process to finance NDC and NAP priorities for mitigation and adaptation. Effective monitoring, evaluation and tracking of climate expenditure through the PFM system can lead to more efficient implementation of climate investments on NDC and NAP priorities, leading to better results and outcomes. In addition, through prudent fiscal and tax policies, governments can incentivize private sector investement for green transition, e.g issuance of sovereign thematic bonds, blended financing mechanisms and seeding of national climate funds, thus facilitating access to international finance.

Given the fact that country contexts and their NDC/NAP priorities differ, as well as the evolution of PFM systems, there is no one-size-fits-all approach for using public finance for implementation of NDCs and NAPs. Some key enabling conditions can certainly facilitate the integration of NDC and NAP priorities in the PFM system and process, and the absence of which could possibly deter the same.

A sound legal and policy framework mandating the achievement of the objectives in the Paris Agreement can provide necessary underpinnings that will obligate the relevant ministries to act on climate change mitigation and adaptation commitments. So far, at the global level, 33 countries have a Climate Change Act, while a further 20 have an Environment Act, and 2 have a Forests Act that refers to climate change. A climate change policy, strategy or action plan is in place in 143 countries.[3] These legal provisions, policies or strategies can be the foundational structure on which climate finance for NDCs and NAPs can be integrated into the PFM system.

A robust institutional framework with an effective coordination mechanism provides the necessary support for inter-sectoral climate change integration into the PFM system. A collaborative effort between finance ministries and sectoral agencies is required so that coordination between them to plan, budget, monitor and report on climate investments related to NDC and NAP priorities can be ensured.

2. Global Landscape of Climate Finance 2023, Climate Policy Initiative

3. Global Climate Public Finance Review, UNDP, 2022

'01 Introduction

Why climate action, strategies and policies? The centrality of NDCs and NAPs

Under the United Nations Framework Convention on Climate Change (UNFCCC) and Paris Agreement, countries are required to prepare Nationally Determined Contributions (NDCs) to outline their mitigation and adaptation commitments using domestic resources, and those conditional on the receipt of non-domestic public climate finance resources. The NDCs are at the core of realizing the Paris Agreement goals and they reflect a country’s ambition to lower national emissions and efforts to adapt to climate change (CC). Based on Article 4, paragraph 2, of the Paris Agreement, countries are required to, “prepare, communicate and maintain successive NDCs”4, which are thence intended to be achieved. Countries are required to submit their NDCs every five years with the intention that each new submission reflects an improvement of earlier ambitions.

Adaptation aspirations indicated in the NDCs are often operationalized in national adaptation plans (NAPs). The UNFCCC established the NAPs in 2010 (COP16) as a process for countries to articulate their medium- and long-term adaptation needs, and for developing and implementing strategies and programs to address those needs. With the Paris Agreement, the NDCs and NAPs are, therefore, the way for countries to convey their plans to the international community. Aside from the NDCs and NAPs, countries also communicate the status of their progress, including financing flows and needs through several other reports.[5] As of 2022, 76 developing countries had indicated adaptation costs in their NDCs or NAPs.

The public finance system provides an opportunity to methodically plan and budget the priorities and commitments laid down in the NAP and NDCs. The medium-term fiscal framework, including in particular the fiscal risk statement, can provide concrete information to the Ministry of Finance on the benefits of investing in the NAPs and NDCs. Reporting and documentation of domestic climate finance provides objectives and transparent information on climate-related resources that can help to improve decision making and reprioritization, if necessary.

4. UNFCCC 2016 Paris Agreement

5. Countries submit national reports such as national communications (NC) to provide information on emissions inventories, measures to mitigate and adapt to climate change. Biennial update reports (BUR) update the NCs specifically on actions, constraints, and gaps, especially on supporting those needed and received. More from: https://unfccc.int/es/topics/mitigation/workstreams/nationally-appropriate-mitigation-actions/national-reports

As domestically mobilized resources remain central to climate action, the Public Financial Management (PFM) system can not only support effective implementation of the NDCs and NAPs, but also in tracking and enhancing effectiveness of public sector investments, and equity-driven allocation and utilization of climate public finance.

> The public finance system provides an opportunity to methodically plan and budget the priorities and commitments laid down in the NAP and NDCs.

Several countries in the Asia-Pacific region have been working on integrating climate change into their PFM system through making necessary adjustments and changes in the planning and budgeting processes, making it obligatory for the sector ministries to consider climate change in the development planning. Country governments have deployed different tools for mainstreaming climate change in planning and budgeting, including the Climate Change Financing Framework (CCFF), Climate Budget Tagging (CBT) and the Climate Change Public Expenditure Review (CPEIR), for monitoring of climate budget allocations and expenditures.[6] These tools can lead to improved climate budget allocation, expenditure tracking and reporting, transparency, and accountability.

This guide provides an approach and steps across different stages within budget cycles for coherent and targeted articulation of NDCs and NAPs priorities. The guide also identifies the tools that can be used to make this articulation more informed, meaningful and measurable.

The proposed approach aims at climate change compliant development planning and reporting that can also facilitate greater consistency between NDCs and NAPs, alongside sector plans and budgets. However, it is be noted that public financial management systems and NDC/NAP integration into policy, planning, and budgeting vary from one country to another. The proposed entry points within the budget cycle through suggested PFM reform tools may not necessarily apply uniformly in all countries and will, therefore, require a context-specific approach.

6. ESCAP et al. (2021) The role of Fiscal Policies in a Green Covid-19 Recovery in Asia-Pacific GFPN background paper

’02
Benefits of Integrating NDC and NAP Priorities into PFM

Chapter Highlights:

- The PFM tools support methodical implementation of priorities and commitments laid down in the NAPs and NDCs
- Integrating the NDCs and NAPs in the PFM system can lead to:
  - Improved policy coherence across different sectors and levels of government;
  - Improved prioritization and enhancement of the effectiveness of public sector investments and equity-driven budget decisions;
  - Improved transparency and tracking of commitments made under the NDCs and NAPs for enhancement of both access to finance and its accountability; and,
  - Leveraging of climate finance from alternate sources.

PFM can be a key enabler of an integrated government strategy to plan for and allocate resources for climate change and monitor implementation. Therefore, integrating NDCs and NAP with PFM can yield multiple dividends:

ENHANCED POLICY COHERENCE

The integration agenda promotes policy coherence across different sectors and levels of government. It encourages coordination and collaboration among ministries and agencies responsible for climate action and finance. This ensures that climate-related investments are aligned with broader development objectives and budgets, fostering a holistic and integrated approach to sustainable development.

To implement NDCs and NAP ambitions, it is logical to embed and align the NDC and NAP priorities into the medium- and long-term development plans of the country. Integration of these into the PFM system prompts the required governance and policy changes for their implementation. It is also important to align them with ongoing efforts on addressing climate change (CC) challenges and Sustainable Development Goals (SDGs).

More than 80 countries are developing the Integrated National Financing Framework (INFF), which is a planning and delivery tool that is designed to help countries strengthen their planning processes and to overcome obstacles they may face to financing sustainable development and the SDGs at the national level. This also provides an opportunity for NDCs and NAP objectives to be packaged in the INFF, supporting several SDGs (e.g. energy, cities, sustainable consumption and production, and partnerships, as examples). It also allows a subset of existing climate action to be formed, which is considered an integral part of the SDGs. Box 1 demonstrates how the INFF can be used in this way.

JUSTIFYING THE NEED FOR FINANCING CLIMATE ACTION

Embedding climate change in the fiscal framework can help in identification of climate-related fiscal risks that can be a useful basis for the Ministry of Finance to prioritize climate change related resource allocations. Estimation of financing needs can help the ministries of finance and planning to understand the resource gap, that they need to leverage through alternate sources of finance.

IMPROVED PRIORITIZATION OF CLIMATE CHANGE ACTION:

Mainstreaming NDCs and NAPs priorities in PFM facilitates more efficient allocation of resources, especially for initiatives that demonstrate dual benefits for mitigation and adaptation. It provides a systematic way by which climate change priorities are integrated in planning and budgeting process. In the face of fiscal constraints, governments need to adopt a systematic approach to identifying key priorities from NDCs and NAPs for financing through public spending.

The Maldives INFF delivers a comprehensive financing strategy on climate action and provides a set of highly action-oriented strategies to unlock both domestic and external resources; from the private sector, international financing institutions, philanthropic, and impact and cause-driven sources of financing, to augment and scale-up existing public sources of financing towards climate and social sector financing needs.

SOURCE: MALDIVES INFF, 2023

BOX 1: INFF IN MALDIVES

TRANSPARENCY IN RESOURCE ALLOCATION

An 'open' and 'orderly' PFM (PEFA Framework, 2016), ensures transparency and accountability in the allocation of financial resources. By linking NDCs and NAP to PFM, governments can demonstrate how they plan to mobilize and allocate domestic resources and funds to implement their climate change commitments. It also enables the tracking of the flow of resources, ensuring that they are used effectively and efficiently to achieve climate goals. It then provides the information basis for reporting on the NDCs and NAPs as per the Paris Agreement.

Effective monitoring and tracking of climate expenditure through the PFM system can lead to effective implementation of climate investments on NDC and NAP priorities, leading to better results and outcomes. In some countries like Bangladesh[7], Indonesia and the Philippines, information on climate budget allocations are publicly available either as part of the budget reporting or dedicated reports [8] or/and through citizen budgets[9]. This helps assess if climate policies have been reflected in climate finance fiscal frameworks, have been supported by budget allocations and expenditures, and how year-on-year, these have contributed to reporting, as well as making informed decisions for future actions.

IMPROVED ACCESS TO CLIMATE FINANCE

Many developing countries rely on international climate finance to support their climate change mitigation and adaptation efforts. By linking NDCs and NAPs to public financial management, countries will have improved information on financing needs and will help them determine how much resources they will need to secure internationally.

7. Finance Division, Ministry of Finance, Government of the People's Republic of Bangladesh (2023). Climate Financing for Sustainable Development Budget Report 2023-24

8. Fiscal Policy Agency, Ministry of Finance, Republic of Indonesia (2019). Public Finance For Climate Change in Indonesia 2016 -2018

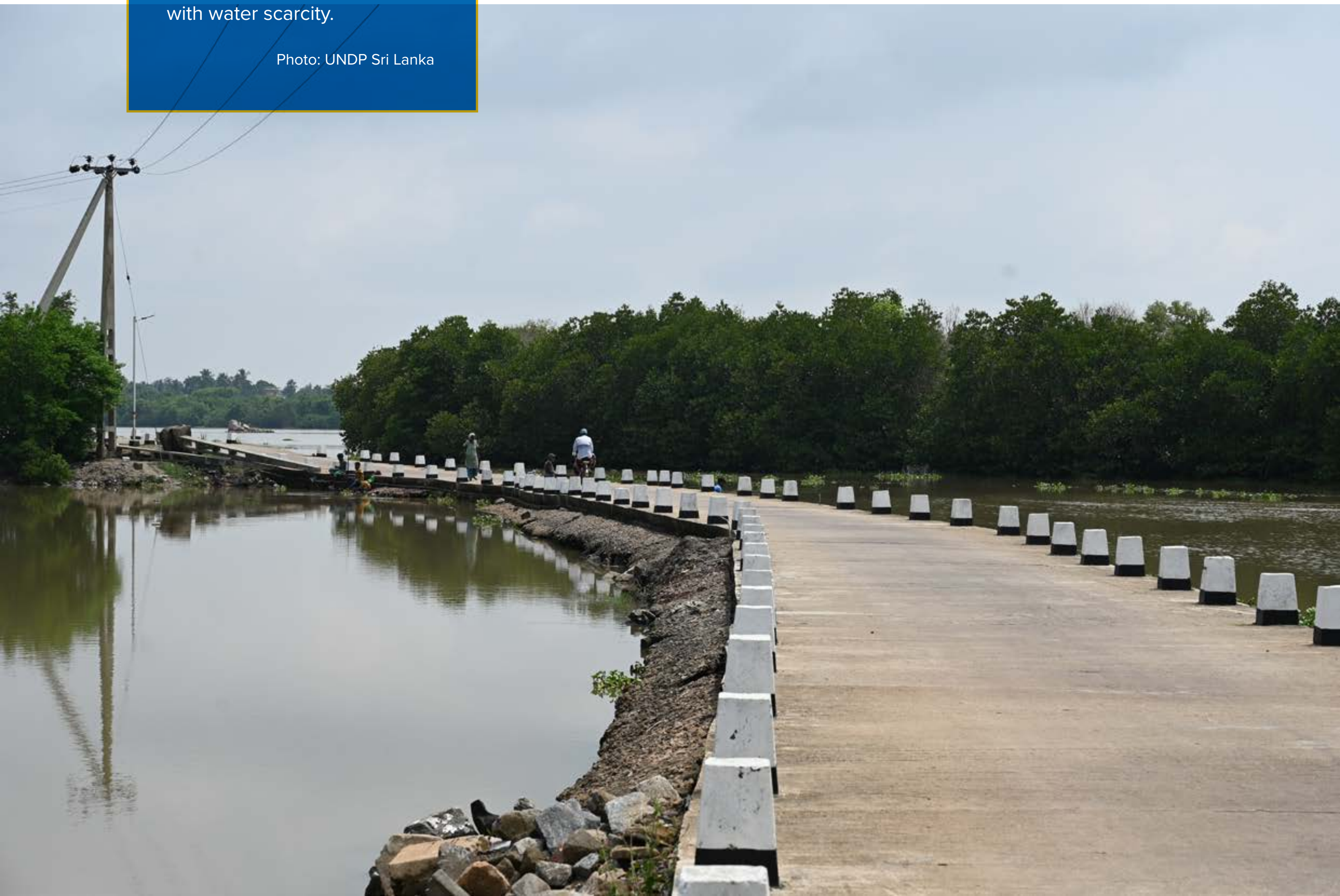
9. Finance Division, Ministry of Finance, Government of the People's Republic of Bangladesh (2021). Climate Budget Report Bangladesh's Citizens 2020-21

Transparent information on sources and expenditures can demonstrate countries’ commitment to transparent financial management and accountability. This can enhance their credibility and increases the likelihood of accessing international climate funds, grants, and concessional loans. At the same time, through prudent fiscal and tax policies, governments can incentivize private sector investment for green transition, e.g. issuance of sovereign thematic bonds, blended financing mechanisms and seeding of national climate funds, thus facilitating access to international and other sources of finance.

> National budgets should reflect national climate commitments — aligning planning, resources, and outcomes.

Communities in **Sri Lanka**'s Dry Zone chronically struggle with water scarcity.

Photo: UNDP Sri Lanka



’03
Key Enablers

3.1 Legal and policy framework to provide robust backing to the integration process.

3.2 Diagnostics to inform reform strategies.

3.3 Institutional structure to support concerted efforts.

Chapter Highlights:

The PFM will work well for the NDCs and NAPs only if the governments and other stakeholders work on providing an enabling environment. Some of the key enablers are:

- Legal and policy framework to provide robust backing to the budget integration process. A sound domestic legal framework mandating the achievement of the objectives in the Paris Agreement can provide a basis for the different stakeholders to prioritize mitigation and adaptation commitments.
- Data and evidence supported by diagnostic tools and instruments. The findings of the baseline studies and diagnostic tools like climate public expenditure and institutional reviews (CPEIRs), Climate Change Budget Integration Index (CCBII), Climate PEFA etc., and performance indicators can help the decision-makers in taking informed decisions.
- Institutional architecture, that provides for a strong partnership between the finance ministries, climate policy bodies/ministries, sector ministries, and accountability actors.

This section reflects on the aspects that can facilitate the integration of NDC and NAP priorities into key stages of the budget cycle.

3.1 Legal and policy framework to provide robust backing to the integration process

While the NDC and NAP in itself provide strategic direction on a resilient and low carbon economy, it is critical that the national development policies and plans, and sector policies and strategies, provide an umbrella and support to the required actions under the NDCs and NAPs. Several countries develop medium- and long-term development plans; inclusion of climate change in the development plans provides a solid basis and reference for climate action. The example of the five-year plan adopted by Bangladesh demonstrates how climate change is weaved into their medium-term development plan.

A sound domestic legal framework mandating the achievement of the objectives in the Paris Agreement can provide necessary underpinnings that will require the relevant ministries to act on climate change mitigation and adaptation commitments. Several countries have provided legislative support for the Paris Agreement implementation, such as embedding the Paris Agreement goals in strategies and plans, and integration in budgetary processes.

By November 2024, 75 countries have submitted long term strategies for carbon neutrality.[10] As of 2022, 33 countries had enacted a Climate Change Act, while a further 20 had an Environment Act, and 2 had a Forests Act that make reference to climate change. Overall, a climate change policy, strategy or plan is in place by 143 countries as of 2022.[11] Countries have climate change policies, strategies

10. https://www.climatewatchdata.org/lts-explore

11. Global Public Climate Finance Review, UNDP, 2022

The Eighth 5-Year Plan of Bangladesh mainly centres on six core themes, one of which is **a sustainable development pathway resilient to disaster and climate change**.

The dedicated chapter on Environment and Climate Change identifies key challenges and strategies to counter the challenges and address climate change. This drives the downstream inclusion of climate change in the Medium-Term Expenditure Framework and establishment of systems for climate integrated development.

BOX 2: BANGLADESH POLICY FRAMEWORK

and plans notified at the national- and sub- national levels. The regulations of the European Parliament have established a framework for achieving climate neutrality for all EU countries. Argentina[12] passed a law that seeks to establish minimum budgets for adequate management of climate change.

At sub-national level, Khyber Pakhtunkhwa province in Pakistan has a provincial climate policy[13] while Punjab has a climate action plan in place. Other examples at the sub national level, either city municipalities or unitary authorities, include Climate Action Plans (Mexico City)[14] and Decarbonization Strategies and Subnational Climate Funds (State of Yucatan in Mexico).[15]

Some types of sub-national climate change policy are spearheaded by national government but intended to be taken up by local authorities. For example, Kenya's Climate Change Act (2016) provides for a National Climate Change Council, which operates through a climate change directorate in the environment ministry to mainstream climate change at the county level.[16]

To provide a holistic view towards the climate integration reforms agenda, countries like Bangladesh, Chile, Ecuador, Indonesia, Nepal, Pakistan, Solomon Islands, Thailand, and others have adopted roadmaps or climate change financing/ fiscal frameworks (CCFFs) that provide a menu of reforms for the integration process. This is important

12. Climate Action Tracker: https://climateactiontracker.org/countries/argentina/policies-action/#:~:text=In%20December%202019%2C%20the%20Congress,actions%2C%20instruments%2C%20and%20strategies

13. Khyber Pakhtunkhwa Climate Change Policy 2022

14. MCR 2030

15. Agreement for the Transport Decarbonization of the Yucatan Peninsula

16. Guey, A. and Bilich, A. (2019). Multi-level governance and coordination under Kenya's National Climate Change Act

because addressing climate consequences requires a whole of society approach that entails several stakeholders and a wide variety of reform measures.

The formulation of a vision enables countries to identify the reforms agenda over short- to long-term and prioritizes policy actions. The CCFFs and other measures to integrate climate change should be seen in the context of the Integrated National Financing Framework[17] (INFF). In order to ensure that NAP and NDCs are considered to be an essential part of the development agenda, it is important that the INFF specifically looks at the NDCs and NAP.

> Well-designed PFM systems can help governments direct scarce resources toward climate-resilient development.

3.2 Diagnostics to inform reform strategies.

The integration measures should commence with diagnostic studies for which the Development Partners have designed tools to explore strengths, weaknesses, and opportunities in the PFM systems for mainstreaming climate change. The findings from these studies help governments to make informed decisions by articulating a realistic and well-sequenced reforms agenda. These include the UNDP's Climate Public Expenditure and Institutional Review (CPEIR) and the Climate Change Budget Integration Index (CCBII), and the IMF's climate policy assessment and Climate Public Investment Management Assessments (Climate-PIMA).

The climate responsive PFM of the Public Expenditure and Financial Accountability (PEFA) Secretariat and the World Bank's climate institutional assessment and Country Climate and Development Reports (CCDRs) are also new core diagnostic reports that aim to integrate climate change and development considerations. Such diagnostics can help countries prioritize the most impactful actions that can reduce greenhouse gas (GHG) emissions and boost adaptation, while delivering on broader development goals.

It is important to note that the sequencing and pace of suggested reforms that would influence the budgetary process will vary from one country to another as there is no one-size-fits-all model. While these reforms will heavily rely on existing country PFM systems, improving budgetary reforms to support the implementation of NDC commitments

17. Integrated national financing frameworks are a tool to finance national priorities and operationalize the Addis Agenda at the national level. A country's sustainable development strategy lays out what needs to be financed. Integrated national financing frameworks spell out how the national strategy will be financed and implemented. For more detail, refer to: About INFFs | Financing for Sustainable Development Office (un.org)

and operationalization of the NAPs at the national and local levels can help countries advance and strengthen their systems. As the NDCs are to be submitted every five years, each submission can reflect improvements together with robust monitoring systems.

3.3 Institutional structure to support concerted efforts

A robust institutional framework with an effective coordination mechanism provides the necessary support for the achievement of the NDCs and NAPs. As the integration agenda is government-wide, it comprises several stakeholders in the government – apex ministries like the ministry of finance or ministry of planning cross-cutting with other government departments such as the ministry of environment/ climate change, ministry of women empowerment or equivalent agency, and sector ministries that manifest the need for collaborative effort.

The preparation of realistic NDCs and NAPs necessitates strong partnerships between the finance ministries and equivalent climate policy bodies/ministries. Country experiences demonstrate that NDCs developed in close collaboration with Ministries of Finance (MoFs) are fiscally sound, and consider the macro-economic factors and wider financial and private sector implications.

However, in several countries, the preparation of NDCs has limited engagement with the finance ministries.[18] As a result, the section on finances in the NDCs and related national communications has a limited scope, as it mostly focuses on external finances. Such national communications are silent regarding the use of domestic finances and how countries are making the PFM systems responsive to the NDC ambitions.

NDCs developed in close collaboration with the MoFs, like in Chile, are fiscally sound as it considers the macro-economic factors and wider financial and private sector implications. Accountability actors are a key constituent of the institutional structure – these actors include the country audit institutions from the executive side, parliaments on the legislative side and the non-state actors including the civil society organisations (CSOs) and research entities.

18. Ministries of Finance and Nationally Determined Contributions - Stepping Up for Climate Action, Coalition of Finance Ministers for Climate Action, 2020

’04

Operational Framework for Integrating NDC/NAP Priorities into Key PFM Practices

4.1 Stage 1: Development of macroeconomic fiscal framework

4.2 Stage 2: Budget preparation

4.3 Stage 3: Budget execution, accounting and reporting

4.4 External scrutiny and audit

Chapter Highlights:

For a consistent approach, the NDC and NAP mainstreaming should follow the different stages in PFM cycle:

- The Ministries of Finance and Climate Change need to focus on an enabling environment that provides a legal sanction in public finance laws and regulations for mainstreaming the NDCs and NAPs. This includes the legal and systemic changes that provide the sanction and mandates the government entities to embed mitigation and adaptation priorities in planning and budgeting cycle.

- A whole-of-government approach, including effective coordination for cross-sectoral planning and budgeting between different government agencies, needs to happen for the inclusion and monitoring of results around the NDCs and NAPs.

Mainstreaming NDC and NAP targets into the fiscal planning and development budget will assist in a systematic approach towards implementation of the NDC and NAP; the credibility and likelihood of targets being achieved are increased when budgets are allocated in view of NDC/NAP commitments[19].

This section describes the policy and PFM tools in each stage of the budget cycle and how these can be used as entry points for the NDCs and NAP. Different countries have varied climate priorities and a varied maturity level of PFM system; therefore, the introduction of these tools should consider the country context.

Integrating NDCs and NAP into PFM practices of a country is crucial to transitioning to a low-carbon and climate-resilient development trajectory, and would require different stages of the PFM cycle to be informed by NDC and NAP priorities.

The following diagram identifies actions within key stages of the PFM cycle that can help in prioritization of NDCs and NAPs. The first stage is the development of a Macro Economic and Fiscal Framework that provides the overarching environment for implementation of fiscal policy objectives. The development of fiscal risk statement is an important part of this stage. Amongst other things it includes a fiscal responsibility framework that stipulates rules and arrangements to achieve fiscal discipline, fiscal transparency, and accountability.

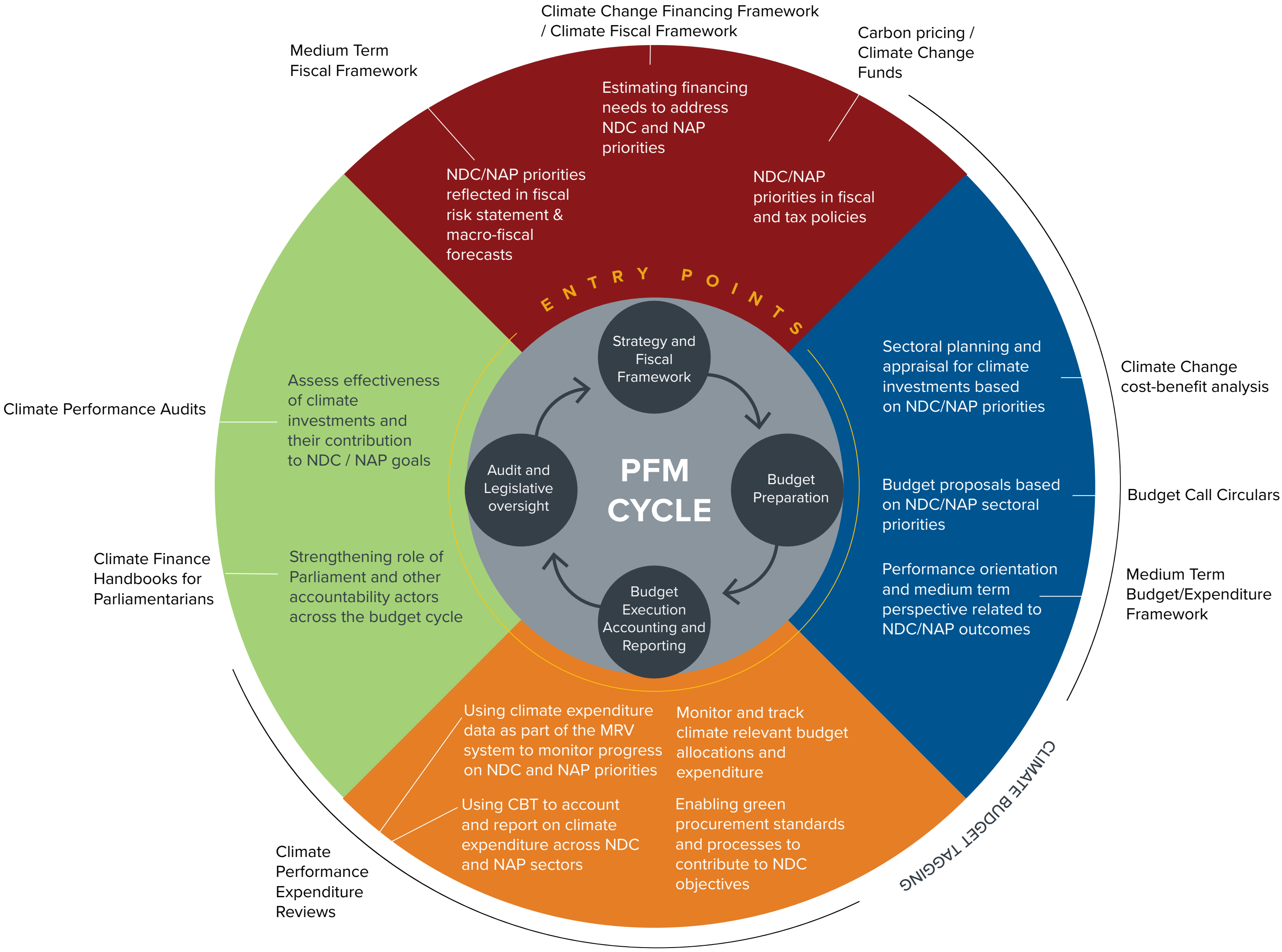
The second stage is budget preparation within the fiscal framework that commences with budget strategy and includes, inter alia, setting limits at aggregate expenditure level and identification of sectoral priorities. Subsequently, a budget circular is issued by the MoF that signals the budget preparation process in the spending units.

The budget circular includes the templates for budget preparation, calendar of activities and guidelines for budget preparation. Afterwards, the appraisal process for public investment programs (in some countries it is referred to as development, capital, or investment budget) begins. The appraisal process is subject to the administrative structure.

In countries with disintegrated budgeting there are two separate ministries responsible for recurrent and development/capital budget. It is also important to note that the appraisal process in several countries is completed after the budget is approved by legislators. This practice renders the budget allocation to random decisions.

19. NDC Partnership: Virtual Workshop on NDC Implementation Good Practices in the Pacific 3-4 August 2021

Figure 1. Budget Cycle-entry Points for NDC and NAPs



Upon submission of the budget estimates and proposals by the spending agencies, the budget negotiations between the MoF and the sending units commence. Finally, the budget is consolidated by MoF and submitted to the Legislature for scrutiny and approval.

The budget execution and accounting stage commences after the Legislature has approved the budget. Financial resources are made available to, and used by the Executive, based on an approved budget. This stage includes measures related to cash and debt management, procurement, and contract management and other various steps in payment processing (authorization, commitment, verification, and payment order).

Part of this stage is accounting for payments made, and budget reporting. The robustness of accounting and reporting is predominantly dependent on the accounting method notified by a country and the types of fiscal and statistical reporting framework. In the case of the former, the spectrum of accounting methods includes cash basis of accounting, modified cash basis, modified accrual, and full accrual-based accounting whereas, the reporting could be classified under three key categories: (i) budgetary reporting as per classifications of the functions of government (COFOG); (ii) financial reporting as per international public sector accounting standards (IPSAS); and, (iii) statistical reporting as per government finance statistics manual (GFSM).

The final stage of the budget cycle is audit and oversight. The key state entities relevant to this stage are the Supreme Audit Institution (SAI) and the Parliament/Legislature. The budget law adopted by the Legislature provides a baseline for taxation and public spending for the year ahead, holding the government accountable for its delivery. Fiscal, financial, and statistical reporting provides evidence regarding how policies were implemented and what the sources of deviations from forecasts and plans are, if any. Final accounts are audited by the SAI and reported to the legislature for review. The Public Accounts Committee of the Parliament, or similar representative body, reviews the audit reports and submits a report to the Legislature.

> Institutional coordination and clarity of roles are critical to mainstreaming climate action across ministries and sectors.

The above description of the budget cycle stages shows entry points for integrating planning for NDCs and NAPs into the budget cycle based on certain prerequisites – the measures that can be aligned with the budget cycle for embedding NDCs and NAPs into PFM process. It is essential to explore the foundations of the reform efforts.

4.1 Stage 1: Development of macroeconomic fiscal framework

Chapter Highlights:

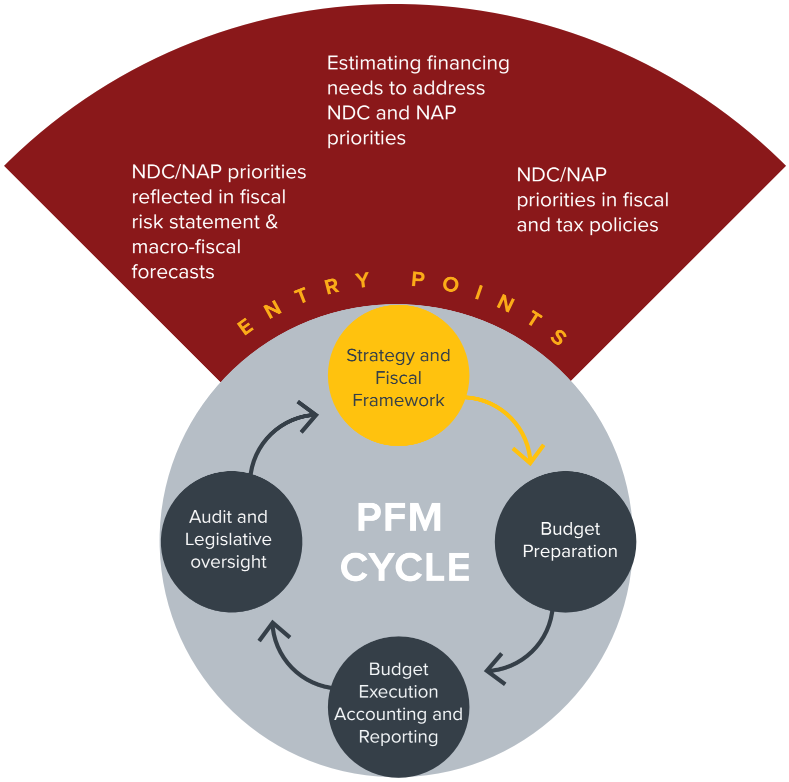
The fiscal framework provides the strategic direction to public finances and establishes relevant controls to achieve fiscal discipline. At this stage it is important that the:

- Macroeconomic forecasts and fiscal policy include the projections and policy commitments made in NDCs and NAP.
- Fiscal risk statement reflects climate risks.
- Financing needs to meet the NDC and NAP priorities are considered in the fiscal framework.
- Inter-governmental fiscal transfer mechanism includes fiscal incentives for climate action by sub-national governments.

THE BUDGETING CYCLE STARTS WITH MACROECONOMIC FORECAST AND SENSITIVITY ANALYSIS.

This includes an opportunity to consider the potential economic benefits of investment in the NDC and NAP or/and what effect the inaction on climate change (CC) can have on economic activity and growth.

Figure 2. Entry Points for CC in Strategy and Fiscal Framework Stage



Ideally the forecasts should include the benefits/ impacts of decreased emissions and strengthening resilience on the equity aspects in the country. This can include the costs borne or expected to be borne because of climate catastrophes such as floods or droughts, and their impact on lives and livelihood, detrimental effects to agricultural production, which in turn may lead to diminished exports, and so on.

Sample diagnostics of climate resilient infrastructure and its economic benefits can help in making a case for investment in adaptation, which otherwise is generally considered to be a non-productive asset.

Bangladesh is currently attempting to link carbon pricing to NDCs. In its Eighth 5-Year Plan (8th FYP), Bangladesh has proposed a carbon tax of 5 percent of energy prices by 2025. The revenue generated from the proposed carbon tax can be a good funding source for clean energy projects. At the same time, by meeting the NDC targets, this will provide a strong signal to donors and investors on its commitment to a greener economy.

Fiscal Forecasts and Fiscal Risks. Medium-term Fiscal Framework (MTFF)

Governments can analyse and assess the different policy actions recommended in the NDCs and NAP. Given the fiscal constraints and competing priorities, the MoFs, in collaboration with the Ministries of Environment/Climate Change, should undertake macroeconomic forecasts that take into account climate change scenarios and the varied level of

The relevant PFM instrument supporting fiscal policy is the medium-term fiscal framework (MTFF). **It is a top-down measure for determining an aggregate resource envelope and serves as a bridge between the long-term strategic goals of a national plan and the immediate tax and spending plans contained in a budget**.

Given the relevance of GHG emissions to both economic activity and fiscal policy, the fiscal impact from and of GHGs can be integrated into MTFF process. As an example, macro-fiscal framework could link revenue and expenditure projections that take into account the impact of climate change on economic growth and activity.

BOX 4: MTFF AS A KEY INSTRUMENT FOR CONSIDERING CLIMATE IMPACTS POLICIES

investments in NDCs and NAP[20]. This is an opportunity for the resource envelope, fiscal constraints and the revenue projections of any policy actions on climate change to be considered.

Governments can deploy various types of fiscal tools[21]: (i) Price policies (e.g. carbon taxation, subsidies for mitigation action and low carbon investment); (ii) climate risk-informed and responsive spending and investment, wherein these may sometimes involve higher upfront costs, but considerable savings are realized over the medium term[22]; and, (iii) public guarantees to secure private sector participation, and mechanisms to ensure risk-mitigation and crowding in of private sector investments.

The above box demonstrates how fiscal policies are anchored on a country's overall development vision. The national development strategy and the policy framework should incorporate targets for climate change and are classified by mitigation and adaptation tax proposals towards decarbonization of the economy, and developing expenditure proposals in order to respond to overall climate goals. The government should present a Fiscal Policy Statement to Cabinet/Parliament that includes MTFF before the budget presentation for appropriation. This statement can be a good entry point to present climate-change focused fiscal strategy.

20.Climate protection in macroeconomic and fiscal projections. For this, governments can refer to the Climate Change Performance Index (CCPI),

21. UNDP RBAP: Budgeting for Climate Change 2021

22. See UNDP Pacific Risk Resilience Program (2019) – e.g., see example of "Enhanced income security through a risk informed farm road, Nasolo Village, Fiji, which is likely to save considerable money in the future – i.e., if a landslide were to affect the farm road this would disrupt access to farmland and significantly reduce the community's income, and would also cost the Fiji Government significant amounts of money to repair the road. Furthermore, EconADAPT (2015) notes that arriving at the most effective (or optimal) level of adaptation will involve a balance between the costs of adaptation, the benefits of adaptation and the residual impacts.

In Chile, UNDP supported the Ministry of Finance to create capacities and tools to incorporate climate change and sustainable development approaches into fiscal and macroeconomic policy.

A reporting framework for public spending on climate change was implemented for the review and planning of public finances, including the recent presentation of the first Climate Investment Report to the National Congress, established by the Climate Change Framework Law, in line with the route to achieve Chile's carbon neutrality goals for 2050.

The evaluation of costs and financial requirements to achieve carbon neutrality in the Chilean energy sector was recently completed, which highlights the fact that only to implement its goals in the energy sector energy, **Chile must invest between 2021 and 2050, 260,587 million USD**, which represents an average annual investment close to 3.2% of its GDP.

For further details, refer to source (in Spanish):
www.undp.org/sites/g/files/zskgke326/files/2023-03/PNUD%20Informe%20IFF%202023.pdf

BOX 5: CHILE’S APPROACH TO MAINSTREAM CLIMATE IN FISCAL POLICY

Boxes 5 and 6 demonstrate how climate change measures were integrated into national fiscal policy, and an example of how climate budgeting has been employed.

Given the increasing recurrence and intensity of climate change, it is becoming one of the key drivers of fiscal risks. To ensure credibility of the fiscal framework, the management of fiscal risks from climate change[23] is important. Climate-induced fiscal risks include the costs associated with transition risks related to decarbonization of the economy and resilience building.

Climate-induced natural disasters are becoming a massive fiscal burden and to respond to adaptation needs, countries must look backwards to go forward. This entails calculating the historical analyses of disasters and losses in order to apply forward-looking methodologies.

The findings should inform the fiscal strategy (IMF, 2021) and the preparation of the medium-term budgetary framework (MTBF). The preparation of fiscal risk statement on the pattern of UK, Philippines and Maldives can be a starting point that can inform the development of fiscal risk management strategies.

23. IMF (2021) *Climate-Sensitive management of public finances- ‘Green PFM’*. Issue 002, Volume 2021

Box 7, below, demonstrates how Cambodia adopted the CEGIM to drive its climate change policy in respect of economic development, including mitigation and adaptation components.

Building in climate change perspectives in the Intergovernmental Fiscal Transfer Mechanism (IGFT) provides incentives for climate action by the sub-national governments[24].

This is particularly important given the role of sub-national governments in strengthening adaptation and resilience at the local government level[25]. NDC and NAP actions that are the responsibility of the sub-national governments can be included as criteria in the fiscal transfer formula.

The Climate Economic Growth Impact Model (CEGIM), 2019, in Cambodia is the product of the collaborative study done by the Ministry of Economy and Finance (MEF), the Ministry of Environment and the National Council for Sustainable Development (NCSD) in partnership with the United Nations Development Program (UNDP), the European Union and Sweden.

The model is a fundamental tool to help in computation of the impact of climate change on Cambodia's economic development in the medium and long term. It enables the Royal Government of Cambodia, development partners and other key stakeholders to rigorously quantify the impact of climate change and provides evidence and support in developing more realistic and effective policy options, strategies and programs to sustain its long-term progress and ensure optimal outcomes.

There have been some policy and strategic results of the findings of the model; climate resilience and social inclusion now feature prominently in the new Rural Development Sector Strategy and climate-resilient infrastructure has been included as one of the six priorities of Cambodia's Public Debt Policy; climate change adaptation and mitigation were also streamlined across Cambodia's Economic Recovery Plan (post-COVID), including a strong adaptation and mitigation component.

ADDRESSING CLIMATE CHANGE IMPACTS ON ECONOMIC GROWTH IN CAMBODIA (CEGIM): MINISTRY OF ECONOMY AND FINANCE (2019)

BOX 7: CAMBODIA – MODELLING IMPACTS OF CLIMATE CHANGE

24. The UNCDF LoCAL performance-based climate resilience grants provide a **financial top-up** to cover the additional costs of making investments climate resilient and are channelled through existing government fiscal transfer systems. Refer to: Performance-Based Climate Resilience Grants

25. 15 countries had, have or are proposing Ecological Fiscal Transfers (EFT). See BIOFIN: Ecological fiscal transfers: a win-win solution for people & planet

In India, the 14th Finance Commission formula includes forest cover as one of the criteria for horizontal distribution, with 7.5% weightage to balance out fiscal constraints in those States that forego economic opportunities due to a relatively huge forest cover.

SOURCE: HTTPS://WWW.INDIABUDGET.GOV.IN/BUDGET2015-2016/ES2014-15/ECHAPVOL1-10.PDF

4.2 Stage 2: Budget preparation

Chapter Highlights:

Providing a climate perspective in the budget preparation stage can support governments in climate proofing growth and development. The key tools in the budget preparation stage that can support alignment with NDCs and NAPs include:

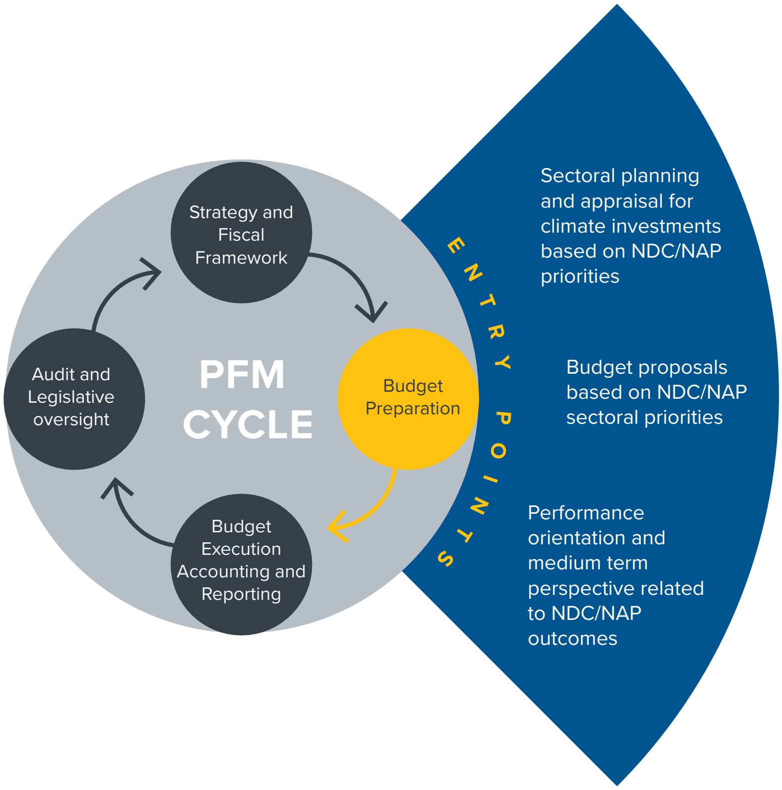
- An enabling budgetary framework that includes performance orientation and medium-term perspective
- Budget circular to guide the sector ministries on preparing budget proposal with climate perspective.
- Sectoral plans aligned with NDCs and NAP targets within the broader development vision and climate policies.
- The public investment management process should include climate change screening, and where applicable the climate cost benefit analysis.

Budget preparation in the public sector takes place in a collaborative manner. It is steered by the MoF with the objective to ensure optimal resource allocation across sectors and policies within an overall fiscal constraint. Subsequently, the sector ministries respond to the covenants set for fiscal discipline and the ceilings/forward budget estimates articulated for the strategic allocation of resources. Modern budgeting practices support providing performance perspective and multiple years' vision in the form of fiscal projections.

Budget preparation begins with the issuance of **budget circular**, and this provides the first entry point for providing a climate perspective to budgets. In the absence of a legal framework, the budget circular is a key instrument that can set the mandate for a climate informed budget. Through the budget circular, MoF can compel the sector ministries to justify all new policy proposals in terms of climate impact. MoF should consider obligating the ministries to use climate-related assumptions such as GHG emission factors when assessing policies and identifying climate-friendly investment projects.

A budget circular needs to be comprehensive as it can serve as an important guidance note for the sector ministries. Therefore, the budget circular needs to include guidance for sector ministries on how to incorporate climate lens in budget proposals.

Figure 3. Entry Points for CC in Budget Preparation Stage



Sectoral strategies set the direction and aspirations for public investment portfolio that informs future infrastructure needs and demands. The policy and strategic framework need to inform the budget plans. As several sectors play an important role in the achievement of NDC and NAP objectives, therefore, it is important to provide climate perspective to sector strategies.

This process is supported by aligning development strategies and climate policy with sector strategies that can help translate NDCs into bankable projects at the sectoral level. Colombia offers a good example through the development of its Climate Change Management Plan for Agriculture, which is based on its own National Adaptation Plan for Agriculture.[26]

A strong 'performance orientation' of the public sector budget with a 'medium-term perspective' that incorporates climate risks, and with a focus on the reduction of greenhouse gas (GHG) emissions, will provide an enabling environment to align international and private financial flows to translate NDCs into bold, tangible and implementable actions. A more systematic way is to have measurable climate change related Key Performance Indicators (KPIs) that are based on the targets and priorities laid down in the NDCs and NAPs. The Climate Budget Tagging (CBT) system can help in tracking the climate related spending and then help measure the key performance indicators stipulated in the MTEF.

26. Integrating Agriculture in National Adaptation Plans (NAP-Ag)

Moreover, while NDCs provide orientation for sectoral activities, greater sectoral expertise and involvement will be critical that necessitates collaboration between the apex and sector ministries. Sector strategies that reflect NDC and NAP priorities provide a climate lens to screening projects propose for investments.

A risk-informing project appraisal process is important because risks to and from projects can create uncertainty regarding costs and benefits. Therefore, as a next step, the project appraisal mechanisms should systematically include climate dimension in impact assessments and cost-benefit analyses that can help transform the public investment regime in support of NDC objectives. This will require the adoption of national guidelines that ensure the project appraisal process requires the evaluation of climate change impacts of new projects and programs and focuses on adaptation measures for resilience building.

Besides strengthening the public investment management decisions towards climate, such methodologies will also need to support the institutionalization of measurement, reporting and verification (MRV) system or the enhanced transparency framework (ETF) to support comparable evidence-based national communications over time.

Empowering Nepal's Remote Communities
Japan-UNDP Collaboration Restores Micro Hydro Plants, Bringing Light to 70,000 Lives

Photo: UNDP Japan

4.3 Stage 3: Budget execution, accounting and reporting

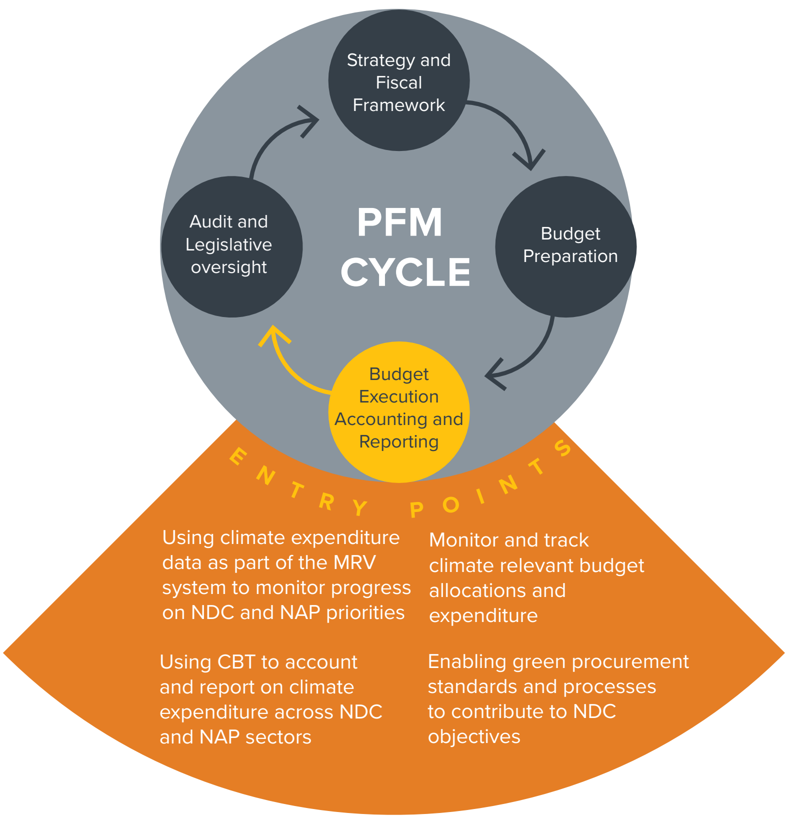
Chapter Highlights:

- The Ministries of Finance, Environment, and other key sectoral ministries (e.g. Agriculture, Infrastructure, Transport, etc. – depending on NDC/NAP priority sectors in the country) should coordinate to ensure that the budgetary allocation and prioritisation are being adhered to.
- The CBT system or/and appropriation/reallocation requests can help in gauging any changes in priorities.
- The CBT System is a useful mechanism that countries should adopt to tag climate-related resource allocation to NDCs and NAPs and develop expenditure-tracking solutions to support expenditure reporting and analytics for informing budget decisions.
- A green public procurement system can contribute to the achievement of NDC results at scale by creating a demand for climate and eco-friendly goods. They can also lead the way in reducing national carbon footprints.

THE BUDGET EXECUTION STAGE BETWEEN BUDGET APPROVAL AND THE ISSUANCE OF PAYMENT SHOULD ENSURE THAT THE NDC AND NAP PRIORITIZATION DURING THE PLANNING AND APPROVAL STAGE IS ADHERED TO.

This is important as "the existence of a commitment does not ensure that the goods will actually be delivered

Figure 4. Entry Points for CC in Budget Execution and Accounting and Reporting Stage



or the service rendered because the relevant ministry or spending agency may change its mind or disagree with the supplier later”[27]. Procurement is a critical part of budget execution and thus needs to have room and provision for climate aligned goods and services.

The MoF and line ministries will need to keep track of whether the climate-related budgetary allocations are being adhered to or not. Climate budget tagging can help in continuous monitoring of expenditures against the climate relevant commitments made for different ministries. This can help in avoidance of any shift in climate relevant allocations, which can hamper the achievement of NDC and NAP targets. The Ministry of Environment/Climate Change can play a proactive role in determining that the pace and direction of expenditures are in line with the budget approval.

Green procurement is a concept that broadly refers to the purchase of goods and services that cause minimal adverse environmental impact and promote mitigation and adaptation related actions by relying on recyclable products, energy-efficient systems, and clean technology and fuels as ecologically responsible business practices. There are various elements of green procurement – regulation, incentives, monitoring and reporting, systems and capacity development – that provide entry points for linking NDCs and NAPs with procurement practices.

The Ministry of Finance and Ministry of Climate Change will need to work with the Procurement Regulatory Authorities to introduce and strengthen the climate change and green component in the procurement law and the subsequent rules and regulations – this can be aligned with the climate relevant indicators introduced at the planning stage, i.e. the indicators for project approval.

Funafuti land reclamation, **Tuvalu** Coastal Adaptation Project

Photo: UNDP

27. Guidelines for Public Expenditure Management – Section 4 – Budget Execution

The bidding qualification and evaluation criteria of bids based on the procurement rules should encourage and give preference to private or/and public private partners that follow green practices and also submit climate friendly plan for delivery of goods and services.

In 2023, the OECD reported that public procurement accounted for 13% of the GDP in OECD countries[28] and varies between 12 to 15 percent for countries across different income levels.[29] Green public procurement can contribute towards achievement of the SDGs in general and NDC objectives, in particular.

Countries have used innovative practices for green procurement. For instance, as part of Government of India (GoI) ambition towards clean development, a mechanism was to replace inefficient incandescent lamps (ICLs) with energy efficient compact fluorescent lamps (CFLs) for their lighting needs. The resulting energy savings will reduce the total power demand and lead to a reduction of greenhouse gas (GHG) emissions.

The Paris Agreement also established international monitoring, reporting and verification (MRV) mechanisms – a framework designed to monitor greenhouse gas emissions, mitigation efforts, and other related actions taken by countries. International MRVs refer to the national communications and biennial update reports (BUR). Domestic MRVs are voluntary and can be reflected in nationally appropriate mitigation actions and report on domestic MRVs on the BURs. Both international and domestic MRVs can be the basis of an international consultation analysis. As domestic BURs are voluntary, this is where the data based on the adoption of PFM reform tools becomes useful.

> Climate-informed budget processes strengthen policy credibility and improve delivery on national and international targets.

As national communications and the BUR reflect progress on mitigation and adaptation, especially on emission inventory and impacts of efforts, as well as needs and support received to meet the Paris Agreement goals, the strategies indicated in an NDC/NAP – aligned climate change fiscal framework, or climate finance flows, in a CBT provide data.

The MRVs are at the core of implementing the NDCs. Measurement of emission trends and where to focus reductions, assessing whether efforts are effective, tracking technical and financial support, evaluating the impact of support received and monitoring NDC implementation are all part of the MRVs. In a climate-sensitive budget cycle, these could be reflected in the allocations and expenditures. These can also serve as transparency, governance and accountability measures, that can show resources are allocated and utilized effectively. This guide particularly focuses on the MRV of support in relation to climate finance mobilized by countries to implement the NDCs and NAPs.

28. Public procurement performance: A framework for measuring efficiency, compliance and strategic goals

29. How Large Is Public Procurement in Developing Countries? https://www.piie.com/

The Mesoamerican Reef Fund (MAR Fund) aims to drive the conservation, restoration, and sustainable use of the Mesoamerican Reef Photo_ Brigades Training, Honduras.

Photo: Mesoamerican Re

The MRV for climate actions supporting the Paris Agreement implementation usually comprises of the following: (i) emissions baseline and consequent change to reduction efforts; (ii) sustainable development effects; and, (iii) mitigation implementation progress. These are important in operationalizing NDC commitments by mainstreaming climate change in decision-making processes for policy, plans, and projects.

MRV for support often comprise the following: (i) support provided by donor countries; (ii) support received by countries; (iii) support mobilized domestically by countries; and, (iv) results and impacts of support.[30] MRV for support covers financial flows, technology transfer, capacity-building, and the impacts of the provided support.

30. 3 Types of Measurement, Reporting, and Verification (MRV)

A performance-based and results-oriented climate budget tagging process can significantly support the MRV process. This is relevant for the mobilization and utilization of resources for the NDCs and NAPs. It creates incentives for mobilization of finance through an overview of financial flows, trends, sources of public and non-public support. Operationally, this refers to monitoring and reporting on the provision and receipt of financial flows and monetary resources utilized for technical knowledge, capacity-building and evaluating the impact of such support. This can come in the form of a database that tracks domestic and international climate finance resources dedicated to NDC implementation. Cambodia, for example, has provided a dedicated site to transparently report both mitigation actions and finance flows for NDC implementation.[31]

The accounting system provides the necessary underpinnings for the bookkeeping of financial transactions and reporting thereon. The robustness of the government's budget coding structure (Chart of Accounts) and the Financial Management Information Systems (FMIS)[32] supports the budget and expenditure tracking process. It is important that such reforms are grounded in the government systems of budget and accounts. Designing a climate change expenditure tracking solution on the government's FMIS will ensure sustainability of climate mainstreaming in PFM. With the eventual adoption of the enhanced transparency framework, this can provide a comprehensive fiscal perspective to NDC submissions and related national communications.

Countries around the globe have been embarking on putting in place **climate budget tagging (CBT)**[33]. Embedded in the country's PFM, CBT identifies, classifies, weights and marks climate-relevant expenditures in a government's budget system; enabling the estimation, monitoring, and tracking of those expenditures (Bain et al 2019).[34]

By providing data on governments' allocations or existing spending, CBT also contributes to the identification of the funding gap, the under-resourced priorities in the policy and strategic framework, and supports in systematically monitoring policy implementation. The CBT typology should be informed by the NDCs and NAPs – this will have two effects:

i. Planning officers will be prompted to view the project proposal with a NDC and NAP lens.
ii. CBT data will enable tracking investments being made in the NDCs and NAP.

Also, governments can effectively target existing resources and help mobilize additional resources. CBT can generate evidence on under-resourced priorities that facilitates informed budget allocation decisions.

Several countries in the Asia-Pacific region (e.g. Bangladesh, Cambodia, Indonesia, Nepal, Pakistan,

31. Cambodia's Nationally Determined Contribution (NDC)

32. See: Financial Management Information Systems (FMIS)

33. See the experiences of Indonesia, the Philippines, and Bangladesh as examples. Or IIED and UNDP's (2022) Global Stock-take (GST) on Global Climate Public Finance

34. Knowing What You Spend: A guidance note for governments to track climate change finance in their budgets

and the Philippines); in Latin America (e.g. Colombia and Mexico); in Africa (e.g. Ghana and Kenya); and in the EU (e.g. France and Ireland) have adopted CBT with varying levels of sophistication and varied approaches – e.g. objective-based as opposed to policy-based.[35]

> Tracking and classifying climate expenditures supports better planning, accountability, and access to external finance.

It is important to note that the calculation methodology adopted for CBT should be comprehensive to enable data on fiscal allocations by both adaptation and mitigation categories. However, in practice this is not the case. It also depends upon the approach that countries have adopted to CBT, which countries use CBT to report on, and with what degree of granularity. The CBT should also be able to tag budget allocations ex-ante, rather than just enable reporting ex-post. This can help in identification and an impetus for climate change at the planning level.

The growing focus on mitigating and reporting on contribution to climate change impacts via NDCs in parallel with the focus on ensuring effective reporting by both public and private sectors is opening up the space for a review of the various CBT approaches deployed by the public sector from a climate-impact and financial/investment perspective, and consideration of synergies with sustainable finance taxonomies and bond frameworks, which are more private-investment facing. This may be particularly useful with regard to increasing confidence in projects in the budget financed through sovereign thematic debt as well as in the case of PPPs.[36]

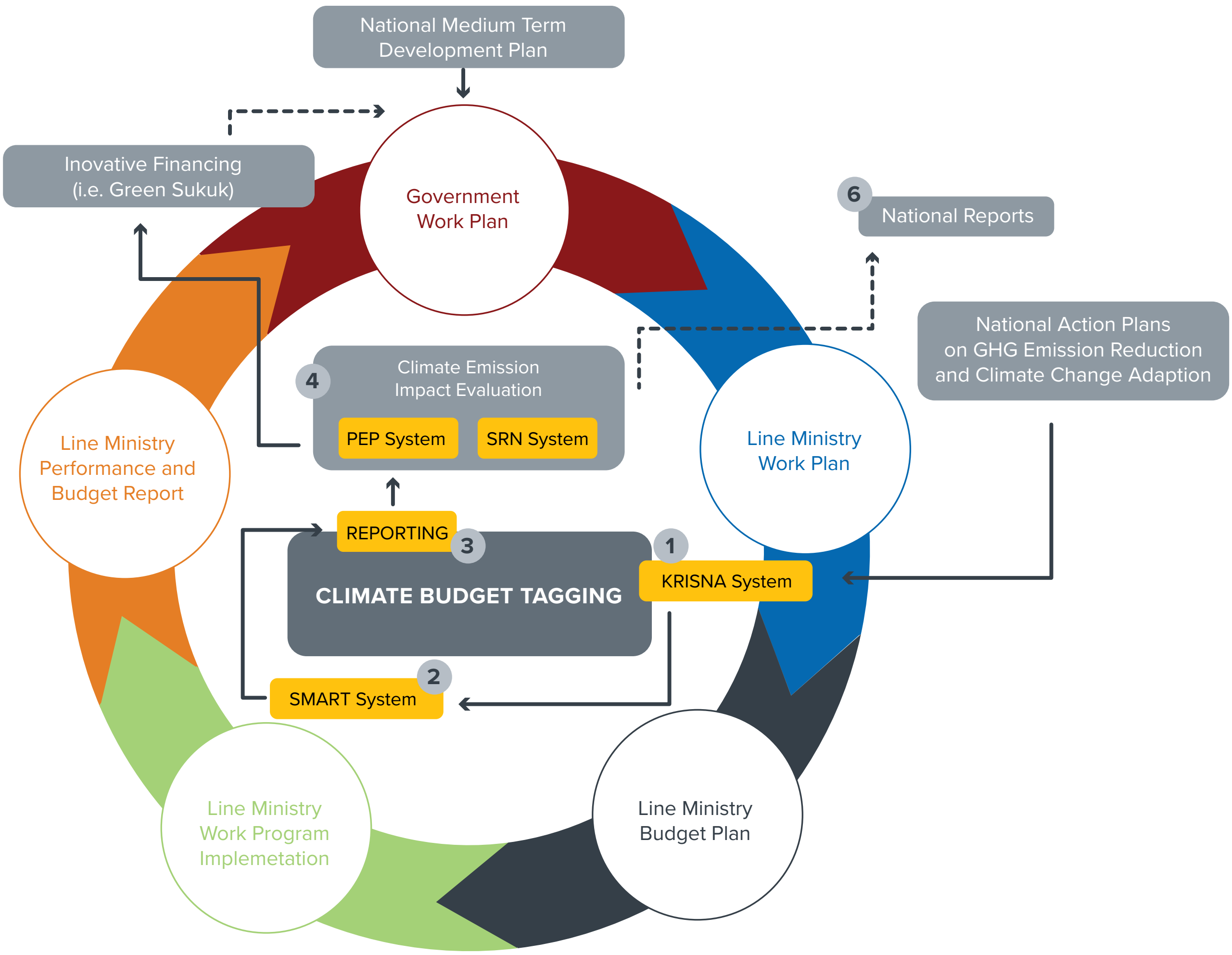
The CBT report should feed into the formal budget expenditure reports which should be followed by analysis to look at the performance and impact of these expenditures against the NDCs and NAPs.

Indonesia's adoption of PFM tools through the years also demonstrates results in terms of climate finance tracking, reporting, and mobilization. Figure 5, below, shows how Indonesia's CBT cycle, from national government plan to sector plans, have been reflected in sector ministry budget plans, followed by integration in sector ministry implementation, and sector ministry line budget and performance.

35. See UNDP-IIED 2021 and World Bank 2021 for a discussion of which approach has been followed by which countries and the implications. Further, starting with its 2021 budget, France has focused on covering the whole budget (including tax expenditures). It uses a green budgeting methodology based on the EU taxonomy for sustainable activities to identify and rate the impact of expenditures on six environmental objectives: 1. Climate change mitigation; 2. Climate change adaptation; 3. Water management; 4. Waste management (transition to a circular economy); 5. Pollution management; 6. Biodiversity conservation. See Eichberger, et. al. 2023.

36. See ICMA (2021) Overview and Recommendations for Sustainable Finance Taxonomies. Rio markers which underpin a lot of climate budget tagging methodologies, assesses whether the environmental objective is explicitly stated as fundamental to its design and intention, and do not look at impact or effectiveness with regard to government priorities. Also see PRI (2022) Climate budget tagging: A discussion between sovereign debt investors and issuers

Figure 5. Indonesia's Climate Budget Tagging Process



The implementation of CBT is following the national planning and budgeting cycle.

1. The **Line Ministries** tag their climate related output into the **KRISNA** system during the work plan formulation.

2. The allocated climate budget is monitored through the **SMART** system, which is then used for climate expenditure reporting.

3. The Climate Expenditure Report is developed annually and is published by the Ministry of Finance.

4. The impact of these climate change related outputs is evaluated through the **PEP*** and **SRN*** system.

The climate expenditure and climate impact can be used for:

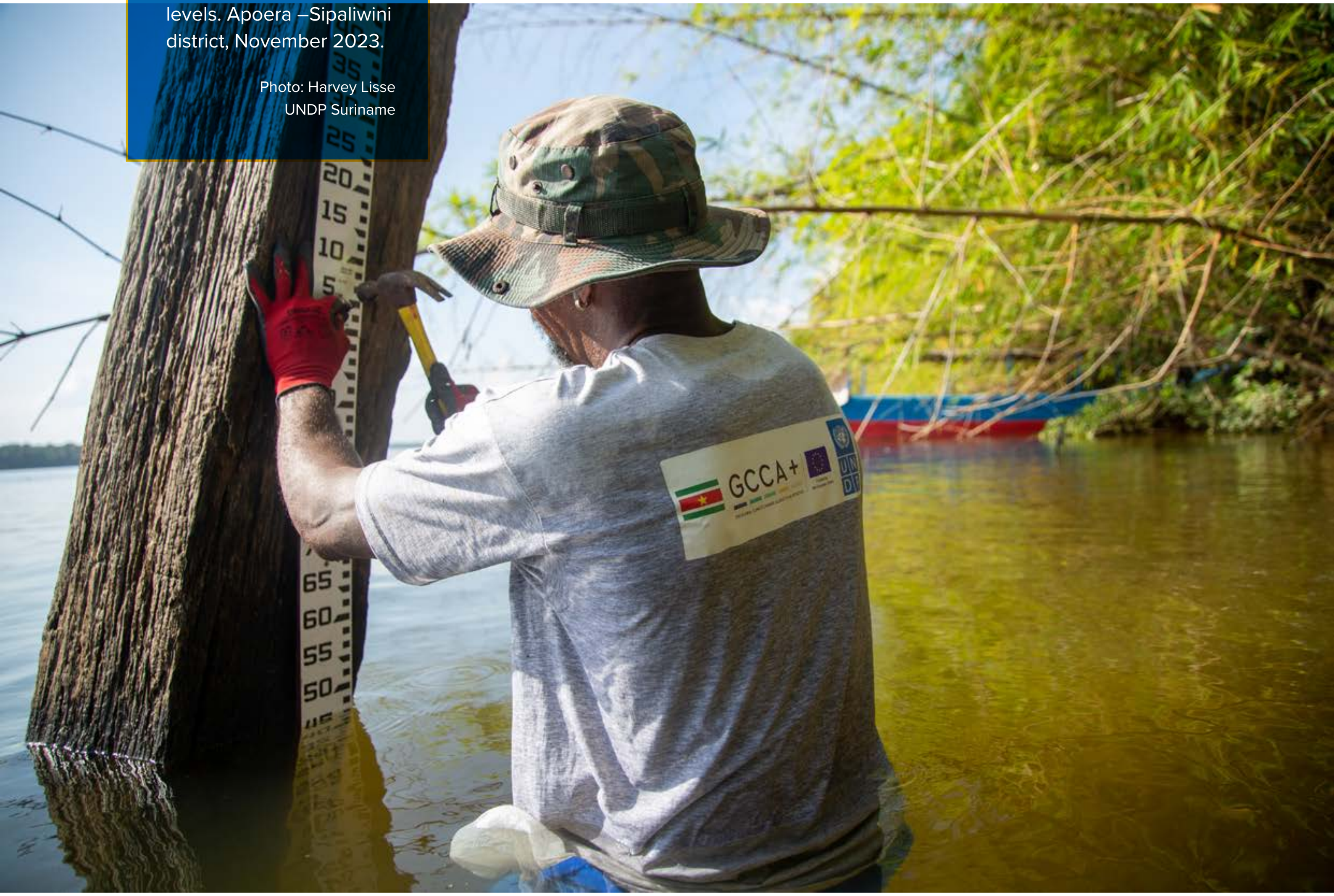
5. Developing innovative financing instruments to re-financing and financing climate actions (i.e Green Sukuk/ Bond).

6. As reference for reporting to national and international stakeholders (UNFCCC).

****PEP:** Pemantauan Evaluasi dan Pelaporan*
****SR:** Sistem Registri Nasional*

Country mitigation and adaptation targets are reflected in the budgeting and accounting system where the resulting information on CBT can be used for reporting. These are then used as the basis for performance assessments for climate emission impact evaluations.

Such data has then been used to leverage increased mobilization of climate finance (e.g. green sukuk[37]) or fed back into national reports, such as the national communications and BURs submitted to UNFCCC as MRV. Indonesia’s experience shows a different perspective on the utilization of PFM tools for both mobilizing and tracking climate finance.



Installation of a staff gauge to monitor water levels. Apoera –Sipaliwini district, November 2023.

Photo: Harvey Lisse
UNDP Suriname

37. Green Sukuks are Shari'ah compliant investments in renewable energy and other environmental assets.

4.4 External scrutiny and audit

Chapter Highlights:

- Adoption of climate performance audit informed by the NDC and NAP targets would support the achievement of NDC and NAP objectives.
- Parliaments/Legislatures should conduct budget scrutiny with a climate perspective to hold the Executive accountable and promote anchoring NDCs and NAPs in budget decisions.
- The engagement of community-based organizations is important to support monitoring of implementation of initiatives supporting NDC and NAP implementation and reflecting citizen's preferences in NAP formulation.

The Parliamentary bodies can play a crucial role in addressing climate-change related challenges. They can ensure government accountability and effectiveness, and by bringing constituents' concerns to the fore they can provide a vital knowledge link between governments and constituents.

As most of the countries are signatory to various international agreements relevant to climate change, such commitments are then translated into national legislation, which is supported by appropriate budget allocation and robust government oversight for performance evaluation to ensure its effective implementation. The significance of the parliamentarians in ensuring the credibility of implementation of the international agreements can be demonstrated by the Sendai Framework for Disaster Risk Reduction 2015 – 2030[38], the Paris Agreement[39], the Kyoto protocol[40], Agenda 2030[41], and other relevant covenants.

Parliaments are the ultimate authority in providing approval to budget estimates and ensuring that the budget is spent as approved. With the adoption of CBT, governments can prepare climate policy budgets that should become part of the budget presentation package for review by the Parliament.

The Supreme Audit Institution (SAI) is a key stakeholder in fostering accountability. The SAI could assess the compliance of government expenditure programs with the climate-related objectives. It can either conduct climate audits as in Bangladesh where SAI uses climate performance audit methodology, or as part of existing audit as in Canada (IMF, 2021).

Another initiative, the ClimateScanner[42] framework, being designed by an Executive Group comprising of 18 SAIs, aims to develop and disseminate an innovative rapid review method and a tool for assessing governments' actions to deal with climate change.

However, to ensure effective budget scrutiny and fiscal oversight, systems and capacity need to be developed. This will require developing

38. Sendai Framework for Disaster Risk Reduction 2015-2030

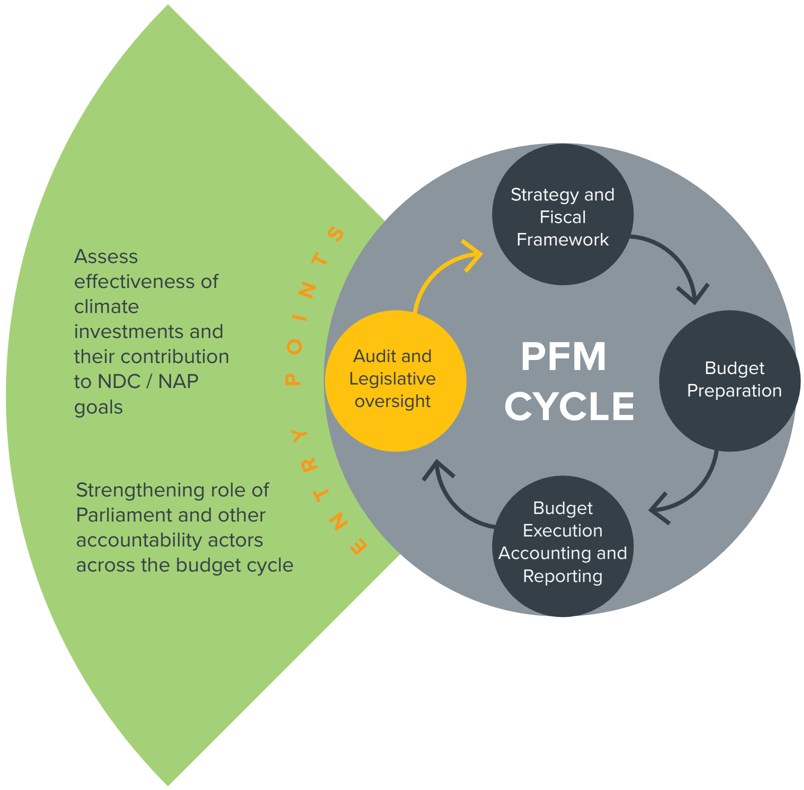
39. The Paris Agreement

40. The Kyoto Protocol

41. 2030 Agenda

42. INTOSAI WGEA ClimateScanner

FIGURE 6: ENTRY POINTS FOR CC IN AUDIT AND LEGISLATIVE OVERSIGHT STAGE



climate audit methodology, knowledge products (manuals/guidelines) and capacity-building of the parliamentarians, parliamentary staff, and auditors.

SAI could contribute by assessing that the impacts of interventions related to low GHG emissions are in line with the stipulated climate goals in the NDC. Assessments on how effective the budget allocations are, especially in reaching the climate vulnerable population could be undertaken. SAI can introduce/adopt performance audit that specifically assess the link between climate policy objectives and climate investments made to achieve those policy objectives.

Finally, the communities have adapted to living with climate change and over the years have developed local wisdom to counter the climate challenges. This knowledge can be used by the policy makers and parliamentarians to inform the decision-making process through consultations and participatory governance mechanisms. Engagement with communities through the relevant civil society organizations (CSOs) in the form of pre-budget briefings will reflect citizens' choices in the budget decisions. On the other hand, collaboration with the Parliament/Legislature in budget monitoring will ensure that the budgeted expenditure is directed at the climate policy objectives.

’05 Challenges and Practicalities to Consider

While this guide proposes entry points within the budget cycle to demonstrate the potential of PFM reform tools for NDC and NAP implementation, operationalizing the suggestions faces some challenges and issues. Although countries have submitted their NDCs and some have prepared their NAPs (costed or not), the submissions have been articulated in different levels of comprehensiveness and detail. This means countries are at different baselines as regards to capacities and finance needs as well. As the NDCs and NAPs are country-driven approaches, countries would also need certain capacities to deliver their climate ambitions.

Highlighted below are some specific issues identified, with some recommendations provided on how they could be resolved.

> Parliaments/Legislatures should conduct budget scrutiny with a climate perspective to hold the Executive accountable and promote anchoring NDCs and NAPs in budget decisions.

NDCs/NAPs informed planning while ensuring there is fiscal space to allocate budgets is a pre-requisite for application of the PFM reform tools. In general, NDCs and NAPs still require roadmaps, a fiscal or financial strategy before a pipeline of projects are realized. Such roadmaps provide planned NDC and NAP actions prioritization in the planning and budgeting cycles.

However, as articulation of investments are still generally in its nascent stages (pre-feasibility assessments), there could still be inadequate capacity and translation of the NDCs for the financial sector or an inadequate technical knowledge of climate experts on project financing and climate finance in general. Governments must, therefore, develop capacities to prioritize those strategic investments to be financed in line with the national development strategy.

While climate action implementation begins with economy and sector-wide planning and prioritization, capacities to integrate financing aspects especially in public financial management must also be improved. Such efforts can also be complemented with improved and dedicated coordination mechanisms among sector agencies with mandates related to NDC and NAP implementation. Although the climate finance architecture is still in its nascent stages in most countries, having an NDC and NAP ecosystem within countries would help NDC implementation. This can, likewise, be in the form of a climate fiscal policy and/or other legislation to support an enabling environment for implementation. A political champion in the form of an agency or an actor would help emphasize the need to downscale NDCs to the sub-national level and support locally led adaptation.

As there is no global standard for NDC- and NAP-aligned budget tracking, this can pose challenges for domestic-level tracking. Adoption of the CBT and other budget reform tools as a means of domestic finance tracking could fill this gap. As climate finance investments would often likely match with operationalized priorities, the key capacity needed amongst countries is for such domestic finance tracking tools to be updated to reflect NDC and NAP priorities. This may require efforts to sensitize both climate planning and budget colleagues on the nuances of what a climate adaptation and mitigation project is, especially those that demonstrate dual benefits. Since tagging is undertaken by different ministries, there is a risk that the methodology is also not applied evenly.

Variances in climate budget tagging approaches limit the comparability of expenditure data. Several countries in Asia-Pacific have undertaken CBT exercises through the years. However, the current CBT process can still be improved.

There are also varied approaches to CBT. In some cases, it is bottom-up, project-based and excludes the cost of policy- and capacity-related interventions that are needed to operationalize the project. Some countries (e.g. Indonesia) tag the entire project budget so long as there is a climate dimension. However, in some countries like Nepal, weights are used to assess and assign the climate relevance or benefits of the project. In others, projects are tagged based on climate policies. Bangladesh, for example, utilizes a mix of both approaches. Another point is the prevalence of ex-post CBT, as it shows how much a country actually spends to advance their NDCs and NAPs.

Furthermore, current domestic CBTs also exclude the allocations or expenditures of state-owned enterprises for climate, some sector ministries, and the private sector at the national and sub-national levels. As such, current CBTs do not give an accurate picture of climate finance flows and instead provide a conservative estimate. However, the exclusions in the methodology utilized can also be addressed by consequent climate finance fiscal frameworks.

As CBT is undertaken year on year, increased evidence is needed that its contributions to climate tracking has an impact on budget allocations and decision-making. It is often not clear that the annual increase in climate budget allocations are a result of either better application of, or improved tracking methodology, or actual increase in allocations.

Countries have varied PFM systems. As well as the variety noted above surrounding the application of CBT by countries, there are also varying PFM systems, making the mainstreaming of climate change context specific. Applying budget reforms to support climate mitigation and adaptation implementation depends on public investment management in countries, which rely on the principles of good governance such as transparency and accountability.

> A strong legal framework enables sustained climate investment through national systems, not parallel ones.

Transparency measures increase as budget reforms improve, which could be demonstrated in reporting and tracking of budget allocations. Budget reforms for climate investments would also only take off if broader public financial management systems and related institutions are strengthened, including government capacities to implement such reforms.

In some countries, planning and budgeting for SDGs and climate goals are not aligned. In countries without dedicated planning and budgetary processes yet in place, planning for and allocating resources for SDGs and climate change can compete and strain government capacity. It is ideal for related initiatives to be linked and mainstreamed in country PFM systems.

Glossary

A

ADAPTATION

Adaptation refers to adjustments in ecological, social or economic systems in response to actual or expected climatic stimuli and their effects. It refers to changes in processes, practices and structures to moderate potential damages; or to benefit from opportunities associated with climate change. (UNFCCC)

B

BUDGET CALL CIRCULAR

The annual budget call circular from the Ministry of Finance gives budget instructions to line ministries for the purpose of guiding the submission of their budgets. Therefore, this has been a critical entry point for promoting climate-responsive and socially inclusive submissions.

C

COUNTRY CLIMATE AND DEVELOPMENT REPORTS (CCDRS)

A core diagnostic that integrates climate change and development that help countries prioritize the most impactful actions that can reduce greenhouse gas (GHG) emissions and boost adaptation and resilience, while delivering on broader development goals. (World Bank)

CLIMATE FINANCE

Climate finance refers to local, national or transnational financing – drawn from public, private and alternative sources of financing – that seeks to support mitigation and adaptation actions that will address climate change. (UNFCCC)

CLIMATE-PIMA

Climate-Public Investment Management Assessment (Climate-PIMA or C-PIMA) adds a climate-responsive dimension into the PIMA framework and assesses countries' capacity to manage climate-related infrastructure. PIMA Public Investment Management Assessment is a comprehensive framework to assess infrastructure governance practices for countries at all levels of economic development, specifically evaluating 15 institutions involved in the three key stages of the public investment cycle. (IMF)

CLIMATE PUBLIC EXPENDITURE AND INSTITUTIONAL REVIEW (CPEIR)

A diagnostic tool to assess opportunities and constraints for integrating climate change concerns within the national and sub-national budget allocation and expenditure process. (NDC Partnership)

CLIMATE BUDGET TAGGING (CBT)

Climate Budget Tagging (CBT) is a tool for monitoring and tracking climate-related expenditures in the national budget system. It can be used to provide comprehensive data on climate change relevant spending, for the purpose of facilitating informed decisions and prioritization of climate investments. In addition, it can be used for public scrutiny on spending to tackle climate change by governments. Furthermore, countries such as Indonesia have used climate responsive projects with CBT for selection of the use of proceeds from green sukuks – Islamic compliant bonds.

CLIMATE CHANGE BUDGET INTEGRATION INDEX + (CCBII+)

The Climate Change Budget Integration Index + (CCBII+) measures the integration of acknowledgement of climate change and resulting identified measures to curb its effects (by whichever method, e.g. adaptation or mitigation techniques), into governance and public financial management systems. It is a multi-dimensional assessment tool that provides an evidence-based snapshot of the extent of the integration of climate change as a factor in the national planning and budgetary mechanisms, alongside associated gender equality and social inclusion (GESI) aspects.

It focuses on three key dimensions:
i) Policy;
ii) Systems; and,
iii) Accountability.

The earlier iteration – the Climate Change Budget Integration Index (CCBII) – did not include gender equality and social inclusion (GESI). This dimension has been added to the CCBII thus transforming it into CCBII+. (UNDP)

CLIMATE CHANGE FINANCING FRAMEWORK (CCFF)

The Climate Change Financing Framework (CCFF) is a whole-of-government approach that broadly engages all relevant stakeholders toward the mobilization, management, and targeting of climate change finance. It includes, but is not restricted to, the following elements:

- Definition of what actually constitutes climate change related activities; in a manner that is robust, nationally determined, and commonly agreed by concerned stakeholders.
- Costing of planned climate change response actions in the medium and longer term.
- Measurement of resources available to address climate change mitigation and/or adaptation in the medium and long term.
- Identification of the institutional entry points for bringing public sources of climate change relevant finance (domestic and international) into the national appraisal and prioritization of the budget.

CLIMATE RISK

The possible impact of climate change on people, environment and the economy.

D

DUAL BENEFITS (*OR* CO-BENEFITS)

Dual benefits, also referred to as co-benefits, are climate-related projects and activities that verifiably contribute to both climate change mitigation and climate change adaptation objectives. The benefits must meet the criteria for each category to be considered to be a dual or co-benefit, otherwise they are only considered in their own right as a benefit to mitigation or adaptation objectives. (ADB)

E

ENHANCED TRANSPARENCY FRAMEWORK (ETF)

The Enhanced Transparency Framework (ETF) provides mechanism for Parties to the Paris Agreement on how they must report on progress in climate change mitigation and adaptation measures, and the respective support provided or received. It also provides for international procedures for the review of the submitted reports.
Starting in 2024, countries will report transparently on actions taken, and progress made, in climate change mitigation and adaptation measures, and likewise any support provided or received. The ETF also provides international procedures for reviewing submitted reports (UNFCCC)

I

INTEGRATED NATIONAL FINANCING FRAMEWORK (INFF)

A framework for financing national sustainable development priorities and the Sustainable Development Goals (SDGs) at the country level. (UN-DESA)

L

LONG-TERM LOW-EMISSION DEVELOPMENT STRATEGIES, OR LONG-TERM STRATEGIES (LT-LEDS)

Long-term Low-emission Development Strategies (LT-LEDS), sometimes referred to in shorthand as simply 'Long-term Strategies', integrate climate change related aspects and objectives with development visions, priorities and principles in the long term. They integrate economic, social and environmental objectives, combining climate change combatting priorities with development goals. The benchmark has been set, and most usually the working goal is to reach these LT-LEDS by 2050.

Unlike NDCs, these LT-LEDS are not mandatory, but rather an advisory for involved parties, which allows for development objectives and climate change repression targets to meet at a happy medium, providing a working strategy with identified goals to work towards. Nevertheless, they serve to place NDCs into the context of countries' long-term planning and development priorities, providing a vision and direction for future development (UNFCCC).

In order to better frame the efforts towards reaching long-term goals that tackle climate change alongside reaching development goals, the Paris Agreement (2015) invites countries to formulate and submit LT-LEDS (or 'Long-term Strategies').

M

MITIGATION

Climate change mitigation refers to any verifiable action taken by governments, businesses, or people to reduce or prevent greenhouse gas emissions, or to enhance carbon sinks that remove these gases from the atmosphere (UNDP)

N

NATIONAL ADAPTATION PLAN (NAP)

A National Adaptation Plan (NAP) is a participative process that helps countries to plan and implement actions that serve to reduce vulnerability to the impacts of climate change, and strengthen adaptive capacity and resilience (UNDP)

NATIONALLY DETERMINED CONTRIBUTIONS (NDCS)

Nationally Determined Contributions (NDCs) are part of the climate pledges and action plans that each country is required to develop in line with their commitment as signatory to the Paris Agreement (2015) goal of limiting global warming to 1.5° C. NDCs represent short- to medium-term plans that are updated every five years, with higher ambitions on climate change action.

The short- to medium-term targets represented by NDCs typically include measures for both adaptation and mitigation activity, and as a requirement must be updated every five years in order to stay current and relevant. (UNDP)

When targets are dependent on external financial support, these are marked as 'conditional' targets. The targets a country can achieve without external financial support are referred to as 'unconditional.' (UNDP).

In their NDCs, countries communicate actions they will take to reduce their greenhouse gas (GHG) emissions in order to reach the goals of the Paris Agreement. Countries also communicate actions they will take to build resilience to adapt to the impacts of climate change as part of their NDCs. (UNFCCC)

P

PARIS AGREEMENT

The Paris Agreement, also known as the Paris Climate Accords, or simply the Paris Accords, is the legally-binding international treaty that was adopted by all 196 Parties at the 2015 United Nations Climate Change Conference in Paris (also referred to as COP 21 or CMP 11 under various guises). Considered a breakthrough at the time, the Paris Agreement had the advantage over its predecessor UNFCCC conference of parties (COPs) that had lacked reaching a consensus, and it established universal global goals to reduce greenhouse gas emissions and combat climate change, that were endorsed by all countries.

Primarily, the overarching goal of the Paris Agreement was set to ensure that the average global rise in temperature is limited to 'well below 2°C' above pre-industrial levels, with good efforts to pursue limiting this rise to just 1.5°C. Further important goals of the Paris Agreement also include an aim to increase the ability of countries to adapt to climate change impacts, and to make finance flows consistent with the country needs to achieve these goals. (UNDP)

PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA)

A program initiated in 2001 by seven international development partners (the European Commission, International Monetary Fund, World Bank, and the governments of France, Norway, Switzerland, and the United Kingdom), PEFA was created as a means to harmonize assessment of Public Financial Management (PFM) across the partner organizations.

S

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Adopted by all United Nations members in 2015, 17 Sustainable Development Goals (SDGs) were created as a product of the 2030 *Agenda for Sustainable Development*. Replacing the Millenium Development Goals (MDGs) that came before the SDGs, they were designed to highlight the connections between the environmental, social and economic aspects of development, putting. sustainability at the centre. (UNDP)

U

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)

An international treaty among countries to combat "dangerous human interference with the climate system" by agreeing to limit the increase in greenhouse gases into the atmosphere. Signed 54 states at the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro, 1992 and entering into force in 1994.

Note that UNFCCC also refers to the Secretariat charged with supporting the operation of the convention.

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