

## General Studies 3; Topic: Government Budgeting. Conservation, environmental pollution and degradation, environmental impact assessment.

### Climate Budget Tagging (CBT)

#### Introduction

- Climate Budget Tagging (CBT) is a tool for **monitoring and tracking of climate-related expenditures** in the national budget system.
- It provides comprehensive data on climate change relevant spending, **enabling government to make informed decisions and prioritize climate investments.**

#### Present Status

- According to the recent Climate Policy Initiative (CPI), India's tracked green investment flows fall far short of its financing requirements.
- The estimated \$38 billion investments directed towards mitigation sectors between FY16-18 are disproportionately allocated between sectors.

#### Need for climate budget tagging

- CBT encourages planning officers and policy managers to **incorporate climate considerations in project design.**
- CBT enables public scrutiny on government's and donors' spending on tackling climate change issues **strengthening accountability and transparency.**
- It will help identify, classify, and weigh climate-relevant spending, thereby enabling the tracking of such expenditures.
- It will also facilitate more informed engagements between the government and development partners to **mobilise additional resources.**
- India needs investment at a minimum, \$2.5 trillion until 2030 according to India's Nationally Determined Contribution.
- Climate change has already caused catastrophic destruction and threatens the loss of lives across the country.
- It took India a decade to raise awareness and build capacity at national and state levels for gender budgeting.
- We cannot afford to spend equivalent time in developing a tagging tool.

#### Benefits of climate budget tagging

- It raises awareness and understanding of climate change.
- It mobilises resources.
- It improves monitoring and reporting.
- Adherence to such methods will help India attract more international funding for climate action.

#### International Experience

- Nepal is one of the first countries to adopt a climate budget tagging.
- The Government of Bangladesh (GoB) adopted a Climate Fiscal Framework (CFF) in 2014 which proposes a climate expenditure tracking framework (CETF).

#### Concerns / Challenges

- There are challenges in defining and tracking green finance across its value chain in India.
- There is no mechanism to weigh the climate relevance in various national and state-level government schemes and tag them as 'green'.
- This absence makes budgeting the country's mitigation action in its annual financial plan a challenge.

## Way Forward

- It is time to **align budgetary outlays in a manner responsive to climate change** for sustained policy action.
- Mitigating the effects of climate change will need to be at the forefront of economic growth.
- India needs to adopt a “Climate Budget Tagging (CBT)” tool.
- The CBT could be rolled out in a similar way that other social priorities are tagged.
- For example, the gender, scheduled castes & scheduled tribes, and child development component of the budget has made it easier for the government to review and recognise the impact of budgetary support on these sections.
- The government needs to restructure the way it reports schemes and action plans to facilitate meaningful intra and inter-state comparison of the climate objectives.
- Need for building consensus on the definition of green finance for both public and private actors to weigh their activities for climate relevance.
- Training on climate tagging should be considered in the context of broader capacity building efforts.