Strengthening Disaster and Climate Change Finance

Budget Tagging for Disaster Risk Reduction and Climate Change Adaptation

Training workshop by UNDRR Global Education and Training Institute (GETI)

Date: Wednesday 22 November 2023
Time: 08:00 Geneva | 10:00 Nairobi | 14:00 Bangkok
# Strengthening Disaster and Climate Change Finance

## Budget Tagging for Disaster Risk Reduction and Climate Change Adaptation

<table>
<thead>
<tr>
<th>Time (CET)</th>
<th>Agenda</th>
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</thead>
<tbody>
<tr>
<td>08:00 – 08:10</td>
<td>Welcome and introduction by Mathieu Verougstraete (UNDRR)</td>
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<tr>
<td>08:10 – 09:25</td>
<td>Definitions and fundamentals of DRR and CCA, Global flows and frameworks, Experience globally with DRR and CCA budget tagging</td>
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<td>09:25 – 09:30</td>
<td>Break</td>
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<tr>
<td>09:30 – 10:45</td>
<td>8 considerations for DCBT design and implementation</td>
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<td>10:45 – 11:00</td>
<td>End of workshop quiz and feedback survey</td>
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Introduction & Background
Disaster and Climate Budget Tagging

The costs of disasters and climate change are rising globally. Extreme weather events, exacerbated by climate change, are costing the world billions of dollars each year. Other threats, including pandemics, geophysical hazards and cyber risks, are adding to this bill.

- This training will look at the role of tagging budgets and tracking public expenditures for climate change adaptation and disaster risk reduction.
- Means of supporting increased and targeted financing for building national climate and disaster resilience.
- Sets out a methodology for coordinated climate change adaptation and disaster risk reduction budget tagging and public expenditure tracking.
  - for consideration by ministries of finance, planning, environment and climate change, national disaster management agencies and relevant sectors, as well as international development partners engaged in CCA and DRR finance.
Tagging and Tracking

- **Tagging** is the process of defining and applying a tag/category.
- **Tracking** is the process of using the tag to quantify and monitor expenditure.
- Tracking can be undertaken and reviewed:
  - Occasionally - as and when needed to inform new policy
  - Regularly - as a standard process in the budget execution, accounting and reporting stages of the annual budget cycle.

Tagging and tracking at the national level should be anchored within budget and public investment planning cycles, as well as integrated into financial management information systems, to enable effective classification and analysis of expenditure.

Integrating DRR and CCA issues into the budget process needs to be undertaken in the wider context of ‘green public financial management (PFM)’, which aims to make public financial management practices environment- and climate-sensitive.

https://bitly.com/blog/tracking-link
Coverage

- The majority of country experiences are from climate budget tagging, fewer countries have established systems for disaster budget tagging.
- Where relevant, lessons learned from other cross-cutting tagging and tracking initiatives, such as initiatives focusing on gender, nutrition and the SDGs, are also reviewed.

This module will provide an overview of country experiences in tagging budgets and tracking public expenditures related to DRR and CCA across over 40 countries:

- **Africa**: Ethiopia, Ghana, Kenya, Mauritius, Nigeria, Seychelles, South Africa, Uganda
- **Asia-Pacific**: Bangladesh, Fiji, India, Indonesia, Load, Marshall Islands, Nauru, Nepal, Pakistan, Philippines, Samoa, Thailand, Timor-Leste, Vanuatu, Vietnam
- **Europe and Central Asia**: Armenia, EU, France, Ireland, Luxemburg, Netherlands, Norway, Moldova, Serbia, Spain
- **Latin America and the Caribbean**: Chile, Colombia, Dominican Republic, Ecuador, Honduras, Mexico, Nicaragua, Peru
Key reading materials

- Tracking the money for climate adaptation and disaster risk reduction
  - Trends and experiences
  - Seonmi Choi, Lena Weingärtner, Baiba Gailis, Diana Cardenas, Kanchana Wickramasinghe, Kit Nicholson, Shanaz Broermann, Yacine Bio Tchanie and Paul Steele
  - https://www.iied.org/21261iied

- Budget Tagging for Disaster Risk Reduction and Climate Change Adaptation
  - Guide for design and taxonomy
Development of this training

• This training workshop has been put together,
  ✓ by the UN Office for Disaster Risk Reduction (UNDRR) in partnership with the
  ✓ International Institute for Environment and Development (IIED) and the
  ✓ UNDRR Global Education and Training Institute (GETI)
What type of organisation do you work for?
What is your professional field?
Fundamentals
Disaster Risk

The potential loss of life, injury, or destroyed/damaged assets which could occur to a system, society or community in a specific period of time, determined probabilistically as a function of hazard, exposure, vulnerability and capacity.
Hazard

A process, phenomenon or human activity that may cause loss of life, injury or other health impacts, property damage, social and economic disruption or environmental degradation; may be natural or anthropogenic in origin.

Which hazards are the most common in your country?
- Extraterrestrial?
- Environmental?
- Chemical?
- Biological?
- Geophysical?
- Hydrometeorological?
- Technological?
- Others?
Exposure

The situation of people, infrastructure, housing, production capacities and other tangible human assets located in hazard-prone areas.

Which populations are highly exposed to hazards in your country?

What are the conditions that leave them exposed?
Vulnerability

The conditions determined by physical, social, economic and environmental factors or processes which increase the susceptibility of an individual, a community, assets or systems to the impacts of hazards.

What are the conditions that render populations vulnerable to hazards in your country?
Disaster Risk
A function of...

Hazard

Exposure

Vulnerability
Disaster Risk Reduction

- Disaster risk reduction (DRR) is aimed at preventing new and reducing existing disaster risk and managing residual risk.

Climate Change Adaptation

- Climate change adaptation (CCA) is the process of adjustment to the actual or expected climate and its effects so as to moderate harm or exploit beneficial opportunities.
- CCA also includes the adjustment of natural systems to current and future climate and its effects, and the role of human intervention to facilitate it.
The overlap between DRR and CCA

- Disaster risk reduction and climate change adaptation have significant commonalities in terms of the hazards and impacts they aim to tackle.

- Over the period 1998-2017, climate-related disasters accounted for:
  - Over 90% of all recorded disasters
  - Almost 80% of direct economic losses (Wallemacq and House, 2018)
Differences between DRR and CCA

- DRR includes a wide range of hazards:
  - geophysical hazards (earthquakes, volcanic eruptions), technological, biological and environmental hazards

- CCA focuses only on climate-related hazards, including slow-onset events such as mean temperature increase, sea-level rise and ocean acidification
  - There is an emerging focus on ‘transformational adaptation’ measures such as migration, as compared to ‘incremental adaptation’ such as water use efficiency.
Coherence between DRR and CCA

- Currently limited evidence of achieving coherence between DRR and CCA on the ground, despite the large overlap.

- Growing recognition of the value of an integrated approach to achieve the SDGs, Paris Agreement and the Sendai Framework.

• Comprehensive disaster and climate risk management is also promoted by:
  • The Warsaw International Mechanism on Loss and Damage under the UNFCCC
  • The IPCC Sixth Assessment Report
  • OECD
  • UNDRR
Loss and damage

- In the context of increasing economic and non-economic impacts and risks associated with climate change, the concept of loss and damage has also gained importance in global climate policy.
- Addressing loss and damage requires an integrated risk management approach that connects DRR, CCA and humanitarian actions and an understanding of the limits to adaptation and unavoidable loss and damage.

<table>
<thead>
<tr>
<th>Avoided</th>
<th>Unavoided</th>
<th>Unavoidable</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Avoidable losses and damages that can and will be avoided by climate change mitigation and/or adaptation measures</td>
<td>• Avoidable losses and damages that are and will not be addressed by further mitigation and/or adaptation measures, even though avoidance would be possible. Financial, technical and political constraints, as well as case-specific risk preferences narrow down the adaptation space</td>
<td>• Losses and damages that cannot be avoided and adapted to through further mitigation and/or adaptation measures, for instance impacts from slow onset processes that have kicked-off already, such as sea level rise and melting glaciers</td>
</tr>
</tbody>
</table>

Do you find the definitions and concepts clear and practically useful to tag budgets and assess expenditure for CCA and DRR?
Level of DRR and CCA integration

To what extent are CCA and DRR policy frameworks, programmes and budgets integrated in your city?
Global flows and frameworks
Climate change adaptation finance

• The Adaptation Gap report concludes that adaptation finance flows to developing countries are already 5-10 times lower than estimated needs.

• The gap between flows and needs is widening further: Annual adaptation costs will be in the range of US$160-340 billion by 2030 and US$315-565 billion by 2050.

• Agriculture, infrastructure, water and disaster risk management account for over 75% of adaptation finance needs of developing countries.

• Climate change adaptation finance has gained increasing importance in international climate policy, evidenced by the Global Goal on Adaptation and the New Collective Quantified Goal on Climate Finance.
Disaster risk reduction finance

- Disaster risk reduction finance has no clearly defined and quantified global targets for national governments or the international community.
- There is a Sendai Framework for DRR target to “substantially enhance international cooperation to developing countries through adequate and sustainable support”, but reporting against the framework is voluntary, and so it is challenging to track how much is spent on disaster risk reduction.
- OECD Development Assistance Committee data shows that in 2020, over US$8 billion of bilateral official development assistance went to DRR-related projects, with over 50% of these funds going towards allocations which had DRR as a major objective.
- The majority of funds for DRR come from domestic public expenditure rather than through international development finance. Much of domestic DRR spending is integrated within sectoral programmes and investments, for example, in the economic, infrastructure, transport and construction, agriculture, social services or public safety and administration sectors.
- UNDRR assessment of DRR investments in 16 African countries found that DRR investments average 4% of national budget.
Financing needs

Adequate, predictable and coordinated disaster risk reduction and climate change adaptation finance is needed at greater speed and scale.

Disaster and climate risks are rapidly increasing, with some impacts now unprecedented and irreversible.

This is leading to an increasing financing gap.
Relevant global & regional frameworks & tools

<table>
<thead>
<tr>
<th>Sustainable Development Goals</th>
<th>The UNFCCC Standing Committee on Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The SDGs include cross-cutting targets and indicators relevant for CCA and DRR finance eg. Goal 11 and 13</td>
<td>OECD DAC Rio markers and DRR policy marker</td>
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</tbody>
</table>

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<tbody>
<tr>
<td>• Framework sets targets &amp; defines priority actions for international cooperation &amp; investment in DRR, but without quantification of targets</td>
<td>EU Taxonomy Climate Delegated Act</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Paris Agreement</th>
<th>Multilateral Development Bank Working Group on Climate Finance Tracking</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Article 2: making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development</td>
<td>Initiative on Climate Action Transparency</td>
</tr>
<tr>
<td>• Article 9: developed country Parties should continue to take the lead in mobilising climate finance, noting the significant role of public funds through supporting country-driven strategies, and considering the needs and priorities of developing country Parties</td>
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</tr>
</tbody>
</table>
Tick all sentences that you feel are correct

- The evidence provided by OECD and other international agencies is a starting point but classifications are subjective and vulnerable to greenwashing
- Evidence on CCA is better than evidence on DRR flows
- Both DRR and CCA have good potential for catalysing or existing flows but to a lack of coherence between the two into coordinated policy-making
- Both DRR and CCA have good potential for catalysing or existing flows but the evidence is not sufficient to inform the evidence
Experience globally with DRR and CCA budget tagging
Measuring climate and disaster expenditure

• Understanding the coherence between and volume of climate and disaster expenditure is challenging.
• A number of expenditure reviews and case studies have been conducted to address this gap at the country level.

Reviews of policy coherence (looking at policy, planning and institutional arrangements as well as finance and budgeting) between DRR and CCA

• e.g. Benin, Malawi, Niger and Uganda

Integration of DRR into climate policy expenditure reviews or climate finance assessment frameworks

✓ e.g. Eswatini, and the Pacific Island countries of Kiribati, Marshall Islands, Micronesia, Nauru, Palau, Papua New Guinea, Solomon Islands, Tonga and Vanuatu

Several country case studies and public expenditure reviews have been undertaken to assess DRR finance at the national level

• e.g. disaster risk management public expenditure and institutional reviews in Laos, Thailand and Vietnam, and the 17 risk-sensitive budget reviews undertaken in Africa

CCA is included in most of the existing climate budget tagging initiatives in developing countries
## Related tagging approaches & methodologies

<table>
<thead>
<tr>
<th>Green Budget Tagging (GBT)</th>
<th>Climate Budget Tagging (CBT)</th>
<th>Disaster Budget Tagging (DBT)</th>
<th>DRR and CCA Budget Tagging (DCBT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>- public financial management tool to identify, classify, weigh and mark environment or climate related expenditures and/or revenues of governments, by attaching budget tags or codes to budget lines.</td>
<td>- has a narrower scope than GBT, only focusing on climate-relevant budget measures</td>
<td>- focuses on identifying, classifying, weighting and marking disaster related expenditure</td>
<td>- the tagging of budgets and tracking of public expenditure for DRR and CCA together, in a way that considers common policy objectives and overlaps</td>
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<tr>
<td>- classifications vary in different countries, eg. some classify fiscal measures by mitigation or adaptation and others categorise by their climate policies.</td>
<td>- it is a government-led process of identification, measurement, and monitoring of climate-relevant public expenditures.</td>
<td>- national PFM systems that tag and track DRR expenditure do so to varying degrees, and mechanisms for tagging and tracking differ across countries.</td>
<td>- no commonly accepted global framework or methodology for comprehensive disaster risk reduction and climate change adaptation budget tagging and tracking (DCBT)</td>
</tr>
</tbody>
</table>
Challenges to budget tagging and tracking for CCA and DRR

• Methodological
  • Many CCA and DRR relevant budget lines do not have CCA or DRR as their primary objective, so assessing the weight or share of CCA or DRR remains challenging and often depends on subjective analysis and judgement without a standardised and robust methodology.
  • Consequently, countries use different approaches in capturing CCA and DRR expenditure shares that are mainstreamed as part of larger programmes or budget lines.

• Information issues
  • Some disaster related expenditures, especially post-disaster, involve reallocations from operations and maintenance, human resources or other budgets, and these are not captured.

• Issues related to the cross-cutting nature of CCA and DRR
  • Both CCA and DRR cut across several sectors and mainstreaming is common in both policy arenas.
  • Many budgetary systems lack a specific DRR classification for investments in risk reduction. Instead, these investments tend to be dispersed and integrated with sectoral budgets, requiring detailed – and thus time-consuming and costly – ex-post sectoral analysis to quantify DRR allocations and expenditures.
Challenges to budget tagging and tracking for CCA and DRR

• Sub-national expenditures
  • CCA and DRR are local and context-specific in nature. Consequently, sub-national governments account for an important part of CCA and DRR expenditures.
  • Due to governance and capacity issues, budget tagging is not often systematically applied to sub-national government expenditures.

• Private finance in DRR and CCA
  • There is an absence of an agreed approach for accounting for private finance. This leads to gaps, for instance on if private finance that is leveraged through public investments count towards international commitments for CCA?

• Accounting for ‘negative expenditures’
  • The term ‘negative expenditure’ refers to risk-blind or harmful initiatives that may lead to maladaptation and increase climate and disaster vulnerability, exposure and risks across different time and spatial scales. Most CCA and DRR tagging and tracking initiatives do not account for negative expenditures.

• Double counting
  • The many overlaps between DRR and CCA often lead to CCA budgets including DRR as well as broader elements of DRM, and vice versa. This risks double counting.
DCBT can complement other policy and finance measures for a coherent approach

• DCBT can help increase the availability, quality and comparability of data on domestic and international public finance for CCA and DRR.
  • This contributes to national and global efforts to enhance climate and disaster financing.

• There is room for a globally coherent and harmonised approach towards DCBT
  • Particularly given the significant commonalities and overlaps between DRR and CCA policies, institutions, and financing
  • It can support greater efficiency, financing and avoid duplication issues
Potential benefits of budget tagging and tracking

- Multistakeholder engagement
- Improved transparency for decision-making
- Improved PFM system
- Increased accountability
- Improved mobilisation of finance
- Increased awareness
- Improved budget allocations
- Improved DRR and CCA integration

UNDRR
Benefits of budget tagging and tracking

Across African countries, the main benefit of tagging and tracking has been to raise awareness of climate concepts and provide indicative estimates of public climate expenditure allocations. However, this information does not yet appear to be used in a systematic way to influence policy.

In Europe, tagging and tracking has helped to improve cross-sectoral collaboration. For example, in France, their climate budget tagging exercise helped improve engagement between budget authorities and other sector ministries.

In Asia-Pacific, climate budget tagging has been found to be useful in monitoring the amount of funds allocated to climate adaptation. For example:
- In Indonesia, while there is a continuous increase in the budget allocated to climate change activities, through tagging and tracking, they are aware that only 38% of the estimated climate change funding need is met by this allocation and are using the data generated in planning how to increase flows.
- In Timor-Leste, the expected benefits of CBT include increased awareness of climate change among central and line ministries, greater transparency and accountability and the mobilisation of climate finance from development partners.
Impact on policy, budget allocation, and expenditure

- A potential benefit from budget tagging and tracking is the increased ability to influence policy and allocation decisions during budget preparation - relevant data to support arguments and negotiation processes.

- Empirical evidence on the impacts from tagging and tracking is still limited.

- Some examples are available of the effects of mainly CBT.

- Empirical evidence on the impact of budget tagging and tracking on policy, budget allocations and expenditure towards CCA and DRR is limited.

Given it is a time and resource intensive process, it may be useful to consider how to justify adopting the approach by identifying actual benefits or positive impacts from national needs and other country experiences.
Tick all sentences that you feel are correct

- None of the above
- Experience with country's budget says that it is already the sustainable and occasional expenditure are effective
- The variety of approaches used by different countries for DRM/CCA funding is still rising and makes it difficult to be contained within comparators
- There is an observed difference in approach to DRM and CCA funding and so major constraints do not correspond with DRM and CCA funding
- DRM and CCA budget tools can be useful but if they are not integrated into the IFM (and so able to inform budgeting and decision processes)
As far as you are aware, does your city routinely implement any green budget tagging, climate budget tagging, budget tagging?
In one word: What do you see as the major challenge to budget tagging and tracking for CCA and DRR in your country / city?
103 responses
BREAK – 5 minutes
8 considerations for DCBT design and implementation
Consideration 1: Leadership, coordination and institutional roles

Leadership involves:
- clarifying scope and objectives of DCBT
- driving the process
- building consensus on value added of DCBT
- coordinating guidance to ensure consistency and credibility

Key Principles:
- Build on any existing CBT/DBT initiatives
- Promote integration of DRR/CCA across all related programs
- Good to have a phased implementation plan, with piloting
- Start central and expand to sub-national, state enterprises ...
## Institutional roles in DCBT

<table>
<thead>
<tr>
<th>Institution</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the President/PM</td>
<td>• Political commitment and authority</td>
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<tr>
<td>Ministry of Finance</td>
<td>• Integration in the budget practices, systems and reporting</td>
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<tr>
<td>Cross-cutting DRR/CCA Bodies</td>
<td>• Coordination</td>
</tr>
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<td></td>
<td>• Supervision of lead line ministries</td>
</tr>
<tr>
<td>Lead DRR/CCA Ministries</td>
<td>• Technical guidance and approval of DCBT methods</td>
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<td></td>
<td>• Quality control (e.g., checking tags proposed by line ministries)</td>
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<tr>
<td></td>
<td>• Use DCBT evidence to inform DRR/CCA evaluations</td>
</tr>
<tr>
<td>Line Ministries with DRR/CCA programs</td>
<td>• Propose tags for expenditure programs</td>
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<tr>
<td></td>
<td>• Adjust budget proposals to reflect DCBT analysis</td>
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<td></td>
<td>• Use DCBT to justify budget submissions, raise funding</td>
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<td></td>
<td>• Use DCBT for impact analysis to improve program design</td>
</tr>
<tr>
<td>Parliament</td>
<td>• Review DRR/CCA expenditure patterns when approving budget</td>
</tr>
<tr>
<td>Civil society</td>
<td>• Public awareness, technical expertise, transparent reporting</td>
</tr>
</tbody>
</table>
In your country/city, which institution should have the lead coordinating role if DCBT were to be implemented?

51 responses
Consideration 2: Define the scope of the DCBT system

Key Issues on DCBT Scope

- Use of any existing DRR/CCA definitions (or use UNDRR and UNFCCC definitions if no existing) to define budget tags
- DCBT needs to be consistent with other budget tagging and program-budgeting
- If DCBT is focused the annual budget, then the scope is determined by the type of expenditure that is included in the annual budget, e.g. does it capture state-owned enterprises, transfers to sub-national governments, national climate change funds, international support, etc.
- DCBT is applied to international support through the budget (ie all loans, some grants) and may also apply to off-budget grants through aid coordination mechanisms
What the tags show: DRR-only, overlap, CCA-only

Two separate tags for DRR and CCA, each of them is assigned a score depending on relevance.

The DCBT approach can calculate budget allocations for DRR-only, overlap, CCA-only categories.

Table 2 in the DCBT guide explains:
- Principles for specifying each
- Examples of actions
- Types of risks responded to

Please see the full table (table 2) in the DCBT guide.
| DRR Expenditure Only  
(DRR tag 2/1, CCA tag M/P/0) | Both DRR and CCA Expenditure  
(DRR tag 2/1, CCA tag 2/1) | CCA Expenditure Only  
(DRR tag M/P/0, CCA tag 2/1) |
<table>
<thead>
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</thead>
<tbody>
<tr>
<td><strong>Principles</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A budget allocation is considered as targeting DRR objectives but not CCA if it prevents, reduces and manages disaster risks that are not strongly affected by climate change</td>
<td>A budget allocation is considered as targeting CCA and DRR objectives if it prevents, reduces and manages disaster risks that are strongly affected by climate change.</td>
<td>A budget allocation is considered as targeting CCA objectives but not DRR objectives if it contributes to adaptation to the slow impacts of climate change that do not involve extreme events.</td>
</tr>
<tr>
<td><strong>Actions Responding to the Following Risks</strong></td>
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</tbody>
</table>
| Hazards and their impacts that are covered by the Sendai Framework for Disaster Risk Reduction 2015–2030 but that are not strongly affected by climate change, namely:  
• geological or geophysical, including earthquakes, volcanoes, dry landslides, tsunamis  
• biological, including pandemic*  
• chemical  
• technological (e.g., cyber)  
• extraterrestrial  
• societal (e.g., conflict)* | Hazards and their impacts that are strongly affected by climate change, e.g., in intensity or frequency, namely:  
• hydrological and meteorological, e.g., floods, storms, wet landslides, drought, fire, heatwaves | Slow-onset stresses that result from climate change, namely:  
• rise in mean temperature and water stress  
• gradual increase in climate change-sensitive diseases  
• gradual rise in sea level and associated salt water intrusion*  
• ocean acidification* |
| **Examples** | | |
| Incremental increases in costs of construction to ensure seismic resilience; revision of school curricula to incorporate regular volcano evacuation drills etc. | Enhancement of flood resilience of public assets; set up and use of early-warning system; agricultural practices that reduce the impact of drought and more variable rainfall, etc. | Implementing measures to protect lagoons, which are highly vulnerable to climate change, from salt water intrusion and contamination; promoting water conservation in areas subject to increased water stress etc. |
**Consideration 3: Agree on objectives & expected benefits of DCBT**

✓ The objectives for DCBT should be clear about the value added from taking an integrated approach to both DBT and CBT, rather than pursuing the objectives of each initiative independently.

✓ Some of the benefits of a joint approach include,

<table>
<thead>
<tr>
<th>Collaboration rather than competition between DRR and CCA</th>
<th>Improved awareness-raising, technical exchanges and lesson-learning</th>
<th>Consistency in methodology, building understanding and credibility</th>
<th>Stronger ability to influence strategy and policy revision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credibility with funding sources, including innovative sources</td>
<td>Shared the costs of managing tagging, including capacity building</td>
<td>Clarity on the costs and benefits of tagging</td>
<td>Improved influence on international DRR and CCA initiatives</td>
</tr>
</tbody>
</table>
Consideration 3: Agree on objectives and expected benefits of DCBT

There are implications of the wider objectives for:

- Reporting
- Capacity needs
- Suitability of the two tags and scores that are used (what we call the ‘basic’ or ‘DAC+’ system, as it is based on the approach that the OECD DAC Creditor Reporting System uses for its policy markers)
- Importance of add-ons to the basic tagging and scoring system

We will review some examples – for the full list please see Table 3 of the CDBT guide
## Influence of objectives

<table>
<thead>
<tr>
<th>Objective (i.e., Consideration 3)</th>
<th>Reporting (Consideration 4)</th>
<th>Capacity Needs (Consideration 5)</th>
<th>DAC+ Suitability (Consideration 6)</th>
<th>Add-on to support the objective (Consideration 7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise awareness</td>
<td>• Budget statement</td>
<td>Low</td>
<td>Basic DAC+ sufficient</td>
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<tr>
<td></td>
<td>• Public accounts</td>
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<td></td>
<td>• Citizen’s budget</td>
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<tr>
<td>Track expenditure on</td>
<td>• Budget statement</td>
<td>Low/mid</td>
<td>DAC+ sufficient</td>
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<tr>
<td>Political commitments (i.e.,</td>
<td>• Budget execution reports</td>
<td></td>
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<tr>
<td>total DRR/CCA spending or</td>
<td>and public accounts</td>
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<td>component policies)</td>
<td>• Citizen’s budget</td>
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<tr>
<td>Track implementation of</td>
<td>• Activities in program</td>
<td>Mid</td>
<td>DAC+ not sufficient</td>
<td>Needs tags for links to actions in strategy</td>
</tr>
<tr>
<td>DRR and CCA strategies and action</td>
<td>budget</td>
<td></td>
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<tr>
<td>plans</td>
<td>• Strategy monitoring</td>
<td></td>
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<tr>
<td></td>
<td>report</td>
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### Influence of objectives cont..

<table>
<thead>
<tr>
<th>Objective (i.e., Consideration 3)</th>
<th>Reporting (Consideration 4)</th>
<th>Capacity Needs (Consideration 5)</th>
<th>DAC+ Suitability (Consideration 6)</th>
<th>Add-on to support the objective (Consideration 7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Influence budget prioritization</td>
<td>• Budget submissions</td>
<td>Mid</td>
<td>DAC+ sufficient</td>
<td>Strategy tags can give added emphasis</td>
</tr>
<tr>
<td></td>
<td>• Real-time cabinet papers</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>• Parliament’s reports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raise international funds, demonstrating Domestic commitment and needs</td>
<td>• Financing frameworks and gap/needs analysis</td>
<td>Mid/high</td>
<td>DAC+ sufficient</td>
<td>Benefits analysis could add further value</td>
</tr>
<tr>
<td></td>
<td>• Evaluations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve effectiveness of spending to reduce loss and damage</td>
<td>• Budget submissions</td>
<td>High</td>
<td>DAC+ not sufficient</td>
<td>Needs outcomes or benefits analysis</td>
</tr>
<tr>
<td></td>
<td>• Project appraisals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Evaluations</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
What do you see as the most important objective of DCBT in your country / city?

- Raise awareness of DR/CC policies: 17%
- Track expenditure on policy commitments: 13%
- Track implementation of DR and CC strategies and action plans: 41%
- Understand the extent to which needs are met: 2%
- Raise international funds, demonstrating domestic commitment: 4%
- Improve budget prioritization: 9%
- Improve effectiveness of spending to reduce loss and damage: 11%
- Access to emergency funding: 4%
Consideration 4: Reporting and dissemination

- The information obtained from DCBT can be reported.
- The type of reporting will depend on the set objectives of DCBT.
- The figure shows examples of reporting and dissemination possibilities.
- Decisions are required about whether DCBT is intended to influence the reports used for real-time budget submissions and negotiations.
- For real-time reporting, it is normally necessary to integrate DCBT into the software systems used to prepare the budget.
Consideration 4: Reporting and dissemination

### Budget allocations vs expenditure

- In most countries, climate-related budget reporting captures budget allocations, rather than expenditure.
- Whether or not reports capture only budget allocation, or include expenditure, can make a big difference in the accuracy of reporting on how much is actually spent on CCA and DRR.
- When there are discrepancies between allocation and expenditure, but only the former is reported, this can have significant negative implications on whether adaptation and risk reduction outcomes are achieved as was planned during budget allocation.

### For example, Ghana produces an SDG budget report, which includes aspects of climate change.

- The report captures budget allocations and not the actual expenditure.
- According to a recent study on Ghana (Aloryito, 2022), while aggregate budget execution is high, a breakdown of expenditure across sectors and spending type reveals 'serious disparities between planned and actual spending', which could undermine achievement of the SDGs.
Consideration 5: Capacity assessment

- **Capacity assessments** identify existing capacity for DCBT across all potential steps in the expenditure chain where DCBT reforms could be considered including,
  - the capacity of finance and planning ministries to understand DRR and CCA
  - the capacity of DRR/CCA line ministries and sub-national government entities to classify and tag expenditures.
  - the capacity of formal and informal accountability actors to fulfil their roles in DCBT.
  - basis for preparing a capacity building plan to address gaps.

- The **capacity building plan** should make a realistic assessment of the potential for boosting capacity, both to pilot and introduce a system and then to operate it in a sustainable manner, taking into account any existing capacity building for CBT.
- Particular attention needs to be given to,
  - institutions that have high turnovers and highly mobile civil servants,
  - sub-national government entities where capacity is often much weaker than at the national level.
Consideration 5: Capacity assessment

External technical support

• Where internal capacity is limited, external technical support, for example, from regional organisations and development partners, can be helpful.

• When external technical support does not invest enough effort in understanding the national context and tailoring support to national needs, some initiatives become academic exercises that are difficult to implement.

• In the cases where strong collaboration was established with ministries of finance and environment, national capacities seem to be reinforced.

• National ownership and leadership is a critical factor in terms of the sustainability of the initiatives.
In one word: What is the biggest capacity gap in your country / city that would need to be addressed for effective design and implementation of DCBT?
57 responses
## Consideration 6: Content of the basic DCBT system

**Basic ‘DAC+’ tag options**

The system is based on the OECD DAC system, with two additional categories (highlighted below)

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>DRR or CCA is the explicit primary objective</td>
</tr>
<tr>
<td>1</td>
<td>DRR or CCA is an explicit secondary objective</td>
</tr>
<tr>
<td>M</td>
<td>DRR or CCA is a small objective, either explicit or implicit</td>
</tr>
<tr>
<td>P</td>
<td>It is not yet clear whether there are DRR/CCA objectives</td>
</tr>
<tr>
<td>0</td>
<td>No significant DRR/CCA objectives</td>
</tr>
</tbody>
</table>
## Degrees of relevance

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Principal</td>
<td>A budget line will be “principal” if it directly and explicitly contributes to DRR or CCA. Were it not for the DRR or CCA objective, the activity would be unlikely to be approved for funding.</td>
</tr>
<tr>
<td>1</td>
<td>Significant</td>
<td>A budget line will score “significant” if the DRR or CCA objective is explicitly stated and the budget line helps meet those objectives but they were not its primary motivation. It might be funded anyway, but the DRR or CCA objectives may help to tip the balance in the search to secure funding.</td>
</tr>
<tr>
<td>M</td>
<td>Marginal</td>
<td>A budget line that only marginally contributes to DRR or CCA. These objectives may not be stated explicitly or may only be a small concern. Funding would definitely be approved regardless of any contribution to DRR or CCA objectives, but the DRR/CCA relevance may justify some additional funding.</td>
</tr>
<tr>
<td>P</td>
<td>Potential</td>
<td>A budget line that makes no explicit contribution to DRR or CCA, or for which the contribution is unclear, but the outcomes of which are expected to be affected by disasters/climate change in a significant way. This may include programs that have been assigned budget and are expected to relate to CCA and DRR objectives, but where the scope and balance of activities is not yet clear.</td>
</tr>
<tr>
<td>0</td>
<td>None</td>
<td>The budget line does not target DRR and/or CCA in any significant way.</td>
</tr>
</tbody>
</table>
DCBT Design Guide Flow Chart
Consideration 6: Content of the basic DCBT system

The guide on design and taxonomy for Budget Tagging for Disaster Risk Reduction and Climate Change Adaptation provides a reference table (Handout 1)

- Presents a range of 'action areas', along with likely basic DCBT scores – actual scores may vary by country depending on risks or nature of actions
- Shows the scope of DRR/CCA expenditure
- Builds consistency in tagging
- No suggestion that DCBT tags should record where expenditure sits in the reference table (this could be a strategy-based add-on but is very complex in practice and better done as part of occasional evaluation)
Consideration 6: Content of the basic DCBT system

Typical Challenges in Practice

- Soft actions (e.g., studies, information, capacity ...) may be ‘bundled’ with hard actions (with benefits to people/ecosystems) and have similar tags.
- Risk/climate proofing actions have spending dedicated to DRR/CCA and have a 2 tag even though they are useful without climate change.
- Actions that contribute to DRR/CCA as an inherent part of their activities usually have a mix of DRR/CCA and development objectives – these may need judgement about the relative importance of objectives.
- Budget programs the delegate spending decisions typically have a ‘P’ tag until these decisions are known.
Consideration 6: Content of the basic DCBT system

Applying Weights

- In many budget tagging and expenditure review systems, weights are attached to allow a total of weighted expenditure to be calculated.
  - ✓ This can be useful but should be done cautiously
- Where weights are used, DCBT could apply standard weights of **100% (principal)**, **50% (significant)** and **1% (marginal / implicit)** for the three degrees of relevance of DRR or CCA expenditure.
- Care should be taken when weighting large spending programs with only implicit or marginal contributions to DRR and/or CCA, as these risk dominating the overall trends.
  - To avoid this, it is recommended that weights for the implicit/marginal category should be set at a level that ensures the **total weighted implicit/marginal expenditure does not contribute more than 10% of the total**.
  - This may mean that some of the weights for that category may need to be below 1% if the volume of expenditure falling into the implicit/marginal category is particularly large in a given country.
Consideration 6: Content of the basic DCBT system

Tagging in the budget system

- Level of tagging depends on the structure and terminology of the budget
- Ideally at level at least two below a ministry (e.g. divisions, programs ...) and, if possible, at a more detailed level (e.g. activities, projects ...)
- Tags required in budget guidance, including format for line ministries to report their suggested DRR and CCA tags in submissions
- Integrated into the budget/accounts software packages (e.g. Integrated Financial Management System) if possible to allow influence of real-time budgeting discussions
Consideration 7: Potential add-ons to the basic DCBT system

The DAC+ system can be supplemented by add-ons

- Negative expenditure (i.e., which increases risks)
- Disaster response
- Societal hazards
- More degrees of relevance
- Strategy links (e.g., the tag locates expenditure in the DNC priorities)
- Outcome or benefits tags (i.e., estimating the importance of benefits)
- Mitigation
Consideration 7: Potential add-ons to the basic DCBT system

Issues to consider with add-ons

Add-ons should be seen as complementary, not alternatives to DAC+

Add-ons often require additional characters in the tag (or additional tags)

Add-ons usually require significant additional capacity amongst officials, so may be best for occasional evaluation activities (e.g. DCPEIRs) where additional consultant support can be mobilised

If a more ambitious DCBT system is to be introduced, then it will normally be wise to introduce it in several phases
Remembering the objectives of HFA, found important for your country, add-on(s) do you think could be your context?
Consideration 8: Monitoring and Learning

- Based on objectives and expected benefits of DCBT (consideration 3)
- A DCBT system needs a clear plan for monitoring, learning and knowledge management, including annual progress reports, occasional evaluations and information-sharing services.
  - **Progress reports** would focus on the success of implementing DCBT systems.
  - **Information sharing** could include a variety of **knowledge management initiatives**, such as portals, networks, events and citizens' reports.
  - **Evaluations** conducted internally or externally would assess the relevance, effectiveness, efficiency, sustainability and impact of DCBT, including:
    - Way in which DCBT has influenced decisions (especially on budgeting and strategy revision)
    - If DCBT encouraged line ministries to change the design of programs to make them more DRR/CCA sensitive
    - If there are ways to make the influencing process more efficient
    - Effectiveness of the quality control function
    - Sustainability of DCBT
    - Lessons learned from country DCBT for international initiatives
Testing DCBT: Country and regional desk studies
Testing DCBT: Country and regional desk studies

1. Country A
   - Budgets for 2022 and 2023
   - Tested ‘basic’ DCBT approach and sector tag add-ons
   - Country has previous Climate Public Expenditure and Institutional Review (CPEIR) and disaster risk finance diagnostic

2. Country B
   - Appropriations budget for 2022 and 2023
   - Tested ‘basic’ DCBT approach and disaster response expenditure tag add-on
   - Country conducts routine climate expenditure tagging

3. Country C
   - Budget allocation and execution for 2020, 2021 and 2022
   - Tested ‘basic’ DCBT approach and gender tag add-on
   - No prior CPEIR or routine disaster or climate expenditure tagging

4. Regional
   - Most recent budget before 2020 for 51 African countries
   - Tested ‘basic’ DCBT approach
   - Expanded on existing adaptation finance gap analysis
## Testing DCBT: Examples of tags applied

<table>
<thead>
<tr>
<th>Programme / project name</th>
<th>DRR</th>
<th>CCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of National Cybersecurity and Informatics Centre</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Supporting adaptation of farmers to climate variability and change</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Technical assistance to farmers for the implementation of modern irrigation systems</td>
<td>M</td>
<td>1</td>
</tr>
<tr>
<td>Construction of multi-apartment residential buildings</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Building emergency response capacity</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
Testing DCBT: Interim Results

Country A

- DRR or CCA classified as 2, 1, M or P: 35.8% of national budget
- DRR or CCA classified as 2, 1 or M: 14.4% of national budget
- DRR or CCA classified as 2 or 1: 6% of national budget

Country B

- DRR or CCA classified as 2, 1 or M: 55% of national budget
- DRR or CCA classified as 2, 1, M or P: 57.9% of national budget
- DRR or CCA classified as 2 or 1: 19% of national budget

Country C

- DRR or CCA classified as 2, 1, M or P: 28.9% of national budget
- DRR or CCA classified as 2, 1 or M: 6.8% of national budget
- DRR or CCA classified as 2 or 1: 1.7% of national budget
Testing DCBT: Interim Results

Technical lessons

- **DCBT approach is generally credible** compared to results from D/CPEIRs and CBT. The more specific and detailed the budget programmes, the easier for the exercise to be more accurate and credible, but some sectors are more difficult to tag than others.
- **M tag is somewhat reliable and has value**, but needs to be applied and interpreted with care, as large spending programmes can dominate totals.
- **Weights can be useful to address this**, but need to be treated with care.
- **P tag is largely reliable and found valuable** for all case studies.
- **Mixed results with add-ons**: Use of disaster response tag difficult to return meaningful results when applied to allocated budget; better suited for analysing expenditure ex post. Gender worked well. Strategy tags can be applied with care.
- **Some potential for simplifying tagging through use of a single DC risk tag**, but there are trade-offs between promoting coordination and separate institutional realities, so this is likely most useful where comprehensive risk management is pursued.
- **Support for annual revision of tags** to ensure continued relevance.
- **Potential to build on any existing CBT or DBT initiatives** and prior D/CPEIR results.
Testing DCBT: Interim Results

Institutional lessons

- **Strong indications that good DRR and CCA institutional coordination is needed** for successful DCBT processes and consistent tagging.
- **It is key that DCBT is integrated into the formulation of budget programs and in budget formulation processes and tools**, e.g. guidance and software.
- **DCBT identifies needs for technical support** in understanding the implications of DRR / CCA for programme design, involving policy & tagging.
- **Clarity needed on the reports produced by DCBT**, and how they can be used to inform DRR and CCA policy and budgeting.
- **MoF should have a (co-)lead role in DCBT and be involved from the very beginning**, with climate and disaster ministries or departments co-leading or supporting the process.
- **Capacity building is important** to support ministries in establishing and implementing DCBT.
Tick all sentences that you feel are correct:

- Implementations of coordinated DCCT is unlikely to be successful because it requires coordination between institutions that struggle to collaborate.
- DCCT should start with replication of diverse legs with the possibility of adding additional features later. Female legs are successful.
- The national version of DCCT is insufficient to meet objectives in most countries, and an interagency strategy should be developed from the start.
- Country-specific adaptation of DCCT can be successful, but a national mission might make it easier if an interagency strategy is established to share data and experience.
Summary

- DCBT describes the tagging of budgets and tracking of public expenditure for DRR and CCA together, in a way that considers common policy objectives and overlaps.

- DCBT can help increase the availability, quality and comparability of data on domestic and international public finance for CCA and DRR, which can help raise awareness of the financing gaps, improve transparency in decision-making, improve the mobilisation of finance and improve budget allocations.

- The intended objectives or benefits from DCBT should be set out from the start and should inform the type of reporting required, capacity needed and content of the DCBT system, including the necessary add-ons.

- Where possible, DCBT should build on existing systems and be implemented in a phased approach.

- A monitoring and learning plan, should describe what analysis and reporting will be used to assess how DCBT has influenced decisions on budget submissions, allocations and strategy refinement.
Q&A
Final quiz
What is an example of a budget that would be considered as contributing to DRR and CCA objectives under biodiversity?
Why is it crucial to establish institutional roles and leadership early on in the process of setting up systems for routine DCBT?
What does DRR and CCA BuTagging (DCBT) primarily involve?
What does "hazard" refer to in the context of disaster risk reduction?
What potential advantage does reporting of DRR and CCA expenditure have over reporting only budget allocations?
Leaderboard

3781 p
3720 p
3548 p
3533 p
3460 p
3404 p

Join at menti.com use code 2838 695
We would like to hear your feedback
Did the training meet your expectations?

- Yes: 88%
- No: 12%
How much do you agree with the following statements?

- I gained a better understanding on finance for DRR and CCA. 3.8
- I learned about tools, approaches and methods for how to tag DRR and CCA budgets. 3.8
- I gained insights from other countries’ experience with tagging budgets and tracking expenditure for DRR and CCA. 3.7
- This training gave me practical skills (the ‘how’) to enhance DRR and CCA budget tagging and expenditure tracking in my country / city / organisation. 3.5
Do you have any suggestions to improve this course?

46 responses

Give more time to Q&A
No thank you
No, excellent
No, it was a comprehensive course thank you

A bit more brief and with examples to engage
Starting earlier with a really basic overview of what budget tagging is would be helpful

Practical activity / case study demonstrating the tagging system
No, thanks

More specific country examples would be welcome
More hands-on examples/applications to be included. Specific examples and GBT/DBT/DBCT

More specific country examples would be welcome
No, it wasn’t comprehensive
Thank you for your participation!

For any further feedback or questions, please contact us at: undrr-incheon@un.org
References


