

Inclusive Budgeting & Financing for Climate Change in Africa

- The Kingdom
of Eswatini



NDC PARTNERSHIP ACTION FUND (PAF)
WITH SUPPORT FROM



Belgium



Denmark



Germany



Netherlands



Norway



Sweden



United Kingdom



This project was supported through the collaboration of Collaborative Africa Budget Reform Initiative (CABRI), International Budget Partnership, International Institute for Environment and Development (IIED) and United Nations Development Programme (UNDP) with funding from the Swedish Government as well as support from Joint SDG Fund and NDC Partnership's Partnership Action Fund.



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Acknowledgements

The Inclusive Budgeting and Financing for Climate Change in Africa Programme (IBFCCA) aims to strengthen links between national climate change policy and domestic public finances, to promote climate resilience. This is a Swedish International Development Cooperation Agency (Sida)-funded initiative. Support was received through the collaboration of Collaborative Africa Budget Reform Initiative (CABRI), International Budget Partnership, International Institute for Environment and Development (IIED) and United Nations Development Programme (UNDP) with funding from the Swedish Government. In Eswatini, additional support was received from Joint SDG Fund and NDC Partnership to finalize this report.

This volume is a compilation of four reports produced under the “Inclusive Budgeting and Financing for Climate Change in Africa” project for the Kingdom of Eswatini. This project aimed to support reforms to integrate Climate Change into the national budget, to improve Eswatini’s access to climate and development finance, to build capacity in the steps for integrating climate change into budgeting process and for the conceptual design of a climate finance monitoring, reporting and verification system. The project outputs were the following:

- The Architecture of Climate Expenditure Classification, Coding, and Budget Tagging system.
- Institutional arrangement and coordination mechanism for Implementation of the Climate Expenditure Classification, Coding and Budget Tagging System.
- Conceptual design for a functional climate finance Monitoring Reporting and Verification (MRV) system.

This project was spearheaded by the Ministry of Finance in collaboration with the Ministry of Tourism and Environmental Affairs (MTEA) and the Ministry of Economic Planning and Development (MEPD). As part of this project’s strong capacity building component, training was done for Central Government and public corporations which was attended by 44 officials. A virtual knowledge exchange was also done with central ministries of the Governments of Mauritius and Zimbabwe as part of the training. The team of international consultants that worked on this project are from Cibola Partners and Aether with Joël Ruet as a team leader, Alexandre Borde, Tania Righi and Mike Barsha from Cibola Partners, Laurence Opie and Emma Salisbury from Aether, and national consultants Thabile Ndlovu and Nokuphila Thabede. Nompumelelo Dladla from the Ministry of Finance and Khetsiwe Khumalo from the Ministry of Tourism and Environmental Affairs provided technical oversight to this project. The work was supervised by Excellent Hachileka from UNDP Regional Service Centre for Africa and the final output was reviewed by Jane O. Yeboah, the Deputy Resident Representative of UNDP Eswatini. NDC Coordinator Deepa Pullanikkatil coordinated the project and communications related to this project and was supported by Mantoe Phakathi from UNDP Country Office. All stakeholders involved in this project are thanked.

The views and opinions expressed in the book are outputs from the project and do not reflect the positions of the organisations involved.

Photos, unless otherwise stated, are by UNDP Eswatini.

Table of Contents

Foreword	9
Preface	11
List of Acronyms	12
Executive Summary	15
I. Introduction	16
II. Section 1: The Architecture of Climate Expenditure Classification, Coding and Budget Tagging system	18
A - Setting up the Monitoring, Reporting and Verification mechanism in the context of the Enhanced Transparency Framework	19
B - Architecture for climate expenditures review	22
C - Objectives and roles of Climate Budget Tagging	36
D - Components of Climate Budget Tagging	38
E - Implications on tracking international climate finance at the national level	44
III. Section 2: Institutional arrangement and coordination mechanism for implementation of the Climate Expenditure Classification and Coding, Budget Tagging system	45
A - International best practices of coordination mechanisms for Climate Expenditure Classification and Budget Tagging System	45
1 - Implementation for Climate Expenditure Classification and Coding system: a conceptual approach for coordination	48
2 - Implementation of Climate Budget Tagging system: conceptual approach for the coordination and international examples	49
3 - Coordination of Climate Expenditure Classification and Coding system: the example of Vietnam and the Rio Markers	52
4 - Coordination of Climate Expenditure Classification and Coding system: the example of the Philippines	54
5 - Coordination of Climate Expenditure Classification and Coding system: the example of Indonesia	56
6 - Coordination of Climate Expenditure Classification and Coding system: the example of Nepal	58
7 - Coordination of Climate Expenditure Classification and Coding system: the example of Bangladesh	60
B - Assessment of the coordination mechanism in Eswatini	62
1 - Review of the process to set-up a Climate Expenditure Classification and Coding system since 2015	67
2 - The pillar of climate-related coordination mechanism: the National Climate Change Committee (NCCC)	70
C - Recommendations	72
IV. Section 3: Conceptual design for a functional climate finance Monitoring Reporting and Verification system	73
A - Climate finance and MRV in Eswatini	75
B - Conceptual design for a functional climate finance MRV system	84
C - Training requirements	100
D - Recommendations for future projects	101
V. Section 4: Photos from the workshop	102
VI. References	103
VII. Annexes	106

List of Figures

Figure 1: Components of this IBFCC Volume	17
Figure 2: Procedure for transparency of action and support	20
Figure 3: CPEIR Process	23
Figure 4: Schematic overview of Climate Public Expenditure Analysis	27
Figure 5: Benefit-cost ratio approach	33
Figure 6: CPEIR analytical framework	46
Figure 7: A stylised coordination of the budget process	48
Figure 8: Examples of Vietnam's Policy Linked Climate Change Typology	52
Figure 9: Mitigation expenditures in Indonesia	56
Figure 10: CETF module	60
Figure 11: Three main elements used to track climate finance	74
Figure 12: Screenshots from the NDC partnership plan platform	81
Figure 13: Screenshots of Eswatini's draft national MRV Tool	82
Figure 14: A summary of the current climate finance MRV system in Eswatini	86
Figure 15: Illustration of how the three elements of climate finance tracking are currently reported within the existing platforms in Eswatini.....	99
Figure 16: Illustration of additional benefits with climate change for type A and C	112



Ngwenya Iron Ore Mine Landscape, a tourist attraction site in Eswatini.

List of Tables

Table 1: Climate change-related expenditures of Eswatini in Eswatini local currency, lilangeni (E)	25
Table 2: Standard CPEIR Typology	28
Table 3: CPEIR Climate relevance index	31
Table 4: Comparisons of two weighting methods	34
Table 5: International definitions of mitigation and adaptation (OECD and MDB Joint Approach)	39
Table 6: UNDP’s standard CPEIR Typology proposed to Eswatini’s case	40
Table 7: Active climate stakeholders in the Philippines	55
Table 8: Climate Budget Tagging - Country Experience Comparison (Philippines case)	55
Table 9: Active climate stakeholders in Indonesia	57
Table 10: Climate Budget Tagging - Country Experience Comparison (Indonesia case)	57
Table 11: Active climate stakeholders in Nepa	59
Table 12: Climate Budget Tagging - Country Experience Comparison (Nepal case)	59
Table 13: Active climate stakeholders in Bangladesh	61
Table 14: Climate Budget Tagging - Country Experience Comparison (Bangladesh case)	61
Table 15: Stakeholders of Eswatini’s climate policy	63
Table 16: List of key climate change issues and responsible ministries	71
Table 17: Elements for an effective MRV system	75
Table 18: Data fields being collected	77
Table 19: Summary of stakeholder engagement activities during the project	84
Table 20: Summary of roles and responsibilities within the conceptual design for climate finance MRV	86
Table 21: Proposed timelines for data flow of climate finance tracking	88
Table 22: Data fields for the table of stakeholders	89
Table 23: Data fields for the sources of climate finance table	90
Table 24: Data fields for the climate projects table, building upon existing fields in the MRV Tool	91
Table 25: Capacity building activities	100
Table 26: Default values for Climate Change Percentage (CC%) for actions	107
Table 27: Calculated ratios for climate change benefits	109



Foreword

Climate change presents enormous economic challenges. For developing economies, like the Kingdom of Eswatini, which largely depend on natural resources, shifts in climate and extreme weather events are potentially devastating. Climate change has adversely impacted Eswatini in various ways, subjecting the population to problems ranging from food insecurity, and livelihood loss to epidemics and mortality. These issues have affected different population segments disproportionately. There is proof of a crucial need for equity and justice in the deployment of climate finance. Equity comes to the fore to protect the most vulnerable people from the adverse effects of climate change, hence the quest to ensure an inclusive and transparent distribution of climate finance.

By ratifying the Paris Agreement on 22 April 2016, Eswatini committed to actively combat global warming and to communicate to the United Nations Framework Convention on Climate Change (UNFCCC) a road map for her adaptation and mitigation targets. In this context, the country drafted the Nationally Determined Contributions (NDC) in 2015 and updated it in 2021. Given the ambitious objectives of the updated NDC, the country is mindful of the need to integrate climate change into the country's budgeting process, which requires prior identification and classification of climate-related expenditures.

The Kingdom of Eswatini is indebted to development partners including the NDC Partnership and the United Nations Development Programme (UNDP) for the support in the integration of climate change into national processes and for undertaking the Inclusive Budgeting and Financing for Climate Change (IBFCC) project in Eswatini. The financial support from these partners and the commitment from all participants to make the IBFCC project a success is highly appreciated. This is an important step because the country has recognised several vulnerable groups such as women, rural

populations, the elderly, the disabled and the youth among others, thus the need to mainstream climate change into the budgetary framework in order to adequately respond to the issues brought about by climate change. Additionally, I am happy to state that the Government of Eswatini joined the Coalition of Finance Ministers for Climate Actions in pursuit of access to international collaboration for climate finance.

In close collaboration with relevant agencies including the Ministry of Tourism and Environmental Affairs, the Ministry of Economic Planning and Development, and the UNDP Country Office, the IBFCC project developed the concept and architecture for Climate Expenditure Classification and Coding system that will allow for systematic classification and comparison of these climate-related expenditures.

This report highlights flexible and practical approaches in which the country can better integrate climate change into long-term national policies

and budgetary planning, considering Eswatini's circumstances. Effective implementation of these activities will require the tracking of finance flows and the mobilisation of external climate finance to fill Eswatini's funding needs and gaps. Finally, I would like to express my heartfelt appreciation to UNDP for its unwavering support, as undoubtedly a focus on climate change adaptation in the developing world must be a priority in financing.

**HONOURABLE NEAL
RIJKENBERG
MINISTER FOR FINANCE**






A protected wetland at Malanti Community.

Preface

Climate change is unequivocally impacting the growth and public finances of African economies, including the Kingdom of Eswatini. Extreme weather events and climate-induced disasters are causing gross domestic product (GDP) losses. For example, Eswatini needs E182million (\$10.65million) to recover from the damage caused by cyclone Eloise (NDMA, 2021).¹ Climate change is also negatively impacting the livelihoods of vulnerable groups including women, children, and the poor because of their higher dependence on climate-sensitive livelihoods such as small-scale agriculture. They also have fewer available coping mechanisms to respond to climate-induced shocks. The Kingdom of Eswatini submitted her Nationally Determined Contributions (NDC) in October 2021 and this climate action plan requires USD\$950 million to \$1.5 billion to implement between now and 2030.

Addressing climate change requires tools and approaches for effective mainstreaming of climate financing into public finance management systems. Therefore, the “Inclusive Budgeting and Financing for Climate Change” (IBFCC) has taken Eswatini on a journey to introduce a climate dimension in tracking public budgets and expenditures. This will help us identify funding gaps for the NDC for which a concerted effort in resource mobilisation can be done. UNDP is also pleased to note that through this project, integrating gender into climate-responsive budgeting is increasingly recognised in Eswatini for its ability to ensure more effective, efficient, and equitable use of public financial resources.

Across the planet, more people are predicted to be the victims of storms, heatwaves, flooding and drought. The investment choices we make in the coming years will either lock us in a climate-compatible, inclusive growth pathway, or a high-emission, inefficient and unsustainable pathway for decades

to come. The demand for climate change adaptation is huge and requires all sectors to join hands. Furthermore, integrating climate change into national public financial management (PFM) processes, using tools such as Climate Budget Tagging, can play an important role in addressing the climate adaptation financing gap. By ensuring that climate change concerns are accounted for in strategic planning, governments can improve their long-term decision-making, as well as providing reasonable predictability in sectoral allocations. This, in turn, supports ministries to undertake large-scale adaptation interventions, improve sectoral planning to ensure it is climate proofed and identify programmes that are of a high priority for climate change and institutionalise a funding route to support these climate-resilient initiatives.

Eswatini’s development vision is resilient people, livelihoods, economy, and environmental systems. A modern

fiscal framework which includes Climate Budget Tagging and coding is a means to achieve this goal. This critical linkage between PFM and promoting climate actions has also been duly recognised by the Coalition of Finance Ministers for Climate Action as part of the Helsinki Principles, endorsed in 2019. Using PFM tools to strengthen domestic resource use can also help mobilise additional external resources, from Green Climate Fund and Adaptation Fund, amongst others. Thus, considerable gains can be obtained by ensuring national budgets reflect climate risks. UNDP is glad to have played a part in this journey towards a resilient Eswatini.

ROSE K. SSEBATINDIRA
UNDP RESIDENT
REPRESENTATIVE




¹ National Disaster Management Agency. 2021. Rapid Assessment of impact of Cyclone Eloise in Eswatini. NDMA, Mbabane.

List of Acronyms

ACMS	Aid Coordination Management Section
AFOLU	Agriculture, Forestry and Other Land Use
BAPPENAS	Indonesian Ministry of National Development Planning ²
BAU	Business as Usual
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
BCR	Benefit Cost Ratio
BTR	Biennial Transparency Report
BUR	Biennial Update Report
CBT	Climate Budget Tagging
CAEP	Climate Action Enhancement Programme
CABRI	Collaborative Africa Budget Reform Initiative
CBIT	Capacity Building Initiative for Transparency
CCC	Climate Change Commission
CCD	Climate Change Delivery
CCFF	Climate Change Financing Framework
CETF	Climate Expenditure Tracking Framework
CFF	Climate Fiscal Framework
CGA	Controller General of Accounts
COP	Conference of Parties
CPEIR	Climate Public Expenditures and Institutional Review
DAC	Development Assistance Committee
DBM	Department of Budget Management
DNA	Designated National Authority
EEA	Eswatini Environment Authority
EIA	Environmental Impact Assessment
ESWADE	Eswatini Water and Agriculture Development Enterprise
ExCom	Executive Committee (of the Warsaw International Mechanism)
FAO	Food and Agriculture Organization
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
GoB	Government of Bangladesh
GoI	Government of Indonesia
GoN	Government of Nepal
GoP	Government of the Philippines
IBFCC	Inclusive Budgeting and Financing for Climate Change
IDR	Indonesian Rupiah
IPCC	Intergovernmental Panel on Climate Change
IPPU	Industrial Processes and Product Use
KPI	Key Performance Indicator
L&D	Loss and Damage
LESS	Low Emission Budget Tagging and Scoring System study
LGU	Local Government Units
LTS	Long Term Strategy
LULUCF	Land Use, Land Use Change, and Forestry
M&E	Monitoring & Evaluation
MDB	Multilateral Development Banks

² BAPPENAS is translated from Indonesian local language as the Ministry of National Development Planning

List of Acronyms

MEPD	Ministry of Economic Planning and Development
MFF	Mitigation Fiscal Framework
MNRE	Ministry of Natural Resources and Energy
MoF	Ministry of Finance
MPG	Modalities, Procedures, and Guidelines
MRV	Monitoring, Reporting, Verification
MTEA	Ministry of Tourism and Environmental Affairs
MTEF	Medium-Term Expenditure Framework
NA	Not Applicable
NAMA	Nationally Appropriate Mitigation Actions
NAP	National Adaptation Planning
NAPA	National Adaptation Programme of Action
NCCAP	National Climate Change Action Plan
NCCC	National Climate Change Committee
NDC	Nationally Determined Contributions
NDCP	Nationally Determined Contributions Partnership
NDMA	National Disaster Management Agency
NGO	Non-Governmental Organization
NPC	National Planning Commission
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PA	Paris Agreement
PFM	Public Finance Management
PG	Policy & Governance
PPP	Private Public Partnership
QA/QC	Quality assurance and quality control
RAN-GRK	National Action Plan for Reducing Greenhouse Gas Emissions (in Indonesia)
REDD	Reducing Emissions from Deforestation and Forest Degradation
SC	Societal Capacity
SDG	Sustainable Development Goals
SEEA	System of Environmental Economic Accounting
SGB	Sovereign Green Bond
SME	Small and Medium Enterprises
SNA	System of National Account
SNG	Sub National Government
SOE	State-Owned Enterprise
TAMD	Tracking Adaptation and Measuring Development
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
WAM	With Additional Measures
WB	World Bank
WOM	Without Measures



Drip irrigation



Community members from Malanti use piped water from the wetland for doing their laundry.

Executive Summary

The Inclusive Budgeting and Financing for Climate Change in Africa (IBFCCA) is a partnership between Collaborative Africa Budget Reform Initiative (CABRI), the International Institute for Environment and Development (IIED), the International Budget Partnership (IBP) and the United Nations Development Programme (UNDP). It is a five-year programme with a one-year inception phase, funded by the Swedish International Development Cooperation Agency (Sida). In Eswatini, additional support was received from Joint SDG Fund and NDC Partnership to finalize this report.

- The IBFCCA programme supports stronger linkages between climate change policy, gender equality, and budget processes. Working closely with ministries of finance across Africa, the programme supports the mobilisation of the broader national and local budget process involving government, legislators, development partners, and civil society. The programme aims to promote climate resilience in Africa and help African governments benefit from the opportunities of a just transition to a carbon-free future. The IBFCCA aims to help strengthen Africa's negotiating position under the Paris Agreement and the provision of climate finance by development partners. It also aims to strengthen linkages between national climate policies and national public finances to promote climate resilience.
- In Eswatini, the IBFCC project was led by the Ministry of Finance, with support from UNDP and technical advice from the Ministry of Tourism and Environmental Affairs (MTEA). This volume summarises three reports produced under this project, namely: climate budget labelling architecture and climate expenditure classification; coordination mechanisms and best practises; and a blueprint for a functioning climate finance monitoring, reporting and verification system. This document also includes best practises from other countries such as Nepal, Bangladesh, Indonesia and the Philippines.
- Information on the Climate Public Expenditure and Institutional Review (CPEIR) as a tool providing a starting point to mainstream climate change into the budgeting and planning process, is included in this document and recommendations for Eswatini to conduct CPEIRs are provided. This project has developed a concept for a monitoring, reporting and verification (MRV) system that will enable Eswatini to develop a detailed picture of climate finance support needed and received for mitigation and adaptation activities, track progress and support informed, evidence-based target development. Recommendations are made for effective coordination and MRV systems for Eswatini. The report recommends that Eswatini needs to improve coordination between ministries in tracking and reporting on climate finance, build the climate finance capacity of government and stakeholders, and strengthen national systems to measure the potential for scaling up access to and delivery of climate finance at national and local levels.
- The recommendations range over different timeframes (short to medium and longer terms) and include a variety of actions, such as coding and tracking of climate finance within the budgetary system, integration of climate change cost-benefit analysis as part of budget prioritisation, as well as the implementation of climate fiscal frameworks.



A view of Mzimba Mountain.

Introduction



Participants of the IBFCC inception workshop.

By ratifying the Paris Agreement (PA) on 22 April 2016, Eswatini committed to actively combat global warming and to communicate to the Conference of Parties (COP) regular road maps for its adaptation and mitigation targets, as per Article 12.³ In this context, the country drafted the first Nationally Determined Contribution (NDC) in 2015,⁴ and updated it in 2021.⁵

In this updated NDC, the Government of Eswatini expresses ambitious targets such as reducing its greenhouse gas (GHG) emissions by five percent by 2030 (and 14 percent conditional to receiving international climate finance), compared to the baseline scenario, and reducing poverty and improving food and nutrition through the sustainable use of natural resources.⁶ The updated NDC thus outlines a set of targets, national programmes, strategies and actions that Eswatini intends to take as part of its international climate commitments. They include adaptation, mitigation and cross-sectoral initiatives for all Intergovernmental Panel for Climate Change (IPCC) greenhouse gas emissions to meet commitments made

under the PA.

Given these ambitious objectives, there is a need to integrate climate change into the country's budgeting processes, which requires prior identification and classification of climate-related expenditures. It is important for the government to obtain a comprehensive picture of climate-related expenditure, as well as to encourage the transparency and effectiveness of climate spending. In this scope, the Inclusive Budgeting and Financing for Climate Change (IBFCC) in Africa programme implemented in Eswatini aimed at providing the country with several studies and outputs that could guide it in the implementation of the climate policy. This volume compiles three reports that were produced under this project.

The first report, produced as part of the IBFCC project, presents the different methods of labelling Climate

Budget Tagging and classifying climate expenditures, as well as the Monitoring, Reporting and Verification (MRV) system. The second report presents the different coordination mechanisms and best practises worldwide, as well as the current coordination mechanisms in Eswatini. It includes some recommendations for improving coordination. The last report presents a concept for a functioning MRV system for climate finance.

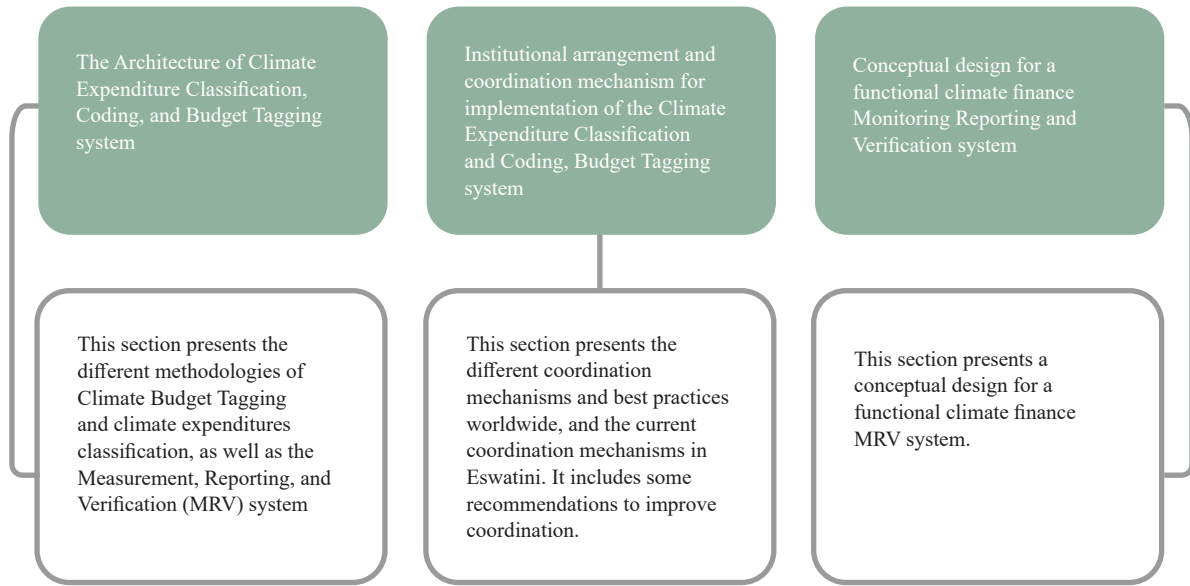
³ <https://unfccc.int/resource/docs/convkp/conveng.pdf>

⁴ Government of Eswatini. (2015). *Swaziland's INDC*. <https://unfccc.int/NDCREG>

⁵ <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Eswatini%20First/Eswatini%20Revised%20NDC%2012%20Oct%202021.docx>

⁶ Ibid

Figure 1: Components of this IBFCC Volume



During the IBFCC project, some workshops were held to train the different national stakeholders on climate finance process. The international consultants

travelled to Eswatini to meet with the representatives of ministries and other stakeholders as well as to present to them the methodologies of climate classifica-

tion and tagging. A three-day training was also held for Government and Financial Corporations under this project.



Trainer Joel Ruet from UNDP presenting at a workshop.

II. Section 1: The Architecture of Climate Expenditure Classification, Coding and Budget Tagging system

Setting-up the domestic Monitoring, Reporting and Verification (MRV) system for Eswatini paves the way for strengthening the climate-related information architecture in the country. Therefore, the first part of this section will explain how to implement an efficient MRV.

The domestic MRV system must be consistent with the objectives of the Enhanced Transparency Framework (ETF)⁷ and contribute to the implementation of the Paris Agreement by Eswatini.

In accordance with Article 13 of the PA, each Party should:⁸

- “Provide a national inventory report of anthropogenic emissions by sources and removals by sinks of greenhouse gases, prepared using good practice methodologies accepted by the Intergovernmental Panel on Climate Change (IPCC) and agreed upon by the Conference of the Parties serving as the meeting of the Parties to this Agreement” (paragraph 7a);

- “Provide information related to climate change impacts and adaptation under Article 7, as appropriate” (8);

- “Provide information on financial, technology transfer and capacity-building support needed and received under Articles 9, 10 and 11” (10).” (UNFCCC, 2015).

- “Provide information necessary to track progress made in implementing and achieving its nationally determined contribution under Article 4” (7b);

A centralised domestic MRV system in Eswatini will help maintain transparency of climate action and consistency of reporting, facilitate access to information, identify impacts of adaptation and mitigation actions, and identify areas for improvement to achieve the country’s NDC targets. The MRV system will enable Eswatini to improve the quality of climate change information collected and reported, thereby facilitating the country’s access to climate finance.

Climate Budget Tagging (CBT) is another tool to identify and measure the climate relevant expenditure in the budget system. Furthermore, the Climate Public Expenditure and Institutional Review (CPEIR) is yet another tool, providing a starting point to mainstream climate change into the budgeting and planning process.

These tools will help Eswatini achieve a proper way to identify, classify, weigh, and tag market climate-relevant expenditures in its government’s budget system, enabling the estimation, monitoring, and tracking of these expenditures.

⁷ The Enhanced Transparency Framework for action and support is a central component to the design, credibility and operation of the Paris Agreement. The framework specifies how parties to the agreement must report on progress in climate change mitigation, adaptation measures and support provided or received. Article 13 of PA establishes a transparency framework for action and support, identifies purposes, information to be provided, a technical expert review, development of common modalities, procedures, and guidelines (MPGs) and concludes with support for transparency-related capacity in developing countries.

⁸ “Party” is the word used for meaning “country”. “Party” means a Party to the PA.

A - Setting up the Monitoring, Reporting and Verification mechanism in the context of the Enhanced Transparency Framework



UNDP Resident Representative, Ms Rose Ssebatindira, addressing participants at the workshop.

example for other countries.

Eswatini needs to understand the methodological issues related to information that the ETF is requiring Parties to submit.

In particular, reference is made to GHG emissions information, information to track progress made in implementing and achieving the NDC and, information on financial, technology and capacity building provided and mobilised, and needed and received.

The objective of the over-arching MRV system is to strengthen and enhance the transparency framework (as referred to in Article 13 of the Paris Agreement-see below). Among other features, it makes tracking climate finance more effective. A robust MRV system is based on a national institutional and technical framework that is integrated into policies and sectors and covers both adaptation and mitigation.

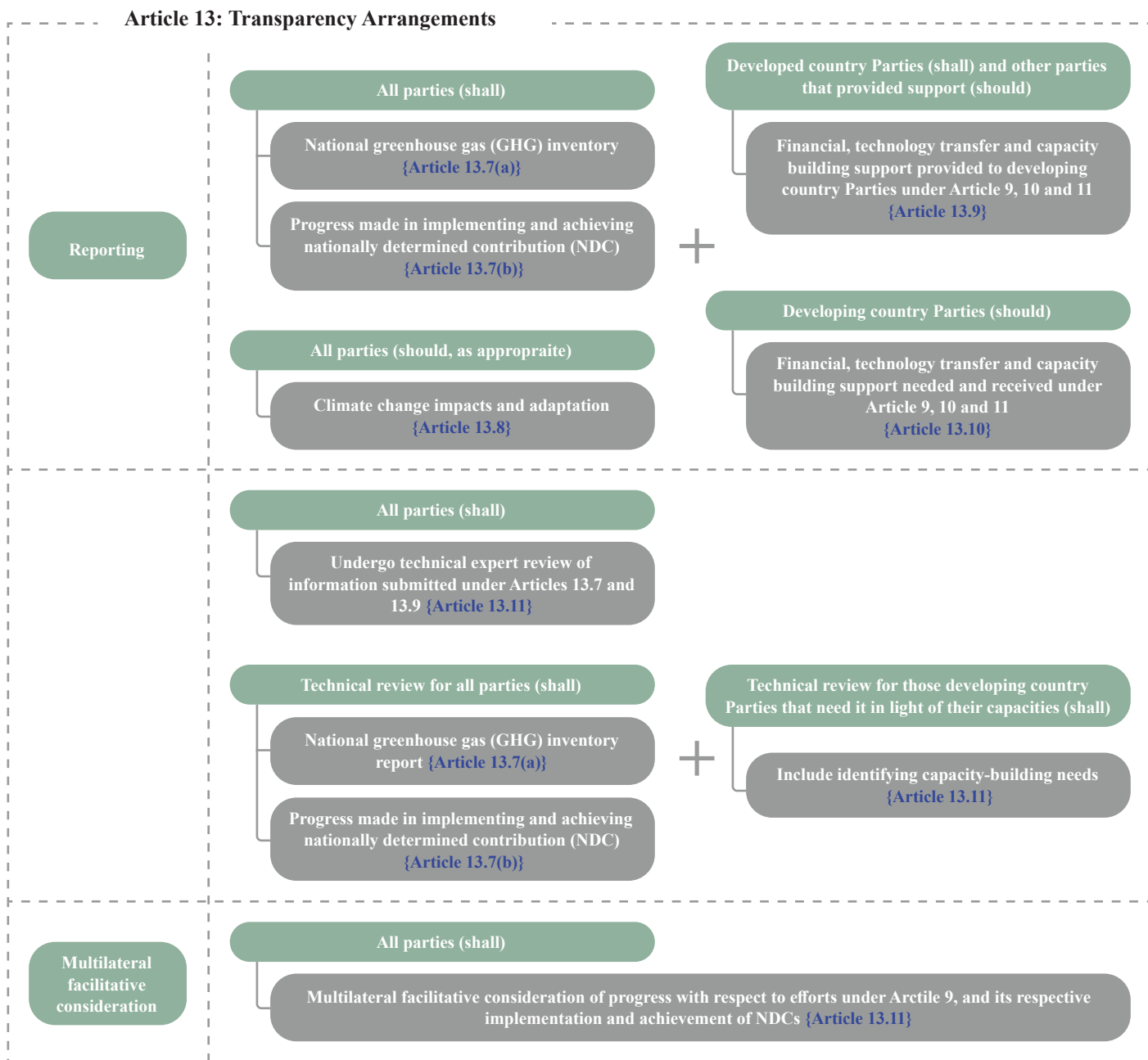
A domestic MRV system improves access to, and the communication of, information with accuracy by having systematic measurement, reporting and verification of data. It helps to avoid a disconnected process of data collection involving multiple agencies and stakeholders and resulting in substantial inefficiencies due to the duplication of efforts and the lack of coordination. Specific data collection and analysis enable better follow up of GHG emissions leading to better access to climate finance.

The domestic MRV system, possessing national standards and procedures to track overall GHG emissions in the country will also help Eswatini meet the Sustainable Development Goals (SDGs) and benefit from financial support for climate change mitigation and adaptation. It will facilitate national evidence-based standards and methodologies for data collection for mitigation and adaptation actions and provide benchmarks for the effective implementation of climate-

related projects and activities in specific sectors. It will also create a unified system for accounting for mitigation and adaptation actions. In addition, it will improve national GHG emissions governance infrastructure, as well as facilitate access to international support for mitigation and adaptation actions and technology and capacity building.

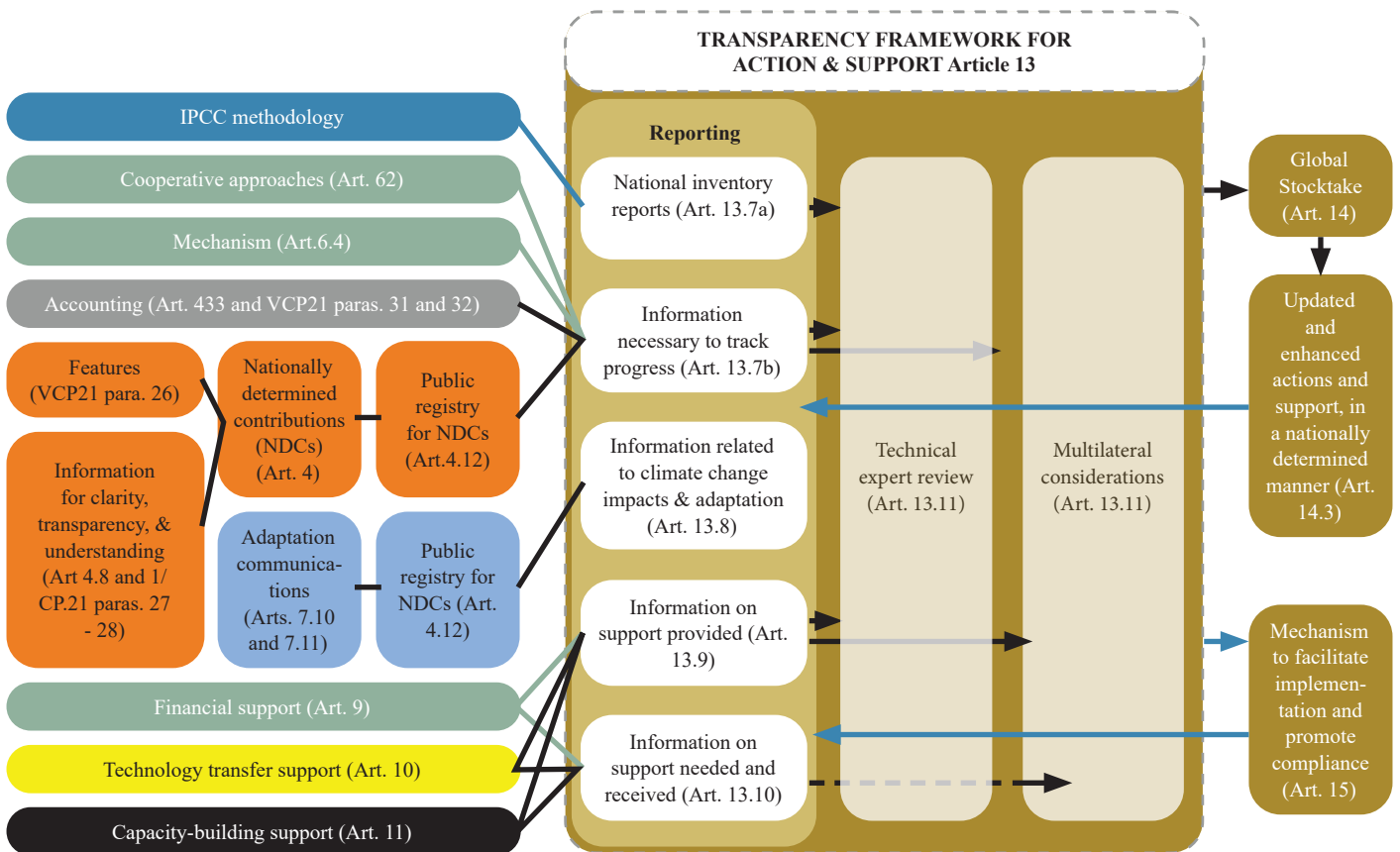
The system will help the country to increase transparency concerning the national targets and actual emission reductions achieved as well as transparency on reporting to international platforms. In addition, transparency will reduce complexity and ensure that the MRV system provides relevant information for the effective implementation of the NDC and related policies. An MRV system for Eswatini will not only help strengthen climate governance in the country, but will also enable better financial planning and management of mitigation and adaptation activities, while setting an

Figure 2: Procedure for transparency of action and support (Source: UNFCCC)⁹



⁹ https://www.un-gsp.org/sites/default/files/documents/west_africa_moving_to_etf_july_14_2020.pdf

(Figure 2 continued)



A framework to create an MRV mechanism should ensure the completeness of the information and avoid the double counting of emissions reductions, for instance (to ensure the integrity of potentially related unit transfers for their eligibility in an Emissions Trading Scheme (ETS)). This domestic MRV should be “general, voluntary, pragmatic, non-prescriptive, non-intrusive and country-driven”. It should start by “defining the entities and the institutional arrangements and systems involved in the domestic MRV, enable the measurement of mitigation actions, including the collection and management of relevant and available

information and the documentation of methodologies, and the verification of mitigation actions, including the use of national experts using domestically developed processes.”¹⁰ The requirements for setting up the MRV should be explained in future deliverables.

Hence, the recommendations for implementing an efficient MRV system are:

- Respect and follow the previous requirements
- Avoid double-counting

- Define the concerned institutions
- Enable the measurement of mitigation actions

Further recommendations will be provided in the following sections.

In the following chapters, the details of climate expenditures and the budget tagging process will be further explained.

¹⁰ https://unfccc.int/files/national_reports/annex_i_natcom/application/pdf/non-annex_i_mrv_handbook.pdf

B - Architecture for Climate Expenditures Review

1 - The process



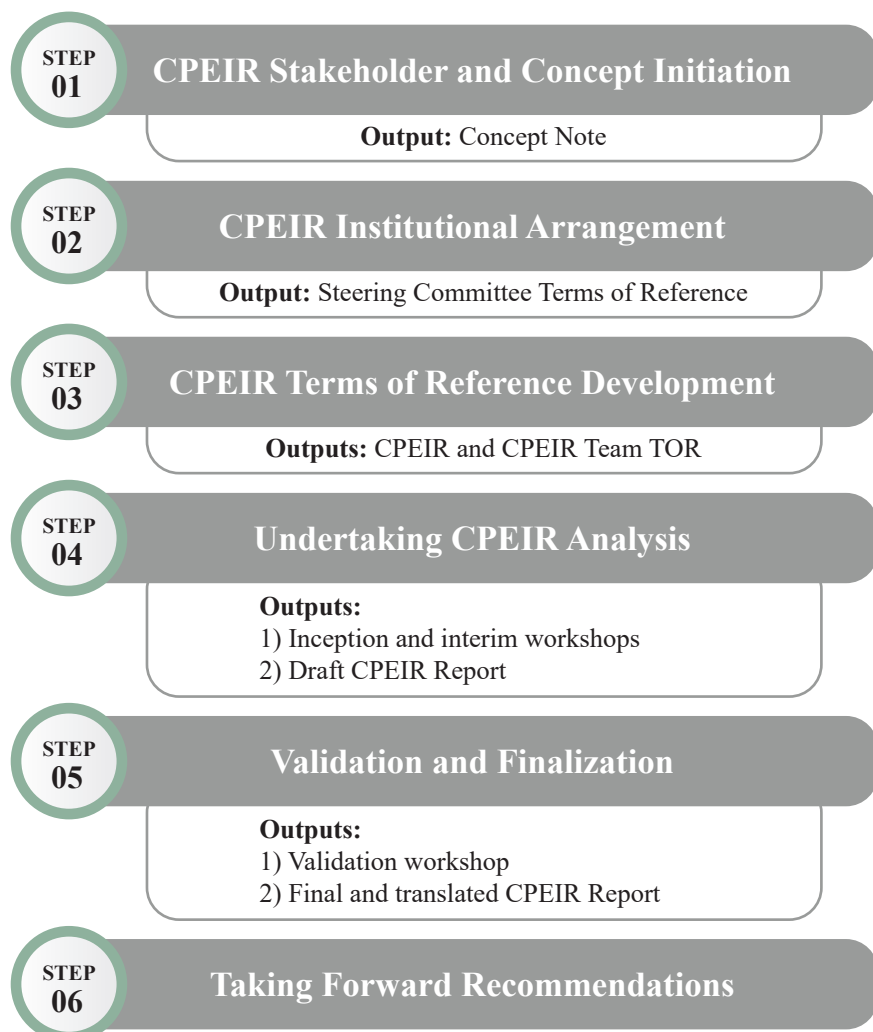
Acting Director Budget and Economic Affairs, Ms Khanyisile Dlamini, speaking at the workshop.

The Climate Public Expenditure and Institutional Review (CPEIR) is a tool providing a starting point to mainstream climate change into the budgeting and planning process. The objectives that a CPEIR seeks to achieve can vary between countries and stakeholders but generally seek to achieve the below.

- i. Assess the status of the national response to climate change through climate change strategies, action plans and sectoral policies, and its linkages to expenditures;
- ii. Improve the understanding of the roles and responsibilities of institutions, and their coordination, in implementing climate actions;
- iii. Quantify climate related expenditures through the budgetary system and extra-budgetary channels;
- iv. Provide a tool to track climate finance through national delivery channels;
- v. Identify opportunities and constraints for integrating climate change within the national and sub-national budget allocation and expenditure process;
- vi. Inform decision makers and development partners in assessing how best to upscale access and delivery of climate finance for the country;
- vii. Serve as a starting point to strengthen cross-government coordination, especially ensuring the engagement of Finance and Planning Ministries, as well as the involvement of the private sector, civil society, and development partners;
- viii. Assess the transfer mechanism of climate finance from national to sub-national governments and identifies opportunities to strengthen such a mechanism;
- ix. Map the linkages between climate vulnerability areas (by geography, sector, and population groups) and climate responses. Through this, the CPEIR will be able to identify the gaps, if any, in climate policies to protect and benefit the vulnerability groups and opportunities to redirect policies and budget allocations accordingly, and;
- x. Strengthen stakeholders' capacity to formulate more informed policy proposals that respond to climate change while presenting economic, social and gender co-benefits.

The process of undertaking a CPEIR, from initiation to implementation, typically involves six steps as demonstrated below. However, as national circumstances vary, these steps should be considered as guidance only.

Figure 3: CPEIR Process (Source: UNEP DTU, 2021)¹¹



● **Step 1:** Government ownership of the CPEIR is essential. To achieve that, initial discussions with key government ministries are needed to identify the needs and the key issues to be addressed in the CPEIR. The scope of the expenditure to be reviewed in the CPEIR is one of the important issues to be discussed and addressed at the outset. The CPEIR usually reviews expenditure on ministerial policies and programmes that are expected to contribute to the national response to climate change. In addition, the CPEIR should review the following other

types of expenditure and investments. Expenditures that contribute to increasing greenhouse gas (GHG) emissions (such as fossil fuel subsidies) and/or hindering adaptation efforts.

- Tax incentives for climate actions (which is foregone revenue to the government).
- Dedicated extra-budgetary climate funds.
- Investment sources from State Owned Enterprises (SOEs), Public Private Partnerships (PPPs) and the private sector.



¹¹ <https://unepdtu.org/wp-content/uploads/2021/10/caep-panama-presentation-day-2.pdf>

- **Step 2:** To ensure government ownership and oversight of the CPEIR process, institutional arrangements for CPEIR implementation should be established, including a Steering Committee involving relevant ministries, civil society organisations, and development partners.
- **Step 3:** Once the buy-in from key stakeholders and the necessary institutional arrangements have been established, the next task is to develop the TORs for the CPEIR and specialists who will undertake the CPEIR analysis. See Annex I for templates, which can be adjusted depending on national contexts and needs. Example TORs for the CPEIR and the CPEIR Specialists are also available online on the UNDP’s Climate Finance and Development Effectiveness website.
- **Step 4:** The CPEIR analysis might take several months to complete. During this step, the CPEIR team will collect data, undertake the analysis following the main themes of the CPEIR (policy, institution, expenditure), progress report and seek guidance from the Steering Committee.
- **Step 5:** In this step, the CPEIR report is to be presented to the Steering Committee for validation and finalisation. The buy-in and implementation of the recommendations, potentially by members of the Steering Committee, will be more likely.
- **Step 6:** The CPEIR analysis will provide the basis and evidence for recommendations to further strengthen the national systems in ways that can measure the potential for upscaling access to, and delivery of, climate finance at the national and local levels. The recommendations can range over different timeframes (short to medium and longer terms) and include a variety of actions, such as coding and tracking of climate finance within the budgetary system, integration of climate change cost-benefit analysis as part of budget prioritisation, as well as the implementation of climate fiscal frameworks.



Discussions at the workshop

2 - Eswatini CPEIR process

Eswatini issued its first CPEIR in 2021 to assess, plan and budget for climate-related expenditures.¹²

After the consultation in 2021 with the different stakeholders concerned with the CPEIR process, namely, the Ministry of Tourism and Environmental Affairs,

the Ministry of Finance, the Ministry of Economic Planning and Development, and the National Disaster Management Authority, a validation workshop was held on 5 August 2022 to present the CPEIR findings to stakeholders. The objective that the government aims for is to “facilitate the policy and institutional mechanisms for integrating climate change concerns within the national

budget allocations and expenditure processes, and to estimate the current level of climate expenditures incurred from the public finances.”

¹² Government of Eswatini. (2021). Government of Eswatini Climate Public Expenditure and Institutional Review (CPEIR).

The climate-related expenditures identified under CPEIR are shown in the table below.

Table 1: Climate change-related expenditures of Eswatini in Eswatini local currency, lilangeni (E)¹³

Climate change-related expenditures, financial year 2015–16	
Total number of projects	31
Mitigation-related expenditures	50
Adaptation-related expenditures	720,521
Cross-cutting	
Total budget allocation	720,521
Actual expenditures	498,706
Climate change-related expenditures, financial year 2016–17	
Total number of projects	36
Mitigation-related expenditures	59,500
Adaptation-related expenditures	1,159,143
Cross-cutting	
Total budget allocation	1,218,643
Actual expenditures	589,513
Climate change-related expenditures, financial year 2017–18	
Total number of projects	31
Mitigation-related expenditures	55,338
Adaptation-related expenditures	920,175
Cross-cutting	
Total budget allocation	75,513
Actual expenditures	609,674
Climate change-related expenditures, financial year 2018–19	
Total number of projects	33
Mitigation-related expenditures	45,658
Adaptation-related expenditures	1,495,639
Cross-cutting	
Total budget allocation	1,541,297
Actual expenditures	364,013
Climate change-related expenditures, financial year 2019–20	
Total number of projects	20
Mitigation-related expenditures	27,000
Adaptation-related expenditures	1,770,992
Cross-cutting	
Total budget allocation	1,797,992
Actual expenditures	1,010,793

The total number of projects as well as the mitigation related expenditures dropped in 2019-2020 compared to previous years, while adaptation related expenditures increased during the same

period. The total budget allocation and the actual expenditures significantly increased in 2020.

The following section gives broad

considerations of a CPEIR analysis, based on international best practices examples.

¹³ Government of Eswatini. (2021). Government of Eswatini Climate Public Expenditure and Institutional Review (CPEIR).



A view of Mlilwane Wildlife Sanctuary

3 - The analysis

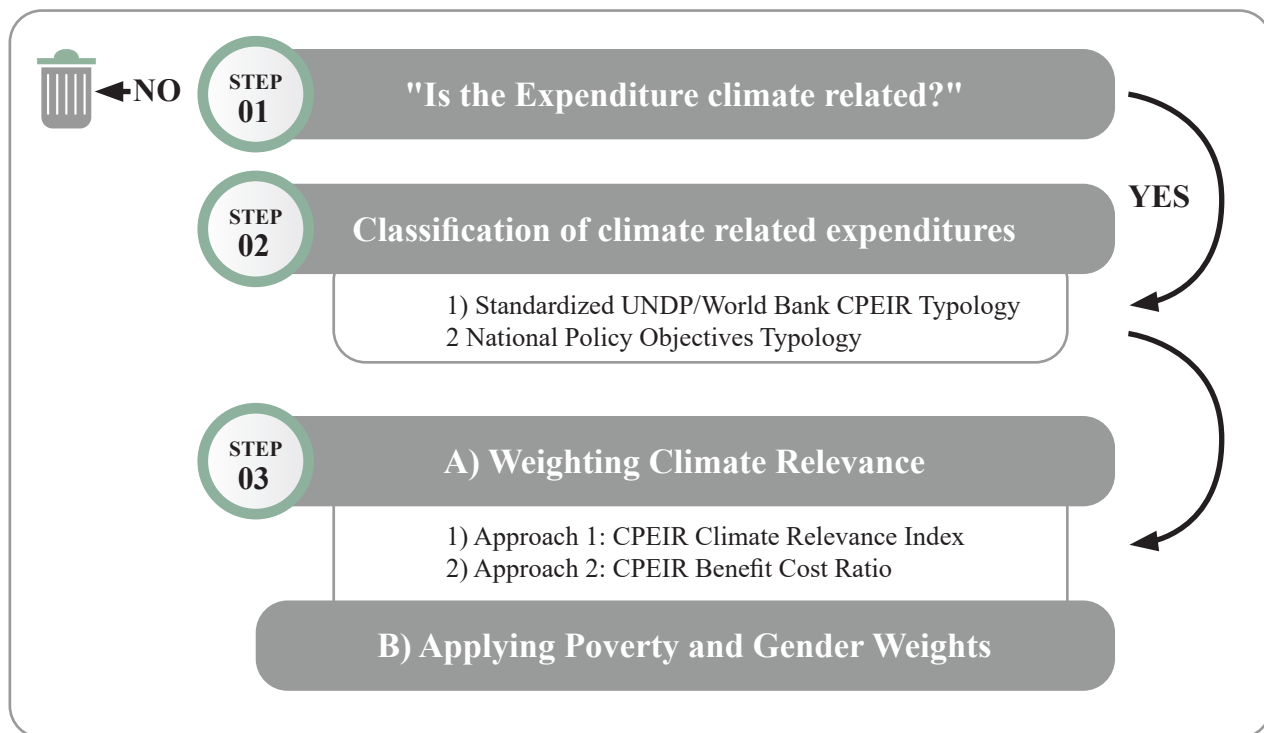
The methodology includes various steps to identify and estimate how much the government is spending on climate change related activities. It starts with the data collection on budgetary categories and deciding whether the expenditure items are climate relevant. After excluding the non-climate change related expenditures from the analysis, the next step is to classify the climate related expenditures. There are two approaches that the UNDP recommends, namely: i) Standardised UNDP/ World Bank CPEIR Typology and ii) National Policy Objectives Typology.

The data can, in addition, be grouped by key climate change topics such as mitigation and adaptation. Once climate related expenditures are classified, the proportion of the expenditures that are related to climate change can be assessed by applying the weight of climate relevance to these expenditures.

The UNDP outlines two approaches to applying the weight: i) Approach 1 – CPEIR Climate Relevance Index and ii) Approach 2 – CPEIR Benefit Cost Ratio. These two approaches are not mutually exclusive and the decision of which one to use would depend on the level of data available for the analysis.

Following the application of climate relevance weighting, a pro-poor and gender sensitive CPEIR would also apply the poverty and gender weightings to these expenditures. The following figure provides a schematic overview of these steps.

Figure 4: Schematic Overview of Climate Public Expenditure Analysis¹⁴



The CPEIR identifies and analyses other types of expenditures and investments that might have climate change implications and are not yet included in the climate public expenditure analysis above, including: “negative” expenditures, fiscal instruments (tax, tax breaks, subsidies), SOE and PPP investments.

The first step in analysing and quantifying climate relevant expenditures is to identify which government policies and programmes are relevant to climate change. Currently, there is no agreed international functional classification of climate change related expenditure. This creates significant challenges for data collection and classification for CPEIR analysis.

The first challenge, then, is to identify climate change expenditure in the national budget so that the most important aspects of public expenditure

can be analysed. This requires that information on planned and actual expenditures on climate change related activities, be identified. The CPEIR team needs to work closely with colleagues in the ministries of finance and environment to identify and validate this expenditure.

The national budget expenditure codes need to be identified using expert judgement and all available budget and programme documentation. Budget line activities must be identified in addition to administrative structures.

However, if time and resources do not allow for such a comprehensive review, there are some indications that can be considered to reduce the workload: (i) identification of key sectors/ministries/administrative responsibilities; (ii) identification of non-budgetary funds from key sectors; (iii) identification of climate-related codes from the administrative and/or functional

classification of the budget.

One of the tools for climate expenditure data classification is a standard typology, derived from the jointly UNDP/World Bank CPEIR method. As described in the table below, the typology has three pillars classifying all policy actions and allocated resources: Policy and Governance (PG); Scientific, Technological and Societal Capacity (ST), and Climate Change Delivery (CCD). It also has three levels of classifications, capable of analysing enabling activities (such as capacity building) as well as delivery of specific sectoral programs. Moreover, the typology provides a sufficiently detailed framework for classifying all types of expenditure (recurrent/capital, tax/subsidy or mitigation/adjustment) and by source (domestic and foreign). As the country's policy objectives change over time, this should be reflected in a reallocation of resources.

¹⁴ UNDP (2015)

Table 2: Standard CPEIR Typology.¹⁵

Typology as used in the joint UNDP/World Bank supported CPEIR in Vietnam		
Policy and Governance	PG1: A national framework for adaptation and risk reduction	PG1.1 Develop climate change adaptation guidelines and technical regulations
		PG1.2 Develop/adjust policy, planning and mechanism for climate change response and implementation across government, enterprises, and communities
		PG1.3 Manage and monitor implementation of adaptation policies
	PG2: A comprehensive consistent national mitigation policy framework	PG2.1 Establish policy, tax and incentive structure for new and clean energy, energy efficiency and low GHG emission
		PG2.2 Develop/ adjust sectoral plan and coordinate implementation among departments, enterprises, and provinces
		PG2.3 Manage and monitor implementation of Mitigation policies
	PG3: Action Plan Impact Assessment at national, provincial, and sector level to translate policy and governance into activity and delivery	PG3.1 Action and Sector Plans
		PG3.2 Climate Change Impact Assessments
		PG3.3 Climate Change Capacity Building
	PG4: Legal framework to implement climate change policy (all elements of climate change/green growth policies)	PG4.1 Mitigation instruments
PG4.2 Adaptation instruments		
PG4.3. Mitigation and Adaptation Instruments		
PG5: International cooperation, integration and diversification and strengthening of climate change investment effectiveness	PG5.1 Strengthen cooperation and partnership with international community on climate change issues	
	PG5.2 Effective management and coordination of foreign and domestic investment	
Scientific, Technical and Societal Capacity (ST)	ST1: Develop science & technology as a foundation for formulating policies, assessing impacts, and identifying measure on climate change adaptation and mitigation	ST1.1 Information and Database Development
		ST1.2 Hydrometeorology and Early Warning System and Climate Change Projection
		ST1.3 Biological & genetic resource strengthening

¹⁵ Source: UNDP, 2015

	- change adaptation and mitigation	ST1.4. Survey and assessment on climate change impacts
		ST1.5 Technology for energy efficiency and low GHG emission
	ST2: Improve awareness of climate change	ST2.1 Climate change awareness building in curriculums of primary to higher education establishments
		ST2.2 Awareness of climate change in diverse education and training initiatives for post-school aged earner
	ST3: Develop community capacity for responding to climate change	ST3.1 Support livelihood building for communities in the context of climate change
		ST3.2 Capacity across whole community in climate change response
Climate Change Delivery (CCD)	CCD1: Natural resources	CCD1.1 Irrigation
		CCD 1.2 River dyke and embankments
		CCD 1.3 Water quality and supply
		CCD1.4 Rural Development and Food Security
		CCD1.5 Forest Development
		CCD1.6 Fisheries and Aquaculture
		CCD1.7 Biodiversity and Conservation
	CCD2: Resilient society	CCD2.1 Public Health and Social Service
		CCD2.2 Education and Social Protection
		CCD2.3 Residential and City Area Resilience
		CCD2.4 Transport
		CCD2.5 Waste Management and Treatment
		CCD2.6 Disaster Specific Infrastructure
		CCD2.7 Strengthening Disaster Risk Reduction

	CCD3: Enterprise and production	CCD3.1 Energy Generation
		CCD3.2 Energy Efficiency
		CCD3.3 Infrastructure and Construction
		CCD3.4 Industry and Trade
		CCD3.4 Industry and Trade

Source: UNDP, 2015

It is important to note that the proposed CPEIR typology is not intended to establish any model for policy and institutional framework but is rather an analytical tool to allow comparisons. Following data classification and in order to quantify climate relevant expenditures, the next step of climate relevant expenditure analysis is to identify and apply the weighting of relevance to climate change of these policies and programmes. The relevance of climate change policies and programmes depends on their responsiveness to the estimated current and potential impacts of climate change on different population groups (the poor, vulnerable and disadvantaged groups, women and children), different geographical areas and different institutional capacities to deliver services. In order to assess how resources are allocated to policies and programmes that respond to climate change impacts, it is therefore, useful to weigh the allocation and expenditure data collected.

The CPEIR *Lessons Learnt Paper* (Adelante, 2014)¹⁶ and the Climate Responsive Budgeting Workshop (2014)¹⁷ have highlighted the need to define relevance in terms of the responsiveness of policies and their programs to the vulnerability of people

and geographic zones to climate change. This is however a challenging task that requires a significant vulnerability analysis that may not always exist.

Vulnerability should be defined in the national context. To do so, CPEIRs should use existing vulnerability assessments developed. These may include the national reports on climate change impacts, vulnerability and adaptation submitted to the UNFCCC; the information on the impact of vulnerability and adaptation to climate change, synthesised by the Intergovernmental Panel on Climate Change¹⁸ (IPCC); country-level climate profiles by international organisations such as UNDP or the World Bank; or more focused assessments prepared on an ad-hoc basis, on specific communities, thematic sectors (e.g. agriculture, water, health, infrastructure) or focusing on specific locations (e.g. rural areas, cities, regions), using set methodologies and tools. In defining vulnerability, particular attention should be given to the poor, vulnerable groups, women, and children. It is suggested to review available information on vulnerability to climate change and where possible use information or undertake an analysis of poverty and gender impacts because of climate change.¹⁹

The UNDP proposes two weighting tools that reflect the different levels of data availability to the CPEIR team, namely: i) CPEIR Climate Relevance Index and ii) Benefit Costs Ratio. These tools are not mutually exclusive, but should rather be seen as complementary: Option 1 allows for an initial quick assessment, while Option 2 requires more information and allows for an economic assessment of the benefits associated with a particular programme. As the CPEIR is a process that supports the capacity of national stakeholders to formulate their needs and design their policy response, in both cases it is important to work with beneficiaries and stakeholders to validate the analysis.

¹⁶ Adelante Knowledge and Development (2014) *Draft Lessons Learnt Paper, Climate Public Expenditure and Institutional Reviews* (CPEIRs)

¹⁷ Climate Responsive Budgeting CRB Workshop held in Bangkok, Thailand, 5 to 7th November 2014

¹⁸ "Contribution of the Working Group II to the Fourth Assessment Report (AR4) of the IPCC" (updated 2013, IPCC). Also: "Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation" Special Report of the Intergovernmental Panel on Climate Change, 2012" provides maps with estimates of increase return period of climate extreme events (dry days, temperatures, 24h precipitations)

¹⁹ "Incorporating Gender and Poverty Analysis in the Climate Public Expenditure and Institutional Review: A Methodological Note" Anit N. Mukherjee, Consultant, Climate Change, Gender and Poverty, UNDP Asia Pacific Regional Centre, Bangkok, October 21, 2014

Approach 1 – CPEIR Climate Relevance Index

The weighting method has been implemented in several previous CPEIRs, taking the form of a relevance index, from low to very high.²⁰ In such cases, the CPEIR team, working with national counterparts in the administration

and other stakeholders, mapped the declared objectives of the programs and expenditures against the Rio Markers Methodology developed by the OECD and assessed the relevance on a scale of 0 – 100 percent. All activities were then

grouped into the four categories listed in Table 2, with the corresponding weights then applied to the programme/policy expenditures to quantify the climate-relevant expenditures.

Table 3: CPEIR Climate relevance index.²¹

High relevance	Rationale	Clear primary objective of delivering specific outcomes that improve climate resilience or contribute to mitigation
<i>Weighting more than 75%</i>	Examples	<ul style="list-style-type: none"> • Energy mitigation (e.g., renewables, energy efficiency) • Disaster risk reduction and disaster management capacity • The additional costs of changing the design of a programme to improve climate resilience (e.g., extra costs of climate proofing infrastructure, beyond routine maintenance or rehabilitation) • Anything that responds to recent drought, cyclone, or flooding, because it will have added benefits for future extreme events • Relocating villages to give protection against cyclones/sea-level • Healthcare for climate sensitive diseases • Building institutional capacity to plan and manage climate change, including early warning and monitoring • Raising awareness about climate change • Anything meeting the criteria of climate change funds (e.g., GEF, PPCR)
<i>Medium relevance</i>	Rationale	Either (i) secondary objectives related to building climate resilience or contributing to mitigation, or (ii) mixed programmes with a range of activities that are not easily separated but include at least some that promote climate resilience or mitigation
<i>Weighting between 50% to 74%</i>	Examples	<ul style="list-style-type: none"> • Forestry and agroforestry that is motivated primarily by economic or conservation objectives, because this will have some mitigation effect • Water storage, water efficiency and irrigation that is motivated primarily by improved livelihoods because this will also provide protection against drought

²⁰ Some had three or four categories, and others broke down the index by intervals of 5%.

²¹ UNDP (2015)

		<ul style="list-style-type: none"> • Biodiversity and conservation, unless explicitly aimed at increasing resilience of ecosystems to climate change (or mitigation) • Eco-tourism, because it encourages communities to put a value of ecosystems and raises awareness of the impact of climate change • Livelihood and social protection programmes, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programmes to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways
Low relevance	Rationale	Activities that display attributes where indirect adaptation and mitigation benefits may arise
<i>Weighting between 25% – 49%</i>	Examples	<ul style="list-style-type: none"> • Water quality, unless the improvements in water quality aim to reduce problems from extreme rainfall events, in which case the relevance would be high • General livelihoods, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability in areas of low climate change vulnerability • General planning capacity, either at national or local level, unless it is explicitly linked to climate change, in which case it would be high • Livelihood and social protection programmes, motivated by poverty reduction, but building household reserves and assets and reducing vulnerability. This will include programmes to promote economic growth, including vocational training, financial services and the maintenance and improvement of economic infrastructure, such as roads and railways
Marginal relevance	Rationale	Activities that have only very indirect and theoretical links to climate resilience
<i>Weighting less than 25%</i>	Examples	<ul style="list-style-type: none"> • Short term programmes (including humanitarian relief) • The replacement element of any reconstruction investment (splitting off the additional climate element as high relevance) • Education and health that do not have an explicit climate change element

Approach 2 – CPEIR Benefit Costs Ratio Approach

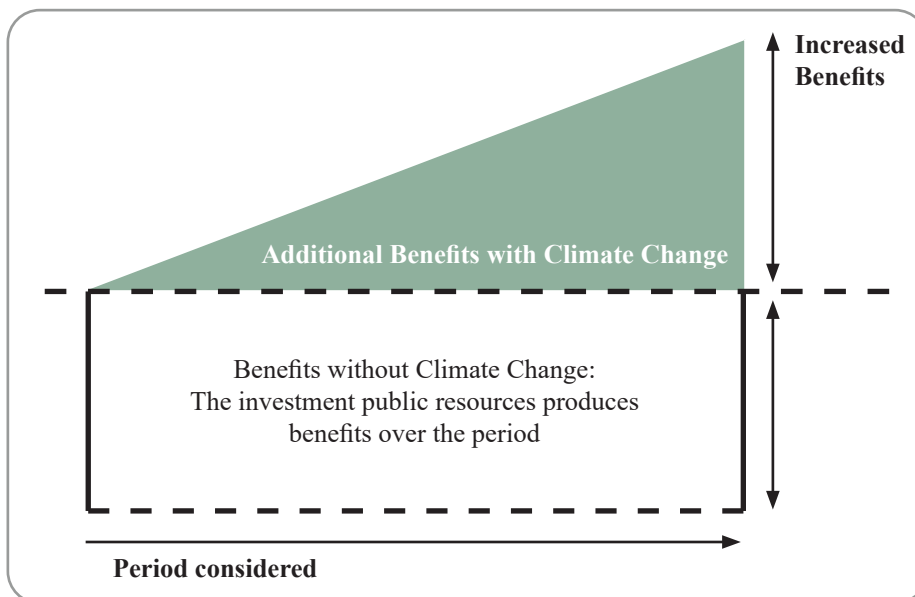
This methodology allows allocating a weighting defined by how sensitive a programme is to climate change, linking intrinsically to the expected benefit of the action to the impact of climate change. It reconciles the climate impact analysis and the climate relevance analysis by analysing the benefits when climate change impacts materialise compared to the situation without climate change. It provides a rational approach that will help to avoid “green washing” programs, the objectives of which are climate related –without delivering climate benefits. In that sense, it can identify the “additional” climate change component of a programme on more objective grounds (compared to

subjective judgement by CPEIR analysts in the CPEIR Climate Relevance Index method).

The following figure illustrates the analysis of benefits in situations "with" and "without" climate change impacts. The transparent areas represent the benefits of investing public resources. The benefits from an action are those that are usually recognised in national planning and include economic benefits (e.g. income, wealth), social benefits (e.g. education, health, welfare, gender) and environmental benefits (e.g. biodiversity, reduced pollution). For major investments, the benefits may be estimated as part of an economic analysis

(e.g., rates of return for irrigation, roads, new crop varieties, energy investments). For other actions, they may be defined as outcomes in logical frameworks, with associated indicators (e.g., people protected from floods, hectares of forest planted, number of households). For mitigation, the benefits without climate change should exclude the value of carbon emissions since there is no value in reducing emissions if they do not lead to climate change. For adaptation, the most common way in which climate change affects benefits is to increase the value of any protection from extreme events and variable rainfall. Further explanation of the methodology is provided in Annex II.

Figure 5: Benefit-cost ratio approach²²



Three countries (Cambodia, Thailand, and Indonesia) have undertaken this methodology. In all these countries, the analysis used national evidence, wherever possible, supplemented by international studies. For all the countries, the benefits analysis supported public finance reform initiatives that aim to improve the evidence base of policy formulation and introduce results-based management.

This approach might not always be feasible, however. Limited availability

and reliability of data, the complexity of the analysis and national capacity might constrain a rigorous benefit cost ratio analysis. To solve this problem, a less quantitative approach was tried. This method relies on expert estimation of the climate benefits (compared to the economic, social and environmental benefits) of activities under the "with" and "without climate change" scenarios instead of rigorous cost-benefit analyses. Experts can be government officers from central and line ministries and other agencies. Once the climate and other

benefits are estimated under these two scenarios, the climate change relevance formula can be similarly applied as above.

This approach benefits from the participation and input of key stakeholders, is less time-consuming and encourages government officials to consider climate impacts and climate risks when formulating policies and activities.

²² Source: UNDP, 2015

However, unlike the BCR approach, this approach does not eliminate the risk of exaggerating climate relevance, as benefits are subjectively estimated. Therefore, clear guidance on the assessment of relative benefits is needed to avoid overstating the benefits

of climate change compared to the economic, social and environmental co-benefits. Expert opinions should also be complemented by other international and technical studies such as those of the IPCC and other regional/national assessments. The use of climate change

relevance measures would also help guide the estimation of climate benefits. More information on the recommended yardsticks and default values is available in Annexes II and III.

Table 4: Comparisons of two weighting methods²³

Weighting	Method link to vulnerability	Robustness to change	Comparability over time	Strength
<i>CPEIR Relevant Climate Index</i>	Indirect	Integrate change in perception by the teams and the national administration	No, team and resource person specific	Simplicity/ Contextualised
<i>Benefit Cost Ratio</i>	The assessment of climate impacts and vulnerability to these impacts made during the design of the intervention are accounted for. E.g., ‘irrigation’ is probably a good development but only if its sustainability and specific technical specifications have been designed to consider future rainfall patterns.	Based on analytical tools and available data, ensuring possibility to update, can be applied to any new programme.	Ensured	1. Identify a “rational” proportion of climate change expenditure in a programme 2. Will be increasingly documented with new CPEIRs



Farming at Hawane.

²³ UNDP (2015)

Poverty and Gender Weightings on Climate Relevant Expenditures

A pro-poor and gender sensitive CPEIR would also apply poverty and gender weightings to the climate relevant expenditures. The triple weightings (poverty, gender, and climate) will be a powerful tool in identifying the type of spending which targets the poor and vulnerable in tackling climate change impacts. In some cases, governments have already applied poverty and gender weightings to their expenditures. In other

cases, where government gender and poverty weightings are not yet available, the CPEIR team is advised to apply these weightings together with the climate relevance weightings.

To summarise, the CPEIR should integrate the three pillars of the analytical framework into a summary assessment, addressing key questions on the credibility of the overall climate

change policy framework design and its outputs programs, budgetary allocations, and expenditures. It should integrate the role of stakeholders impacted by climate change and those engaging in economic opportunities for green growth.



One of Eswatini's fastest-growing peri-urban areas - Mafutseni

C - Objectives and Roles of Climate Budget Tagging

The objective of this section is to introduce the concept of Climate Budget Tagging (CBT) for implementation in the national budget system. The paper outlines the purpose of implementing CBT as well as the key components in designing a tagging system. It also seeks to address the question of how this tool can contribute to tracking international climate finance at the national level. Whilst there is still no internationally agreed definition of climate finance, there are many sources of finance which can be counted as climate relevant by contributing to climate objectives, directly or indirectly. They include:

- Domestic sources: public sector, private sector, NGOs.
- External sources: Dedicated climate finance funds (e.g., Green Climate Fund, Global Environment Facility) and Official Development Aid.

Public sector sources can take various forms, most notably direct government spending from the national budget. Other channels include investments of SOE or PPP. This paper focuses on CBT as a tool to track climate-related government spending allocated to ministries, agencies and local governments in the national budget process. External finance can be

provided through various instruments such as loans, equity, guarantees, technical assistance and grants. In addition, CBT can facilitate the tracking and monitoring of external climate finance flows at the national level. CBT aims to enable the government to make informed investment decisions, to facilitate a better integration of climate change into national and sub-national and to allow tracking and monitoring of resource allocations that are climate change relevant in the budget system.

● Tracking Role

The climate tag acts as a label for expenditure items, essential for their identification and tracking, and generates data on domestic climate-related investments that the usual budget classification does not provide. The data enables better monitoring and reporting of domestic climate expenditures. Developing countries are now required to submit Biennial Transparency Reports (BTR) and Biennial Update Reports (BUR) to

the UNFCCC Secretariat, providing information on financial contributions toward the national climate policy goals and targets. The data generated from the Climate Budget Tagging exercise would enable developing countries to meet the reporting requirements more efficiently. As an example, Vietnam's BUR,²⁴ one of the first submitted to the UNFCCC Secretariat, relies on the climate-relevant expenditure data provided by their CPEIR. With the tagging tool, this information can be generated in a more systematic and efficient manner.

Also, unlike other climate finance tracking tools, the CBT tool described in this paper measures the climate relevance of each activity, either based on the activity's stated objectives or on evidence of climate benefits. Weighing climate relevance helps mitigate the risk of overestimating climate finance, for example in cases where 100 percent of expenditure is counted as climate finance even though the activity is only marginally climate relevant.



²⁴ <https://unfccc.int/documents/180728>

● Enabling Role

CBT generates more comprehensive data on climate spending. Better information on climate-relevant investments would, in turn, enable the government to:

- Develop a budget that is aligned with national climate policy priorities and national targets, e.g., Indonesia's GHG emission reduction target of 26 percent by 2020 or Nepal's target to allocate at least 80 percent of available climate resources to support climate activities at the local level.
- Identify the financing gaps.
- Prioritise investments with climate benefits.
- Have evidence-based dialogues with development partners. Additionally, together with other climate change mainstreaming initiatives, CBT enables better integration of climate change into national and sub-national planning through:
 - Building capacity and awareness for (national and sub-national) planning officers and programme managers on national climate priorities and how their sectoral policies and projects can contribute to climate action.
 - Using the screening methods and guidelines in Climate Budget Tagging to promote the integration of climate considerations to project designs from early stages.

● Accountability and Transparency

By generating data on climate investments that is not possible with standard budget classification, CBT enables public scrutiny of government and donor spending on climate change mitigation. Kirchhofer (2021) highlights that climate labelling practises raise

awareness of climate change issues among key financial and technical authorities and help communicate a government's commitment to climate action. As climate change is a cross-cutting issue, climate-related expenditures defy traditional economic and functional budget classifications. Climate change budget tagging is one way for countries to better understand how much – or how little, – they spend on mitigation and adaptation.²⁵

● Broad Climate Change Strategy

CBT should not be considered as a stand-alone initiative but as part of a broader climate change strategy and public financial management reforms.

Most importantly, CBT must be considered in the context of developing a climate fiscal framework. Climate Fiscal Framework aims to provide a comprehensive overview of national and international climate finance, link climate change policy to planning and budgeting, prioritise climate action, develop appropriate modalities for effective and transparent management of climate finance flows, and provide the "financial backbone" for national climate change efforts. Other initiatives could include strengthening institutional coordination, building capacity for mainstreaming climate change into sectoral policies and identifying financial needs for mitigation and adaptation actions for each sector.

CBT also supports the implementation of other PFM reforms such as performance-based budgeting and medium-term expenditure framework (MTEF). Performance-based budgeting aims to improve the efficiency and effectiveness of public spending by linking funding to results. The MTEF is a multi-year approach to budgeting that links government spending plans to policy objectives. CBT provides information on the financial resources allocated

to climate policy priorities, which facilitates the linking of spending and policy objectives, as well as measuring the results of climate investments. CBT also contributes towards developing readiness for new climate finance such as Green Climate Fund (GCF) and wider sustainable development finance.

²⁵ Kirchhofer, X. (2021), Measure to manage: How countries identify climate-relevant expenditures in their budgets, World Bank Group, Washington D.C.,

D - Components of Climate Budget Tagging

Climate Budget Tagging consists of four key components: definition of climate-relevant activities, classification of climate expenditure, weighing climate relevance and designing the tagging procedure. These components can benefit greatly from the experience of implementing CPEIRs as such reviews essentially identify and measure climate relevant expenditure in the budget system.

The UNDP published in 2015 the CPEIR Methodological Guidebook²⁶ which provides detailed guidance on the classification of climate expenditure as well as weighing climate relevance. As highlighted by the UNDP, the fact that the public sector activities relevant to climate change adaptation and mitigation are typically scattered across several ministries creates the risk of a lack of ownership and awareness. CBT is designed to help address these

challenges. It is a tool for identifying, classifying, weighting, and marking climate-relevant expenditures in a government's budget system, enabling the estimation, monitoring, and tracking of those expenditures. It includes the process of attaching a climate budget marker, such as a tag or account code, to budget lines or groups of budget lines. A list of key considerations in designing a Climate Budget Tagging system is summarised in Annex III.

Component 1 – Definition of Climate Activities

Defining what constitutes climate-relevant activities is an important first step in Climate Budget Tagging as it determines whether the expenditure item will be tagged or not. The Organisation for Economic Co-operation and Development (OECD)'s Development

Assistance Committee (DAC) has developed definitions for climate change mitigation and adaptation as part of the “Rio Markers” which tracks climate related official development assistance (ODA) (Annex V for more details). The multilateral development banks²⁷ (MDBs) have also developed a set of criteria for adaptation and mitigation to track their investments (Annex VI).



Vegetable farming

²⁶ Link: https://www.undp.org/sites/g/files/zskgke326/files/migration/asia_pacific_rbap/RBAP-DG-2015-CPEIR-Methodological-Guidebook.pdf

²⁷ The MDBs included in this initiative are: the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the World Bank, and the International Finance Corporation.

Table 5: International definitions of mitigation and adaptation (OECD and MDB Joint Approach)²⁸

<i>OECD Definitions</i>	An activity that contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.	An activity that intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience.
<i>MDB Joint Approach</i>	Activities are labelled as Mitigation if they promote “efforts to reduce or limit GHG emissions or enhance GHG sequestration.”	<p>A project activity must fulfil three design process criteria for finance to be reported:</p> <ul style="list-style-type: none"> • Include a statement of purpose or intent to address or improve climate resilience. • Set out a context of climate vulnerability (climate data, exposure, and sensitivity). • Link project activities to the context of climate vulnerability, reflecting at least one of the following categories: <ul style="list-style-type: none"> • Addressing current drivers of climate vulnerability. • Building resilience to current and future climate risks. • Incorporating climate risks into investments especially for infrastructure with a long lifespan. • Incorporating management of climate risk into plans, institutions, and policies.

The “Rio Markers” definition has been adopted in some countries for the climate expenditure analysis of their CPEIRs. Some countries have used the MDB Joint Approach with adjustments and alterations to adapt to the national context (e.g., the Philippines). The shortcoming of this definition is that it does not cover “negative” expenditure which contributes to climate change rather than mitigates it.

Component 2 – Classification of Climate Relevant Expenditure

Following the identification of mitigation- and adaptation-related expenditure to be tagged, the expenditure should be classified, which essentially determines the climate tags that the expenditure item will have. Based on CPEIR experience, UNDP presents a standard typology for the classification,

derived from the jointly UNDP/World Bank-supported CPEIR proposed method. The typology has three pillars classifying all policy actions: Policy and Governance (PG); Scientific, Technological and Societal Capacity (ST), and Climate Change Delivery (CCD). It also has three levels of classifications: Pillar/Category/Task, capable of analysing enabling activities (such as capacity building) as well as delivery of specific sectoral programs and still allows the categorisation between mitigation and adaptation. This approach also has other advantages:

- It allows comparability over time and across countries.
- It constitutes a climate change programme classification that allows both the government and Development Partner (DP) spending on climate change objectives to be clearly identified.

- The typology is not a fixed system: as new categories emerge; these can be added to the system of classification.

UNDP also presents another approach, the national policy objective typology, which is to classify expenditure against national climate change policy priorities. The national policy priorities are based on the strategic areas and themes for actions from national climate change strategies and action plans. New categories can also be added to this typology. For example, the Philippines’ Climate Budget Tagging system uses the typology developed based on the key eight priorities of the National Climate Change Action Plan (NCCAP) to screen mitigation and adaptation activities. Vietnam’s CPEIR also adopted this country led typology by using the government’s key strategic priority programs included in the National Climate Change Strategy, National Climate Change Action Plan and Vietnam Green Growth Strategy.

²⁸ OECD (2011); EBRD (2014)

Meanwhile, Bangladesh Climate Fiscal Framework uses six thematic priorities of the Bangladesh Climate Change Strategy and Action Plan (BCCSAP 2009) as the national policy objective typology for tracking and monitoring climate

expenditure. It is worth noting that these approaches (CPEIR standard typology and national policy objective typology) are not mutually exclusive but rather complementary to each other.

Derived from the standardised CPEIR typology, for Eswatini, a specific CPEIR typology is proposed. The following table is presenting the proposed CPEIR typology for Eswatini that could be implemented.

Table 6: UNDP's standard CPEIR Typology proposed to Eswatini's case

PG1: A national framework for adaptation and risk reduction	PG1.1 Develop climate change adaptation guidelines and technical regulations
	PG1.2 Develop/adjust policy, planning and mechanism for climate change response and implementation across government, enterprises, and communities
	PG1.3 Manage and monitor implementation of adaptation policies
PG2: A comprehensive consistent national mitigation policy framework	PG2.1 Establish policy, tax and incentive structure for new and clean energy, energy efficiency and low GHG emission
	PG2.2 Develop/ adjust the sectoral plan and coordinate implementation among departments, enterprises, and provinces
	PG2.3 Manage and monitor implementation of Mitigation policies
PG3: Action Plan Impact Assessment at national, provincial, and sector level to translate policy and governance into activity and delivery	PG3.1 Action and Sector Plans
	PG3.2 Climate Change Impact Assessments
	PG3.3 Climate Change Capacity Building
PG4: Legal framework to implement climate change policy (all elements of climate change/green growth policies)	PG4.1 Mitigation instruments
	PG4.2 Adaptation instruments
	PG4.3. Mitigation and Adaptation Instruments
PG5: International cooperation, integration and diversification and strengthening of climate change investment effectiveness	PG5.1 Strengthen cooperation and partnership with international community on climate change issues
	PG5.2 Effective management and coordination of foreign and domestic investment

<p>ST1: Develop science & technology as a foundation for formulating policies, assessing impacts, and identifying measures on climate change adaptation and mitigation</p>	<p>ST1.1 Information and database development</p> <p>ST1.2 Hydrometeorology and early warning system and climate change projection</p> <p>ST1.3 Biological & genetic resource strengthening</p> <p>ST1.4. Survey and assessment on climate change impacts</p> <p>ST1.5 Technology for energy efficiency and low GHG emission</p>
<p>ST2: Improve awareness of climate change</p>	<p>ST2.1 Climate change awareness building in curriculums of primary to higher education establishments</p> <p>ST2.2 Awareness of climate change in diverse education and training initiatives for post-school aged earners</p>
<p>ST3: Develop community capacity for responding to climate change</p>	<p>ST3.1 Support livelihood building for communities in the context of climate change</p> <p>ST3.2 Capacity across the whole community in climate change response</p>
<p>CCD1: Mitigation actions</p>	<p>CCD1.1 Energy & Transport</p> <p>CCD1.2 Waste</p> <p>CCD1.3 IPPU</p> <p>CCD1.4 AFOLU</p>
<p>CCD2: Adaptation actions</p>	<p>CCD2.1 Agriculture</p> <p>CCD2.2 Water</p> <p>CCD2.3 Health</p> <p>CCD2.4 Ecosystem & Biodiversity</p> <p>CCD2.5 Infrastructure</p>
<p>CCD3: Cross-cutting actions</p>	<p>CCD3.1 Gender</p> <p>CCD3.2 Youth</p>



Component 3 - Weighing Climate Relevance

The definition and the classification of climate related expenditure only enable the identification of such expenditure in the budget system but do not quantify climate relevant expenditure. To do so, the extent to which the expenditure is climate related needs to be assessed. UNDP provides detailed guidance to weigh the climate change relevance of an expenditure item, as mentioned in the previous section “A methodological approach for climate expenditures review – CPEIR Analysis”. Here is a quick reminder of the main techniques recommended.

● Approach 1 - CPEIR Climate Relevance Index

This approach assesses climate relevance using a relevance index, on a scale of 0 – 100 percent. The declared objective of the activity will be mapped against the index and the weights will be given accordingly.

● Approach 2 - CPEIR Benefit Cost Ratio Approach

This approach determines the weight of climate relevance by analysing the benefits when climate change impacts materialise compared to the situation

without climate change. As such, it identifies the “additional” climate change component of an activity on more objective grounds (compared to subjective judgement of the declared objectives in the CPEIR Climate Relevance Index method).

This approach benefits from the participation and contribution of key stakeholders, is less time consuming and encourages government officers to consider climate impacts and climate risks into policy and activity formulation.

Component 4 – Designing the Tagging Procedure

The design of the tagging procedure depends on the type of expenditures that the government would like to tag (e.g., recurrent/capital expenditure; on-budget/off-budget etc.) as well as the budget process of the country. These variables will differ from country to country. From the experience of Indonesia, the Philippines and Nepal in implementing Climate Budget Tagging, below are some key issues to consider in designing the tagging procedure.

● **Entry point**

The entry point to integrate Climate Budget Tagging in the budget process will determine what type of expenditure will be tagged. Using a budget proposal as an entry point also has short comings in that other public expenditures that are not subject to a budget proposal will not be captured and tagged. These might include investments by state-owned enterprises (if they do not go through the budget proposal process) or off-budget items.

● **Existing design and capacity of the budget information system**

The budget information system in place has a significant influence on how the marking process can be designed. In general, the introduction of Climate Budget Tagging is about whether the tag can be integrated into the existing system or whether a new system needs to be created.

● **Level of information to be tagged**

Consideration needs to be given to whether expenditure will also be climate-tagged across different classifications such as economic classification (personnel, capital, financial expenses, etc.), programmatic classification (programme/project/activity/sub-activity levels) or administrative classification (ministry/department/unit).

Also, consideration is to be given whether the tagging system would capture both budgeted and actual expenditures.



Malkerns Town Centre

E - Implications on tracking international climate finance at the national level

Initiatives to track international climate finance flows have been implemented such as the OECD-DAC Rio Markers and MDB Joint Approach, reporting bilateral climate-related ODA to reach \$33 billion in 2019, and \$50 billion from multilateral development banks globally (OECD, 2021). There has also been interest in monitoring international climate finance by developing countries themselves. The topic has been discussed for some time, notably in a series of Working Papers by the World Resource Institute²⁹ (Tirpak, D., Brown, L. et al., 2014). According to the World Resources Institute's (WRI) analyses of the same working papers, one of the biggest

challenges in tracking international climate finance at the national level is the lack of definitions for climate finance and a method for labelling it. CBT implementation would therefore address this issue by providing country-specific definitions, typologies and criteria that can be used to track climate-related ODA in-country. This is significant as it would provide a comprehensive picture of climate spending from both domestic and external sources.

Further, the CBT tool introduced in this paper, different from other climate finance tracking tools, enables the weighing of climate relevance of each

activity, mitigating the risk of over-estimating climate finance for example in cases where 100 percent of expenditure is counted as climate finance whilst the activity is only slightly climate relevant. Harmonizing the criteria used to track ODA and domestic expenditure would ensure consistency in the counting of domestic and external sources of climate spending.



Livestock farming at Luyengo.

²⁹ <https://core.ac.uk/download/pdf/75778138.pdf>

III. Section 2: Institutional arrangement and coordination mechanism for implementation of the Climate Expenditure Classification and Coding, Budget Tagging system

Following the previous section, which provided information concerning climate policy, this section aims to provide guidelines towards climate-related budget actions, by presenting the international best practices for institutional arrangements and coordination mechanism for implementation of Climate Expenditure Classification and Coding as well as Climate Budget Tagging (CBT) system.

To give extensive examples, and to have a tangible and pertinent comparison between different countries and approaches, tables and country policy descriptions will present different country experiences in putting in place CBT at the national level.

Then, an exhaustive list of the different actors and their actions will be presented, along with an analysis of Eswatini's practices regarding climate expenditures classification and actions.

A - International best practices of coordination mechanisms for Climate Expenditure Classification and Budget Tagging system

In this chapter, a very quick reminder on the Climate Expenditure Classification and Coding system will be provided, followed by the benchmarking of the existing best practices coordination mechanisms for Climate Expenditure Classification and Coding system internationally.

1 - Implementation for Climate Expenditure Classification and Coding system: a conceptual approach for coordination

As mentioned in the previous section

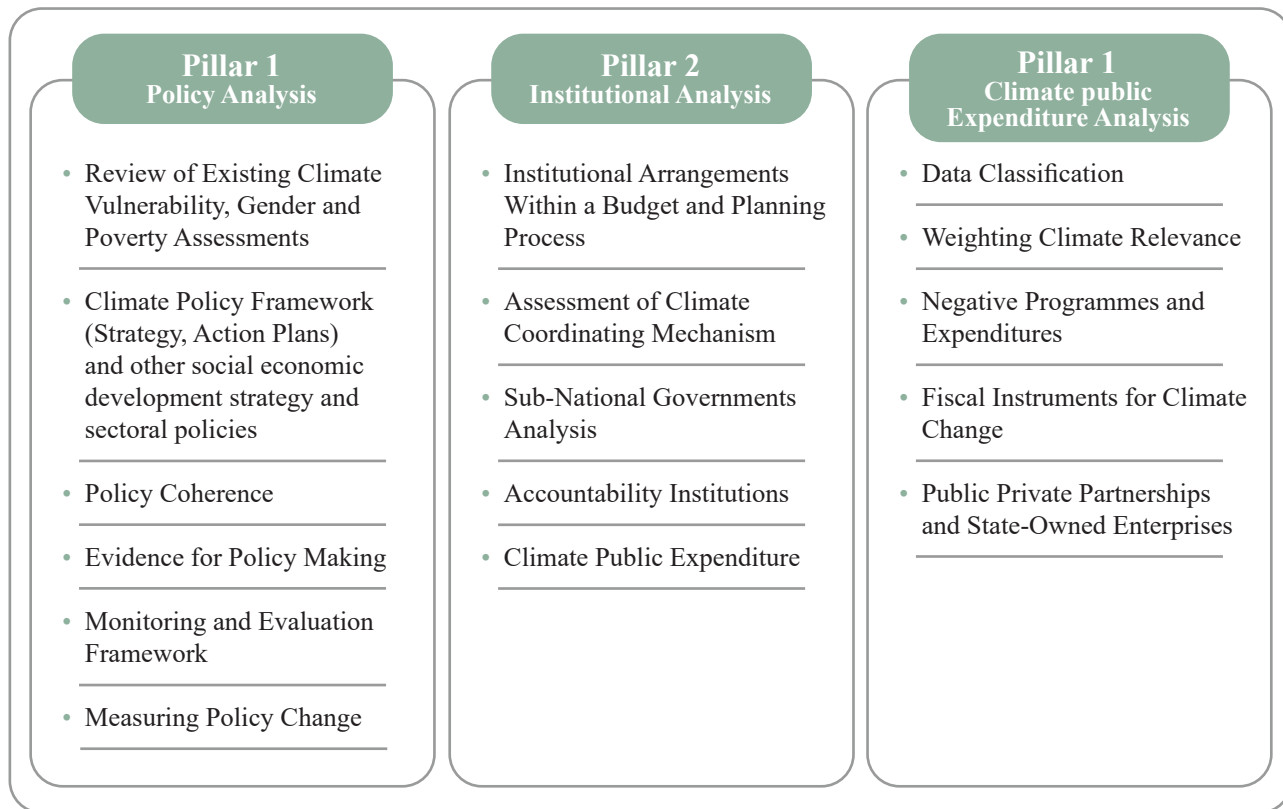
“Climate Expenditure classification, Climate Budget Tagging system,” a CPEIR is a diagnostic tool to assess opportunities and constraints for integrating climate change concerns within the national and sub-national budget allocation and expenditure process. The CPEIR analytical framework has three key pillars: Policy Analysis, Institutional Analysis and Climate Public Expenditure Analysis.³⁰



Sugar Cane Production at Malkerns.

³⁰ Adelante Knowledge and Development (2014) Draft Lessons Learnt Paper, Climate Public Expenditure and Institutional Reviews (CPEIRs). Available from: <http://www.adelante.info/index.php/en/stories/item/22-climate-public-expenditure-and-institutional-reviews-cpeir-lessons-learnt>

Figure 6: CPEIR Analytical framework³¹



The scope of expenditures to be reviewed in the CPEIR is one of the important issues to be discussed and addressed. The CPEIR typically reviews the expenditures for ministerial policies and programmes which are expected to contribute to the national climate change response. In addition, the CPEIR should review the following other types of expenditures and investments:

- Expenditures that contribute to increasing greenhouse gas (GHG) emissions (such as fossil fuel subsidies) and/or hindering adaptation efforts.

- Tax incentives for climate actions (which is foregone revenue to the government).
- Dedicated extra-budgetary climate funds.
- Investment sources from SOEs, PPPs and private sector.

To ensure government ownership and oversight of the CPEIR process, institutional arrangements for CPEIR implementation should be established, including a Steering Committee involving relevant ministries, civil society organisations, and development partners.

During the CPEIR analysis, the CPEIR team will collect data, undertake the analysis following the main themes of the CPEIR (policy, institution, expenditure), report on progress and seek guidance from the Steering Committee. A CPEIR report is then to be presented for validation and finalisation. This way, buy-in and implementation of the recommendations will be more likely.

³¹ UNDP (2015)



Mahlanya Marketplace

Policy analysis

The policy analysis starts with a review of the country's climate vulnerability assessments and existing gender and poverty impact assessments. It will also examine national climate change policies in the context of national development plans and other sectoral policies.

First, climate vulnerability, gender and poverty-related issues in the country need to be assessed. Then, existing climate policies and their coherence will be reviewed and it will be ensured that policies are made based on research findings.

Institutional analysis

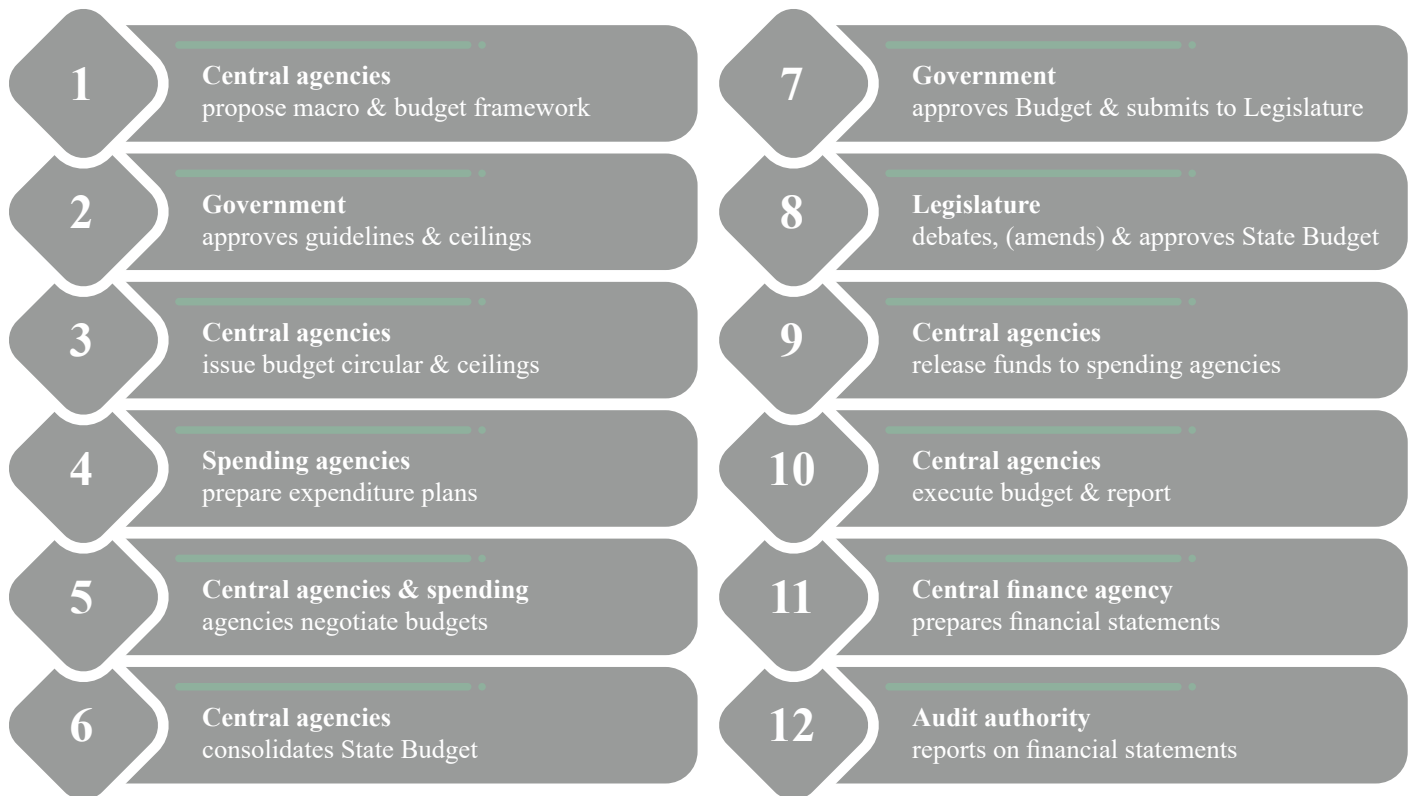
The consistency between planned and actual spending as well as the link between costed plans, programmes, medium-term budget, and annual budgets need to be assessed in a CPEIR. It will also identify the roles of finance and planning ministries as well as the climate change department and other sectoral

ministries in that budgeting process. Such analyses help to identify potential weaknesses in the policy-budget linkages and areas of political economy dynamics around budget and budget execution. Data to be collected to assess the key stages in transmitting policy into expenditure includes:

- Costing of policies and programmes: agreed costed plans by Cabinet that serve as a basis for budgeting.
- Medium term expenditure allocations: If the country uses a medium-term expenditure framework (MTEF), the allocations to the programmes should be compared to the costed plans.
- Annual budget allocations.
- Budget release: Corresponds to the authorization for commitment and payment issued to spending entities based on cash profile.
- Outturns: What was reported as spent.

The variation between these stages of the budgeting and expenditure cycle is the basis for analysing how policy intent is transmitted through the budget, and the enablers and disablers of policy transmission. This may include public finance management (PFM) system weaknesses such as over optimistic fiscal forecast, weak or absent commitment control, underperforming revenue collection, unreliable short-term domestic debt management, absence of procedures for investment appraisal and impact assessment (environmental, social, climate change), use of policies as political statement decoupled from fiscal feasibility, budget execution decoupled from approved budget (this is not always verifiable due to weak internal controls and inaccurate accounting and financial statements). The following figure shows a conceptual coordination approach for the budgeting process as designed by the UNDP to accompany countries wishing to apply CPEIR.

Figure 7: A stylised coordination of the budget process³²



1: The central finance and planning agencies initiate the budget process six to nine months before the start of the fiscal year by preparing a pre-budget policy document that lays out the macroeconomic framework and proposes the broad allocation of resources in line with government plans and policies.

2: This policy statement is generally approved by the government.

3: The central finance and planning agencies issue a budget circular which contains instructions and policy guidance based on this policy statement. This document will lay out the resource allocations that agencies should use for budget formulation.

4: Agencies prepare budget proposals that allocate resources between departments, programs, and projects in line with sectoral policy and submit these to the central agencies.

5: The central finance and planning agencies assess whether each agency's proposal is within expenditure limits and aligned with the government's policy objectives.

6: The central finance agency consolidates agency budgets into a state budget.

7: The state budget is approved by the government.

8: The state budget is submitted to the legislature appropriations committee for legal authorization to spend funds.

9: Once the budget is approved, the central finance agency releases funds to spending agencies according to the availability of funds in the central treasury account, rationing funds allocated to spending agencies as necessary.

10: Spending agencies execute the budget and implement plans, providing periodic reports on progress.

11: Final accounts are usually prepared within three to six months of the end of the fiscal year.

12: Final accounts are subject to an independent audit within six to 12 months of the end of the year.

³² UNDP (2015), CPEIR Sourcebook (World Bank, 2014)

A country like Eswatini will need to identify the gaps and challenges (if any) as well as opportunities in strengthening the national climate policy coordinating mechanism. The analysis would then assess whether there is a

formal coordinating mechanism and the challenges for the coordinating agency to fulfil its roles and responsibilities.

Other non-state actors would also be important stakeholders in providing

cross-checking by way of monitoring, reviewing and challenging budgetary and policy implementation reporting.



Communities have participated in protecting wetlands to build resilience.

Climate public expenditure analysis

As the previous section on “Climate Expenditure classification, Climate Budget Tagging system” stated, the methodology adopted and encouraged by the UNDP follows many steps to identify and estimate how much the government is spending on climate change related activities. All relevant information can be found in the annex (Annex VII).

2 - Implementation of Coding and Budget Tagging system: conceptual approach

for the coordination and international examples

Climate Budget Tagging (CBT) is more than a tracking tool. It provides comprehensive data on climate-related spending, enabling government to make informed decisions and prioritise climate investments.

CBT also encourages planning officials and policymakers to incorporate climate considerations into project design at the earliest stages. Further, with the information on climate related expenditure, this tool enables public scrutiny on government and donor spending towards addressing climate change issues.

A Climate Budget Tagging system would generally consist of four components:

1. Defining climate activities.
2. Classification of climate expenditures.
3. Weighing climate relevance.
4. Designing the tagging procedure.

The focus in this section will be on the last point.

From the experience of Indonesia, the Philippines and Nepal in implementing Climate Budget Tagging, some key issues to consider in designing the tagging procedure consist of the following points.

In all the countries reviewed, climate tagging focuses exclusively on direct expenditures and excludes tax expenditures and subsidies. This is a significant omission. Recent assessments³³ by France and Finland identified tax expenditures as an important instrument for financing climate policy and the principal instrument for financing expenditures with adverse climate impacts. It is in marked contrast to the practice with Sovereign Green Bonds (SGBs), which have wider coverage, encompassing subsidies and tax expenditures. SGB frameworks include subsidies in Chile, Fiji, Indonesia, Ireland, the Netherlands, Nigeria, and Poland, while Belgium and France also explicitly include tax expenditures.

The entry point to integrate Climate Budget Tagging in the budget process will determine what type of expenditure

will be tagged. The country experience so far shows that all three countries (Philippines, Nepal, and Indonesia) have chosen budget proposals as the entry point for Climate Budget Tagging. The budget proposal forms are amended to include the climate tag which indicates whether the activity is mitigation or adaptation, the corresponding themes in the classification typology and the proportion of the expenditure that is climate relevant. Using budget proposal has many advantages:

- Covering recurrent and new proposals to the government for funding from the national budget.
- Providing information on climate expenditure at an early stage in the budget process.
- Encouraging line ministries, agencies, and local governments to consider climate change impacts and climate risks into the investment from the design stage.

However, using a budget proposal as an entry point also has its short-coming as other public expenditures that are not

subject to budget proposal will not be captured and tagged. These might include investments by state-owned enterprises (if they do not go through the budget proposal process) or off-budget items.

The second element of a climate tagging methodology is its coverage. The broad categories to consider in determining coverage are the sectors or institutions that will participate in tagging; the budget categories to cover, typically recurrent and capital (investment) but also potentially both direct expenditures, tax expenditures, and revenues; and the off-budget entities to include, the most important of which are usually Sub National Government (SNGs) and state-owned enterprises (SOEs). The broader the coverage, the more comprehensive the picture of climate-relevant expenditures and the more effectively resources can be aligned with policy objectives.



Climate change adversely impacts farmers, mainly women.

³³ World Bank. 2021. Climate Change Budget Tagging : A Review of International Experience. Equitable Growth, Finance and Institutions Insight; World Bank, Washington, DC. © World Bank

Most of the tagging methodologies reviewed cover central government expenditure across all sectors and entities. Nepal and Nicaragua have gradually expanded their tagging systems to cover all central government entities. Uganda is following a similar progressive approach. Some countries tag only the sectors and entities considered most relevant to climate change action. Nicaragua tags activities and works under programs. France applies the tag at the lowest level of the programme budgeting framework: “actions” and in some cases “sub-actions.”

Tagging methodologies are typically developed by central finance agencies, often in collaboration with specialised environment or climate change institutions. In Honduras, the methodology was developed jointly by the Ministry of Finance’s public investment department and the Ministry of Environment. In Pakistan, the Ministry of Planning is not directly involved in tagging. In Colombia, the expenditure review methodology was developed by the National Planning Department but has not been adopted by the Ministry of Finance. Some countries have planning, finance, environment, and key line agencies involved in this exercise.

Most methodologies tag both

recurrent (operational) and investment (development) expenditures. Moldova’s methodology allows the tagging of recurrent expenditures only if they are directly climate relevant and only during the first year. All other countries tag both investment and recurrent expenditures. Donor funding is captured only where it is reflected in the budget. This can be a major omission in developing countries where a significant proportion of investment is donor funded. Cambodia has established a reporting system for extra-budgetary donor funds based on the aid management platform, with labelling based on donors’ own reporting and no further validation.

The third element of a climate tagging methodology is an estimation of the share of expenditures that are climate relevant. Estimation is necessary because programs and projects that are primarily intended to achieve climate-related objectives may include activities or deliver outputs and outcomes that are not climate relevant, and conversely, programs and projects that are primarily intended to achieve a development objective may include activities or deliver outputs and outcomes that are climate relevant. Countries have followed one of three approaches: limiting tagging to programs that have climate change as a primary objective; considering all

programs and projects and estimating the expenditures associated with the climate-relevant elements, components, or activities; and applying climate-relevance weights to estimate the fraction of programme or project expenditure that is climate relevant.

The most common approach estimates the climate-relevant expenditures associated with programme and project elements, such as components, activities, and outputs. The level of granularity for tagging and estimation varies. The most granular drill down from programme, projects, and components to activities and outputs and eventually to inputs. This approach generates an estimate of the incremental cost of climate-relevant activities in development programs and projects.



Ecotourism

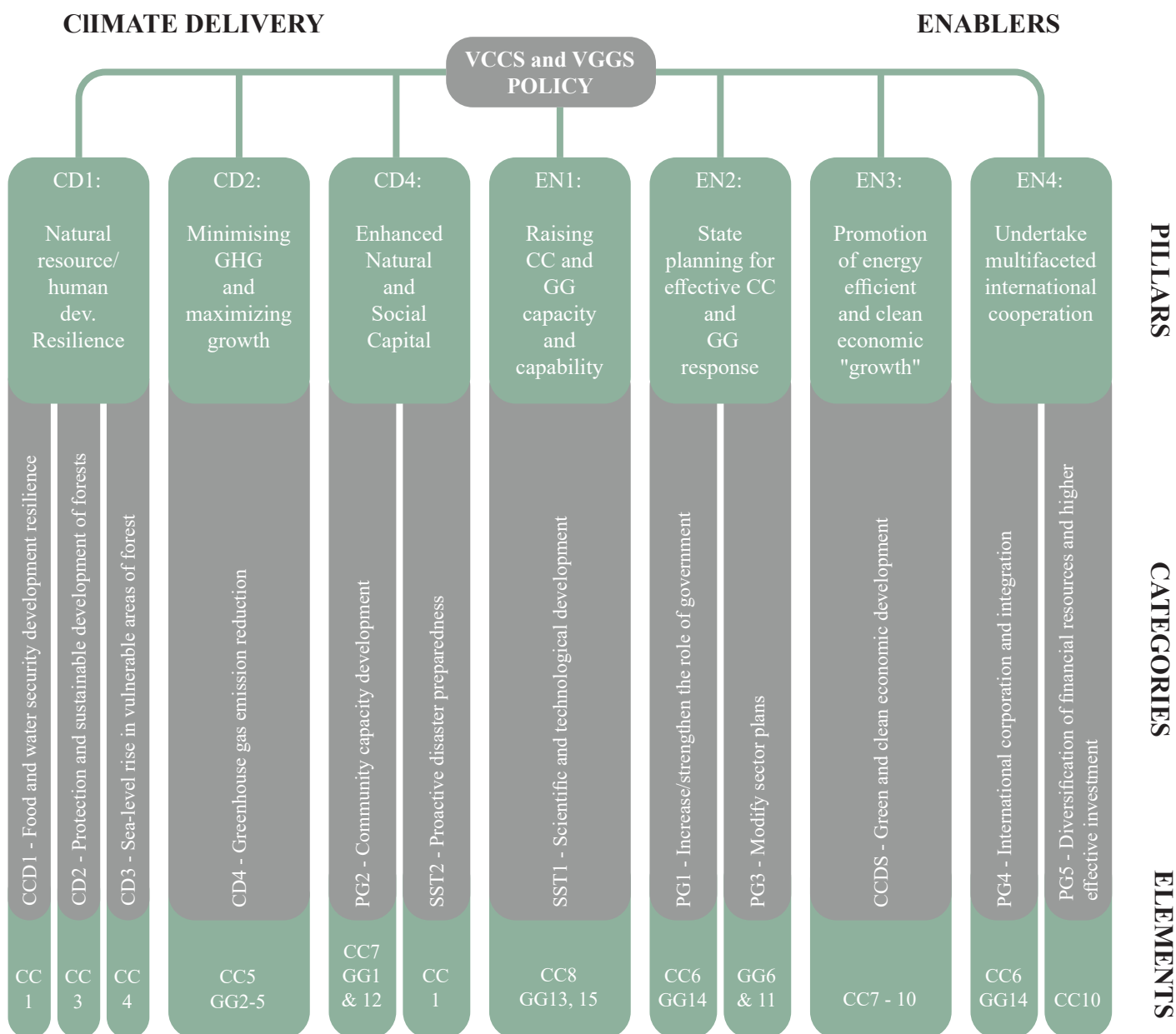
3 - Coordination of Climate Expenditure Classification and Coding system: the Example of Vietnam and the Rio Markers

UNDP has been helping several countries adopting a sharp climate expenditure classification, including Vietnam. In the case of Vietnam’s CPEIR, another approach was used to classify climate relevant expenditures which is to assess national climate change policy priorities against the state budget. The national

policy priorities are most likely based on the strategic areas and themes for actions from the government’s climate change strategies and action plans. For example, in Vietnam’s CPEIR, the main references to the government’s key strategic priority programmes are included in the National Climate Change

Strategy, National Climate Change Action Plan and Vietnam Green Growth Strategy (see figure below). Meanwhile, in Bangladesh, the key six themes of the Bangladesh Climate Change Strategy and Action Plan (BCCSAP 2009) were used to define the national policy priorities for addressing climate change.

Figure 8: Examples of Vietnam’s Policy Linked Climate Change Typology³⁴



³⁴ UNDP (2015)

Rio Markers

Another tool for data classification is the “Rio Markers.” The Rio Markers were developed by OECD’s Development Assistance Committee (DAC) to guide member state reporting on development assistance in support of the 1992 Rio Conventions on Climate Change, Biological Diversity, and Desertification. The Rio Markers are intended to track the mainstreaming of environmental considerations into development cooperation rather than to quantify financial flows. The markers apply standardised definitions for all countries that allow the consolidation and comparison of data on development assistance across DAC member states. Originally, only a single environmental marker existed and specific markers for biodiversity, desertification, and climate change mitigation were introduced in 1998, and a climate change adaptation marker in 2010. Multiple Rio Markers may be applied to the same development activity. The methodology serves as the basis for many of the current approaches to Climate Budget Tagging.

The Rio Markers’ methodology scores activities based on the programme objective. It distinguishes three categories: “principal,” when the climate change mitigation or adaptation is explicitly stated as fundamental to the motivation, design, and funding of the activity; “significant,” when climate change mitigation or adaptation is explicitly stated as an objective but is not the fundamental motivation and the activity has other objectives also; and “zero,” when the activity does not target climate change mitigation or adaptation objectives. The methodology provides examples to aid in the scoring of activities.

Climate change adaptation poses a particular challenge because many development activities will contribute to resilience. The Rio Markers recommend a three-step approach to distinguish adaptation-relevant from development

activities and to justify a principal score. Activity documentation (such as project documents) must: identify the risks, vulnerabilities, and impacts related to climate variability and climate change; outline how the project intends to address them; and demonstrate a clear and direct link between the identified risks, vulnerabilities, and impacts and the specific project activities.³⁵

OECD consolidates information on the share of development finance aligned with the Rio commitments based on member states’ reports. DAC members typically report on commitments of funds. The methodology does not translate the scoring of activities into a percentage of the activity budget considered climate relevant, nor does it aggregate the amount of climate-relevant development finance.

Linking climate change related expenditures to national climate change policy objectives under a country’s strategies and action plans can be a powerful tool to move countries towards climate responsive budgeting and an effective “Monitoring and Evaluating” system. Linking expenditure to policy objectives provides information on the allocation of resources to these policy objectives at national and sub-national levels and helps to identify any gaps between resource allocations and policy objectives.

Following data classification, to quantify climate relevant expenditures, the next step of climate relevant expenditure analysis is to identify and apply the weighting of relevance to climate change of these policies and programmes. Relevant information concerning weighting can be found in annex (Annex II).

Finally, concerning state-owned enterprises (SOE) and public-private partnerships (PPPs), it is interesting to underline that PPPs are becoming an

increasingly significant way to finance large-scale infrastructure. It may be useful to ensure that appraisal guidelines and scoring system do include climate relevant mitigation and adaptation, as it can become a source of learning in addition to being a beneficial investment. SOEs may represent a large share of the public sector, whose investments are mostly in sectors highly relevant to climate change (such as energy, mining, water resource management, forestry etc.). Therefore, the CPEIR should also include a review of SOEs and PPPs climate-relevant investments, especially in the main sectors of interest in terms of climate change issues: energy, water, transport, and waste.

³⁵ More information on Rio Markers can be found in Annex 4.

4 - Coordination of Climate Expenditure Classification and Coding system: the example of the Philippines



Recognizing the challenges and opportunities posed by climate change, the Government of the Philippines (GoP) has significantly stepped up its leadership and ambition on the climate change agenda. The Climate Change Act of 2009, followed by the National Framework Strategy on Climate Change and the National Climate Change Action Plan (NCCAP), set up the institutional arrangement needed for national climate policy coordination and developed the 8 priority areas of climate change response. The Climate Change Act of 2009 also mandated the mainstreaming of climate change in government policies. The Philippine CPEIR makes a suite of recommendations to mainstream climate change into the budget process, strengthen the climate change planning and financing framework, improve accountability and build capacity. Climate budget labelling was recommended as a tool to better track and monitor climate spending in the budget. In the Philippines, defining climate relevance starts with targeting and then, in a second step, aligns programmes and activities with specific climate change policies. The Philippines tags expenditures of the components that address climate change when the main

Climate change affects the ability of communities to access water.

objective of the programme or project is not climate change related.

Following the CPEIR recommendation, the Department of Budget Management (DBM) and the Climate Change Commission (CCC) have jointly developed a framework for the Climate Change Expenditure Tagging (CCET). The CCET framework provides definitions of climate change based on NCCAP priorities and a common method for tagging, linking budget allocations and national climate policy priorities. For the 2015 budget, 53 National Government Agencies have prioritised and tagged their budget proposals for climate change spending using this common framework. About five percent of the 2015 budget targets climate change, with about 98 percent directed towards adaptation, in line with NCCAP priorities. The largest expenditures are for flood control protection. With a more comprehensive picture of climate expenditures, for the first time, climate change prioritisation in budget proposals

was explicitly discussed at Technical Budget Hearings. These discussions can initiate the development of performance indicators for better monitoring climate change results and objectives.

The Government has also started the piloting of the CCET at the Local Government Unit (LGU) level adapting from national common CCET typology and guidelines, enabling consistent and comprehensive assessments of climate spending at both national and sub-national levels. 42 Local Government Units (LGU) have been trained to tag their 2015 Annual Investment Plans, preparing for scaling up CCET to all LGUs in 2016. Today, all 1760 LGU are required to tag their annual investment plans, covering funds from the central government, own resources, and donor funding.

The CCET implementation benefits from, as well as supports, other PFM reforms. A variety of tools (e.g., budget calls, MTEF) already are available to improve the identification, development, and selection of climate PAPs in the Departments’ budget planning and managing decisions. Broader PFM reforms (e.g., Zero Based Budgeting,

the Programme Approach, bottom-up Budgeting, and the Results-based Performance Management System), when applied to climate PAPs, provide additional opportunities to improve effectiveness and efficiency of the Government’s climate policies. Moreover, the budget and planning units of all agencies are trained each year, and

the Climate Change Commission has set up a help desk to advise agencies and local governments when applying the methodology. The Philippines also produces annual climate budget briefs for key agencies as well as a national climate budget document.

Table 7: Active climate stakeholders in the Philippines

Department of Budget Management and the Climate Change Commission	Jointly developed a framework for the Climate Change Expenditure Tagging, that is being used by public institutions.
Local government units	Tag their annual investment plans, covering funds from the central government, own resources, and donor funding.
Climate Change Commission	Set up a help desk to advise agencies and local governments when applying the methodology.

Table 8: Climate Budget Tagging - Country Experience Comparison (Philippine’s case)

Definition and criteria of Climate-related Expenditure	Adaptation and mitigation definitions. Use of policy areas in NCCAP in definitions to guide screening climate related expenditures.
Classification/Climate	Tag their annual investment plans, covering funds from the central government, own resources, and donor funding.
Change Typology	Typology based on NCCAP 8 priority areas. 4 level typologies covering: NCCAP priority area, sector, sub-sector to activity level.
Weighing Climate Relevance	The proportion of the expenditure that is climate relevant is subjectively estimated by policy managers.
Entry point	A parallel module linked to an integrated budget information system.
Level of information to be tagged	Tag at activity level. Tagging across economic classification also.
Budget Information System Capability	Fully on-line and computerised. Integrated to the existing information system which already incorporates other tags.
Lead institutions	Both Department of Budget Management (DBM) and Climate Change Commission (CCC).

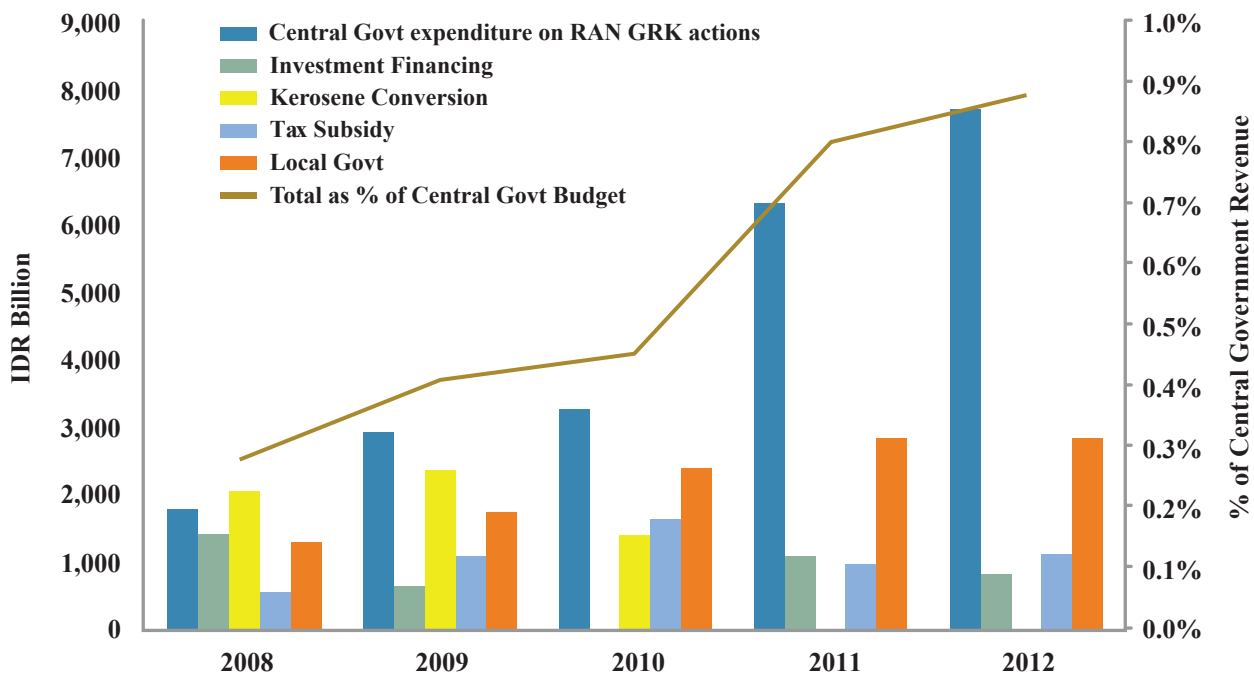
5 - Coordination of Climate Expenditure Classification and Coding system: the example of Indonesia

The Government of Indonesia (GOI) announced its target to reduce greenhouse gas (GHG) emissions by 26 percent below business as usual by 2020 with their own resources, increasing to 41 percent with international financial support. These goals were legislated in Indonesia’s National Action Plan to Reduce Greenhouse Gas Emissions

(RAN-GRK). In 2012, Indonesia launched its first Mitigation Fiscal Framework (MFF) to estimate the expenditures required to achieve the emissions reduction target specified in the RAN-GRK. Assessing the expenditure that has been spent to achieve RAN-GRK, the MFF found that the central government expenditure alone

on RAN-GRK actions amounted to IDR 7.7 trillion (over \$640 million) with total expenditures, including local government and off-budget allocations (investment financing, kerosene conversion and tax subsidy), reaching IDR 15.9 trillion (over \$1.3 billion) in 2012 (See figure below).

Figure 9: Mitigation expenditures in Indonesia³⁶



At this level of expenditure, Indonesia faces a gap of 11 percent out of 26 percent that might not be achieved. The MFF also recognises integration of RAN-GRK in the budgeting process by applying mitigation budget tag and costed prioritisation of mitigation activities as some of the next steps to better manage mitigation financing. Indonesia initially focused on mitigation, but subsequently expanded tagging to encompass adaptation. Therefore, Indonesia used to tag only the sectors and corresponding ministries that fall under the National Action Plan for Greenhouse

Gas Emissions Reduction. Subsequently, tagging expanded to cover adaptation activities. Indonesia tags and estimates climate-relevant expenditures at the output level.

Following the MFF recommendation, the Ministry of Finance prepared the Low Emission Budget Tagging and Scoring System Study (LESS) for climate mitigation expenditures in Indonesia. The Ministerial Decree No.136/2014 approved in 2014 mandates mitigation expenditure tagging for seven key line ministries³⁷ under the RAN-GRK.

An online application and thematic budget tagging system have also been developed, supported with trainings to relevant staff of MoF and line ministries. Following the national study, LESS pilots have been conducted in three provinces since April 2014.

³⁶ Indonesian Ministry of Finance (2012)

³⁷ Ministries of Agriculture, Energy, Transport, Industry, Public Works, Forestry and the Environment

In Indonesia, expenditures are initially tagged by the Echelon II units/ directorates' work teams. Tagging is verified in reconciliation meetings between line agencies and the Climate Change Secretariat of the Ministry of National Development Planning. Tagging is then validated by the Ministry of Environment and Forestry

for consistency with the nationally determined contribution (NDC) and endorsed by the Ministry of Finance before the budget is submitted for legislative approval.

The results of the provincial LESS study will be used as feedback to the RAD-GRK17/RAN-GRK monitoring system at

BAPPENAS³⁸ and for developing fiscal policy to support the implementation of climate mitigation at the provincial level based on the cost-effectiveness principle.

Table 9: Active climate stakeholders in Indonesia

Stakeholders	Role
Ministry of Finance	Prepared the Low Emission Budget Tagging and Scoring System study for climate mitigation expenditures.
Ministry of Environment and Forestry	Validates the tagging of the different agencies.
Climate Change Secretariat of the Ministry of National Development Planning	Verify the tagging of agencies and assess the quality assurance process.

Table 10: Climate Budget Tagging - Country Experience Comparison (Indonesia case)

Definition and criteria of Climate-related Expenditure	Mitigation only: direct and indirect actions. Use of RAN-GRK priority areas as the basis but also recognise non-RANGRK areas.
Classification/Climate Change Typology	There is no explicit typology. Climate related expenditure is tagged by themes.
Weighing Climate Relevance	The scoring system has not yet been developed.
Definition and criteria of Climate-related Expenditure	Mitigation only: direct and indirect actions. Use of RAN-GRK priority areas as the basis but also recognise non-RANGRK areas.
Level of information to be tagged	Tag at activity level.
.Budget Information System Capability	Partly integrated computer-based and partly manually tagged by MoF. Retrofitted to the existing information system (use of the existing field to add climate change themes).
Lead institutions	Fiscal Policy Agency (MoF).

³⁸ BAPPENAS is the National Development Planning Agency, translated from the Indonesian language.

6 - Coordination of Climate Expenditure Classification and Coding system: the example of Nepal

The Government of Nepal (GoN) is committed to addressing the emerging issues of climate change through increasing the understanding and capacity of climate finance management. To date, the Government has made significant efforts to explore appropriate funding mechanisms, develop institutional capacity to manage climate finance and integrate climate change into development planning and budgeting. The GoN established the Climate Change Council in 2009 chaired by the Prime Minister responsible for providing high-level policy and strategic oversight. The Multi-Sectoral Climate Change Initiatives Coordination Committee was also created in 2009 as a national coordinating body.

In 2011, the Government undertook a CPEIR which found that the annual

expenditure on climate related activities constitutes approximately 6 percent of total government expenditure, with approximately 75 percent targeting adaptation.

The concept of tagging climate expenditure was a key recommendation of the CPEIR, which suggested developing a feasible method for tracking climate expenditure in the public finance system. In response to this, the climate finance working group comprised of key ministries³⁹ developed tagging criteria and procedures through a series of consultations. Using the criteria and procedures developed, the National Planning Commission (NPC) developed a Climate Budget Tagging procedure, done at the programme level, and introduced it into the programme budget of the Fiscal Year 2012/13. The Ministry

of Finance has since incorporated the climate tagging into its budget system. Nepal has gradually expanded its tagging systems to cover all central government entities.

Additionally, Nepal generally excludes recurrent expenditures but leaves it to the discretion of line ministries to tag them if they finance what is considered a development activity. In Nepal, the National Planning Commission led an inter-ministerial working group that included, among others, representatives from the Ministries of Finance, Environment, and Local Development. Where responsibility for budgeting, planning, and accounting is split across different agencies, tagging systems developed by only one may not be fully integrated into planning and budgeting procedures.

Nepal calculates the share of climate-relevant expenditures within a programme by identifying climate-relevant budget lines. Based on how large this share is, programs are tagged as either highly climate relevant (more than 60 percent), climate relevant (20–60 percent), or neutral (less than 20 percent). Nepal's budget reports present the total amount allocated to programs under each of these three categories.

Nepal's Climate Budget Tagging took effect on 12 April 2012 and has now been implemented in the National Budget of the fiscal year 2012/2013 and 2013/2014 to facilitate tracking of climate expenditure. For 2012/13, climate related expenditures amounted to NRs. 27,28,26,29,000 (approximately \$260 million), taking up 6.74 percent of the total budget.

³⁹ National Planning Commission (NPC), Ministry of Finance (MoF), Ministry of Science Technology and Environment (MoSTE); Ministry of Forest and Soil Conservation (MoFSC); and Ministry of Federal Affairs and Local Development (MoFALD)

Table 11: Active climate stakeholders in Nepal

Stakeholders	Role
Climate Change Council & Multi-Sectoral Climate Change Initiatives Coordination Committee	Ensure coordination and function to align climate change with development activities.
National Planning Commission	Developed a Climate Budget Tagging procedure.
Ministry of Finance	Incorporated the programme tag in its budget system.
Climate Change Management Division in the Ministry of Population and Environment	Dedicated to developing necessary prerequisites for the effective implementation of the UNFCCC provisions.
REDD Implementation Centre under the Ministry of Forests and Soil Conservation	Dedicated to developing necessary prerequisites for the effective implementation of the UNFCCC provisions.
Non-governmental and community-based organisations	Engaged in strengthening national and local entities to provide services to the climate vulnerable communities.

Table 12: Climate Budget Tagging - Country Experience Comparison (Nepal case)⁴⁰

Definition and criteria of Climate-related Expenditure	Not split between mitigation and adaptation. Based on a short-list of climate related thematic areas, covering all economic sectors.
Classification/Climate Change Typology	There is no typology.
Weighing Climate Relevance	Adopting a criteria system: <ul style="list-style-type: none"> • Highly Relevant: above 60% of expenditures allocated to climate activities • Relevant: 20-60% • Neutral: below 20%
Entry point	Budget proposal.
Level of information to be tagged	Tag at programme level.
Budget Information System Capability	Initially manually done. Incorporated climate tag to the budget information system. Limited to budget allocations only (no information on actual expenditures).
Lead institutions	National Planning Commission.

⁴⁰ Le, H., Baboyan, K. (2015) *Climate Budget Tagging - Tracking Climate Change Expenditures: regional practices*

7- Coordination of Climate Expenditure Classification and Coding system: the example of Bangladesh

The Government of Bangladesh (GoB) has set a high priority for addressing short, medium, and long-term climate change issues. Following the development of its National Adaptation Programme of Action (NAPA) in 2005, the GoB launched the Bangladesh Climate Change Strategy and Action Plan (BCCSAP) in 2008 which was subsequently updated in 2009. The BCCSAP 2009 identified climate hazards and their impacts in Bangladesh and set out a plan of programmes to address these issues. The programmes prioritised the needs of the poor and vulnerable, including women and children, and were grouped into six themes, namely:

- Theme 1: Food security, social protection, and health.
- Theme 2: Comprehensive disaster management.
- Theme 3: Infrastructure.

- Theme 4: Research and knowledge management.
- Theme 5: Mitigation and low carbon management.
- Theme 6: Capacity building and institutional strengthening.

The GoB also recognised that if Bangladesh is to deal successfully with the cross-cutting impacts of climate change, it must establish an appropriate funding framework. In 2012, Bangladesh CPEIR was conducted. It found that Bangladesh was spending up to \$1 billion per year on climate related activities, 75 percent of which comes from domestic resources. With that finding, in 2014, Bangladesh developed a Climate Fiscal Framework (CFF) to improve the management of such resources and better link them to the national budget process. The CFF provides guidelines for estimating long-term financing needs

to combat climate change and elaborate the role of GoB towards managing climate finance. Furthermore, the CFF proposes a climate expenditure tracking framework (CETF) for better monitoring and prioritisation of climate related investments.

The CETF is proposed as a module attached to the Computerised Budget Database at the Ministry of Finance (MoF) and the Computerised Accounts Consolidation System at Controller General of Accounts (CGA). As such, the CETF is a separate module, independent yet closely linked with the budget database and the CGA accounts module.

Figure 10: CETF module

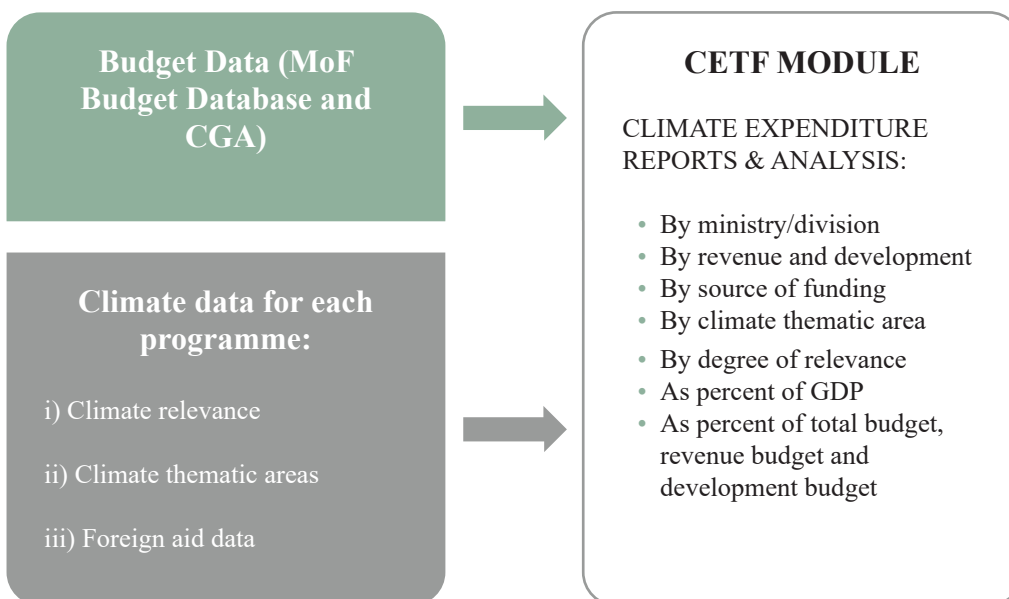


Table 13: Active climate stakeholders in Bangladesh

Stakeholders	Role
Department of Urban and Regional Planning	Led a national workshop on Mainstreaming Climate Change in Urban Policies.
Ministry of Environment and Forests	Work on climate change and international relations. Develop and oversee the implementation of the national Climate Change Strategy and Action Plan.
National Disaster Management Council	Highest-level forum for the formulation and review of disaster management policies.
Ministry of Food and Disaster Management	Coordinate national disaster management interventions across all agencies at national and local levels.
Government of Bangladesh	Launched the Bangladesh Climate Change Strategy and Action Plan in 2008.

Table 14: Climate Budget Tagging - Country Experience Comparison (Bangladesh case)

Definition and criteria of Climate-related Expenditure	Adaptation and mitigation based on OECD Rio Markers definitions.
Classification/Climate Change Typology	There is no typology.
Weighing Climate Relevance	The climate proportion is determined based on CPEIR-relevance index approach but assigning more specific percentages.
Entry point	Budget proposal.
Level of information to be tagged	Tag at operational unit level and across economic classification.
Budget Information System Capability	A parallel module linked to an integrated budget information system.
Lead institutions	Finance Division, Ministry of Finance.

B - Assessment of the coordination mechanism in Eswatini

The Kingdom of Eswatini is exposed to climate change consequences and has been facing increasing intensity and frequency of climate-induced disasters, such as sustained and pressing drought conditions, with direct impacts on rain-fed agriculture and other sectors of the economy and is set to face more challenges in the coming decades. Therefore, the country has committed to proceeding with a climate policy that would be in line with the Paris Agreement. The following sections

will present the different stakeholders taking part in the climate policy process, both internal and external. Then, the description of the CPEIR process that Eswatini has been undertaking will follow. The last section will present the National Climate Change Committee, which defines the national climate policy.

1 - Review of national stakeholders in the Climate Expenditure Classification

and Coding system

The following table presents the different stakeholders that have been taking part in Eswatini's climate action policy during the last few years. It also presents the scope of action of each actor taking part in the general direction the country is taking towards an efficient climate policy, as recommended by international standards.



Building resilience on Eswatini's agriculture and landscapes.

Table 15: Stakeholders of Eswatini's climate policy

Stakeholders	Responsibilities
Ministries	
Ministry of Tourism and Environmental Affairs	<p>Overall climate change co-ordination, mitigation and adaptation policy development and implementation. MTEA jointly oversees the NDC process with MEPD. Responsible for environmental matters, air quality and pollution control.</p> <p>Established a National Climate Change Unit. MTEA is the National Designated Authority and has the UNFCCC focal point and is the secretariat of the Designated National Authority (DNA). Also, it has received \$6.5 million in external funding which has been used over the period 2015-2019 for climate projects. Nine projects have been implemented, mainly focused on the creation of an enabling environment for climate change mitigation and adaptation.</p>
Ministry of Finance	<p>The Ministry of Finance has made available a classification of public spending with a sectoral division. It provided compiled climate change budget allocations, as approved through the national budgets.</p>
Ministry of Economic Planning and Development	<p>Track international funding coming to the country through the Aid Coordination Management Section. MTEA and MEPD jointly oversee the NDC process. Consolidates the capital budget submissions.</p>
Ministry of Health	<p>The Ministry of Health has implemented several projects related to issues of access to clean water for the population with the provision of clean water in health facilities as well as the construction of pit latrines in these facilities.</p>
Ministry of Agriculture	<p>The Ministry of Agriculture deals with droughts and desertification which can lead to food insecurity. It carries 31 climate-related projects (19.8% of all projects) especially within water and sanitation sectors. During the period 2015-2019, the Ministry of Agriculture received US\$22.7M for climate projects. 3 implemented projects.</p>
Ministry of Natural Resources and Energy	<p>The Ministry of Natural Resources and Energy oversees water security, energy, and natural resources. It contributes to 38 climate-related projects (37% of all projects) especially within water and sanitation sectors. During the period 2015-2019, the MNRE received \$30 million for climate-related projects.</p>
Ministry of Housing and Urban Development	<p>The Ministry of Housing and Urban Development has focused these environmental projects on funding improvements to transportation infrastructure and drainage systems for solid waste management. It has also supported the resettlement of homesteads in peri-urban areas.</p>
Ministry of Tinkhundla Administration and Development	<p>Ministry of Tinkhundla Administration and Development's mandate is to create an enabling environment for effective service delivery at regional and Tinkhundla level and to enforce good governance practices, inclusive development, and balanced regional development. It can promote all climatic development actions.</p>
Ministry of Sports, Culture and Youth Affairs	<p>Providing a conducive framework within which the youth will develop and change their mindset by effectively enhancing their full potential for developing socially, economically, and politically through active participation to enhance sustainable development using suitable approaches and available resources.</p>

Public companies and authorities	
Eswatini Environment Authority	Is mandated to provide for and promote the protection, conservation and enhancement of the environment. Promote environmental policies, practices, and development. Also, is a member of the National Climate Change Committee. It manages the National Environment Fund.
Eswatini Tourism Authority	The objectives of the Eswatini Tourism Authority are to develop the tourism sector as a priority in an environmentally sustainable and culturally acceptable manner.
Eswatini National Trust Commission	The Eswatini National Trust Commission (ENTC) is the parastatal organisation responsible for the conservation of the country's cultural and natural heritage. The Eswatini National Trust Commission has received \$5.4 million in external funding which has been used over the period 2015-2019 for climate projects. The Eswatini National Trust Commission (ENTC) is the parastatal organisation responsible for the conservation of the country's cultural and natural heritage. The Eswatini National Trust Commission has received \$5.4 million in external funding which has been used over the period 2015-2019 for climate projects.
Eswatini Agriculture Development Agency (ESWADE)	It has received \$48.5 million in external funding which has been used over the period 2015-2019 for climate projects. Six implemented projects. ESWADE implemented most of the GEF-funded projects, focusing on water, agriculture and livelihoods of people living in rural communities. ESWADE offers many Agri-oriented services to clients in communities as well as small and medium enterprises.
Eswatini Water Services Corporation	It has received \$60 million in external funding which has been used over the period 2015-2019 for climate projects. 2 projects implemented.
Eswatini Energy Regulatory Agency	Leading a project of installation of solar power in Eswatini, to participate in climate change mitigation actions in the country.
Financial Services Regulatory Authority (FSRA)	Regulate, administer, and supervise financial services in Eswatini. Works towards a green finance in the country.
Eswatini Revenue Authority	The ERA has the potential to use the fiscal tools of the country to serve the incitation of climate policies on a national and corporate level.
National Disaster Management Agency (NDMA)	The objective is to better understand the disaster risks that Eswatini may face, improve disaster preparedness, and strengthen governance and investment in disaster risk, with the aim of building resilience in the country.
Central Bank of Eswatini	The Central Bank of Eswatini (CBE) commits to a corporate social investment (CSI) programme that is an integral component of a broader economic, social, and environmentally friendly strategy.
Eswatini Electricity Company (EEC)	The company has an environmental department that ensures the implementation of Eswatini regulations and assesses the environmental impact of projects. Represents the government on environmental issues in national and international forums. The company participated in the Earth Hour 2011 initiative which resulted in a 10% reduction in electricity demand.
National Maize Corporation (NMC)	The NMC enables the purchase, storage, and marketing of maize for local producers. It ensures a competitive market and reduces marketing barriers and costs for local farmers.
Private sector and CSOs	
Business Eswatini (Formerly Federation of Swaziland Employers and Chamber of Commerce)	Conducted in 2009 a perception survey with the aim of identifying policy and advocacy strategies, and to inform the development of the enabling environment for sustainable enterprises report.

Coordinating Assembly for Non-Governmental Institutions (CANGO)	Coordinated NGO work and is a member of the Technical Advisory group of NDC. CANGO is a member of the National Climate Change Committee.
Association of Municipal Councils	Member of the National Climate Change Committee.
National Agricultural Marketing Board	It has received \$0.6 million in external funding which has been used over the period 2015-2019 for climate projects. One project implemented. The Climate Smart Agriculture project promotes conservation agriculture and the conversion of irrigation systems to water-saving and efficient technologies.
Eswatini Bankers Association	Member of the National Climate Change Committee.
Eswatini Sugar Association	The Eswatini Sugar Association has a corporate social investment programme which focuses on environmental preservation and national disaster relief. It is an umbrella organisation bringing together all growers and millers of sugarcane.
World Vision	Received \$2.4 million in external funding which has been used over the period 2015-2019 for climate projects.
Red Cross	Raises awareness about climate risks and intervene in case of climate change induced natural disasters.
Scientific Institutions and Academia	
University of Eswatini	Undertakes research and supports consultancies for climate change work. Hosts the Center for Sustainable Energy Research.
Technical and Financial Partners (PTF)	
United Nations Development Programme (UNDP)	Led two climate finance/climate-change related projects during the period 2015 - 2019. Supported the Government of Eswatini in starting the process of developing the National Climate Change Strategy and Action Plan (NCCSAP) for the period 2014 to 2019. Currently supporting the development of NDC Implementation Plan and has previously supported NDC revision work.
European Development Fund	Invested around \$62 million into climate change-related projects during the implementation of the first Nationally Determined Contribution, from 2015 to 2019. Also, led 4 projects during this period.
The World Bank	Invested around \$45 million into climate change-related projects during the implementation of the first Nationally Determined Contribution, from 2015 to 2019.
The Global Environmental Facility (GEF)	Invested around \$18 million into climate change-related projects during the implementation of the first Nationally Determined Contribution, from 2015 to 2019. Also, led seven projects during this period.

The African Development Bank (AfDB)	Invested around \$16 million into climate change-related projects during the implementation of the first Nationally Determined Contribution, from 2015 to 2019. Also, led four projects during this period.
Organization of the Petroleum Exporting Countries Fund for International Development (OFID)	Invested around \$14.1 million into climate change-related projects during the implementation of the first Nationally Determined Contribution, from 2015 to 2019. Also, led a climate related project during this period.
International Fund for Agricultural Development (IFAD)	Invested around \$10 million into climate change-related projects during the implementation of the first Nationally Determined Contribution, from 2015 to 2019.
The Italian government	Invested around \$4 million into climate change-related projects during the implementation of the first Nationally Determined Contribution, from 2015 to 2019. Also, led two projects during this period.
Green Climate Fund (GCF)	Invested around \$3.6 million into climate change-related projects during the implementation of the first Nationally Determined Contribution, from 2015 to 2019. Also, led six projects during this period.
Food and Agriculture Organisation (FAO)	Led one climate-related project during the 2015 - 2019 period and supported the NDC revision under the Climate Action Enhancement Package of NDC Partnership.
Common Market for Eastern and Southern Africa (COMESA)	Led one climate-related project: Supported the Government of Eswatini in starting the process of developing the National Climate Change Strategy and Action Plan (NCCSAP) for the period 2014 to 2019. Also supported the NDC revision under the Climate Action Enhancement Package of NDC Partnership.
Wundersight Investment	Leading a project of installation of solar power in Eswatini, to participate in climate change mitigation actions in the country.
Development Bank of Southern Africa (DBSA)	Leads the Climate Finance Facility (with GCF funding) with the objective to incentivise private investment in low-carbon and climate-resilient infrastructure and catalyze greater overall climate-related investment.

1 - Review of the process to set-up a Climate Expenditure Classification and Coding system since 2015



In 2012, Eswatini developed a National Climate Change Strategy and Action Plan (NCCSAP) for the period 2014 to 2019. The main objective of the NCCSAP was to provide for a systematic approach to deal with the adverse effects of climate change in a manner that contributed to the achievement of sustainable development, the eradication of poverty and the enhancement of adaptive capacity for the country and its people.

In 2015, Eswatini published its first NDC after a national consultation process. It supports the achievement of the country's development goals of sustainable development, poverty reduction and improved adaptive capacity, includes both adaptation and mitigation measures, and lists specific actions for each sector that will be undertaken as part of NDC implementation. Under adaptation, the biodiversity and ecosystem, water, agriculture, and health sectors are identified as the key focus areas. The key activities are the development of a National Adaptation Plan (currently under

development) along with the aim to determine the level of climate risk the country is facing, reduce vulnerability by developing the adaptive capacity in a sector-specific manner, and facilitate integration of adaptation in a coherent manner into the national development planning process through existing policy mechanisms.

On the mitigation side, although it is recognised that Eswatini is not a high contributor to global GHG emissions, the country nonetheless stated its commitment to reducing GHG emissions conditionally through several mitigation measures. In the energy sector, the country has committed to double the energy mix by 2030, relative to 2010 levels, through the introduction of on- and off-grid small-scale decentralised renewable energy projects. Similarly, in the transport sector, the country aims to introduce

commercial use of ethanol in petrol by 2030, which is likely to have a significant impact on transport sector emissions. In addition, the need to establish a robust GHG inventory, mechanism to establish the emissions baseline, and the need for a monitoring, reporting and verification system are also emphasised in the NDC.

Eswatini released in 2021 a study on the national CPEIR effort, aiming to enable the consideration of climate change in the national development planning and budgeting process in a systematic manner and to integrate climate change considerations into the national development decision-making processes. The climate expenditure analysis was based on data and information for the period 2015–20, provided by a task team comprising of officials from MTEA, MEPD, MoF and NDMA.

The objective of the CPEIR study was to estimate the current level of climate expenditures incurred from the public finances, and to facilitate the policy and institutional mechanisms for climate change concerns integration within the national budget allocations and expenditure processes.

Eswatini's CPEIR methodology is developed from World Bank (WB) work done on public expenditure reviews. It provides an approach for institutional analysis and review of aggregate climate change-related spending and allocations in key sectors, such as poverty alleviation, health and education, and the infrastructure sectors, to improve allocation and policy delivery on the climate action agenda.

Eswatini built its CPEIR on a review of relevant established policy and institutional frameworks and budgetary processes, and climate expenditure allocation processes driven from the public finance management system in the country.

The climate expenditure review shows what percentage of the national budget and public financing is being allocated to climate action. Estimations and quantification of the climate expenditures show the criticality of the prevailing climate change challenges and how the country is coping fiscally with this challenge from its own public resources.

The methodology was constituted of three main components, as follows:

- Policy analysis
- Institutional review
- Climate expenditure review

The CPEIR analytical framework's three key pillars as designed by the UNDP are respected by the study.

The first component of the study is the policy analysis. Policy development refinements, sector-specific regulations, institutional strengthening, and mainstreaming climate change into the national development planning processes through a range of specifically designed policy measures served to strengthen climate governance in Eswatini. Yet, the country recognises the need for technical support and financial assistance. For instance, the NDC states that the full implementation of Eswatini's NDC is contingent upon continuous strengthening of the country's technical capacities, technology transfer and development, as well as financial support received.

Even though the policies and regulations in dealing with cross-sectoral impacts of climate change have been strengthened in the past few years, the climate policies still need to be strengthened and aligned with emerging needs in the face of climate change challenges hampering the Sustainable Development Goals of the country.

The key policy documents of

Eswatini are the National Development Strategy, the National Climate Change Policy, the National Development Plan, the NDC and the National Climate Change Strategy and Action Plan. These documents have many interesting inputs for Eswatini. They concentrate on implementing climate change into national sustainable development planning processes and strengthening mechanisms for research, awareness raising and institutional strengthening.

They also address the topic of the population's adaptation to climate change by reducing vulnerability and enhancing the resilience of the communities and the economy to the impacts of climate change and disasters. That will mean increasing the adaptive capacity of the country, as well as implementing appropriate sectoral policies and investments.

It is very important to note that unless the government mitigates and invests against climate change risks and guarantees environmental sustainability, current investments will not be viable. The government's plan to raise awareness regarding environmental and climate change issues, notably in the education system, and develop climate-smart- and cost-effective agriculture technologies is particularly interesting.



Mbabane city is vulnerable to flooding.

The documents also emphasise the importance of determining the level of climate risk facing the country, reducing vulnerability by developing adaptive capacity on a sector-specific basis, and facilitating the coherent integration of adaptation into the national development planning process through existing policy mechanisms. The energy and transport sectors are of particular interest and can be defined as potential key sectors for reducing the country's GHG emissions, and the government has taken numerous measures in these sectors.

Eswatini's study on CPEIR then addressed the different sectors of the country's economy: agriculture and food security; water resources; biodiversity and ecosystems; health; tourism and

energy. It analyses how these sectors are likely to be impacted by climate change.

In Eswatini, efforts to integrate climate change into different sectors of the economy, through sectoral policies and regulations, indicate the evolution towards a holistic and integrated approach for building resilience. Another interesting feature of the overall policy development in the country is the strong involvement of all stakeholders (government and non-government), as well as the endorsement from the high political and administrative levels. The study yet observed that some of the sectoral policies are inadequate in terms of in-depth integration and embeddedness of climate change considerations, particularly as part of

long-term action plans. For example, the Eswatini Environment Action Plan and Urban Development Plans recognise the impacts of climate change; however, they fall short of integrating it as part of policy action. Another prominent area for improvement in the policy arena is to ensure a holistic and integrated approach, with climate change considerations in the implementation frameworks of different policies.



Mbabane Corporate Place

2 - The pillar of climate-related coordination mechanism: the National Climate Change Committee (NCCC)

Eswatini established the multistakeholder National Climate Change Committee (NCCC), whose primary role is to ensure effective co-ordination of climate change challenges across all economic sectors. The NCCC drives and oversees the climate change agenda and aims to promote education and public awareness campaigns on climate change. It also aims to guide the establishment of a technical board comprising representatives.

The NCCC is composed of the following institutions:

- Ministry of Foreign Affairs and International Cooperation
- Ministry of Finance
- Ministry of Economic Planning and

Development

- Ministry of Health
- Ministry of Agriculture
- Ministry of Natural Resources and Energy
- Ministry of Housing and Urban Development
- Eswatini Environment Authority
- Eswatini National Trust Commission
- Business Eswatini
- Coordinating Assembly for Non-Governmental Institutions
- University of Eswatini
- World Vision

- Ministry of Tourism and Environmental Affairs
- Eswatini Bankers Association
- Association of Municipal Councils
- Eswatini Tourism Authority
- Eswatini Sugar Association

Wide representation of the government ministries, civil society, and the private sector in the NCCC makes it an effective national level climate action committee. However, NCCC has not evolved to become a functional body.

The following table shows an overview of some of the different ministries responsible for different climate change-related issues.



Bananas grown in Eswatini

Table 16: List of key climate change issues and responsible ministries⁴¹

Key environmental and climate change issues	Responsible ministry
Overall climate change co-ordination, mitigation and adaptation policy development and implementation	Ministry of Tourism and Environmental Affairs (MTEA)
Environmental matters, air quality and pollution control	Ministry of Tourism and Environmental Affairs (MTEA)
Agriculture, food security, droughts, and desertification	Ministry of Agriculture
Water security, energy, and natural resources	Ministry of Natural Resources and Energy
Disaster risk reduction and disaster management	Deputy Prime Minister’s Office
Industrial development and trade	Ministry of Commerce, Industry and Trade
Emergency and healthcare services	Ministry of Health
Provision of development financing at the grassroots level	Ministry of Finance

The NCCC identifies several key improvement areas, as described below:

- Strengthen the internal capacity of the Ministry of Tourism and Environmental Affairs to address its existing and new tasks under the National Climate Change Policy.
 - Enhance the institutional and technical capacity of the National Climate Change Secretariat to effectively serve its roles as designated UNFCCC focal point and the secretariat of the Designated National Authority (DNA), among other functions.
 - Agencies prepare budget proposals that allocate resources between departments, programs, and projects in line with sectoral policy and submit these to the central agencies.
- The actual existence of the NCCC in Eswatini is an essential element of a long-term and well-integrated climate strategy policy. An important step forward that could be done from Eswatini would be to create an ad-hoc committee, based on the NCCC, to give a direction and a strong command to the climate strategy policy and actions.

⁴¹ Government of Eswatini (2021) *Government of Eswatini Climate Public Expenditure and Institutional Review (CPEIR)*

C - Recommendations

To sum up, Eswatini has been achieving the first steps towards a CPEIR process in the past few years. Yet, the country still has a lot to undertake to achieve a proper internationally standardised CPEIR process.

This report aimed at giving Eswatini some leads, based on the international best practices, that would help the country get on track to adapting CPEIR to its national circumstances. Furthermore, it would be useful to take into consideration some recommendations for a better approach of the future CPEIR process implementation. The fact that Eswatini has a national committee for climate, the NCCC, is very important for a long-term and well-integrated climate policy.

Eswatini should apply the climate expenditure review by following a methodology with 3 phases:

- First, identifying the different expenditure items having either an adaptation, mitigation or supporting components given the national climate action priorities.
- Second, classifying the line items using a typology of themes and associated tasks, which are specifically designed to cater to country-specific development needs and demands. A standard typology designed by the UNDP and World Bank jointly⁴² has been already delivered to Eswatini in the context of the “Validated climate expenditure classification, Climate Budget Tagging system.”
- Third, assessing the relevance of these expenditures as a percentage of the total expenditure attributed to climate change.

To answer the first step, Eswatini should define climate related expenditure. The following can be used as reference for defining climate change action and identifying relevant activities in specific sectors:

- National climate change policy/ action plan, which typically identifies the priority sectors, ministries, and programmes, as well as sector level climate change action plans or sectoral plans that have incorporated climate change considerations.
- Definitions for climate change mitigation and adaptation as part of the “Rio Markers” developed by the OECD-DAC to track climate related ODA (Annex IX).
- Definitions and criteria for adaptation and mitigation developed by the multilateral development banks (MDBs)⁴³ to track their investments (Annex X).

It is therefore important for Eswatini to differentiate between adaptation and mitigation activities, and then classify them following the proposed typology.

Additionally, the country should create a committee for the following-up of climate activities and the allocation of external funds for climate expenses, to make regular reports to the ministry of finance which would be able to better control climate expenses.

Considering the proposed classification system, Eswatini should set up an experimental national procedure for climate classification and budget tagging. That procedure could be tested for a two year period then evaluated and improved depending on the identified limitations.

It is important that the procedure relies greatly on sectors and sub-sectors that will be able to identify the needs and to act on a local perspective. Moreover, the actions undertaken by the private sector and NGOs should also be taken into consideration in the national classification of climate actions.

Finally, the country should consider climate issues as well in its fiscal policy to restrain highly emitting activities, and to be in line with the Article 6 of the Paris Agreement that sets a price for the carbon emissions. Hence, Eswatini should have a coherent policy and avoid financing highly emitting projects. These policies also fit in the budget tagging procedure.

⁴² UNDP and World Bank, 2015. Methodological Guidebook: Climate Public Expenditure and Institutional Review (CPEIR)

⁴³ The African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the World Bank, the International Finance Corporation and the Islamic Development Bank.

IV. Section 3: Conceptual design for a functional climate finance Monitoring Reporting and Verification system



Building resilience for current and future generations.

This section presents the fifth iteration of the conceptual design for a functioning climate finance MRV system. It will be used to share findings from this project with key stakeholders to support further engagement and refinement of the conceptual design. The design focusses on integration of climate finance within current platforms and data collection processes within Eswatini.

Significant investment and support are required to enable the most vulnerable countries to adapt to the adverse impacts of climate change and reduce GHG emissions. Increasing capacity in developing countries and creating conditions that enable both public and private investment flows to address environmental problems is key to financing the transition to a climate resilient, low emission society.

Climate finance relates to the flow of funds to all activities that support climate change adaptation and mitigation. Climate finance tracking is needed to enable a country to effectively monitor financial flows, expenditures, and results, which will allow evidence-based policy decision making. Tracking climate finance at the national level is also important as the distribution of public climate finance is increasingly performance based. Tracking climate finance can be done by splitting the relevant information into three key elements as shown below:

Sources of climate funding: this can be local, national, or transnational and can be drawn from public, private, or alternative sources of financing.

Climate projects: programmes, projects and activities that contribute towards climate change mitigation and adaptation.

Stakeholders: organisations that act as sources of funding and organisations that implement climate projects.

Figure 11: Three main elements used to track climate finance



Monitoring, reporting, and verification constitute the fundamental processes for a functioning information system. The MRV processes are applied to a wide range of systems including climate change information systems. For a

well-functioning, effective MRV system to be in place, the five elements in the table below need to be covered. In the next section, these elements will be used to assess the current situation regarding climate finance MRV in Eswatini.

The conceptual design of the functional climate finance MRV system is also structured around these elements and discussed next.

Table 17: Elements for an effective MRV system

Effective MRV system				
Governance	Expertise	Data flows	Systems and tools	Stakeholder engagement
<ul style="list-style-type: none"> • Laws and policies that define roles and responsibilities • Memorandums of Understanding that mandate organisations to submit data to the system 	<ul style="list-style-type: none"> • Dedicated coordinators for the MRV system who are identified and resourced with a long-term plan for support • Experts available to review reports and decisions 	<ul style="list-style-type: none"> • Focal points identify for data input on a timely basis • Frequency and format of data supply is defined and agreed with relevant stakeholders • Key data gaps identified and addressed 	<ul style="list-style-type: none"> • MRV system should complement existing platforms and systems • Quality Assurance/Quality Control (QA/QC) procedures are in place to ensure data quality to users 	<ul style="list-style-type: none"> • Stakeholders can access comprehensive, reliable, and well classified data • Stakeholders take time to provide data or engage with and use outputs

A - Climate finance and MRV in Eswatini

1 - Current climate finance MRV system

The current national circumstances surrounding climate finance MRV are analysed below considering the five elements of MRV: governance, expertise, data flows, systems and tools, and stakeholder engagement. The effectiveness of the system impacts the country’s ability to make informed policy and budget decisions surrounding climate change. The proposed climate finance MRV system is discussed next and considers these five elements of MRV.

Governance

There is currently no governance system for monitoring, reporting, and verifying climate finance information. There are clear mandates for key public bodies that relate to climate finance MRV.

The **Ministry of Finance** (MoF) is responsible for the monitoring, reporting and verification of public expenditure and national accounts, especially goods

and expenses. The MoF is a key ministry for information that can help understand the amount that is spent on climate finance, if properly captured.

The **Ministry of Economic Planning and Development** (MEPD) is responsible for budgeting and monitoring all government projects, including those funded internally or by international funds. International funds are monitored specifically by the Aid Coordination Management Section (ACMS). Mandates are in place that obligate ministries to report funding received from international donors to the MEPD. Understanding the flow of funds from international donors is key to understanding opportunities and current programmes related to climate change adaptation and mitigation.

The **Ministry of Tourism and Environmental Affairs** (MTEA) is responsible for reporting to the United

Nations Framework Convention on Climate Change (UNFCCC), which includes information on climate finance. The Department of Meteorology houses the Climate Change Unit which is responsible for carrying out all activities that will enable MTEA to meet the reporting requirements under UNFCCC. This includes NCs, BURs, and NAPs.

The **Eswatini Environment Authority** (EEA), which is under MTEA, is responsible for administering the Eswatini Environment Fund and administering licences related to environmental management issues. Many of these activities will be related to adaptation and mitigation of climate change. The EEA is currently developing guidelines that will incorporate climate change considerations into the Environmental Impact Assessment (EIA) process.



Implementing a climate project at Mkhuzweni community.

Expertise

There is currently limited climate finance expertise in Eswatini. There is budgeting and broader finance expertise throughout all ministries with allocated planners and economists. There is MRV/ Monitoring and Evaluation (M&E) expertise throughout many ministries, for example the M&E officer at the ACMS. The MEPD has sectoral officers who are available to provide general financial advice to Line Ministries. Whilst this expertise is not yet specific to climate finance, there are important cross-cutting skills and job tasks through which climate finance can be effectively integrated with the appropriate training.

The ministry in the best position to lead on climate finance expertise is the MoF considering their knowledge and obligations to collect and report on finance information. The MTEA would be responsible for reporting the information to the UNFCCC.

Data flows

The availability of good, accurate data in a timely manner is key to efficient and effective transparency reporting. There are many well-established data flows within public bodies.

The **Ministry of Finance** collects public expenditure information from all

ministries, which includes information on the programmes and budgets that each ministry is implementing or planning to implement. It receives information on public expenditure on capital projects and employee salaries from the MEPD and the Ministry of Public Service respectively. The MoF also evaluates national-level budget, debt, and international financing options to bring together the annual national budget.

The **Aid Coordination Management Section (ACMS)** of the MEPD collects information from ministries and international donors on programmes that are being implemented through international aid funding. This includes information on the donors, programmes to be implemented, budget of programmes. While the data that is received is disaggregated by sector, there is no specific method in place for tagging and categorising climate finance. The ACMS is aware of gaps in the data gathered and subsequently reported in the annual External Assistance report. The MEPD advises on the availability of funds for new projects. Sectoral officers are available to give guidance to Line

Ministries.

The **Ministry of Tourism and Environmental Affairs** collects information on projects related to climate adaptation and mitigation implemented in the country. Even though there is currently no instrument that makes it mandatory for implementing stakeholders to report this information, especially those in the private sector and NGOs, the MTEA has created relationships which allow for such data to be collected or reported.

The **Eswatini Environment Authority** collects information on proposed development activities. It is a requirement that all new developments should apply for environmental compliance before they are undertaken. This includes projects that are financed through both public and private funds. The table below summarises the information on the data fields currently being collected that was made available to the project team.

Table 18: Data fields being collected (that were made available to the project team)

Public body	Data fields collected	Format
<p>Aid Coordination Management Section</p>	<p>Programme/Project Name Programme/Project Number Description Beneficiaries SDG No Contract Signature Date (mm/yy) Implementation Start Date (mm/yy) End Date (mm/yy) Implementation Status Primary Location (National/Region) Sector Sub-sector Primary Implementing Partner Programme Size Type of External Assistance Financing Source Currency On Government Budget Budgeted for XX FY Cumulative Disbursements from the start of the project Fiscal year Q1 Fiscal year Q2 Fiscal year Q3 Fiscal year Q4 Fiscal year total</p>	<p>Excel</p>
<p>Ministry of Tourism and Environmental Affairs</p>	<p>Project Code Project Name Fund Agency Total Budget Currency Exchange rate Total (SZL) Total Spent Balance 20XX/XX (total for each financial year)</p>	<p>Excel</p>

It will be important to understand and consider the existing timeframe for data flows and financial reporting in Eswatini when preparing a work plan for the climate finance MRV system. The MoF begins budget preparation in September and issues a budget call circular to line ministries in October. MEPD then issues its own planning circular, which focuses on collecting data on capital projects. Budget discussions with the Planning and Budgeting Committee, which is composed of ministers from various central agencies, take place in November and December. Finally, budget documents are usually finalised and submitted in February. The ACMS sends its annual submission to the ministries in April.

Systems and tools

The effective use of tools and systems supports efficient and high-quality monitoring, reporting and verification. Eswatini public bodies have several tools that are used to monitor, report, and verify financial and climate information.

The **Ministry of Finance** uses a database system for the MRV of public

expenditure. Planners from the MEPD, the MoF and the Ministry of Public Service are responsible for reporting public expenditure on capital projects, goods and services, and personnel respectively. This is done through Excel-based forms. The MoF collates this information into a central database. The categorisation of these expenditure lines is performed manually in Excel by the appropriate MoF officers in the budget team. The system does not include a mechanism for climate finance reporting. The MoF is in the process of developing a new MRV system, the 'Integrated Finance Management Information System', although the project is at an early stage.

Financial spending recorded in the national database is then recategorised by the Ministry of Finance to align with IMF's 'Government Finance Statistics Manual 2014'. The framework has two classification schemes for government spending: an economic classification and a functional classification. The functional classification, 'Classification of the Functions of Government' (COFOG) allows governments to analyse programme approaches to fiscal policy.

The process is manual and does not incorporate climate finance reporting. Spending on projects that address waste and water management are categorised under 'Environmental Protection.'

The **Aid Coordination Management Section** of the MEPD sends annual templates to ministries and international donors to complete. This information is quality checked and added to an Excel spreadsheet that consolidates all responses to MEPD's request. The information is then reported in the annual External Assistance report. The system includes a mechanism for reporting programmes under climate mitigation and adaptation, but these are considered a single sub-category of the nomenclature rather than a cross-cutting consideration for all categories.

In preparation for the CPEIR, the **MEPD** prepared a list of climate related expenditures for each financial year. The Excel based system includes fields to collect information on the implementing ministry, project funder, project description, total budget allocation and actual expenditure.

The **Eswatini Environment Authority** is currently at the early stages of developing a climate change mainstreaming tool for Environmental Impact Assessments (EIA). These assessments address climate impacts but do not currently include information on climate finance. They also have a registry of projects implemented or intended to be implemented (including climate related projects) that require

environmental assessment. The role of EEA is to assess and approve these based on the submitted reports. Licences provided to private companies that perform activities requiring a license, for example those that handle waste or use ozone depleting substances, are also available on a database.

The **Ministry of Tourism and Environmental Affairs** has recently developed a tracking tool for climate adaptation, mitigation, and finance (MRV Tool). This tool has not yet been populated with data. The objective of the tool is to support the reporting requirements under the Paris Agreement. Further information is provided in Section 3.

The NDC Partnership Plan Platform has been developed

to enable countries to track information related to the implementation of their NDCs. Some elements of format and structure can be changed for each country to meet their needs. Whilst the MRV Tool is a national platform, the NDC Partnership Plan Platform could be considered an international MRV platform to support transparency. Further information is provided in Section 3.

There is currently no system for tracking funding received from private companies or provided by NGOs. NGOs are encouraged to report to the ACMS however in the absence of any legal obligation or enforcement, this does not currently happen.

The proposed conceptual design will consider the current MRV tools established in Eswatini. The proposed climate finance MRV system in this report will, as far as possible, integrate into these other systems. The proposed platform design will also consider Eswatini's international reporting requirements which are discussed later in the document.

Stakeholder engagement

Key stakeholders involved in climate finance reporting in Eswatini include MEPD, MTEA, MoF and EEA. Other stakeholders include government ministries, private companies, and NGOs. Stakeholder engagement is currently undertaken through project-based events such as workshops and consultation with project steering committees. A National Climate Change Committee (NCCC) was endorsed in 2012 but has not been active due to a number of underlying challenges.

This conceptual design will map the key stakeholders and users for the climate

finance MRV platform. It will examine how each user group will interact with the platform and their specific requirements.

2 - Reporting requirements

Eswatini is required to report on climate finance needed and received under the Paris Agreement under Decision -/CMA.3 in Article 13 of the Paris Agreement⁴⁴ (tables in Annex). The data fields required for this reporting will be expanded next and are listed in detail as part of Table A3 in Annex XII.

During the preparation of UNFCCC documents such as BURs, Eswatini should consider all the aspects of climate finance reporting required under the Paris Agreement. The country also needs to distinguish financial transfer support from bilateral and multilateral donors and should consider any issues relating to the exchange rate of financial support received, and how these may have impacted on the reporting

process. Eswatini should also consider any conditionality upon receiving the support, distinguish between support received for mitigation, adaptation and financial support received for BUR and Biennial Transparency Report (BTR) preparation, and are encouraged to consider the effectiveness of the support received. Other indirectly related reporting obligations include:

The Sendai Framework⁴⁵ which requires countries to ‘carry out assessment of financial disaster risk management capacity,’ and to promote the integration of disaster risk management and financial instruments.

Decision 2/CMA.2, paragraph 43 of the 2019 review of the Warsaw

International Mechanism for Loss and Damage associated with Climate Change Impacts⁴⁶ which established the Santiago Network and invites organisations and bodies to ‘report on their progress to the Executive Committee of the Warsaw International Mechanism (ExCom) and requests the ExCom to include relevant information from them in its annual reports.’

The SDG National Reporting Initiative⁴⁷ which encourages Eswatini to consider how climate finance projects align with the United Nations (UN) Sustainable Development Goals (SDGs).

These indirect reporting obligations are not included in this conceptual design.



Misty rainforest image from unsplash.com

⁴⁴ Decision -/CMA.3 Guidance operationalizing the modalities, procedures and guidelines for the enhanced transparency framework referred to in Article 13 of the Paris Agreement tables in Annex III – Tables III.6, III.7 III.8, III.9, III.10, III.11 III.12 and III.13 https://unfccc.int/sites/default/files/resource/cma3_auv_5_transparency_0.pdf

⁴⁵ https://www.preventionweb.net/files/43291_sendaiframeworkfordren.pdf

⁴⁶ https://unfccc.int/sites/default/files/resource/cma2_auv_6_WIM.pdf

⁴⁷ <https://unsdg.un.org/sites/default/files/Guidelines-to-Support-Country-Reporting-on-SDGs-1.pdf>

3 - Existing MRV platforms related to climate finance

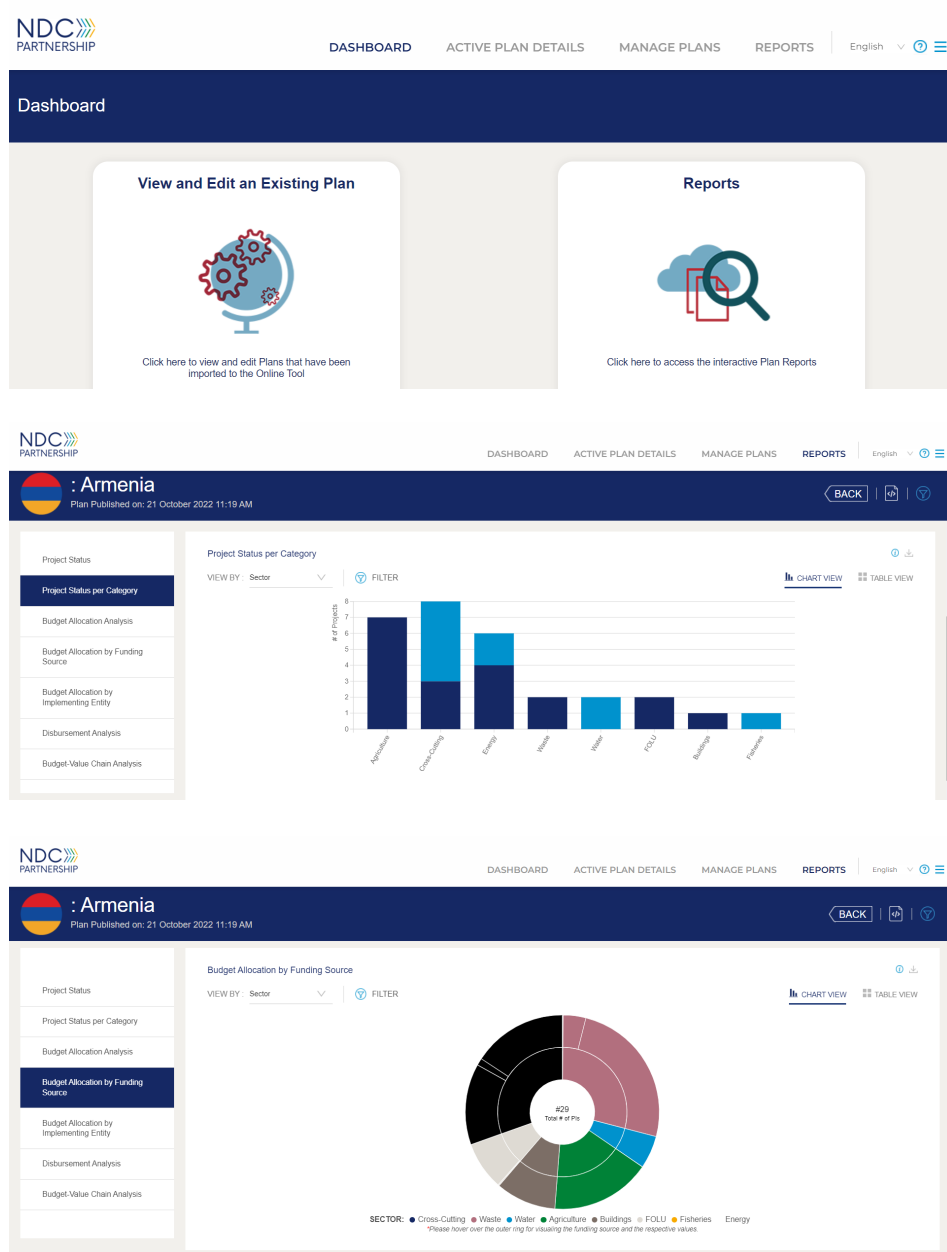
NDC Partnership Plan Platform

An online platform has been developed which allows for national representatives to upload NDC implementation plans for their country.⁴⁸ Plans are uploaded as a list of numbered overarching target outcomes, each outcome is split

into one or more outputs, which are further disaggregated into performance indicators that are accompanied by detailed descriptions. These detailed descriptions are split into three sections, key performance indicator (KPI), consolidated budgets and support, as listed in Table A1 in Annex XII. This

platform is currently at draft stage and the current design is shown in the screenshots below. This platform is an additional reporting task for Eswatini to provide publicly available information to the world.

Figure 12: Screenshots from the NDC partnership plan platform



⁴⁸ <https://ndcpartnershipplans.com>

Eswatini MRV Tool

Eswatini has a national MRV Tool, which has just been developed and is soon to be handed over to the Eswatini Government.⁴⁹ This national platform is designed to accommodate Eswatini’s specific needs related to Paris Agreement reporting as well as national expectations. The platform will capture information on:

National GHG inventory emissions data

Projects, details for each project are captured relating to:

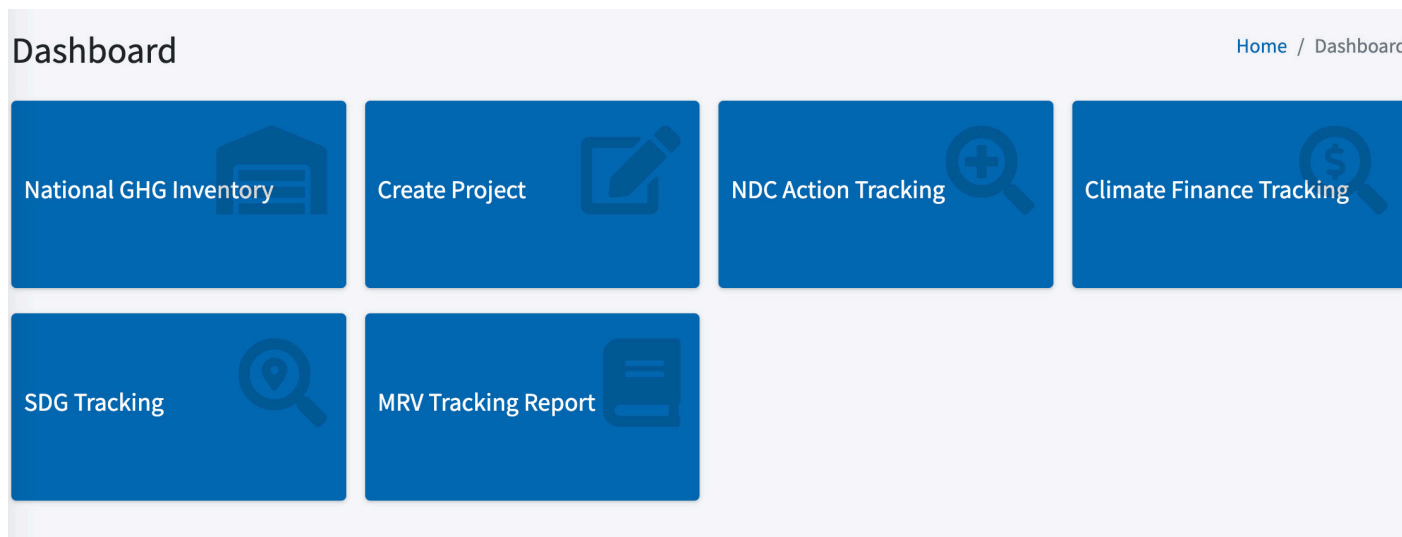
- Basic details such as name, mitigation sector, location and start date

- Climate finance tracking
- NDC action tracking
- SDG tracking

The MRV Tool currently allows for data entry through the National GHG inventory and Project pages through data forms. The NDC Action Tracking, Climate Finance Tracking, SDG tracking and MRV Tracking Report pages then collate and present the data from the data entered, these pages also allow for an alternative method of data editing. The available fields relevant to climate finance tracking information are listed in the Annex. The data fields and formats for reporting to both this platform and the

NDC partnership plan platform will be considered in this conceptual design. It is envisaged that this MRV Tool will be further developed to meet the reporting requirements for climate finance. Figure 13 shows screenshots of the current design.

Figure 13: Screenshots of Eswatini’s draft national MRV Tool



⁴⁹ <http://toddy.anterstech.com/mrv>

Climate Finance Tracking

Basic Info

Project Investment (mn USD)

Mitigation/ Adaption Focus

Approval Date

Financial Closure Date

Expected Commissioning Date

Project Status

Financials

Total Project Cost (USD)

Loan (USD) – National/International

Grant (USD) – National /International

National Budget (USD)

Public/Private Sector (USD) – National/International - Agency

Others (USD)

Budget Info

Budget Category

Total Activity Budget (USD)

Disbursement Schedule – Year, Amount

B - Conceptual design for a functional climate finance MRV system

1 - Overview

This conceptual design provides options for the development of a climate finance MRV database system considering existing national MRV systems. It includes recommendations to further develop current systems and platforms to meet the reporting requirements for climate adaptation and mitigation action climate finance under the Paris Agreement. The stakeholder organisations that will be expected to have roles within the climate finance MRV system are outlined in Table 19. The data tables that will form the core of the climate finance MRV will be elaborated along with practical details for integrating the information into current national MRV platforms. A project priority is to create an MRV system that is well-defined, sustainable, and institutionalised to provide information

that supports ad-hoc analysis, responses to decision makers and reporting. The aim is to move away from a dependency on short-term project-based support where institutional memory is lost between projects, towards long-term expertise and development where capacity is continually built.

The development of the climate finance MRV system will help Eswatini meet domestic and international reporting requirements such as the NDC, National Communications (NCs) and BTRs.

Approach to developing the conceptual design

This document is based on an understanding built during document reviews and meetings with relevant

stakeholders. Information was also captured through the initial workshop which also included contributions from the MEPD, the National Disaster Management Agency (NDMA) and MTEA. These stakeholders were further engaged through a review period where the first version of this document was shared for comments. This final version incorporates the discussions conducted during the project to refine the earlier proposed conceptual design. The table below outlines the engagement activities conducted during this project.

Table 19: Summary of stakeholder engagement activities during the project

Date	Activity	Format
25 January 2022	Inception workshop	Virtual and in-person
25 February 2022	Validation workshop: architecture for Climate Budget Tagging	Virtual
1 March 2022	MRV Tool training workshop	Virtual
14 March 2022	Bilateral meeting with MEPD-ACMS on their reporting mechanisms	Virtual
15 March 2022	Validation workshop: validated climate expenditure classification, coding, and budget tagging system	Virtual and in-person
16 March 2022	Bilateral meeting with MoF	Virtual
21 March 2022	Bilateral meeting with MoF and MEPD-ACMS on current tagging and MRV systems	In-person

21 March 2022	Bilateral meeting with PwC on the development of the MRV Tool	Virtual
25 March 2022	Validation workshop: conceptual design of the MRV system	Virtual
4 April 2022	Bilateral meeting with Water Aid in their reporting mechanisms	Virtual
7 April 2022	Stakeholder workshop: project deliverables	Virtual and in-person

Scope of the climate finance MRV conceptual design

This conceptual design is for a system that will focus on Paris Agreement reporting requirements on climate finance needed and received and supporting information on financial flows for climate mitigation and adaptation actions. The full list of data fields required for this reporting and how they are captured in current MRV systems in Eswatini is presented in Table A3, Annex XII.

The conceptual design contains the required fields for Paris Agreement reporting on support on technology development, capacity building and

for the implementation of Article 13 of the Paris Agreement. Also included are additional data fields beyond the Paris Agreement reporting requirements, which are designed to provide valuable insights for planning and mobilising further finance for climate mitigation and adaptation.

analyse the information required. The data captured needs to be maintained in a common database so it can be used for reporting and stakeholder engagement.

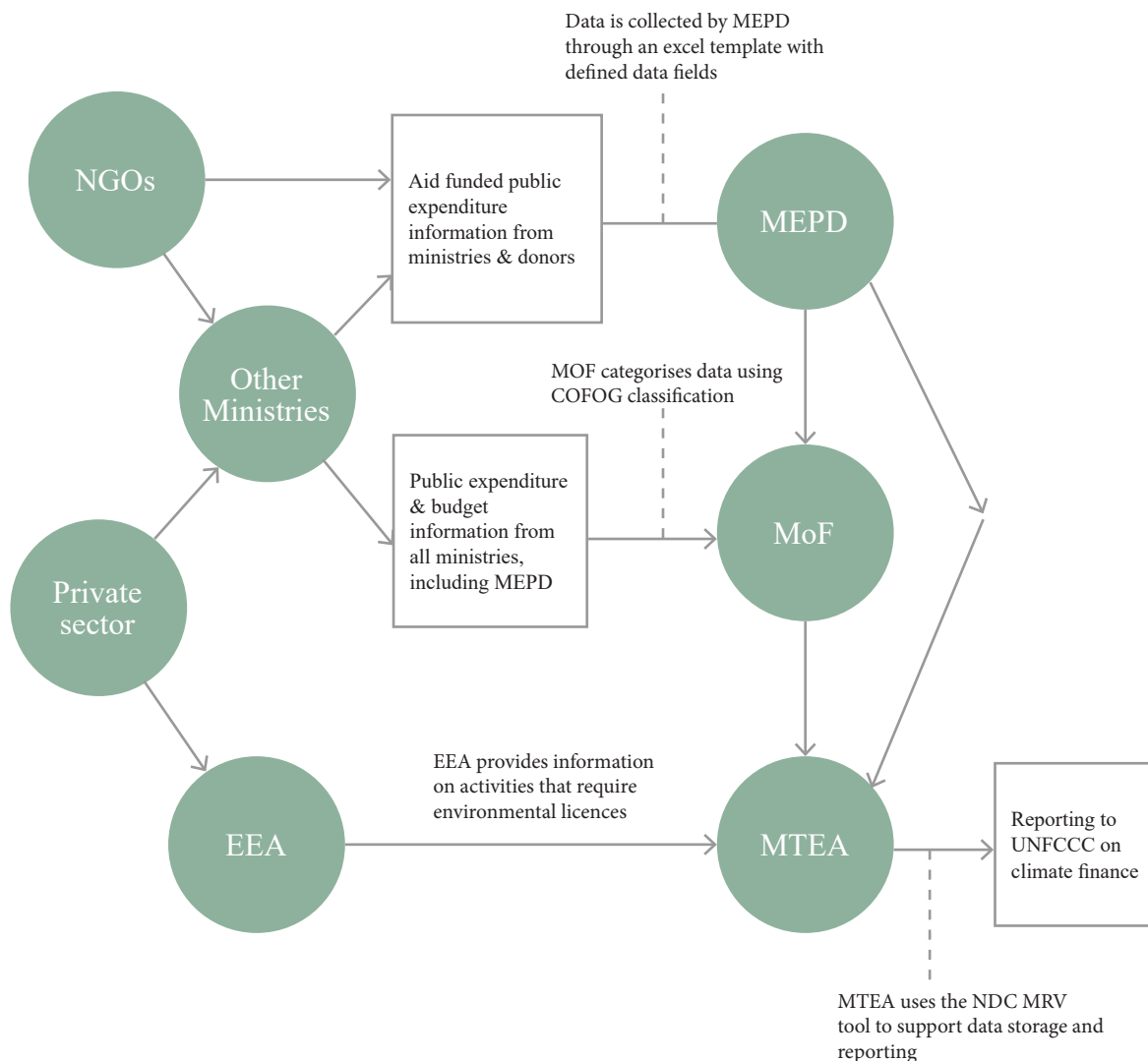
2 - Proposed climate finance MRV system

The proposed national system surrounding climate finance MRV is summarised in the figure below. This highlights the flows of information and the expert organisations that handle and



Misty rainforest image from unsplash.com

Figure 14: A summary of the current climate finance MRV system in Eswatini



The table below outlines the roles and responsibilities for all stakeholders involved in this conceptual design for climate finance MRV.

Table 20: Summary of roles and responsibilities within the conceptual design for climate finance MRV

Stakeholder	Role and Responsibilities
Ministry of Finance	Tag and categorise national expenditure and provide the data to the MTEA. Collect climate finance data from Ministry planners.
Ministry of Economic Planning and Development	Tag and categorise national finance data and provide the data to the MTEA. Collect climate finance data from Ministry planners.
Ministry planners	Tag Ministry expenditure and provide the data to MoF on time.

Central Bank (MoF)	Data providers.
Public Budgeting Committee	Data providers.
ACMS (MEPD)	Tag and categorise aid funds and provide the data to the MTEA on time.
MTEA	Collect climate finance data from MoF, MEPD, EEA. Update the MRV Tool with climate finance data. Produce international reports for UNFCCC and national insights as required.
Eswatini Environment Authority (EEA)	Tag and categorise project data and provide the data to the MTEA on time.
NDMA	Disaster Risk Reduction data compilation and reporting to Sendai Framework.
NGOs	Data provider to relevant ministries or authorities.
Private sector	Data provider to relevant ministries or authorities.
Computer services	Maintain and develop, as required, the MRV Tool for the MTEA.

The MTEA will continue to be responsible for Eswatini’s climate change reporting and will be responsible for maintaining the information in Eswatini’s climate finance MRV system. The data providers will be responsible for classifying their data using the climate expenditure classification, coding, and budget tagging system (developed under Task 2 and Task 3 of this project). The MTEA will monitor, report, and verify the climate finance information supplied by data providers. It is envisioned that stakeholder engagement will be conducted on a regular basis through established committees such as the National Climate Change Committee (NCCC). The information from the climate finance MRV system will be

disseminated to the public and to policy makers in a way that will deliver clear messaging.

Regulations and policies will be implemented and updated to legally set mandates and procedures for all stakeholders involved in climate finance MRV data flows. These documents will set out the duties and responsibilities of each stakeholder. These will, as far as possible, build upon or be integrated into existing climate change legislation in Eswatini, which includes:

- The Climate Change Bill which is currently being prepared

- The 2016 National Climate Change Policy
- The National Climate Change Strategy and Action Plan
- 2002 Environmental Management Act: which established the Eswatini Environment Fund

Data inputs

The data required to report under the Paris Agreement will flow through from the initial data provider to the final entity responsible for reporting. Under

this conceptual design, it is envisaged that climate finance classification and tagging will be carried out by those that collect and report data on finances. These data will then be passed on to MTEA for verification and input into the

climate finance MRV database. The data will include all relevant information for international reporting. The table below outlines the proposed timelines for this information flow on an annual basis.

Table 21: Proposed timelines for data flow of climate finance tracking

Tasks	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
ACMS sends out data collection templates	█											
NGOs and private sector report climate finance to line ministries		█	█	█	█	█	█					
Ministry Planners categorise expenditure and send to MoF						█	█					
MoF, MEPD, EEA tag categorise data and send to MTEA								█	█			
MTEA performs QA/QC										█		
MTEA updates climate finance MRV database entries											█	█

Data tables

To support the detail and structure of the climate finance information, the conceptual design is based around three main tables:

- Stakeholders
- Sources of climate finance
- Climate projects (interventions, actions policies and measures etc.)

The data in these tables will be supported by common vocabularies, which have been defined through this project by the climate expenditure classification, coding, and budget tagging system. The tables will be linked to each other as indicated below to form a relational database.

The specification for each table below have been structured as follows:

- Field: the name of the data field.

- Data type: the type of data to be entered e.g., free text, numerical, date, lookup.
- Mandatory: whether the data field is compulsory.
- Reason for reporting: reasoning for why the data field has been included in the table e.g., required for Paris agreement reporting or additional useful information.

- Lookup field: the list that the user selects from when the data field is a lookup.

The table of stakeholders includes institutions that fund or implement climate finance; the relevant data fields for the table in the climate finance MRV system are listed in the table below. This table contains data fields that are not currently collected in Eswatini.

Table 22: Data fields for the table of stakeholders

Field	Data type	Mandatory	Reason for reporting	Lookup field
Organisation name	Free text	Yes (and unique)	Provides links between the three data tables	NA
Organisation email	Free text	No	Useful information to enable stakeholder communication and engagement	NA
Organisation phone number	Numerical	No		NA
Organisation address	Free text	No		NA
Organisation role	Free text	Yes		NA
Individual name	Free text	No		NA
Individual MRV role	Free text	No		NA
Individual job title	Free text	No		NA
Individual name 2	Free text	No		NA
Individual role 2	Free text	No		NA
Individual job title 2	Free text	No		NA
Individual name 3	Free text	No		NA
Individual role 3	Free text	No		NA
Individual job title 3	Free text	No		NA

Organisation type	Lookup	Yes	Useful information to understand the status of climate finance MRV in Eswatini	Government, public intermediary, private company
Summary of involvement in the climate finance MRV system	Free text	No		NA
List of engagement activities participated in	Free text	No		NA
QA/QC status	Lookup	Yes	Allows for checking within the climate finance MRV platform	Not checked or verified, checked (QC), Verified (QA), Needs correction
Verifier comments	Free text	No		NA

The table of sources of climate finance below is designed to capture data necessary to meet the Paris Agreement requirements for climate

finance reporting and to provide useful supplementary information. Further data fields and details can be added to support stakeholder needs. This table contains

data fields that are not currently collected in Eswatini.

Table 23: Data fields for the sources of climate finance table

Field	Data type	Mandatory	Reason for reporting	Lookup field
Title of support	Free text	Yes (and unique)	Useful information for understanding climate finance funding received by Eswatini	NA
Support objective	Free text	No		NA
Funding Source	Lookup (multi select)	Yes	Link to the stakeholders' data table	Lookup on Stakeholders: Organisation name
Funding Channel	Lookup	Yes	Required for PA reporting	Multilateral, Bilateral, Regional, Government, Private sector, Other (specify)
Amount (USD)	Numerical	Yes	Useful information for understanding climate finance funding received by Eswatini	NA
Amount (domestic currency)	Numerical	Yes		NA
Start of support	Date	Yes		NA
End of support	Date	Yes		NA
Financial instrument	Lookup (multi select)	Yes	Required for PA reporting	Grant, concessional loan, non-concessional loan, equity, guarantee, insurance, other (specify)

Support type	Lookup	Yes	Required for PA reporting	Mitigation, adaptation, or cross cutting
Support type subsector	Free text	No	Useful further detail	Mitigation and adaptation subsectors
Additional information	Free text	No	Space for further useful information	NA
QA/QC status	Lookup	Yes	Allows for checking within the climate finance MRV platform	Not checked or verified, checked (QC), Verified (QA), Needs correction
Verifier comments	Free text	No		NA

The table of climate projects includes projects that support Eswatini’s efforts to achieve its climate change targets through mitigation or adaptation action. Data fields on climate projects are listed below. The additional details in the table below show how these data fields

integrate with existing data flows in Eswatini:

- Reported by body in Eswatini that already collects this data.
- Name of existing data field: the data

field name used by the body to collect this data under.

- Notes: any additional information.

Table 24: Data fields for the climate projects table, building upon existing fields in the MRV Tool

Field	Data type	Mandatory	Reason for reporting	Lookup field	Reported by	Name of existing data field	Notes
Project name	Free text	Yes (and unique)	Required for PA reporting	NA	ACMS	Programme/Project Name	NA
Project objective	Free text	No	Useful information	NA	-	-	
Project description	Free text	Yes	Required for PA reporting	NA	ACMS	Description	Lookup on Stakeholders: Organisation name
Status of activity	Lookup	Yes		Planned, ongoing or completed	ACMS	Implementation Status	

Start date	Date	Yes		NA	ACMS	Implementation Start Date	NA
End date	Date	Yes	Required for PA reporting	NA	ACMS	End Date	
Recipient entities	Lookup (multi select)	Yes		Lookup on Stakeholders: Organisation name	-	-	Lookup on Stakeholders: Organisation name
Support type	Lookup	Yes	To support PA reporting and determine which of the following fields are mandatory	Mitigation/Adaptation project, technology development, capacity building, implementation of Article 13	-	-	
Sector(s)	Lookup (Multi select)	Yes (but not if support type is implementation of Article 13)	Required for PA reporting	Energy, Transport, Industry, Agriculture, Forestry, Water and sanitation, Crosscutting, Other (specify)	-	-	While ACMS collects data fields called "Sector" and "Sub-
Subsector	Free text			NA	-	-	
% Of project that sector applies to	Percentage	Yes	Useful information	NA	-	-	
Project type	Lookup	Yes (if support type is project)		Mitigation, adaptation, crosscutting	-	-	
Type of technology	Free text	Yes (if support type is technology development)	Required for PA reporting	NA	-	-	
Support	Lookup	Yes	Link to sources of climate funding table	Lookup on Sources of climate funding: Title of support	ACMS MTEA	Financing Source Fund	

Support status	Lookup	Yes (if support type is project)	Needed, Committed, Received	ACMS	Programme/Project Name	NA	
Implementing entities	Lookup (multi select)	Yes (but not if support type is implementation of Article 13)	Required for PA reporting	Lookup on Stakeholders: Organisation name	ACMS	Primary Implementing Partner	
Ultimate beneficiary	Lookup (multi select)	No	Useful information for understanding climate finance implementation in Eswatini	Lookup on Stakeholders: Organisation name	-	-	While ACMS collects data under “Beneficiaries” it uses a different lookup
Cost of project (USD)	Numerical	Yes (if support type is project or implementation of Article 13)	Required for PA reporting	NA	ACMS MTEA	Programme size Total Budget	
Cost of project (local currency)	Numerical			NA	ACMS MTEA	Programme size Total (SZL)	
Cost status	Lookup	No	Useful information for understanding climate finance implementation in Eswatini	Estimation, agreed, actual realised	-	-	
Co-finance provided USD	Numerical	No		NA	-	-	
Co-finance provided domestic currency	Numerical	No		NA	-	-	
Whether the activity will contribute to technology development and transfer and/or capacity-building	Yes/No	Yes (if support type is project) Yes	Required for PA reporting	NA	-	-	
Activity is anchored in a national strategy and/or an NDC	Yes/No			NA	-	-	

Expected/achieved impact and result	Free text	Yes	Required for PA reporting	NA	-	-	
Methodology and approach for support estimates	Free text	No	Useful information for understanding climate finance implementation in Eswatini	NA	-	-	
Gases affected	Lookup (Multi select)	Yes		CO2, CH4, N2O, HFCs, PFCs, SF6, NF3	-	-	
Policy instrument	Lookup	No		Regulatory, economic, fiscal, information, voluntary	-	-	
Projections scenario	Lookup	No		Business as Usual (BAU), Without Measures (WOM), With Additional Measures (WAM)	-	-	
Progress	Free text				-	-	
Priority	Lookup	No		High, medium, low	-	-	
Constraints/barriers	Free text	No		NA	-	-	
Monitoring organisation(s)	Lookup (Multi select)	No		Lookup on Stakeholders: Organisation name	-	-	
Partner organisation(s)	Lookup (Multi select)	No		Lookup on Stakeholders: Organisation name	-	-	
Additional information	Free text	No		Required for PA reporting	NA	-	-

QA/QC status	Lookup	Yes	Allows for checking within the climate finance MRV platform	Not checked or verified, checked (QC), Verified (QA), Needs correction	-	-	
Verifier comments	Free text	No		NA	-	-	
Implementing organisation type	Lookup	No	Consistency with reporting to the NDC partnership plan platform	Civil Society Organisations, Environment or climate change, Finance or Planning, None, President/ Prime minister, Private sector, Sectoral, Sub-national City	-	-	
KPI baseline	Free text	No		NA	-	-	
KPI Milestone	Free text	No		NA	-	-	
KPI Activities	Free text	No		NA	-	-	
KPI Value chain of services	Select from list	No		Policy, Strategy & Legislation/ Budgeting & investment/ Monitoring & Evaluation/ Knowledge Products	-	-	
Budget (Year 1)	Numerical	No			ACMS MTEA	Fiscal Year total (20XX/XX) (20XX/XX)	
Budget (Year 2)	Numerical	No		NA	ACMS MTEA	Fiscal Year total (20XX/XX) (20XX/XX)	

Budget (Year 3)	Numerical	No		NA	ACMS MTEA	Fiscal Year total (20XX/XX) (20XX/XX)	
Mitigation activity	Free text	No	Existing data fields within the MRV Tool	NA			
Location	Free text	No		NA	ACMS	Primary Location	
Geographical Co-ordinates	Free text	No		NA	-	-	
Expected commissioning date	Date	No		NA	-	-	
Actual commissioning date	Date			NA	-	-	
Operation Life (No. of years)	Numerical	No		NA	-	-	
Project Investment (mn USD)	Free text	No		NA	-	-	
Approval Date	Date	No		NA	-	-	
Financial Closure Date	Date	No		NA	-	-	
Grant (USD) – National/International	Free text	No		NA	-	-	
Public/Private Sector (USD) – National/International - Agency	Free text	No		NA	-	-	
Loan (USD) – National/International	Free text	No		NA	-	-	

National Budget (USD)	Free text	No		NA	-	-	
Others (USD)	Free text	No		NA	-	-	
Budget category	Select from list	No		Audit fee, Audio Visual & Printing, Civil work, Equipment & machinery, Operation & maintenance, Consultant (International, Consultant (local), Professional services, IT Equipment, Office supplies, Travel (International), Travel (local), Workshop/training, Meetings	-	-	
Disbursement Schedule – Year, Amount	Date, Free text	No		NA	ACMS	Cumulative disbursements from the start of the project	

3 - Integrating climate finance MRV data tables with existing tools

As mentioned previously, existing systems in Eswatini include the NDC partnership plan platform and the Eswatini MRV Tool. The NDC partnership plan platform focuses on tracking NDC implementation using data fields that are consistent across all countries using the platform. While this platform is useful for comparing Eswatini’s NDC progress against other countries using like-for-like data formats, it is not able to be fully customised to fulfil Eswatini’s climate finance reporting needs.

The MRV Tool has been designed specifically for Eswatini to store national GHG inventory data along with information on mitigation and adaptation actions. Climate finance information can

be entered for each action: information on stakeholders (under “implementing organisation” and “other organisation” categories); the detailed budget and sources of funding (called “financials” in the system). The MRV Tool is soon to be handed over to Eswatini Government. The designated IT officers will have full access to the architecture of the tool and will be able to change and add new fields, as required.

The overlap between these platforms and the data required for tracking climate finance is illustrated in the figure below. The NDC partnership plan platform covers the three elements of climate finance (sources of funding; climate projects and stakeholders) and creates linkages between them. However,

there is limited scope to add all the details that would be useful to track and report climate finance in line with Paris Agreement requirements. The Eswatini MRV Tool also covers the three elements of climate finance but not at the level of detail proposed in this document, nor with the look up functionality to link between separate data tables that represent these elements. The current data fields included in these platforms are listed in Annex XII.



Turning glass waste to treasure at Ngwenya Glass.

IT requirements

There are some standard IT requirements for a climate finance MRV platform. The platform used to host the climate finance MRV database system must operate as an online secure system with access via internet connected PCs, laptops, tablets, and phones. The platform should allow interaction via any of the common web browsers and via custom developed apps. It would be advantageous if it can operate in Windows, Mac, Linux, Chrome OS, iOS and Android environments. The platform should have best practice security procedures including file scanning and password requirements. It must have an audit log

module incorporated into the platform accessible to authorised users only, to search and print audit trail information.

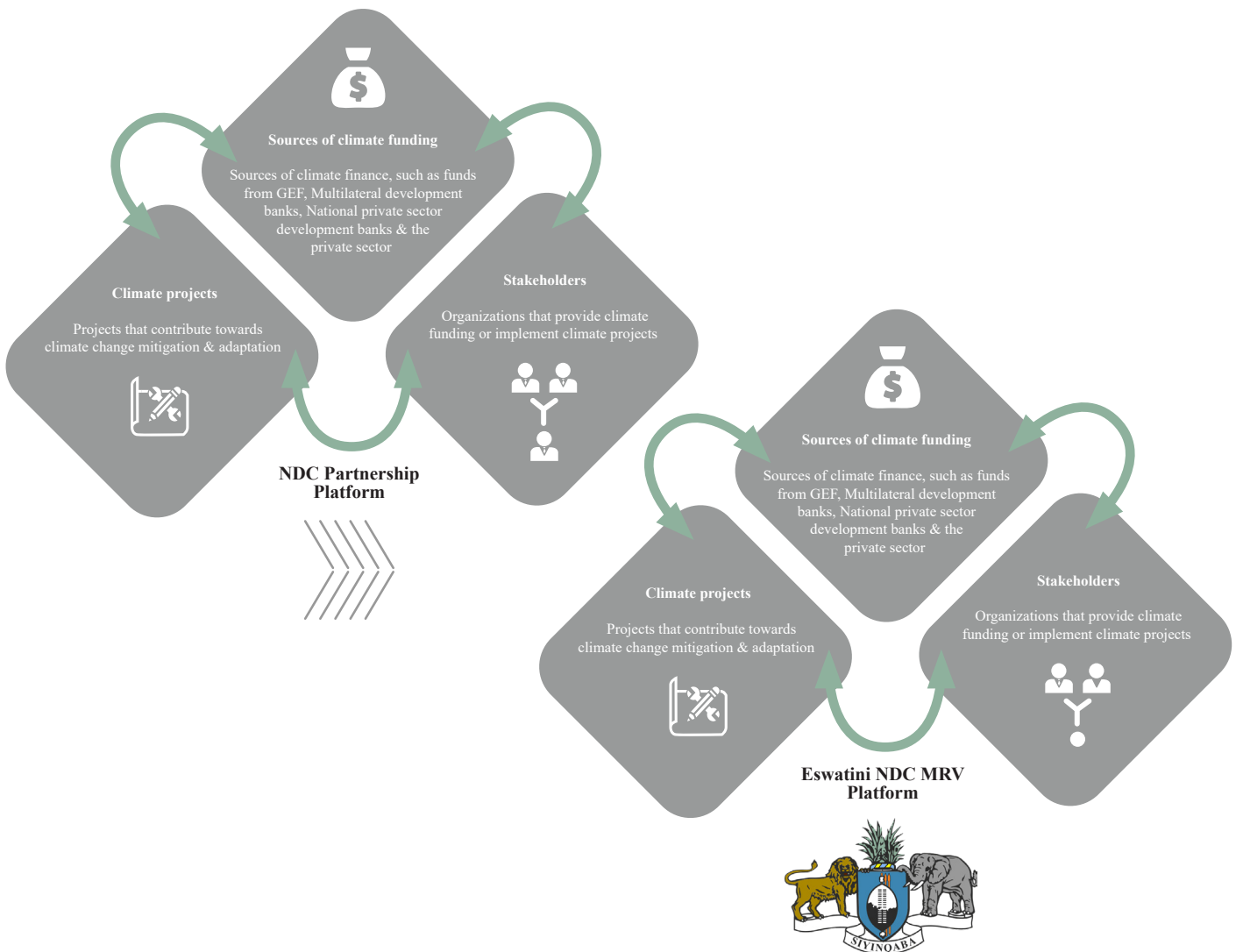
Proposed integration with the existing Eswatini MRV Tool

This proposed conceptual design lays out the structured data fields required to fulfil Paris Agreement requirements along with additional fields that will support the transparent tracking of climate finance in Eswatini. It is proposed that the interlinked data tables presented in the above section are integrated into the Eswatini MRV Tool. This would involve the creation of two new data forms (stakeholders and sources of climate

finance) that will link to the existing projects table though data fields that look up each other; the project data table would also have new fields added. The arrangement of the data fields presented in these tables can be updated as the system is developed.

This assumes appropriate handover of the tool and the presence of the required IT expertise. It is envisaged that the IT requirements presented above are met by the Eswatini MRV Tool, which will enable the integration of climate finance into this platform.

Figure 15: Illustration of how the three elements of climate finance tracking is currently reported within the existing platforms in Eswatini



C - Training requirements

The key to the success of the climate finance MRV system is having a well-trained team of dedicated technicians, data providers and data users channelling information into a system that can be used to produce useful outputs. During the inception workshop, poor coordination, the need for buy-in into the system from those in leadership roles, and human and technical capacity were identified as potential challenges to the implementation of an effective climate finance MRV system.

1 - Training on climate finance tagging

Extensive training regarding identifying, tagging, categorisation and structuring of data on climate related funds, investments and finance is required across a large group of stakeholders.

This should include the planners of every Line Ministry, and officers at MoF and MTEA. This activity was conducted during this project as part of the outputs from Task 2 and Task 3. Mentoring should be made available to these practitioners during the first and second cycle of implementing this climate finance tagging and categorisation process.

Whilst it is not envisaged that additional capacity is required for the tagging and categorisation tasks by the wider group of stakeholders that provide data, it is important to ensure that MTEA have dedicated staff to collect, review and produce outputs related to climate finance. It is likely that this will require increased resourcing within MTEA.

2 - Training for system implementation

The conceptual design presented in this report and the climate expenditure classification system developed under Task 2 and Task 3 of this project are elements of a climate finance MRV system that requires implementation. The table below provides a summary of the proposed capacity building activities to support this implementation.

Table 25: Capacity building activities

Capacity building activities	Involved stakeholders
Awareness raising training sessions on the importance of climate finance tracking and the responsibilities of all players	Public bodies, private bodies, NGOs
Technical training sessions on tagging and categorising climate expenditure	Ministry Planners, MoF, EEA, MEPD, MTEA
Mentoring to practitioners during the first and second cycle of implementing climate finance tagging and categorisation	Ministry Planners, MoF, EEA, MEPD, MTEA
Technical training on how to use and maintain a climate finance MRV database tool	MTEA
IT developer training on maintaining and developing a climate finance MRV database tool	Computer services

D - Recommendations for future projects



This project has provided a conceptual design MRV system that will enable Eswatini to develop a detailed picture of the climate finance support needed and received for climate mitigation and adaptation actions, track progress and will support well informed evidence-based target development. Future projects to build on the work presented in this document could include:

- The implementation of the conceptual design presented in this document into the appropriate tools (e.g., the Eswatini MRV tool) so that Eswatini has a fully functional climate finance MRV system.
- Further development of national climate finance expertise.
- The design and implementation of systems and governance to support private sector and NGO reporting.

V. Section 4: Photos from the workshop



The opening session was graced by Acting Director Budget and Economic Affairs, and UNDP Resident Representative on 27 April 2022 at Esibayeni Lodge.



Participants with the trainer, the Director of Department of Meteorology MTEA and Acting Director Budget and Economic Affairs for the three-day training held between 27-29 April 2022. Participants received certificates at the end of the training.

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A solar plant at RFM Hospital.

VII. Annexes

Annex I – Benefit Cost Ratio Approach to Weighting Climate Relevance



Basing climate change weights on benefits has the advantage

to be more robust and rationale. The

estimates in Approach 1 (Climate Relevance Index) are

subjective⁵⁰ and programme managers and line ministries are becoming skillful at ‘green washing’ programmes (i.e., manipulating the intended motivation) to attract climate finance. This may be convenient for climate finance managers, but it undermines the confidence of the central economic ministries in the integrity of the programme. This may apply, in particular, to MoFs which are often skeptical of climate change and see it as yet another cross-sectoral concern that confuses their tasks. Eventually, the inability to define climate finance objectively will be picked up by independent evaluation and will undermine climate finance more generally.

The (Climate Change Financing Framework) CCFFs in Cambodia and Indonesia, and the work in Thailand, have based the definition of climate

change percentage (CC%) on the extent to which the benefits from the action are affected by climate change. This is done by estimating the benefits of an action both with and without climate change and comparing these benefits, as follows⁵¹ (Note: Climate Change percentage is CC%).

$$CC\% = (B - A) / B$$

Where A = the benefits that would be generated by the action, if there was no CC

B = the benefits that would be generated with CC

The benefits from an action are those conventionally recognised in national planning and include economic benefits

(e.g. incomes, assets), social benefits (e.g. education, health, welfare, gender) and environmental benefits (e.g. biodiversity, reduced pollution). For major investments, the benefits may be estimated as part of an economic analysis (e.g., rates of return for irrigation, roads, new crop varieties, energy investments). For other actions, they may be defined as outcomes⁵² in logical frameworks, with associated indicators (e.g., people protected from floods, hectares of forest planted, number of households).

⁵⁰ In Approach 2, they may include elements of subjectivity due to criteria definition, the sampling of regions and beneficiary groups and their perceptions.

⁵¹ It would equally be possible to define CC% as (B-A)/A, in which case it would give the percent increase in benefits. This is intuitively simpler in some cases, but will give a value of infinity for those actions that are dedicated to climate change and for which A=0.

⁵² In logframe terminology, outcomes refer to the results that provide benefits and are clearly affected by the action. They are a level above outputs (which are largely within the control of the activity but which do not have any value unless they lead to outcomes) and a level below impact (which refer to the wider benefits and which are influenced by a wide range of factors).

For mitigation, the benefits without climate change should exclude the value of carbon emissions, since there is no value in reducing emission if they do not lead to climate change. For adaptation, the most common way in which climate change affects benefits is to increase the value of any protection from extreme events and variable rainfall. There are also other important impacts, notably of temperature on agriculture and health. But the evidence on trends in total rainfall is less clear and is not easy to use for adaptation planning.

Where possible, the benefits with and without climate change should be estimated quantitatively.⁵³ In some cases, reliable evidence on the absolute value of A will not be available.

However, it may still be possible to estimate the proportional increase from A to B. For example, if climate change has an impact on biodiversity, it may be impossible to give an estimate of the market value of this change, but case studies may provide evidence on proportional changes in indices of species diversity.

Yardsticks and Default Values. The BCR approach might not always be feasible. Some general yardsticks and default values can be helpful in this process. These include the following.

- SREX⁵⁴ Rule. Benefits from avoiding or reducing the impact of dry spells, droughts or floods will become twice as valuable by 2050.

- Temperature. This has variable impact for agriculture and health.
- Rainfall trend. Rainfall trends are often difficult to project and it may not be possible to define any yardsticks in many countries.

The analysis of benefits should lead to a more robust table of default CC%s for different types of expenditure. These should be subject to revision wherever more detailed evidence is available and, especially, for larger investment spending. The tables used in the Cambodia CCFF is presented below.

Table 26: Default Values for Climate Change Percentage (CC%) for Actions⁵⁵

Agriculture (mixed)	<ul style="list-style-type: none"> • Mostly affected by rainfall variability. Support for drought/flood resistant varieties has CC% of 50%, because of SREX rule. • Rural finance might have modest additional benefits, as drought/flood coping strategy. No clear default value.
Irrigation (25%)	<ul style="list-style-type: none"> • Assume 2/3 of benefits are dry season and not affected by CC. Dry spells in the wet season will double, based on SREX, so CC%= (1.33-1.00)/1.33.
Forestry (10%)	<ul style="list-style-type: none"> • Projects that improve the management of forestry resources will generate economic benefits and mitigation benefits will increase these by 10%.
Fisheries	<ul style="list-style-type: none"> • Depends on ecological processes. Difficult to generalise.
Livestock	<ul style="list-style-type: none"> • Depends on farming systems, but will be linked with rainfall variability.
Energy saving (10% power) (2% fuel)	<ul style="list-style-type: none"> • 10% of the benefits from electricity efficiency come from mitigation, based on the carbon content of coal fired power, using the social cost of carbon. • 29% of the benefits from fuel efficiency come from mitigation, based on the carbon content of fuel, using the social cost of carbon.

⁵³ The indicators of benefit used in the CCFFs was the BCR, which allows benefits associated with reduced costs to be included, without making special provision. However, if it is difficult to measure the value of benefits, it may be more appropriate to use indicators for physical benefits.

⁵⁴ The IPCC Special Report on Extreme Events (2012) projected that rainfall variability would roughly double in most parts of the world by 2050.

⁵⁵ UNDP (2015)

Renewables (10%)	<ul style="list-style-type: none"> • Similar to electricity saving, with mitigation adding 10% to the economic benefits.
Public transport (<2%)	<ul style="list-style-type: none"> • Fuel savings are a small part of the benefits of public transport (most are related to time and pollution) and mitigation increases the fuel saving benefits by 29%, based on carbon content of fuel and social cost of carbon.
Roads (2-5%)	<ul style="list-style-type: none"> • Rehabilitation uses 2-5% of investment per year and is linked to floods, so will double. The CC% of the flood proofing element alone is 50%. • Some benefits from improved fuel efficiency, which have a CC% of 2%.
Coastal works (100%)	<ul style="list-style-type: none"> • Assuming the action is focused on added protection for sea level rise, above existing levels of protection.
WASH (mixed)	<ul style="list-style-type: none"> • Securing water supply during droughts will have a CC% of 50%, from the SREX rule. For other elements of water projects, the CC% will be less. • Time savings related to SREX. Health to SREX and temperature.
Health (10%)	<ul style="list-style-type: none"> • Support for climate sensitive diseases. Based on WHO international studies suggesting climate sensitive disease threat will increase by 10% by 2050.
Targeted livelihoods (50%)	<ul style="list-style-type: none"> • There are ignored unless they are exclusively targeted on improving resilience of climate vulnerable groups, in which case the CC% is 50%, because they will also have benefits without CC.
DRM (50%)	<ul style="list-style-type: none"> • Disaster response, reduction and management. Based on the SREX conclusion that extreme events will become twice as likely by 2050.
Planning	<ul style="list-style-type: none"> • In general, if more than 40% of total CC spending is devoted to planning, then this is too much, and this maximum level should decline as programmes mature.

Notes: The default values above use the social cost of carbon (e.g. 50\$/tCO₂e), but a sensitivity analysis is needed, to

look at the Implications of using current prices (if any) and past carbon market prices (eg 30 \$/tCO₂e). The relative

values of timber, electricity and fuel use unsubsidised values.



Annex II - Calculated Ratios

The objective is to weight allocations and expenditures in a rational manner and to count only climate change responsive resources. Following the work done in

Cambodia and Indonesia, the consultant developed a table of ratios⁵⁶ that can be applied to the activities listed in the typology referred to in Section IV-1.

Those ratios, or ranges, are derived from experience and can be adjusted to context.

Table 27: Calculated Ratios for Climate Change Benefits⁵⁷

	Typology	Ref.		Weight (CC %)	Comments
Policy and Government	PG1: Adaptation Planning	PG1.1	CC adaptation guidelines and technical regulations.	100%	
		PG1.2	Policy/planning for CC response at all levels	100%	
		PG1.3	Manage/monitor implementation of adaptation policies	100%	
	PG2: Mitigation Planning	PG2.1	Policy, tax and incentive structure for mitigation	5-10%	Type B
		PG2.2	Sectoral mitigation plans and coordination between bodies	5-10%	Type B
		PG2.3	Manage and monitor implementation of mitigation policies	5-10%	Type B
	PG3: Sector Plans	PG3.1	Action and Sector Plans	100%	
		PG3.2	Impact assessments	100%	
		PG3.3	CC Capacity building	100%	
	PG4: Instruments	PG4.1	Mitigation instruments		Depends on CCD sector
		PG4.2	Adaptation instruments		Depends on CCD sector
		PG4.3	Mitigation and Adaptation Instruments		Depends on CCD sector
	PG5: International	PG5.1	International cooperation	100%	
		PG5.2	Coordinating foreign and domestic investment	100%	

⁵⁶ Methodological Note, November 2014, Kit Nicholson

⁵⁷ UNDP (2015)

Scientific, Technical and Societal Capacity	ST1: Science & Technology	ST1.1	Information and database development		
		ST1.2	Hydrometeorology, early warning & CC projection	33%	Type A
		ST1.3	Biological & genetic resource strengthening	100%	
		ST1.4	Survey and assessment on CC impacts	100%	
		ST1.5	Technology for energy efficiency and low GHG emission	5-10%	Type B
	ST2: Awareness	ST2.1	CC awareness in education	100%	
		ST2.2	CC awareness for postschool aged learners	100%	
	ST3: Community capacity	ST3.1	Livelihoods for communities in the context of CC	10-33%	Type D
		ST3.2	Capacity across whole community in CC response	100%	
	CCD1: Natural resources	CCD1.1	Coastal protection and coastal dykes	100%	
		CCD1.2	Saline intrusion	50-70%	Depends on existing saline intrusion
		CCD1.3	Irrigation	10-33%	Type C
		CCD1.4	River dyke and embankments	33%	Type A
		CCD1.5	Water quality and supply	10-33%	Type D
		CCD1.6	Rural development and food security	10-33%	Type E
		CCD1.7	Forest development	10-33%	
		CCD1.8	Fisheries & aquaculture	?	Depends on ecosystems
		CCD1.9	Biodiversity & conservation	?	Limited research on impact of CC

Scientific, Technical and Societal Capacity	CCD2: Resilient society	CCD2.1	Public health & social service	10%	Impact of CC on CC sensitive disease (WHO)
		CCD2.2	Residential and city area resilience	33%	Type C
		CCD2.3	Transport	1-5%	Depends on exposure to flood risk
		CCD2.4	Waste management and treatment	13%	Sanitation proofing (ref CCFF Cambodia)
		CCD2.5	Disaster specific infrastructure	33%	Type A (for climate related disasters)
		CCD2.6	Strengthening disaster risk reduction	33%	Type A (for climate related disasters)
	CCD3: Enterprise and production	CCD3.1	Energy generation	5-10%	Type F
		CCD3.2	Energy efficiency	5-10%	Type F
		CCD3.3	Infrastructure and construction	1-5%	Depends on exposure to flood risk
		CCD3.4	Industry & trade	5-10%	If related to energy efficiency
		CCD3.5	Tourism	5-10%	If related to energy efficiency

Notes on types and ranges provided.

The ratios are organised by type to simplify the use of the table. For some activity, 100 percent of the allocation and expenditures are dedicated to climate change (programme wholly dedicated to climate change whose benefits will occur with climate change, e.g. policy making, international climate finance).

For the other activities a type is defined. Below are simple explanations on the calculation made by type.

1. Type A: Additional benefits of the allocation are wholly associated with climate variability. It is assumed to double by 2050, increasing in a straight line from now.

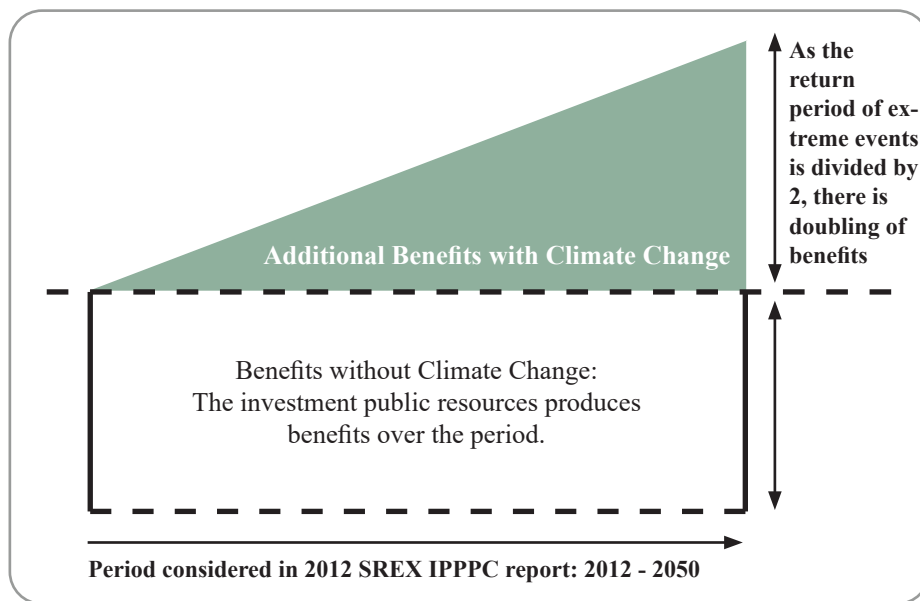
2. Type C: Some benefits are affected by climate variability (x), while some are not. If x is 100 percent of benefits, CC% = 33%; if x is 25% of benefits, CC% is 11%.

The transparent rectangle represents the benefits over the period considered if there was no climate change. The green triangle represents the additional benefits over that period (considering as IPCC does that the return period of extreme events will be divided by two at horizon

2050 and this change is linear), which double. As such the additional benefits are equal to the area covered by the green triangle, which is half of the area of the transparent rectangle. Additional benefits with CC is equal thus equal to 33 percent of total benefits and 33 percent

is the weight to be used. Should climate proofing be added, it can be argued that the costs of rehabilitation/livelihood relief avoided is another additional benefit.

Figure 16: Illustration of additional benefits with climate change for type A and C⁵⁸



3. Type B: Concerns mitigation. In this case the value of reduced GHG emissions is taken as 5–10 percent of the value of energy generated/saved. This is based on the value of the carbon dioxide content in fuel or electricity, compared with the economic value of fuel or electricity. As shown in the yardstick guidance of annex IV, table 6, 10 percent of the benefits from electricity efficiency come from mitigation, based on the carbon content of coal fired power, using the social cost of carbon while 2 percent of the benefits from fuel efficiency come from mitigation, based on the carbon content of fuel, using the social cost of carbon.

4. Type D: It is considered from experience that livelihood benefits for climate change to vulnerable households are twice the value of non-vulnerable households, allowing using the same reasoning for calculation as for type A and C (see Figure 5). For the ratio, 33 percent applies if the programme fully targets vulnerable households.

5. Type E: Depends on value of timber, income from agriculture on land, value of carbon emissions and non-economic forest benefits. The ratio range is derived from the consultant’s experience. Other calculations are welcomed.

6. Type F: Value of reduced GHG emissions relative to economic value of reduced energy use/generation. The consultant applied the same reasoning as for type B.

7. CCD 3.4 and CCD 3.5 assume that most of the focus is on energy efficiency. Natural Resources efficiency may have to be explored in relation to industry and tourism. For example, regulations on the exploitation and use of timber, regulations on the use of coasts and reefs, reserves, etc.

⁵⁸ UNDP (2015)

Annex III - List of Key Considerations for CBT

Component	Key Considerations
Component 1 – Defining climate activities	<ul style="list-style-type: none"> • What are the definitions of climate activities? • What kind of climate activities is CBT to capture: adaptation, mitigation or both?
Component 2 – Classifying climate activities	<ul style="list-style-type: none"> • Tagging typology should be developed and adopted. Examples: CPEIR Standard Typology, National policy-based typology, etc.
Component 3 – Weighing Climate Relevance	<ul style="list-style-type: none"> • Once the activity is identified as climate activity, how to determine the proportion of the expenditure that is climate relevant? Examples: CPEIR Climate Relevance Index, CPEIR Benefit Cost Ratio Approach, etc.
Component 4 – Designing tagging procedure	<ul style="list-style-type: none"> • What should be the entry point for tagging in the budget system? (For example, at budget submission stage for all of the countries that have implemented CBT) • Tagging to be applied to budgeted and/or actual expenditure? • What kind of expenditure to be tagged: Development vs. Recurrent? • What level of detail in the administrative that should be tagged: ministry/department/division/operating unit? • What level of detail in the programmatic classification that should be tagged: programme/project/activity/sub-activity? • Tagging government expenditure only or ODA sources also? • How to implement climate tag in the existing budget information system: integrated tag in the existing information system or a new/parallel module?



Mbabane Plaza Shopping Centre

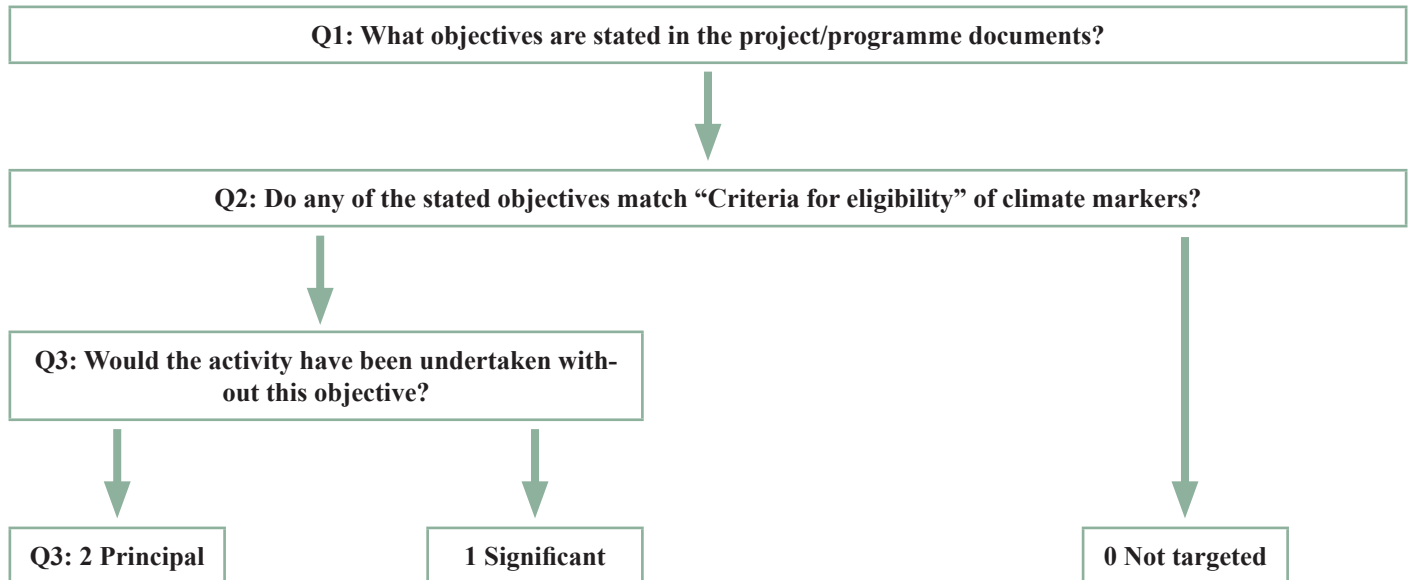
Annex IV - OECD-DAC Rio Markers

Definition of Climate Activities⁵⁹

1. Mitigation	
<p>OECD Definition: An activity should be classified as climate change mitigation related if it contributes to the objectives of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration (OECD, 2011)</p>	
Sector	Example activities
Forestry	Protection and enhancement of sinks and reservoirs of GHGs through sustainable forest management, afforestation and reforestation
Water	Methane emission reductions through waste management or sewage treatment
Energy	GHG emission reductions or stabilisation in the energy, transport, industry and agricultural sectors through application of new and renewable forms of energy, measures to improve the energy efficiency of existing machinery or demand side management (e.g. education and training)
Transport	
Industry	
Agriculture	
2. Adaptation	
<p>OECD Definition: An activity should be classified as adaptation-related if it intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience (OECD, 2011)</p>	
Sector	Example activities
Enabling activities	Supporting the development of climate change adaptation-specific policies, programs and plans
Policy and legislation	Capacity strengthening of national institutions responsible for adaptation
Agriculture	Promoting diversified agricultural production to reduce climate risk
Energy	Strengthening of energy transmission and distribution infrastructure to cope with the expected impacts of climate change
Forestry	Securing local rights and systems for the sustainable and long-term utilisation of the forest in order to increase resilience to climate change
Health	Strengthening food safety regulations; developing or enhancing monitoring systems
Transport	Building protection from climate hazards into existing transport infrastructures (e.g. Disaster Risk Reduction measures)
Water and sanitation	Monitoring and management of hydrological and meteorological data Water and sanitation

⁵⁹ Source: Handbook on OECD-DAC Climate Markers (OECD, 2011)

The Scoring System of Climate Markers⁶⁰



Principal (primary) policy objectives are those which can be identified as being fundamental in the design of the activity and which are an explicit objective of the activity. They may be selected by answering the question “would the activity have been undertaken (or designed that way) without this objective?”

Significant (secondary) policy objectives are those which, although important, are not one of the principal reasons for undertaking the activity. The score not targeted means that the activity has been screened against, but was found not be targeted to, the policy objective.

An activity can have more than one principal or significant policy objective. To qualify for a score “principal” or “significant”, the objective has to be explicitly promoted in project documentation. Avoiding negative impact is not a sufficient criterion.⁶¹

⁶⁰ Source: Handbook on OECD-DAC Climate Markers (OECD, 2011)

⁶¹ Source: Handbook on OECD-DAC Climate Markers (OECD, 2011)

Annex V - MDB Joint Approach In Tracking Climate Finance

ADAPTATION FINANCE TRACKING METHODOLOGY

1) Background and guiding principles

The multilateral development bank (MDB) climate adaptation finance tracking methodology uses a context and location specific, conservative and granular approach that is intended to reflect the specific focus of adaptation

activities and reduce the scope for over-reporting of adaptation finance against projects. The approach drills down into the 'sub-project' or 'project element' level as appropriate, in line with the overall MDB climate finance tracking methodology. It also employs a clear process in order to ensure that

project activities address specific climate vulnerabilities identified as being relevant to the project and its context/location.



Ludzidzini Royal Residence

2) Overview of the adaptation finance tracking methodology:

The methodology comprises the following key steps:

- Setting out the context of climate vulnerability of the project.
- Making an explicit statement of intent to address climate vulnerability as part of the project.
- Articulating a clear and direct link between the climate vulnerability context and the specific project activities.

Furthermore, when applying the methodology, the reporting of adaptation finance is limited solely to those project activities (i.e., projects, project components, or proportions of projects) that are clearly linked to the climate vulnerability context.

a. Context of vulnerability to climate variability and change

For a project to be considered as contributing to adaptation, the context of climate vulnerability needs to be set out clearly using a robust evidence base. This could take a variety of forms, including the use of material from existing analyses and reports, or original, bespoke climate vulnerability assessment analysis carried out as part of the preparation of a project.

Examples of good practice in the use of existing analyses or reports include using sources that are authoritative and preferably peer-reviewed, such as academic journals, National Communications to the UNFCCC, IPCC reports, Strategic Programmes for Climate Resilience, etc.

Examples of good practice in conducting original, bespoke analysis include using records from trusted sources showing vulnerable communities or ecosystems particularly vulnerable to climate change as well as recent climate trends including any departures from historic means.

These may be combined with climate change projections drawn from a wide range of climate change models, with high and low GHG emissions scenarios, in order to explore the full envelope of projected outcomes and uncertainties. Climate projection uncertainties should be presented and interpreted in a transparent way. The timescale of the projected climate change impacts should match the intended lifespan of the assets, systems or institutions being financed through the project (e.g., time horizon of 2030, 2050, 2080, etc.).

b. Statement of purpose or intent

The project should set out how it intends to address the context- and location-specific climate change vulnerabilities, as set out in existing analyses, reports or in the project’s climate vulnerability assessment. This is important for making the distinction between a project contributing to climate change adaptation and a standard ‘good development’ project. The methodology is flexible about exactly where/how the statement of intent/purpose is documented. As long as

the MDB concerned is able to record and track the rationale for each adaptation project or adaptation component of a project linked to the context of climate vulnerability established above, this could be documented in the final technical document, Board document, or an internal memo, or other associated project document.

c. Clear and direct link between climate vulnerability and project activities

In line with the principles of the overall MDB climate finance tracking methodology, only the specific project activities that explicitly address climate vulnerabilities identified in the project documentation are reported as climate finance. Where climate change adaptation is incorporated into project activities that also have other objectives, the estimated incremental or proportional cost of adaptation is counted. This approach may also be applied to project preparation activities if appropriate, depending on the standard practices of the specific MDB in question.



Luyengo Research Centre

3) Reporting of project activities with dual benefits

Where the same project, sub-project or project element contributes to climate mitigation and adaptation, then the MDB's individual processes

will determine what proportion is counted as mitigation or as adaptation, so that the actual financing will not be recorded more than once. Some MDBs are reporting projects where the same components or elements contribute to both mitigation and adaptation as

a separate category. The MDBs are continuing to work on the best reporting method for projects where the same components or elements contribute to both mitigation and adaptation.



MITIGATION FINANCE REPORTING

1) Principles of the Joint MDB Mitigation Finance Reporting:

The joint MDB approach for mitigation finance reporting is based on the following principles or attributes:

- a) It is **activity-based**, namely, it focuses on the type of activity to be executed, and not on its purpose, the origin of the financial resources, or its actual results.
- b) The classification is **ex-ante** project implementation.

c) An activity can be a project or a project component: the joint approach aims to report on mitigation activities disaggregated from non-mitigation activities through a reasonable level of data **granularity** by dissecting projects into main components. For example, a project with a total cost of USD 100 million may have a USD 10 million component for energy efficiency improvements – only the USD 10 million would be reported.

d) The joint approach measures **financial flows**, rather than greenhouse gas (GHG) emissions reduced by the investment.

e) An activity can be labelled as contributing to climate change mitigation

if it promotes “efforts to reduce or limit greenhouse gas (GHG) emissions or enhance GHG sequestration.”

In the absence of a commonly agreed method for GHG analysis among MDBs, mitigation activities considered in this joint approach are assumed to lead to emission reductions, **based on past experience** and/or technical analysis. Ongoing efforts to harmonise GHG analysis among MDBs should bring more consistency regarding the identification of many mitigation activities in the long term.

f) The purpose of this joint approach is to establish **practical**, harmonised climate finance classification categories without having to resort to long, complex studies or highly specialised experts.

g) The qualification of a project under this methodology does not imply specific evidence of its climate change effects. Inclusion is not a substitute for project-specific theoretical and/or quantitative evidence of GHG emissions mitigation, and projects seeking to demonstrate such effects must do so through project-specific data.

h) Where the same project, sub-project or project element contributes to climate mitigation and adaptation, then the MDB's individual processes

will determine what proportion is counted as mitigation or as adaptation, so that the actual financing will not be recorded more than once. Some MDBs are reporting projects where the same components or elements contribute to both mitigation and adaptation as a separate category.

The MDBs are working on the best reporting method for projects where the same components or elements contribute to both mitigation and adaptation.

2) Key Mitigation sectors included in the Joint MDB Mitigation Finance Reporting:

- End-use energy efficiency (brownfield and greenfield)

- Supply-side energy efficiency
- Renewable energy
- Transport
- Agriculture, forestry and land use
- Waste and wastewater
- Non-energy related emissions reductions (e.g. industry)
- Cross-sector (e.g., policy, finance, R&D, monitoring.)⁶²



⁶² Source: Joint Report on MDB Climate Finance 2013 (European Bank for Reconstruction and Development 2014)

ANNEX VI - Climate Public Expenditure and Institutional Review (CPEIR)

CPEIR: It starts with the data collection and deciding whether the expenditure items are climate relevant. After excluding the non-climate change related expenditures from the analysis, the next step is to classify the climate related expenditures. There are two approaches that the UNDP recommends, namely: i) Standardised UNDP/World Bank CPEIR Typology and ii) National Policy Objectives Typology. The data can, in addition, be grouped in accordance

with key climate change topics such as mitigation and adaptation. Once climate related expenditures are classified, the proportion of the expenditures that is related to climate change can be assessed by applying the weight of climate relevance to these expenditures.

The CPEIR identify and analyse other types of expenditures and investments that might have climate change implications and are not yet included

in the climate public expenditure analysis above, including: “negative” expenditures, fiscal instruments (tax, tax breaks, subsidies), SOE and PPP investments.



Goat production at Hawane

Annex VII - Climate characteristics of the Philippines, Indonesia, Nepal and Bangladesh

	Philippines	Indonesia	Nepal	Bangladesh
Definition and Criteria of Climate-related Expenditure	Adaptation and mitigation definitions. Use of policy areas in NCCAP in definitions to guide screening climate related expenditures	Mitigation only: direct and indirect actions. Use of RAN-GRK priority areas as the basis but also recognise non-RANGRK areas	Not split between mitigation and adaptation. Based on a short-list of climate related thematic areas, covering all economic sectors	Adaptation and mitigation
Classification/ Climate Change Typology	Typology based on NCCAP 8 priority areas. 4 level typology covering: NCCAP priority area, sector, sub-sector to activity level	There is no explicit typology. Climate related expenditure is tagged by themes.	There is no typology.	Use of six thematic areas in BCCSAP in tagging.
Weighing Climate Relevance	The proportion of the expenditure that is climate relevant is subjectively estimated by policy managers.	The scoring system has not yet been developed.	Adopting a criteria system: <ul style="list-style-type: none"> • Highly Relevant: above 60% of expenditures allocated to climate activities • Relevant: 20-60% • Neutral: below 20% 	The climate proportion is determined based on CPEIR-relevance index approach but assigning more specific percentages.
Entry Point	A parallel module linked to an integrated budget information system	Budget proposal	Budget proposal	Budget proposal
Level of Information To Be tagged	Tag at activity level. Tagging across economic classification also	Tag at activity level	Tag at programme level	Tag at operational unit level and across economic classification

<p>Budget Information System Capability</p>	<p>Fully on-line and computerised. Integrated to the existing information system which already incorporates other tags</p>	<p>Partly integrated computer-based and partly manually tagged by MoF. Retrofitted to the existing information system (use of the existing field to add climate change themes)</p>	<p>Initially manually done. Incorporated climate tag to the budget information system. Limited to budget allocations only (no information on actual expenditures)</p>	<p>A parallel module linked to an integrated budget information system</p>
<p>Lead Institutions</p>	<p>Both Department of Budget Management (DBM) and Climate Change Commission (CCC)</p>	<p>Fiscal Policy Agency (MoF)</p>	<p>National Planning Commission</p>	<p>Finance Division, Ministry of Finance</p>



Eswatini Butternut Production

ANNEX VIII - OECD-DAC DEFINITION AND CRITERIA OF CLIMATE CHANGE ACTIVITIES

OECD-DAC RIO MARKERS DEFINITIONS:

Mitigation: An activity contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the

atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.

Adaptation: An activity intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience.

OECD-DAC RIO MARKERS EXAMPLES OF CLIMATE CHANGE ACTIVITIES BY SECTORS:

Mitigation	
OECD Definition: An activity should be classified as climate change mitigation related if it contributes to the objectives of utilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration (OECD, 2011)	
Sector	Example activities
Forestry	Protection and enhancement of sinks and reservoirs of GHGs through sustainable forest management, afforestation and reforestation
Water and Sanitation	Methane emission reductions through waste management or sewage treatment
Energy Transport Industry Agriculture	GHG emission reductions or utilisation in the energy, transport, industry and agricultural sectors through application of new and renewable forms of energy, measures to improve the energy efficiency of existing machinery or demand side management (e.g. education and training)
Adaptation	
OECD Definition: An activity should be classified as adaptation-related if it intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience (OECD, 2011)	
Sector	Example activities
Enabling Activities	Supporting the development of climate change adaptation-specific policies, programs and plans
Policy and Legislation	Capacity strengthening of national institutions responsible for adaptation
Agriculture	Promoting diversified agricultural production to reduce climate risk
Energy	Strengthening of energy transmission and distribution infrastructure to cope with the expected impacts of climate change
Forestry	Securing local rights and systems for the sustainable and long-term utilisation of the forest in order to increase resilience to climate change
Health	Strengthening food safety regulations; developing or enhancing monitoring systems
Transport	Building protection from climate hazards into existing transport infrastructures (e.g., Disaster Risk Reduction measures)
Water and Sanitation	Monitoring and management of hydrological and meteorological data
Source: Handbook on OECD-DAC Climate Markers (OECD, 2011)	

ANNEX IV - MDB JOINT APPROACH DEFINITIONS OF CLIMATE CHANGE MITIGATION AND ADAPTATION:

MDB joint approach definitions

Mitigation	Climate change mitigation promotes efforts to reduce, limit, or sequester greenhouse gas (GHG) emissions to reduce the risk of climate change. However, not all activities that reduce GHGs are eligible to be counted towards MDB mitigation finance. Mitigation finance is based on a list of activities that are compatible with low-emission pathways
Adaptation	Climate change adaptation aims to lower the current and expected risks or vulnerabilities posed by climate change. For a project to be counted towards MDB adaptation finance, it must: <ul style="list-style-type: none"> • set out the climate vulnerability context of the project • make an explicit statement of intent to address climate vulnerability as part of the project, and • articulate a clear and direct link between the climate vulnerability context and the specific project activities.

MDB JOINT APPROACH EXAMPLES OF MITIGATION ACTIVITIES BY SECTORS (EXCERPT)		
Category	Sub-category	Eligible activities
Waste and wastewater	Wastewater	Portion of treatment of wastewater that reduces methane emissions (only if net GHG emission reductions can be demonstrated and if not a compliance requirement to meet, for example, a performance standard or safeguard requirement)
	Solid Waste Management	<ul style="list-style-type: none"> • Waste management projects that capture or combust methane emissions Waste-to-energy projects • Waste-to-energy projects • Waste collection, recycling and management projects that recover or reuse materials and waste an inputs into new products or as a resource (only if net emission reductions can be demonstrated)
Transport	Urban Transport Modal Change	<ul style="list-style-type: none"> • Urban mass transit • Non-motorised transport (bicycles and pedestrian mobility)
	Transport-Oriented Urban Development	<ul style="list-style-type: none"> • Integration of transport and urban development planning (dense development, multiple land-use, walking communities, transit connectivity, and so on), leading to a reduction in the use of passenger cars

Transport		<ul style="list-style-type: none"> • Transport and travel demand-management measures dedicated to reducing pollutant emissions, including GHG emissions (such as high occupancy vehicle lanes, congestion charging or road pricing, parking management, restriction or auctioning of license plates, car-free city areas, low-emission zone) 	
	Inter-Urban Transport	<ul style="list-style-type: none"> • Railway transport ensuring a modal shift or freight and/or passenger transport from road to rail improvement of existing lines or construction of new lines) • Waterways transport ensuring a modal shift of freight and/or passenger transport from road or air to waterways (improvement of existing infrastructure or construction of new infrastructure) 	
	Infrastructure for Low-Carbon Technologies	Charging stations and other infrastructure for electric vehicles, hydrogen or dedicated biofuel fuelling	
	Low-carbon technologies	Products or Equipment	Projects producing components, equipment or infrastructure dedicated to the renewable and energy efficiency sectors, or low-carbon technologies
		Research and Development	Research and development or renewable energy or energy efficiency technologies, or low carbon technologies



Ezulwini Corner Plaza

ANNEX X - TERMS OF REFERENCE

International best practices for the implementation of a

Coordination Committee, IBFCC - Eswatini Terms of Reference

Introduction

This document aims to give Eswatini indications for the creation of a national

coordination mechanisms committee. It seeks to provide clear guidelines for the implementation of such committee, under the format a suggested Terms of Reference for the Committee.

The following term of reference is a suggested format for Eswatini and is based on the international best practices worldwide. The main divisions shall be used as a solid basis for the future coordination committee. However, the

details can be adapted depending on Eswatini's need in term of administrative procedure and dedicated time and resources.

I. Membership

1. The committee shall comprise members representing the following organisations: Ministry of Finance, Ministry of Tourism and Environmental Affairs, Ministry of Economic Planning and Development, and other relevant line ministries, relevant stakeholders and a representative from the civil society.

2. Only members of the committee have the right to attend committee meetings. However, other individuals such as external advisers may be invited to attend for all or part of any

meeting as and when appropriate.

3. Appointments to the committee shall be for a period of up to three (3) years.

4. The representative from [add Ministry] shall chair the committee. In the absence of the committee chairperson, the representative from [Add Ministry] shall chair the committee meeting. In the absence of the representatives from [Add Ministry] and [Add Ministry], the remaining members present shall elect one of their number to chair the committee meeting.

II. Secretary

The representative from the civil society shall act as the secretary of the committee.

III. Quorum

The quorum necessary for the transaction of business shall be three (3) members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

IV. Frequency of Committee Meetings

The committee shall meet at least quarterly and at such other times as the members of the committee shall require.

V. Notice of Committee Meetings

1. Meetings of the committee shall be called by the secretary of the committee at the request of any of its members.

2. Unless otherwise agreed, notice of each committee meeting confirming the venue, date and time, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person.

required to attend, no later than five (5) working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

VI. Duties of the Committee:

Here, all the scope of action of the committee shall be mentioned, depending on the objectives and actions the committee aims for. Few examples are cited here:

The Coordination Mechanisms Committee shall have the authority of making decisions that are in accord with the objectives, approach and scope of the national climate change policy. In particular, the committee shall:

1. Monitor implementation of the

Government's decisions in terms of climate change policy.

2. Set general guiding principles on funds usage.

3. Monitor progress of loan disbursements and repayments.

4. Ensure equity in the geographical distribution and targeting of funds.

5. Provide policy guidance and direction.

VII. Reporting Responsibilities

1. The chairperson of the committee shall regularly report formally to all organisations represented in the committee on proceedings of each committee meeting on all matters within its duties and responsibilities.

2. The committee shall make whatever recommendations to all organisations represented in the committee it deems appropriate on any area within its remit where action or improvement is needed.

3. The committee shall prepare a comprehensive annual report about its activities and shall present the same

to all organisations represented in the committee.

VIII. Assessment of Committee's Own Performance

The committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to all organisations represented in the committee for approval.

IX. Authority of the Committee

1. The committee is authorised by all organisations represented in the

committee to seek any information it requires to perform its duties relating to the administration, management and performance.

2. In connection with its duties the committee is authorised by all organisations represented in the committee, to obtain any outside technical advice on any matters within its terms of reference.

ANNEX XI - Data tables and fields for climate finance tracking

Table A1: Data fields required to upload data to the NDC partnership plan platform

KPI	Baseline	Free text
	Target	Free text
	Estimated KPI cost	Free text
	Focus	Select from adaptation/mitigation/cross-cutting
	Type of Primary Government Agency/Institution	Free text
	Progress Update	Free text
	Milestone	Free text
	Activities	Free text
	Sector	Select from list of mitigation and adaptation sectors
	Primary government agency/institution	Select from list of institution types
	Other relevant government agencies/ institutions	Free text
	Value chain of services	Select from list of activity types (Budgeting & investment, Knowledge Products)
Consolidated budgets	Implementing Entity	Select from list of organisations
	Funding Source	Select from list of organisations
	Budget (Year 1)	Numbers
	Budget (Year 2)	Numbers
	Budget (Year 3)	Numbers
	Total Budget	Calculated
	Comments	Free text
Support (multiple rows of supporting projects can be added)	Implementing Entity	Select from list of organisations
	Status	Select from list of statuses
	Support type	Select project or technical assistance
	Funding Source	Select from list of organisations
	Name of the project	Free text
	Start- End date of the project	Free text
	Comments or additional information	Free text

Table A2: Data fields required to upload project related climate finance data to the Eswatini

KPI	Baseline	Free text
	Sector	Select from list (Energy, Agriculture...)
	Subsector	Select from list
	Mitigation activity	Free text
	Project Name	Free text
	Technology	Free text
	Location	Free text
Project details	Geographical Co-ordinates	Free text
	Included in NDC?	Yes/No
	Implementing Agency	Free text
	Other Party	Free text
	Expected commissioning date	Date
	Actual commissioning date	Date
Basic information	Operation Life	No. of years
	Project Investment (mln USD)	Free text
	Approval Date	Date
	Expected Commissioning Date	Date
	Mitigation/Adaptation Focus	Free text
	Financial Closure Date	Date
Financials	Project Status	Free text
	Total Project Cost (USD)	Free text
	Grant (USD) – National/International	Free text
	Public/Private Sector (USD) – National/International - Agency	Free text
	Loan (USD) – National/International	Free text
	National Budget (USD)	Free text
Budget information	Others (USD)	Free text
	Budget category	Select from list (Equipment & Machinery, Consultant (Local))
	Disbursement Schedule – Year, Amount	Date, Free text
	Total Activity Budget (USD)	Free text

Table A3: Fields required for reporting financial support under the Paris Agreement and other platforms in Eswatini

Data field	Paris agreement reporting requirements								NDC partnership plan platform	Eswatini MRV Tool
	Financial support		Technology development and transfer support		Capacity building support		Support for the implementation of Article 13			
	Need-ed	Re-ceived	Need-ed	Re-ceived	Need-ed	Re-ceived	Need-ed	Re-ceived		
Title	X	X	X	X	X	X	X	X	X	X
Programme/project description	X	X	X	X	X	X	X	X		
Sector (Energy, Transport, Industry, Agriculture, Forestry, Water and sanitation, Crosscutting, Other (specify))	X	X	X	X	X	X			X	X
Subsector	X	X	X	X	X	X				X
Channel (Multilateral, Bilateral, Regional, Other (specify))		X					X	X		
Recipient entity		X		X		X	X	X		

Implementing entity	X X X X X X										
Estimated or actual amount (domestic currency and USD)	X	X						X	X	X (calculated field" Total budget")	X ("Total Project cost")
Expected or actual time-frame	X	X	X	X	X	X	X	X	X	X ("Expected comissioning date")	
Type of technology			X	X							
Expected or utilised financial instrument (grant, concessional loan, non-concessional loan, equity, guarantee, insurance, other (specify))	X	X									
Status (committed, received)		X									X
Status of activity (planned, ongoing, completed)		X		X		X	X	X		X (slightly different selection)	X (free text)

Type of support (mitigation, adaptation or cross-cutting)	X	X	X	X	X	X			X ("Focus")	X ("Mitigation/Adaptation Focus")
Whether the activity will contribute to technology development and transfer and/or capacity-building	X	X								
Whether the activity is anchored in a national strategy and/or an NDC	X									X
Expected and achieved use, impact and estimated results	X	X	X	X	X	X	X	X	Broken down under KPI reporting	
Additional information	X	X	X	X	X	X	X	X	X (comments)	
(KPI) Baseline									X	
(KPI) Target									X	
(KPI) Type of Primary Government Agency/Institution									X	
(KPI) Progress update									X	

(KPI) Milestone									X	
(KPI) Activities									X	
(KPI) Primary government agency/institution									X	
(KPI) Other relevant government agencies/institutions									X	
(KPI) Value chain of services									X	
Budget (Year 1)									X	
Budget (Year 2)									X	
Budget (Year 3)									X	
Funding Source									X	
Support type									X	
Start- End date of the project									X	
(Project) Mitigation activity										X
(Project) Technology										X
(Project) Location										X

(Project) Geographical Co-ordinates	X									
(Project) Other Party										X
(Project) Expected commissioning date	X									
(Project) Actual commissioning date										X
(Project) Operation Life (No. of years)	X									
Project Investment (mln USD)										
Approval Date	X									
Financial Closure Date										
Total Project Cost (USD)	X									
Grant (USD) – National/International										
Public/Private Sector (USD) – National/International - Agency	X									

Loan (USD) – National/International											X
National Budget (USD)											X
Others (USD)											X
Budget category											X
Disbursement Schedule – Year, Amount											X

****END****



For more information, please contact the Principal Secretary at the Ministry of Finance Building, Mhlambanyatsi Road, Mbabane, Swaziland Tel: +268 2404 8145/9. Fax: +268 2404 3187. Email: ps@finance.gov.sz