

ANALYSIS OF CLIMATE BUDGET EXPENDITURE TAGGING RESULTS FOR THE 2025 BUDGET PROGRAMS

December 2024

CONTENTS

ABBREVIATIONS	3
INTRODUCTION	4
CLIMATE BUDGET EXPENDITURES ANALYSIS FOR THE YEAR 2025	5
LIST OF FIGURES.....	2
LIST OF TABLES.....	2
ANNEX 1. Distribution of CC-relevant expenditures by policy focus and response	10
ANNEX 2. CC-relevant expenditures tagging framework (dataset).....	11

LIST OF FIGURES

Figure 1 The climate expenditures structure by PABs, 2025, in %	6
Figure 2 Share of climate expenditures in the budget expenditures of each PAB, in %	6
Figure 3 Structure of CC-relevant measures, in %	6
Figure 4 Weight of CC-relevant measures within the given PAB's total budget measures	6
Figure 5 2025 climate expenditures by type of CC response.....	7
Figure 6 Distribution of CC mitigation expenditures by policy focus, in %	7
Figure 7 Distribution of CC adaptation expenditures by policy focus, in %	8
Figure 8 Sources of climate expenditure funding in 2025, in %	8
Figure 9 Distribution of climate expenditures according to the level of CC-relevance	9

LIST OF TABLES

Table 1 Summary indicators of budget programs implemented by PABs participating in the CBT	5
Table 2 Summary indicators of PABs participating in the CBT	5
Table 3 Distribution of CC-relevant measures for 2025 by level of relevance	9

ABBREVIATIONS

CBT	Climate budget expenditure tagging
CC	Climate change
CE	Climate expenditures
CPEIR	Climate Public Expenditure and Institutional Review
EDRC	Economic Development and Research Center
GHG	Greenhouse gases
MoE	Ministry of Economy
MoEn	RA Ministry of Environment
MoF	RA Ministry of Finance
MoTAI	RA Ministry of Territorial Administration and Infrastructure
PAB	Public administration body
PFM	Public Financial Management
RA	Republic of Armenia
UNDP	United Nations Development Program

INTRODUCTION

In recent years, Armenia has made a significant progress in terms of integrating climate change mitigation and adaptation in national and sectoral policies, as well as assessing and identifying budgetary expenditures with climate policy implementation focus.

To further advance the integration of climate change mitigation and adaptation into the RA fiscal system and establish effective mechanisms for assessing climate-related public spending, a methodology and implementation guidance for Climate Budget Tagging (CBT) have been developed under the UNDP "Climate Promise Armenia - From Pledge to Impact" project (hereinafter referred to as the Project). This methodology has since been piloted in the selected RA public administration bodies (PABs).

This analytical report was developed under the Project assignment "Training courses on climate budget expenditures tagging in the state budgeting process". The report outlines the summary of outcomes of CBT guidelines pilot implementation in selected public administration bodies (PABs).

The following PABs were included in the scope of pilot implementation:

- RA Ministry of Environment (MoEn),
- RA Ministry of Territorial Administration and Infrastructure (MoTAI),
- RA Ministry of Economy (MoE),
- The Prime Minister's Staff (PMS),
- RA Ministry of Finance (MoF).

The selection of PABs is not random. Selection criteria were based on the mandates of the relevant PABs in terms of developing and implementing government policies in sectors that contribute significantly to greenhouse gas emissions (mitigation sectors) as well as in adaptation sectors. These PABs are therefore key actors in the development and/or implementation of climate change policies. The RA Ministry of Finance was included in the selection considering its role in the budgeting processes, as well as in view of the importance of revisiting and streamlining the CBT methodology aspects for their further integration into budgeting processes.

The CBT pilot was conducted based on the draft state budget for 2025. The outcomes were further adjusted based on the Law on the RA State Budget for 2025, after it has been adopted.¹

¹ Adopted on December 4, 2024.

CLIMATE BUDGET EXPENDITURES ANALYSIS FOR THE YEAR 2025

The following PABs were included in the scope of the pilot implementation of CBT guidelines: the RA Ministry of Environment, the RA Ministry of Territorial Administration and Infrastructure, the RA Ministry of Economy, the RA Prime Minister's Staff, and the RA Ministry of Finance. Budget programs implemented by participating PABs account for 23.4 percent of state budget expenditures, or 806.3 billion AMD, in total. Specifically, 51 budget programs or 264 budget measures are implemented by these PABs, constituting 29.7 and 31.9 percent of state budget programs and measures, respectively.

In the 2025 state budget, 806.3 billion AMD is planned to be allocated for the budget measures included in the CBT pilot (hereinafter referred to as tagged expenditures).

Table 1 Summary indicators of budget programs implemented by PABs participating in the CBT

<i>PAB</i>	<i>Number of budget programs</i>	<i>Number of budget measures</i>	<i>Total budget expenditures, in billion AMD</i>	<i>Weight in the state budget, in %</i>
<i>RA Ministry of Environment</i>	6	27	14.5	0.4
<i>RA Ministry of Territorial Administration and Infrastructure</i>	20	107	288.4	8.4
<i>RA Ministry of Economy</i>	10	67	79.5	2.3
<i>RA Prime Minister Staff</i>	11	50	24.3	0.7
<i>RA Ministry of Finance</i>	4	13	399.6	11.6
Total	51	264	806.3	23.4

Source: Law on the RA State Budget for 2025, EDRC calculations

According to the CBT results, 138 of the 264 budget measures subject to tagging are CC-relevant measures. Thus, climate change-relevant budget expenditures (climate expenditures) account for 14.7 percent, or 118.5 billion AMD, of the total budget expenditures of PABs included in the pilot, and 3.4 percent of the total budget expenditures in 2025.

Table 2 Summary indicators of PABs participating in the CBT

<i>PABs</i>	<i>Number of CC-relevant measures</i>	<i>Weight in the total number of measures implemented by the PAB, in %</i>	<i>CC-relevant expenditures, in billion AMD</i>	<i>Weight in the total expenditures of the PAB, in %</i>
<i>RA Ministry of Environment</i>	27	100.0	12.9	88.9
<i>RA Ministry of Territorial Administration and Infrastructure</i>	81	75.7	82.6	45.0
<i>RA Ministry of Economy</i>	30	44.8	22.9	64.6
<i>Staff of the Prime Minister of the Republic of Armenia</i>	0	0	0	0
<i>RA Ministry of Finance</i>	0	0	0	0
Total	138	52.3	118.5	14.7*

* Weight in total amount of the state budget expenditures

Source: Law on the RA State Budget for 2025, EDRC calculations

The measures implemented by the MoEn budget programs account for about 10.9 percent (12.9 billion AMD) of the CE budget, while MoTAI accounts for 69.8 percent (82.6 billion AMD) and MoE - for 19.3 percent (22.9 billion AMD) of the expenditures.

Across all PABs, the MoEn leads in terms of its share of climate expenditures within its total budget expenditures. According to CBT results, 88.9 percent of total MoEn expenditures were attributable to climate expenditures. In the case of the MoE, this indicator is 28.8 percent, and in the case of the MoTAI, it is 28.7 percent.

The budget programs of the RA MoF and the RA PMS do not include climate change-relevant expenditures.

Figure 1 The climate expenditures structure by PABs, 2025, in %

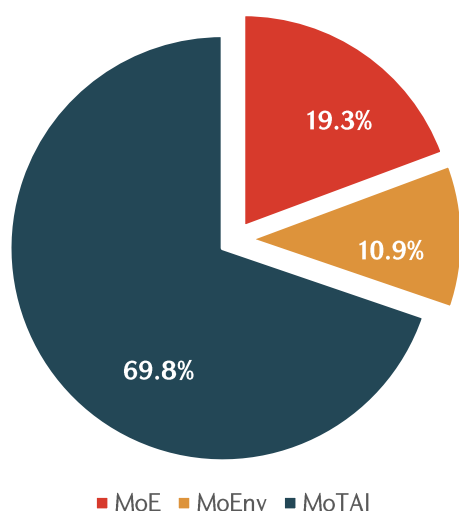
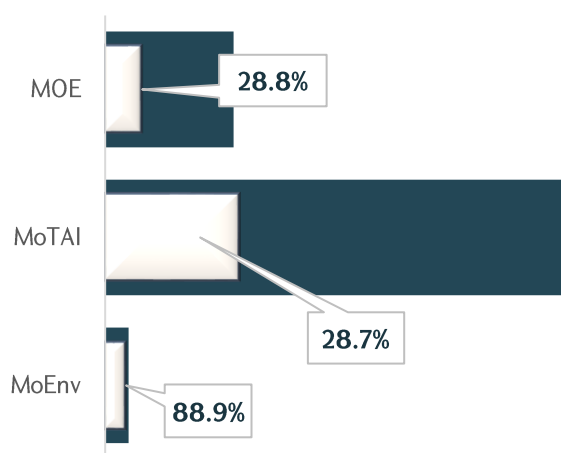


Figure 2 Share of climate expenditures in the budget expenditures of each PAB, in %



Source: Law on the RA State Budget for 2025, EDRC calculations

The major part of the CC-relevant measures, namely - 81 measures or 58.7 percent represent MoTAI budget program measures, 30 - MoE budget program measures, and 27 - MoEn budget program measures.

Figure 3 Structure of CC-relevant measures, in %

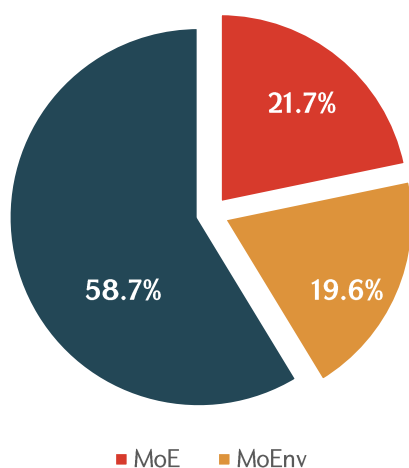
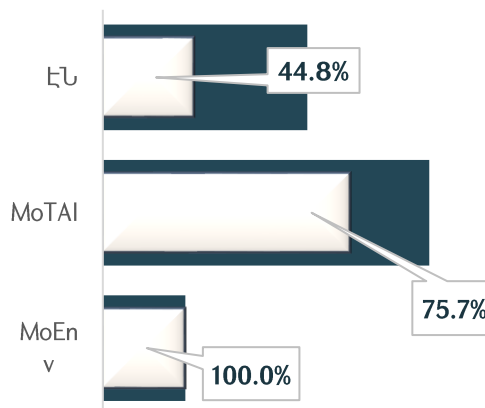


Figure 4 Weight of CC-relevant measures within the given PAB's total budget measures



Source: Law on the RA State Budget for 2025, EDRC calculations

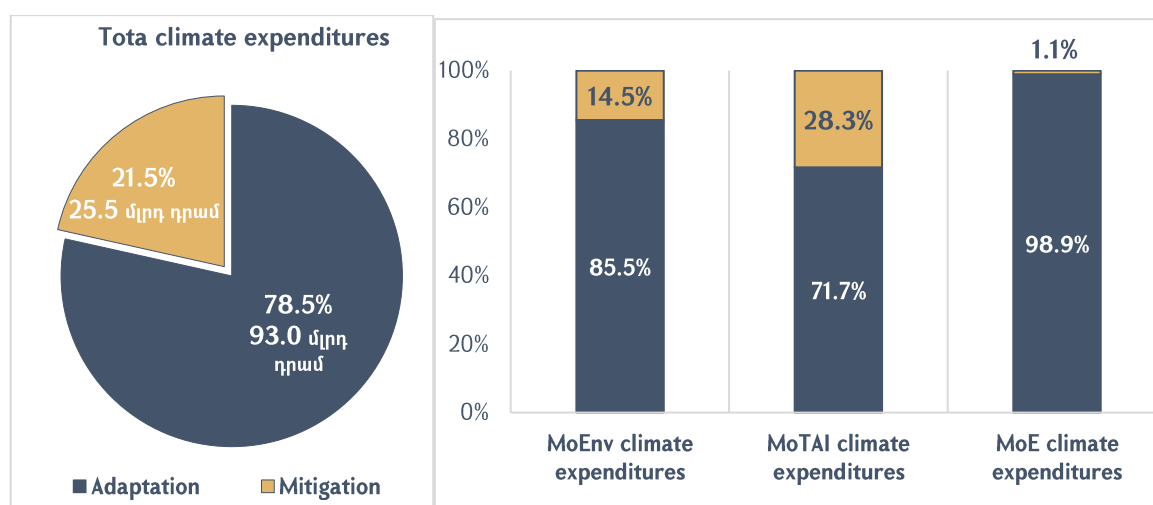
Budget measures by the type of climate change response² are classified into the following two groups:

- **Mitigation measures** - measures that contribute to greenhouse gas (GHG) emissions reduction or better GHG absorption)
- **Adaptation measures** - measures aimed at reducing the vulnerability of people or ecosystems to the CC impacts and climate-related risks by maintaining or enhancing the adaptive capacity and resilience to CC impacts.

78.5 percent or 93.0 billion AMD (112 measures) of climate expenditures represent CC adaptation, and 21.5 percent or 25.5 billion AMD (26 measures) CC mitigation expenditures.

Mitigation policies are largely attributable to MoTAI budget programs, while adaptation policy measures are shared by all 3 PABs.

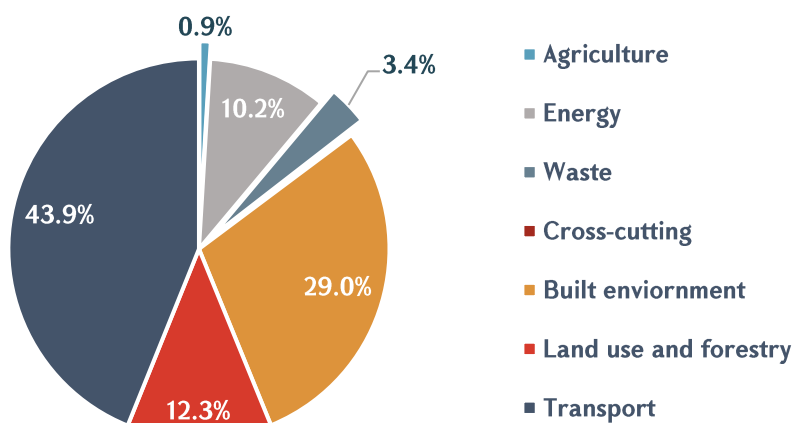
Figure 5 2025 climate expenditures by type of CC response



Source: Law on the RA State Budget for 2025, EDRC calculations

A large portion of CC mitigation spending, 43.9 percent, **is** attributable to **Transport** sector expenditures (in particular, those related to Yerevan Metro and the South Caucasus Railway), followed by the **Built Environment** sector, with a weight of 29.0 percent. The sectoral allocation of expenditures is based on the climate measures/expenditure identification taxonomy for RA.

Figure 6 Distribution of CC mitigation expenditures by policy focus, in %

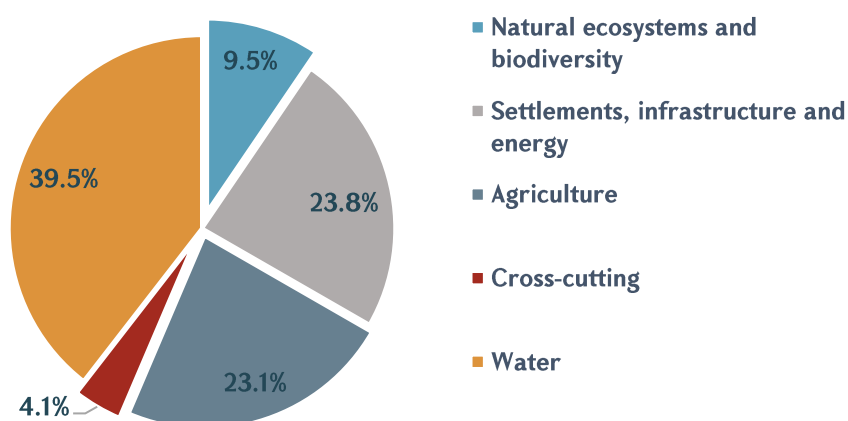


Source: Law on the RA State Budget for 2025, EDRC calculations

² V. Sirunyan "Climate Budget Expenditure Tagging in Armenia. Methodology."

The **Water** sector accounts for a significant share of CC adaptation expenditures (39.5 percent). It is followed by **Settlements, Infrastructure and Energy** sector (23.8 percent) and **Agriculture** (23.1 percent) sector.

Figure 7 Distribution of CC adaptation expenditures by policy focus, in %



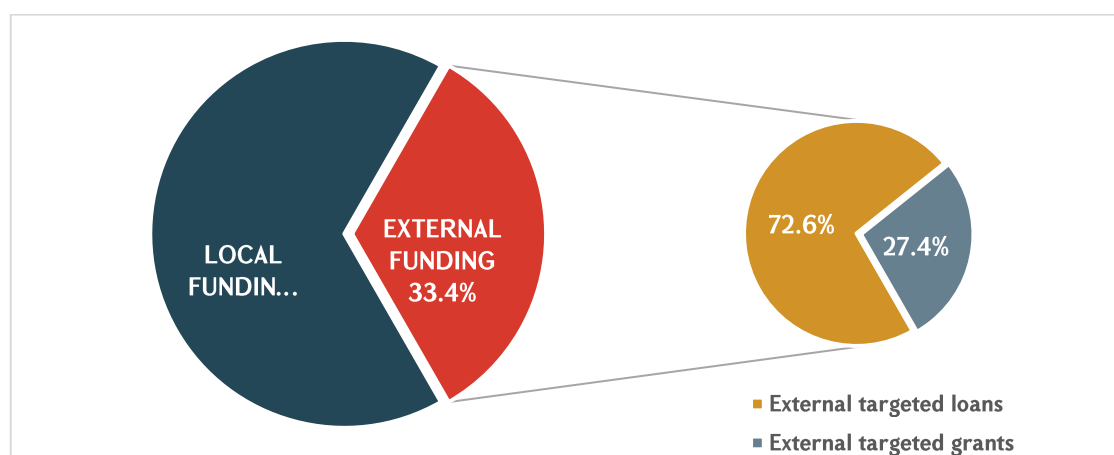
Source: Law on the RA State Budget for 2025, EDRC calculations

The role of external financing is essential in budget expenditures relevant to climate change mitigation and adaptation.

Thus, 33.4 percent of climate spending, or 39.6 billion AMD, is attributable to budget measures implemented with external financial support. In particular, 27.4 percent of the measures are implemented through targeted grants, and 72.6 percent through targeted loans.

The key partner institutions providing external financing for climate change-relevant budget measures include: German Development Credit Bank, the Eurasian Development Bank, the European Investment Bank, and the Asian Development Bank.

Figure 8 Sources of climate expenditure funding in 2025, in %



Source: Law on the RA State Budget for 2025, EDRC calculations

The CBT methodology also establishes criteria for determining the share of climate expenditures within each budget measure. CC-relevant measures are classified into the following groups according to their levels of CC-relevance:

- Direct relevance
- High relevance

- Medium relevance
- Low relevance.

Budget measures directly relevant to climate change are those included in documents that define climate change policy or reflected in budget programs with CC-related objectives. The CC relevance of these measures is therefore 100% (see Annex 2). There are 43 such measures in total. Climate expenditures under these measures account for only 39.6 percent, or 46.9 billion AMD, of the estimated total climate expenditures.

50.2 percent of climate expenditures, or 51 measures, are measures of high CC-relevance. The climate expenditures for these measures amount to 59.5 billion AMD. Accordingly, for measures of medium relevance (providing moderate climate benefits), climate expenditures account for 2.9 percent of the climate budget; for measures of low relevance (providing low climate benefits) - 7.3 percent.

Figure 9 Distribution of climate expenditures according to the level of CC-relevance

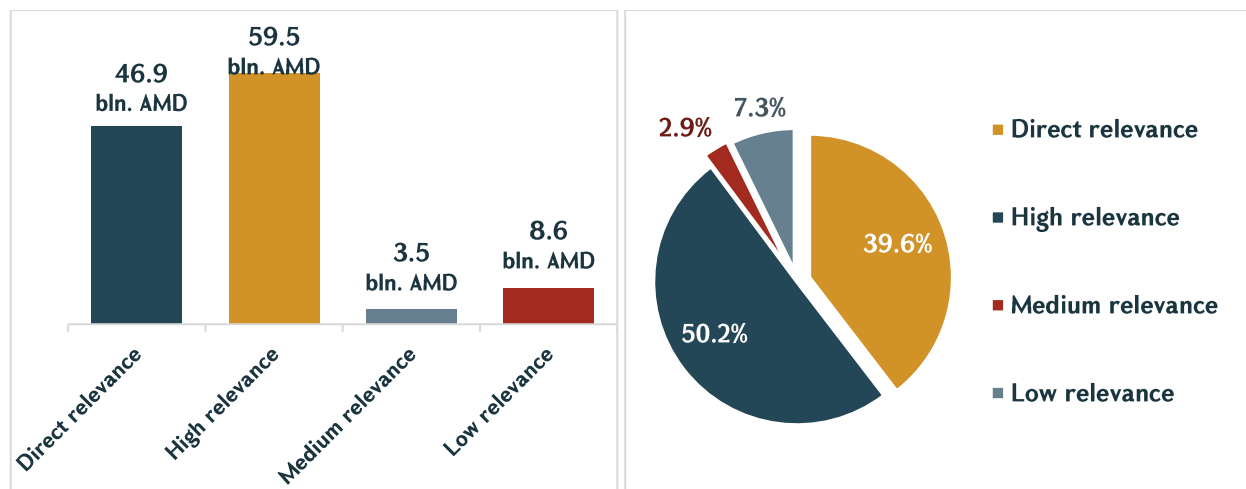


Table 3 Distribution of CC-relevant measures for 2025 by level of relevance

Level of relevance	Number of measures		Climate expenditures	
	Quantity	in %	billion AMD	in %
Direct relevance	43	31.2	46.9	39.6
High relevance	51	37.0	59.5	50.2
Medium relevance	10	7.2	3.5	2.9
Low relevance	34	24.6	8.6	7.3
Total	138	100.0	119.3	100.0

Source: Law on the RA State Budget for 2025, EDRC calculations

ANNEX 1. Distribution of CC-relevant expenditures by policy focus and response

CC response/policy focus	Policy focus	Climate budget	
		million AMD	Percent
MITIGATION		25,490.6	100.0
Agriculture	Livestock	241.6	0.9
Energy	Low emission power	628.0	2.5
	Energy transmission and distribution	1,845.6	7.2
	Renewable energy	115.6	0.5
Waste	Solid waste management and recycling	866.5	3.4
Cross-cutting issues	Policy and regulation	72.2	0.3
Built environment	Public services	784.6	3.1
	Buildings	6,617.7	26.0
Land use and forestry	Forestry	3,130.3	12.3
Transport	Commuter transportation	173.3	0.7
	Fuel and road vehicles	12.7	0.05
	Urban transport	11,002.5	43.2
Adaptation		92,985.4	100.0
Natural ecosystems and biodiversity	Forests	7,049.7	7.6
	Protection of natural habitats	797.9	0.9
	Combating desertification	994.4	1.1
Settlements, infrastructure and energy	Buildings	4,000.0	4.3
	Flood control infrastructure	583.0	0.6
	Transport: improved connectivity	16,849.7	18.2
	Transport: mitigating hazards	696.8	0.8
Agriculture	Livestock	1,848.5	2.0
	Crop production and crop protection	15,016.0	16.2
	Supporting the livelihoods of rural communities relying on agricultural products	3,121.2	3.4
	Increased efficiency of water use	1,503.7	1.6
Cross-cutting issues	Education and awareness-raising	10.2	0.0
	Research	1,260.5	1.4
	Policy and regulation	2,519.9	2.3
Water	Drainage	195.0	0.2
	Irrigation	25,722.7	21.5
	Water supply and removal	9,390.1	10.1
	Management of water resources	1,426.1	7.8

ANNEX 2. CC-relevant expenditures tagging framework (dataset)

Presented in the attached Excel file. [CBT DATABASE 26.12.xlsx](#)