



# **PEFA Supplementary Framework for assessing Climate responsive Public Financial Management (PEFA Climate)**

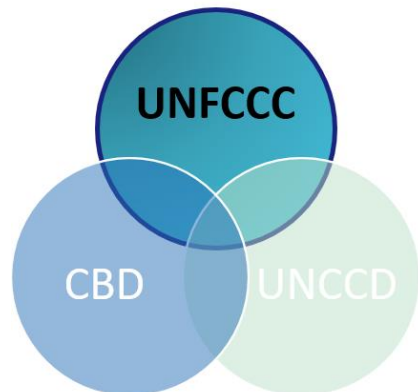
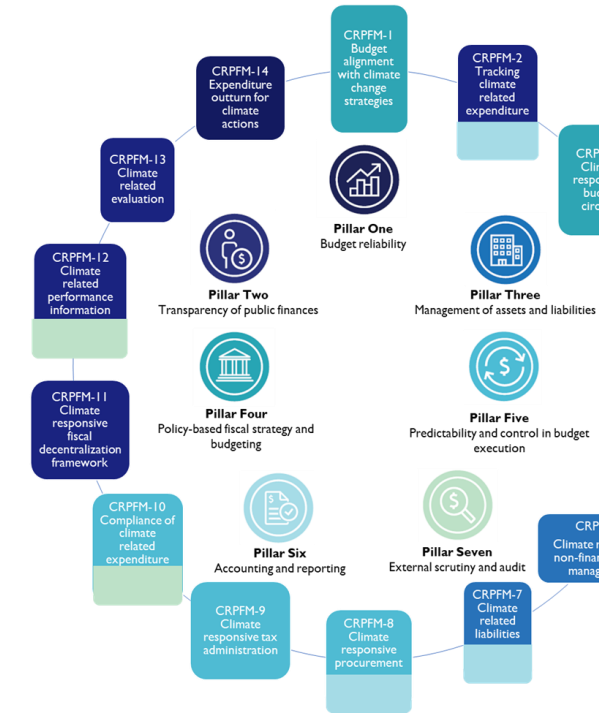
**Coalition of Ministers of Finance for Climate Action**

**June 3, 2024**

PEFA Secretariat

[www.pefa.org](http://www.pefa.org)  
#PEFA

# In a nutshell



### Section 3: Implementation of climate change policies by the government

### Section 2: National Level Strategies

#### 7. Is climate change identified as a key issue in the national development plan or

#### Questionnaire: Preparing the PEFA Climate assessment in [insert country name] - Climate Change Policy Context

This questionnaire is part of the data collection conducted before the PEFA Climate assessment field work starts. It aims at providing the policy context for the PEFA Climate assessment of [insert country name].

**This questionnaire must be filled in by the government.** This questionnaire may be filled in by the designated agency overseeing and coordinating the implementation of the climate change activities (if applicable) or the Ministry of Finance with the support of the main line ministries in charge of implementing climate change policies.

#### Section 1: International Commitments for Climate Change Mitigation and Adaptation

- Has the country ratified the United Nations Framework Convention on Climate Change?  
☐ Yes, when: \_\_\_\_\_ ☐ No
- Has the country ratified the Paris Agreement?  
☐ Yes, when: \_\_\_\_\_ ☐ No
- Has the country submitted Nationally Determined Contributions (NDCs)?  
a. First NDCs ☐ Yes, when: \_\_\_\_\_ ☐ No  
b. Revised NDCs<sup>11</sup> ☐ Yes, when: \_\_\_\_\_ ☐ No

#### Box 1: Climate Budget Tagging in Indonesia

Since 2016, the Ministry of Finance (MoF) has been implementing climate budget tagging (CBT) in the national planning and budgeting system to track climate spending in the state budget. The Fiscal Policy Agency of MoF issued guidelines on CBT in 2018 to assist line ministries and agencies to (i) take stock of the output activities and (ii) track the amount of public funding that contributes to reducing GHG emissions and increasing resilience to climate change impacts.

CBT is carried out at the output level which provides the *most suitable performance and corresponding spending in the country*. The detailed output output that is specifically produced by a spending unit of the line ministry/agency in a particular issue that is directly linked with the tasks and duties of that spending unit in support the predetermined activity's targets. An example of CBT is shown below:

Line Ministry: (020) Ministry of Forestry and Environment  
Unit Organization: (111) Directorate General of Climate Change Management  
Program: (020.111.01) Disaster Resilience and Climate Change Program  
Activity: (1450) Forest and Land Fires Control  
KRO: (1450.040) Disaster Management Operations  
Detailed Outputs (RO) – **Tagging is done at this level**  
RO 1: QMC 202: Forest and Land fires overcome through ground extinguisher  
328 operations for IDR 5,657,500,000  
RO 2: QMC 202: Forest and Land fires overcome through air extinguisher  
170 operations for IDR 16,588,200,000

In the Climate Change Mitigation and Adaptation Budget Report 2018–2020, the Fiscal Policy Agency identified that around 200 outputs were tagged as climate change-related in budgets for 2018–2020. The total budget allocation for climate change-related outputs was IDR 41.45 trillion (53.5 percent) for mitigation, IDR 33.30 trillion (42.8 percent) for adaptation, and IDR 2.86 trillion (3.7 percent) for co-benefit.

The current CBT does not use a weighting system.

Source: PEFA CRPFM assessment report for Indonesia (2022)

#### Box 10: Climate Change Budget Tagging: A Review of International Experience

The purpose of this report is to provide development practitioners and government officials with an understanding of the context and key design features of climate budget tagging initiatives. It is based on a review of 18 climate budgeting tagging methodologies as well as key informant interviews with practitioners during 2020. The report defines tagging as “the practice of identification, measurement, and monitoring of climate-relevant expenditure. [...] Climate budget tagging builds on prior experience in tagging for other whole-of-government policy objectives, notably poverty, gender, and the international development goals outlined by the United Nations. Several countries already apply climate budget tagging alongside tags for these policy objectives.”




The report highlights that most countries use an objective-based definition of climate-relevance rather than a policy-based definition. A policy-based definition places the focus on activities referenced in national climate change policy documents to ensure alignment. An objective-based definition aims at measuring the intended impact of the activity on climate change. It relies on standardized definitions.

Objective-based Definition	Policy-based Definition
Comorbidity (OECD Rio markers)	Bangladesh (JA-6, based on policy)
Comorbidity (OECD Rio markers and GPAC definition)	Kenya (IT categories, 3-4 specified activities for each)
Ethiopia (OECD Rio markers and reference to national strategies and sectoral plans)	China (list of policy objectives and operations)
Indonesia (own definition, aligned with UN framework)	Nepal (climate change-related activities defined by working group)
Indonesia (aligned with OECD Rio markers, indicative list)	Philippines (11 tagging sectors from policy, indicative activities)
Indonesia (aligned with ICMA GPP)	
Nicaragua (own definition, based on IPCC/UNFCCC focus on loss and damage, and disaster risk management)	
Nigeria (OECD Rio markers, indicative list)	

**Notes:**  
Modifies (intent, type of activity, or part of policy; classification according to activity category)  
Philippines (objective; classification according to policy)  
Indonesia (objective; classification according to type of policy response and specific strategy)

Source: <https://documents.worldbank.org/~/open/publications/documents/document/0/2023/07/1706537156/main-report>

# PEFA Climate assessments (May 2024)

-  Report finalized
-  Draft Report
-  Planned Report



# Methodology: Scoring & calibration

Each dimension is scored separately. Aggregation method is M2 for all indicators

A

- Climate change issues and the policy response are mainstreamed in the relevant PFM institutions, processes, or systems

B

- Climate change issues and the policy response are partially mainstreamed in the relevant PFM institutions, processes, or systems

C

- Initial efforts have taken place to mainstream climate change issues and policy response in the relevant PFM institutions, processes, or systems

D

- Performance is less than required for a C score

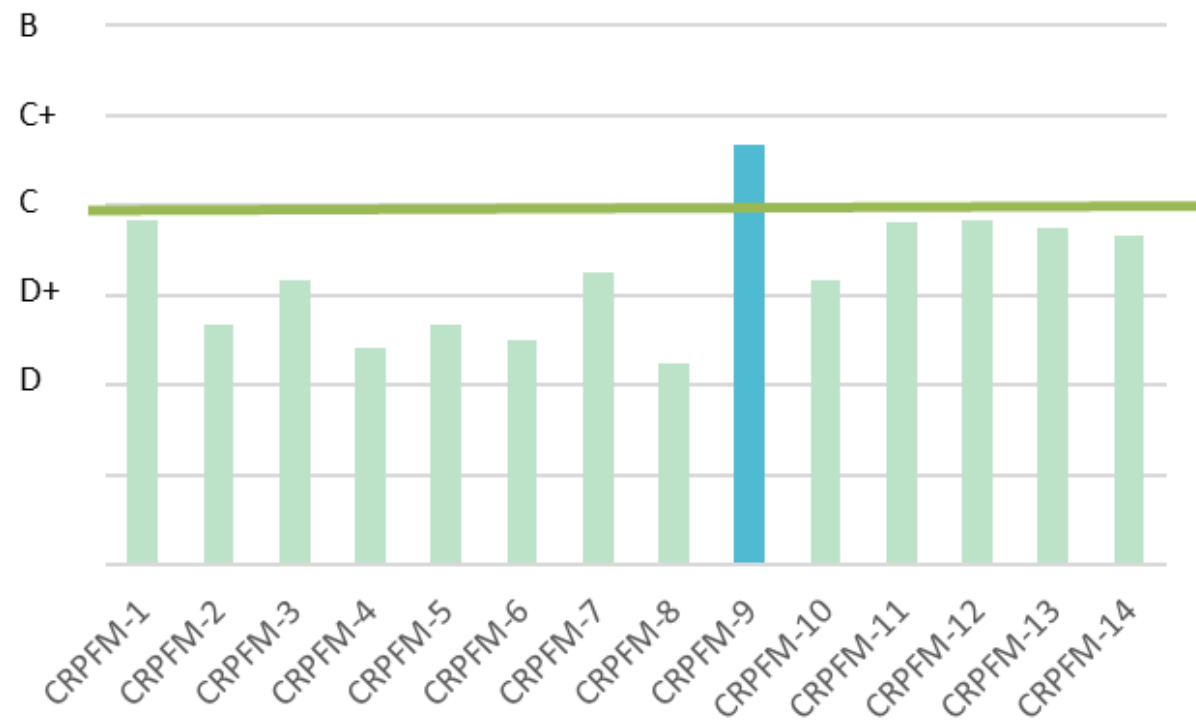
NA: Not applicable

# Findings from PEFA Climate assessments

## PEFA Climate assessment indicators

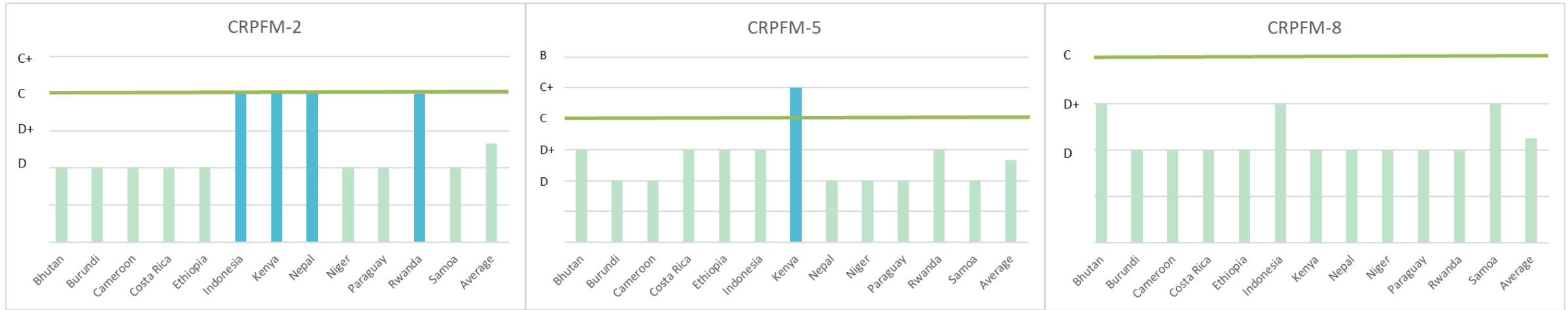
CRPFM-1. Budget alignment with climate change strategies
CRPFM-2. Tracking climate-related expenditure
CRPFM-3. Climate-responsive budget circular
CRPFM-4. Legislative scrutiny
CRPFM-5. Climate-responsive public investment management
CRPFM-6. Climate-responsive non-financial asset management
CRPFM-7. Climate-related liabilities
CRPFM-8. Climate-responsive public procurement
CRPFM-9. Climate-responsive tax administration
CRPFM-10. Compliance of climate-related expenditure
CRPFM-11. Climate-responsive fiscal decentralization
CRPFM-12. Climate-related performance information
CRPFM-13. Climate-related evaluation
CRPFM-14. Expenditure outturn for climate activities

Average score per indicator

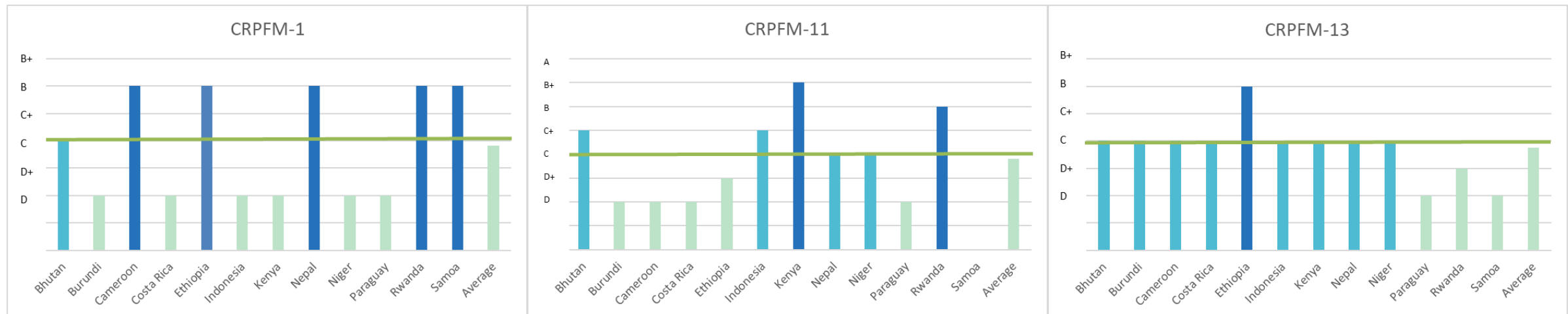


# Findings from PEFA Climate assessments

- Main gaps



- Initial efforts and beyond



# Main gaps (1/3)

## CRPFM-2.1. TRACKING CLIMATE-RELATED EXPENDITURE

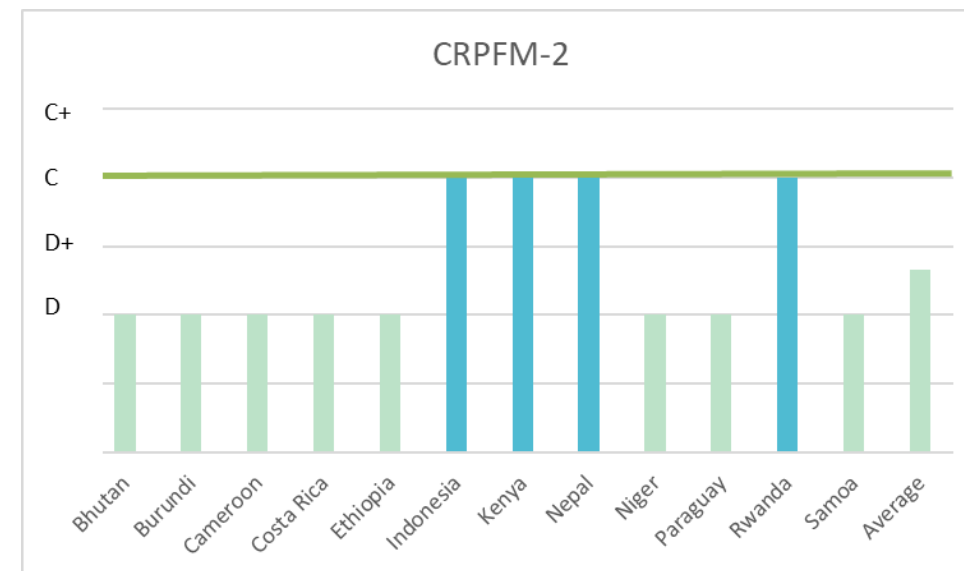
SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	The system in place to track climate-related expenditure fulfills 7 elements, including Element 1 and at least 3 other basic elements (2-5).
<b>B</b>	The system in place to track climate-related expenditure fulfills 5 elements, including Element 1 and at least 3 other basic elements (2-5).
<b>C</b>	The system in place to track climate-related expenditure fulfills at least 3 basic elements, including Element 1 (2-5).
<b>D</b>	Performance is less than required for a C score.


### Basic elements


1. The government uses a methodology that defines what constitutes “*climate change expenditure*”.
2. The government applies the same methodology across all BCG entities to identify climate-related expenditure.
3. Climate-related expenditure is disclosed by the Ministry of Finance or the budgetary units in budget documents.
4. Climate-related expenditure is disclosed by the Ministry of Finance or the budgetary units in end-of-year budget execution reports.
5. The methodology applied by the government to identify climate-related expenditure is reviewed by an entity other than the preparing entity.

### Additional elements

6. Climate-related expenditure is identified using specific budget expenditure line items, program codes, elements in the government’s chart of accounts or markers such as Rio markers.
7. Expenditure related to activities that are counter to climate policy objectives is disclosed in budget documents or in end-of-year budget execution reports.
8. Climate-related expenditure is disclosed in in-year budget reports, including in-year budget adjustments.
9. Budgeted climate-related transfers to subnational governments and outturn are identified.
10. Budgeted climate-related transfers to extrabudgetary units and public corporations in charge of implementing climate change actions, and outturn, are identified.



 No definition, no methodology

 When there is a methodology:

- It is applied consistently
- It has been reviewed



SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	The legal or regulatory framework describes the objectives and requirements for investment programs or projects in relation to climate change mitigation <b>and</b> adaptation. Requirements include the mandatory assessment of new significant investment projects with an impact on national mitigation targets and climate vulnerabilities. There is a high level of compliance of investment project proposals with the climate-related objectives and requirements. The scope of climate-related objectives and requirements covers central government and public corporations.
<b>B</b>	The legal or regulatory framework describes the objectives and requirements for investment programs or projects in relation to climate change mitigation <b>or</b> adaptation. There is a high level of compliance of investment project proposals with climate-related objectives or requirements. The scope of climate-related objectives and requirements covers central government.
<b>C</b>	The legal or regulatory framework describes the objectives and requirements for investment programs or projects in relation to climate change mitigation <b>or</b> adaptation. The scope of climate-related objectives and requirements covers central government.

**CRPFM-5.2. CLIMATE-RESPONSIVE PROVISIONS FOR PROJECT APPRAISAL**

SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	National guidelines for projects appraisal require the evaluation of climate change impacts of new investment projects and provide a methodology. They also require adaptation measures in the project design to address climate risks. Climate change impacts are reviewed by an entity other than the sponsoring entity. The appraisal results are published.
<b>B</b>	National guidelines for projects appraisal require the evaluation of climate change impacts of new investment projects. They also require adaptation measures in the project design to address climate risks.
<b>C</b>	Guidelines for projects appraisal recommend the evaluation of climate change impacts of new investment projects or adaptation measures in the project design to address climate risks.

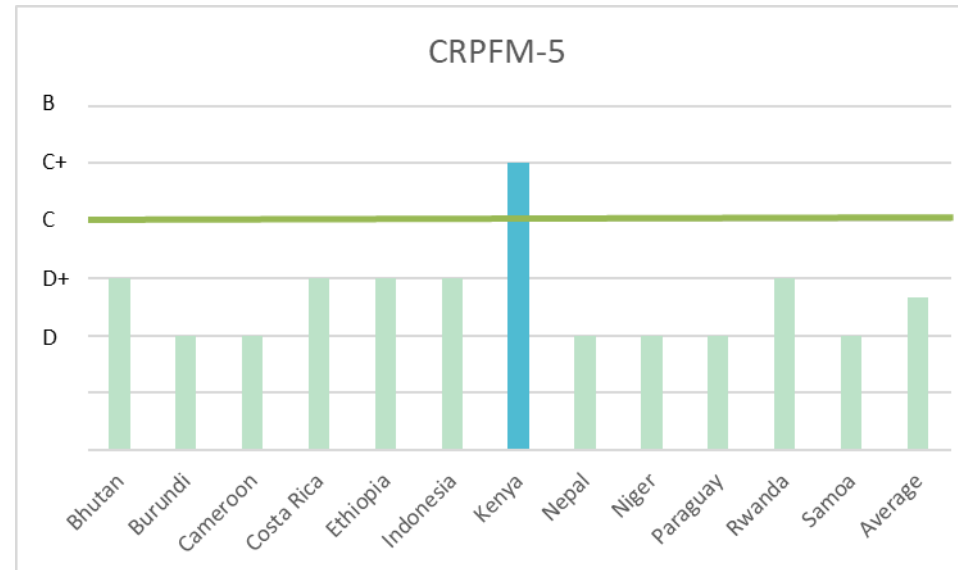
**CRPFM-5.3. CLIMATE-RESPONSIVE PROVISIONS FOR PROJECT SELECTION**

SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	Projects are selected using published criteria that include climate-related aspects. Such criteria align with national climate change policy or NDC targets.
<b>B</b>	Projects are selected using criteria that include climate-related aspects. Such criteria align with national climate change policy or NDC targets.
<b>C</b>	Projects are selected using criteria that include climate-related aspects.

**CRPFM-5.4. REPORTING FROM ENTITIES IN CHARGE OF IMPLEMENTATION**

SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	The government requires extra budgetary units and public corporations in charge of implementing public investment projects to incorporate specific climate objectives, targets and indicators in their performance contracts or statement of corporate intent. <b>All</b> entities report back within <b>six months</b> of the end of the fiscal year. Reporting covers the use of climate-related funding they received from the government to implement investment projects and results against objectives, targets, and indicators
<b>B</b>	The government requires extra budgetary units and public corporations in charge of implementing public investment projects to incorporate specific climate objectives, targets and indicators in their performance contracts or statement of corporate intent. <b>Most</b> entities report back within <b>six months</b> of the end of the fiscal year. Reporting covers climate-related funding they received from the government to implement investment projects and results against these objectives, targets, and indicators.
<b>C</b>	The government requires extra budgetary units and public corporations in charge of implementing public investment projects to incorporate specific climate objectives, targets and indicators in their performance contracts or statement of corporate intent. <b>Most</b> entities report back within <b>nine months</b> of the end of the fiscal year. Reporting covers climate-related funding they received from the government to implement investment projects and results against these objectives, targets, and indicators
<b>D</b>	Performance is less than required for a C score.

## Main gaps (2/3)



- None of the requirements met for half of the countries
- No reporting from operators
- Initial efforts in project appraisal
- Initial efforts in inserting provisions in regulatory framework



## CRPFM-8. I. CLIMATE-RESPONSIVE PUBLIC PROCUREMENT FRAMEWORK

Key features of a climate-responsive public procurement framework include the following elements:

- (1) The framework establishes clear criteria to determine what products or services count as climate responsive.
- (2) It establishes the scope of procurement operations subject to climate-responsive procurement principles.
- (3) It sets quantitative targets, priorities, and timeframes.
- (4) There is an operational body, unit, or team in charge of the development of the framework, and support to the users.

SCORE	MINIMUM REQUIREMENTS FOR SCORES
A	Every key element is met.
B	Elements (1), (2) and (3) are met.
C	Element (1) or Element (2) is met.
D	Performance is less than required for a C score.

## CRPFM-8.2. CLIMATE-RESPONSIVE PUBLIC PROCUREMENT OPERATIONS

Key features of climate-responsive public procurement operations include the following elements:

- (1) Climate-responsive standards are used to help determine tender requirements and specifications, or award criteria.
- (2) Climate-responsive criteria are included in contract performance clauses.
- (3) Climate-responsive procurement examples or templates are included into framework agreements for commonly procured goods.
- (4) Life-cycle costing is included as a cost element at the award stage of a procurement procedure.
- (5) There are simplified procedures and templates to expedite procurement in response to climate induced disasters.

SCORE	MINIMUM REQUIREMENTS FOR SCORES
A	Every key element is met.
B	Every key element is met, except (4).
C	Element (1) or Element (5) is met.
D	Performance is less than required for a C score.

## CRPFM-8.3. CLIMATE-RESPONSIVE PUBLIC PROCUREMENT MONITORING

Key features of climate-responsive public procurement monitoring include the following elements:

- (1) The compliance of contract awards and implementation with climate-responsive specifications of tenders and contracts is verified.
- (2) An operational system is in place for ensuring the compliance of emergency procedures used in case of climate-induced disasters.
- (3) Procurement operations related to climate-induced disasters were compliant with emergency procedures.
- (4) Procurement databases or records capture specific information on climate-responsive procurement and include emergency procurement.
- (5) Procurement databases or records are complete and accurate.

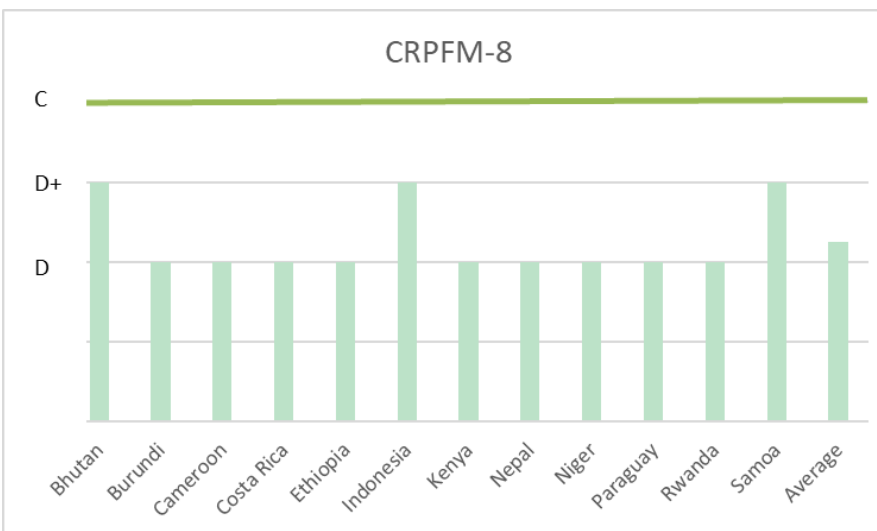
SCORE	MINIMUM REQUIREMENTS FOR SCORES
A	Every key element is met. For (1), it is required that contract awards and implementation are compliant with climate-responsive specifications of tenders and contracts.
B	Every key element is met, except (3). For (5) it suffices that the completeness and accuracy of procurement databases or records are verified.
C	Elements (1), (2) and (4) are met.
D	Performance is less than required for a C score.

## CRPFM-8.4. CLIMATE-RESPONSIVE PUBLIC PROCUREMENT REPORTING

Key features of climate-responsive public procurement reporting include the following elements:

- (1) A report on climate-responsive procurement, which includes statistics and refers to the targets and priorities set in the national framework, is published, and submitted to the legislature.
- (2) Benefits and outcomes of climate-responsive procurement have been assessed at least once during the last three completed fiscal years.
- (3) Indicators of performance for public procurement include indicators on climate-responsive procurement.
- (4) A report is published on the compliance with procedures and rules requiring emergency procurement operations.

SCORE	MINIMUM REQUIREMENTS FOR SCORES
A	Every key element is met. For Element (4), in addition to the above requirements, the report includes an analysis of the implementation of emergency procurement operations.
B	Elements (1) and (4) are met as specified in the requirements above.
C	Elements (1) and (4) are met. For Element (1), it suffices that a statistical report on climate-responsive procurement is produced for the requirements to be met. Element (4) is met when the report is produced.
D	Performance is less than required for a C score.



# Main gaps (3/3)

No reporting

No monitoring

Initial efforts in adjusting operations

Initial efforts in inserting provisions in the framework

# Initial efforts (1/3)

## CRPFM-1.1. BUDGET ALIGNMENT WITH CLIMATE CHANGE STRATEGIES

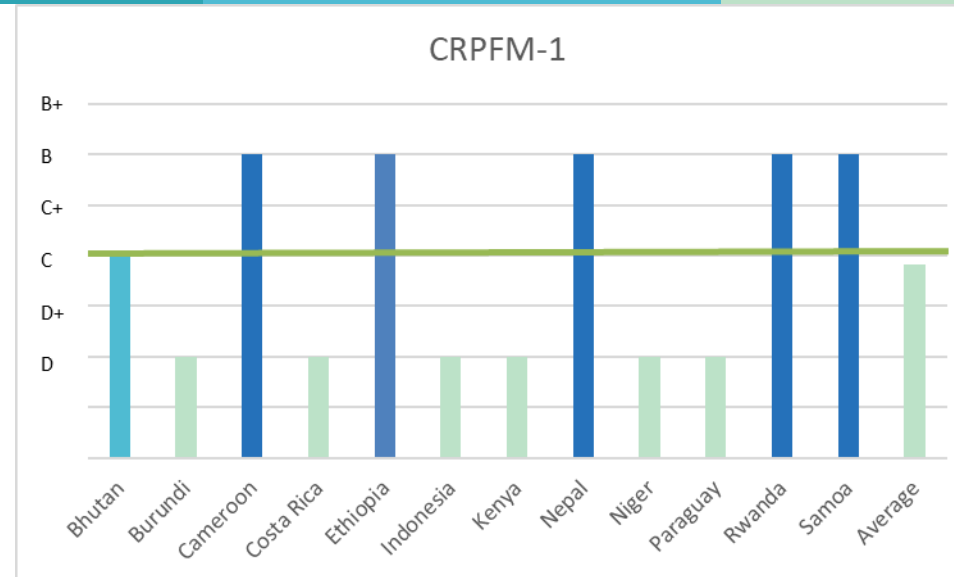
SCORE	MINIMUM REQUIREMENTS FOR SCORES
A	The system in place fulfills 8 elements, including at least 4 basic elements (1-6).
B	The system in place fulfills 6 elements, including at least 3 basic elements (1-6).
C	The system in place fulfills at least 3 basic elements (1-6).
D	Performance is less than required for a C score.

### Basic elements

1. Sectoral medium-term strategic plans are prepared. They reflect priorities from national climate change policy and strategy - and in their absence, NDC targets.
2. Climate-related projects and initiatives are costed in sector medium-term strategic plans.
3. Climate-related projects are accounted for in public investment plans.
4. Climate-related expenditure policy proposals in the approved medium-term budget estimates align with sector medium-term strategic plans.
5. Climate-related tax policy proposals in the approved medium-term budget estimates align with the national climate change strategy.
6. Budgeted annual climate-related expenditure and tax estimates align with the approved medium-term budget estimates for the first year.

### Additional elements

7. Climate change policy and strategies cover subnational governments, public corporations and other operators in charge of implementation.
8. Climate change strategies or climate-related medium-term budget estimates identify funding gaps and funding sources.
9. Medium-term fiscal strategy refers to climate targets.
10. Medium-term fiscal strategy refers to climate-related fiscal risks.
11. If there is a gap between climate-related annual expenditure and tax estimates and the approved medium-term budget estimates for the first year, the annual budget documentation provides the underlying explanation.
12. There is an operational body, unit, or team in charge of fostering coordination on climate change activities in line with climate change policies.



Sector medium-term strategic plans:

- Reflect priorities
- Are costed



Climate-related expenditure in medium-term budget estimates align with sector medium-term strategic plans



Operational body in place



Climate-related tax policy proposals



Funding gaps and funding sources

## CRPFM-11.1. CLIMATE-RESPONSIVE FISCAL DECENTRALIZATION ARRANGEMENTS

SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	The legal and regulatory framework clearly states the competencies and mandates of SNGs related to climate change mitigation and adaptation. Resources allocated to SNGs support the implementation of their competencies and mandates related to climate change. An evaluation of the implementation of these mandates and competencies has been conducted and published at least once during the last three completed fiscal years.
<b>B</b>	The legal and regulatory framework clearly states the competencies and mandates of SNGs related to climate change mitigation and adaptation. Evaluation of the implementation of these mandates and competencies has been conducted at least once during the last three completed fiscal years.
<b>C</b>	The legal and regulatory framework clearly states the competencies and mandates of SNGs related to climate change mitigation and adaptation.
<b>D</b>	Performance is less than required for a C score.

## CRPFM-11.2. CLIMATE-RESPONSIVE FISCAL TRANSFERS

SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	Climate change related conditional transfers are associated with objectives aligned with the national climate change strategy. SNGs report annually to central government on the use of climate-related transfers from central government. The horizontal allocation of unconditional transfers is partly based on climate-related criteria and/or in case of performance-based transfers, climate change is considered as part of the performance indicators.
<b>B</b>	Climate change related conditional transfers are associated with objectives aligned with the national climate change strategy. SNGs report annually to central government on the use of climate-related transfers from central government.
<b>C</b>	Climate change related conditional transfers are associated with objectives aligned with the national climate change strategy.
<b>D</b>	Performance is less than required for a C score.

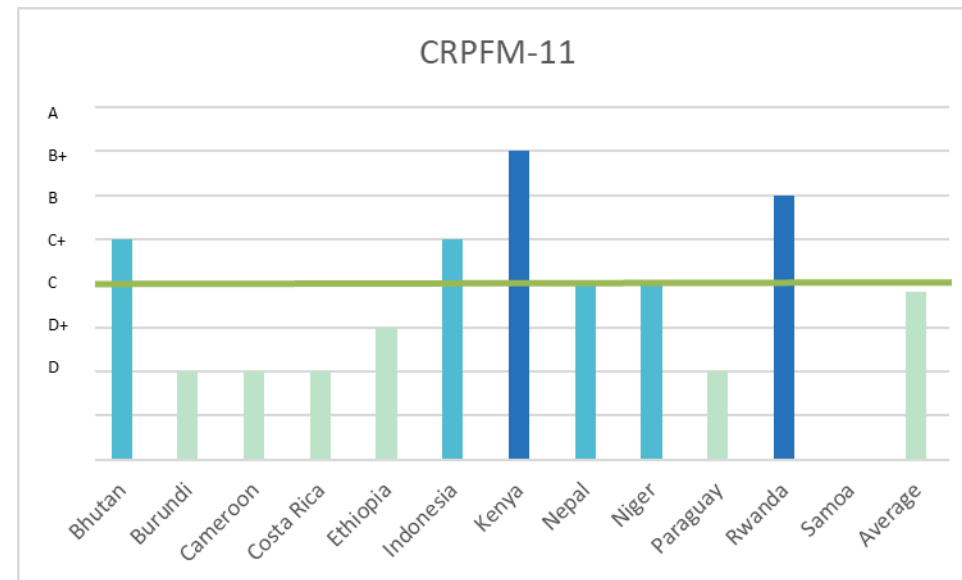
## CRPFM-11.3. CLIMATE-RESPONSIVE PFM ARRANGEMENTS APPLIED BY SUBNATIONAL GOVERNMENTS

The fiscal decentralization arrangements satisfy the following criteria:

1. CG arrangements for tracking climate-related expenditure are applied to SNGs
2. The climate change related investment framework covers SNGs.
3. Procedures and rules for the transfer and disposal of CC sensitive non-financial assets apply to SNGs.
4. The legal or regulatory framework for climate-related debt and guarantees specifies arrangements for SNGs.
5. The climate-related procurement framework covers SNGs.

SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	At least four elements are fulfilled.
<b>B</b>	Three elements are fulfilled.
<b>C</b>	Two elements are fulfilled.
<b>D</b>	Performance is less than required for a C score.

# Initial efforts (2/3)



Regulatory framework



Conditional transfers



SNGs covered by PFM arrangements for CG



Evaluation



Not all areas covered for PFM arrangements

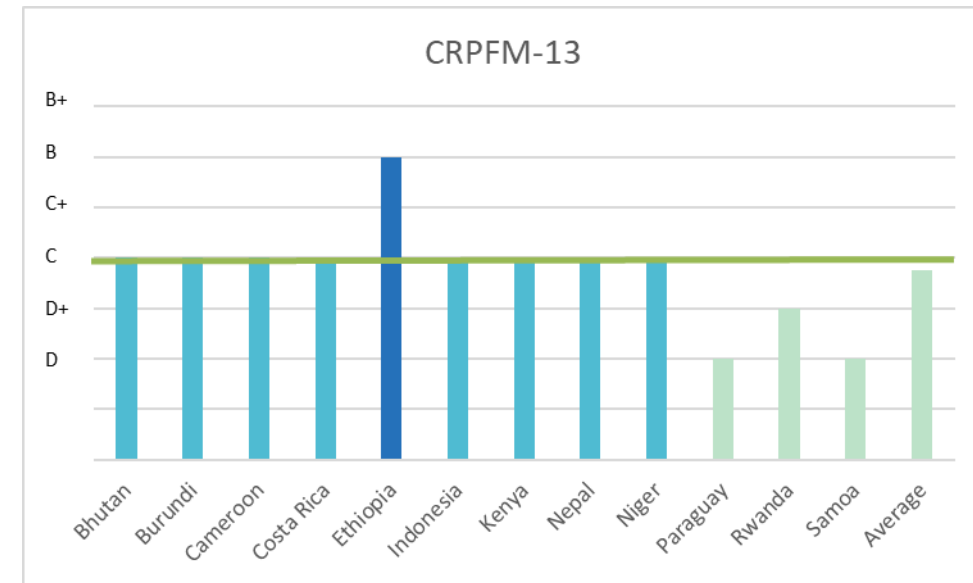
# Initial efforts (3/3)

## CRPFM-13.1. CLIMATE-RELATED EVALUATION OF EXPENDITURE

SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	Independent evaluation of climate-related programs and activities has been carried out and published at least once in the last three years. Evaluation of programs and activities indirectly contributing to climate change adaptation and mitigation, including those that undermine climate policy objectives, have included a part devoted to impact on climate.
<b>B</b>	Evaluation of climate-related programs and activities has been carried out and published at least once in the last three years.
<b>C</b>	Evaluation of climate-related programs and activities has been carried out at least once in the last three years.
<b>D</b>	Performance is less than required for a C score.

## CRPFM-13.2. CLIMATE-RELATED EVALUATION OF TAXES

SCORE	MINIMUM REQUIREMENTS FOR SCORES
<b>A</b>	Independent evaluation of the contribution of tax policy to climate change has been carried out and published at least once in the last three years. It includes both the climate-related taxes and the taxes that are likely to undermine climate policy goals.
<b>B</b>	Partial evaluation of the contribution of tax policy to climate change has been carried out and published at least once in the last three years. It includes the climate-related taxes and the main taxes that are likely to undermine climate policy goals.
<b>C</b>	Partial evaluation of the contribution of tax policy to climate change has been carried out at least once in the last three years. It includes the climate-related taxes or the main taxes that are likely to undermine climate policy goals.
<b>D</b>	Performance is less than required for a C score.



Evaluations mostly undertaken by SAIs as part of performance evaluations



Evaluations published



Contribution of tax policy to climate change not subject to evaluation

# For more information

- Contact the PEFA Secretariat:  
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