GUIDELINES

FOR CLIMATE BUDGET TAGGING

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Abbreviations

CBT	Climate budget tagging
CC	Climate Change
GA	Government agencies
GHG	Greenhouse Gases
MoF	RA Ministry of Finance

Contents

1. THE PURPOSE OF THE GUIDELINES

The purpose of these Guidelines is to support government agencies in the process of identifying climate change-related budget expenditures within the budget process, describing the key concepts used and outlines the steps and workflows required from GAs at each stage of the process to identify, classify, and estimate the corresponding expenditures of climate change-related budget programs and measures.

The Guidelines are intended for departments/employees of the GAs directly involved in the development, analysis and examination of budget programs, measures, requests processing, decision-making, and the identification and assessment of CC-related budget expenditures.

These Guidelines are not intended to replace the methodological instructions or sectoral legislative regulations for compiling the MTEF and budget requests provided by the MoF to Government agencies but rather complement them in terms of CC-related expenditures. These guidelines are applicable to all budget programs and measures.

2. OBJECTIVE AND DEFINITION OF CLIMATE BUDGET TAGGING

Climate budget tagging is a process aiming to identify and assess the CC mitigation and adaptation policy measures and their underlying climate expenditures in the budget system, to support the assessment and monitoring of these expenditures.

Climate change mitigation and adaptation objectives and policy measures are inherently cross-cutting in nature with other sectoral development policies and objectives. Accordingly, their proper identification is challenging in terms of traditional budget management systems, which typically build on institutional, economic, and functional taxonomies used for classifying budget expenditures. Traditional budget management systems and classifications do not allow for direct identification of budget expenditures in cross-cutting areas (CC, gender equality, poverty reduction, sustainable development goals, etc.), as these policy-related expenditures tend to span across multiple government agencies and functional domains and their representation methods usually derive from relevant sectoral policy objectives. This, in turn, complicates the fiscal processes in terms of planning, budgeting and reporting of the expenditures and outcomes under "cross-cutting" policies. The program-based classification of budget expenditures (under the program-based budgeting system) helps to partially address this issue, through grouping of budget measures/expenditures under specific policy objectives. However, when it comes to cross-cutting policies, program-based classification still has its limitations.

Cross-cutting policy outcomes, such as greenhouse gas emission reductions or enhanced climate change adaptation, are mainly achieved through fiscal measures implemented under different sectoral policies and are targeted at meeting objectives defined by these sectoral policies. However, these measures are typically embedded in budget programs building on sectoral development goals and often fail to demonstrate the cross-cutting policy outcomes in

sufficient detail. For example, a significant portion of CC mitigation measures are typically dispersed within energy, agriculture, transportation, and other sectoral programs which primarily pursue relevant sectoral development goals, even though some of the activities implemented under these programs have huge climate-relevant impacts. Exceptions are the cases where the budget program explicitly refers to climate change mitigation or adaptation among its key objectives.

The purpose of the CBT is to identify and map the budget measures and expenditures implemented by various government agencies within the framework of sectoral development programs specifically aimed at, or contributing to, climate change mitigation and adaptation policy objectives. The outcome of this process will provide a quantitative assessment of state budget expenditures relevant to climate change. Streamlining CBT in the budgeting processes, enables:

- aligning budget allocations with the CC policy priorities by integrating CC considerations in the planning and budgeting frameworks,
- improving the accountability and transparency of climate expenditures and outcomes through disclosure of climate expenditure-related information,
- achieving accountability for climate finance in the context of international obligations/commitments.

3. KEY TERMS AND DEFINTIONS

The following key terms have been used in these guidelines, with definitions presented below:

Climate change mitigation: refers to a complex of technical and technological instruments aimed at reducing greenhouse gas emissions or expanding/enhancing sinks;

Climate change adaptation: refers to the capacity to adjust to current and future climate change to reduce damage, mitigate adverse impacts, and capitalize on any potential opportunities.

Climate change-relevant measures (climate-relevant measures): refer to measures implemented within the framework of budget programs that are specifically designed to either directly contribute to climate change mitigation or enhance adaptation to climate change.

Climate change-relevant budget expenditures (climate expenditures): refer to financial allocations within budget programs or measures aimed specifically at supporting climate change mitigation or enhancing climate change adaptation.

Climate expenditures tagging (Climate budget tagging): refers to a formal process within the budget system for identifying, classifying, and assessing climate-related policy measures and their underlying climate expenditures.

Climate expenditure classifier: a classification system used to identify, group and present climate change-relevant budget expenditures.

Climate code: a numerical coding system consisting of five characters.

Climate code policy component: the first three characters within the five-character climate code. Represents the climate change focus, sector, and subsector of the measure.

The climate code component representing the level of relevance to climate change: The last two characters of the five-character climate code represent the level of relevance, as well as the corresponding weight.

Climate expenditure factor/weight: A numerical coefficient expressing the share of climate expenditures in the total expenditures of a climate-relevant measure.

4. GENERAL OVERVIEW OF CLIMATE BUDGET TAGGING

This methodology is used to determine CC-relevance of budget program measures and the extent of such relevance, by exerting professional judgment by the CBT implementers, based on sufficient supporting information available in official documents related to the budget program/measure (legal acts, strategic documents, budget papers (including program papers, agreements/contracts, etc.).

The CBT process consists of the following phases (steps):

Figure 1. Sequence of steps in the CBT process

1) **Identification** phase of climate-related measures identifies the measures qualifying for Stages 2 and 3 of the CBT process, to determine the extent of climate relevance by assigning a specific weight or coefficient to these measures.

2) **Classification** of measures linked to climate expenditures identifies the contribution of each CC-relevant measure, the extent of CC relevance or contribution, and its corresponding weight. The above classification is denominated through a climate classifier, which indicates the weight corresponding to a given measure.

3) **Climate expenditure assessment** is an activity where the actual budget allocations to measures or expenditures and their corresponding weights determined through classification are compiled, resulting in an estimate of climate expenditures. The latter will also be used in calculating the climate expenditure index or their weight in total budget expenditures.

The following sections present the mechanisms, steps, and logic that need to be applied to the activities carried out by state bodies when implementing CBT.

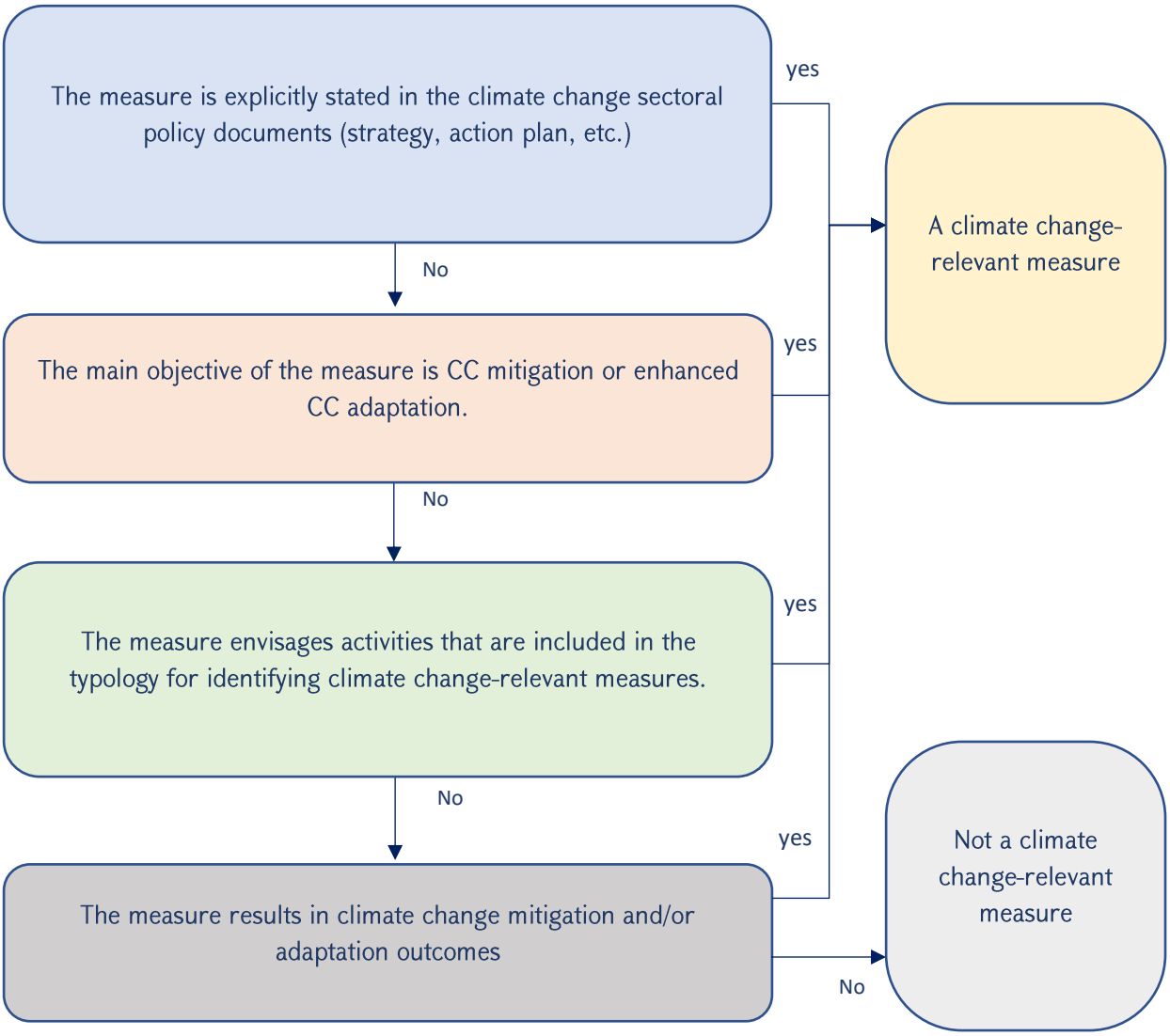
In line with the three stages outlined above, this Guidance is structured into 3 parts, each including practical CBT implementation instruments in the forms of tables (classifications) and questionnaires deriving from the specific objectives and the logic of the stage.

5. PART 1: IDENTIFICATION AND DEFINITION OF CLIMATE CHANGE-RELEVANT MEASURES

The initial identification aims to identify CC-relevant measures, in particular the measures which have CC mitigation, or CC adaptation features.

By following the steps and actions presented in the next sections of this guide, the CC-relevant contribution and the extent of CC relevance of these measures will be identified, which then will be structured into separate groups according to the extent of relevance, assigned appropriate weights which will be further used in assessing the climate budget expenditures.

Figure 2. Sequence of steps in the CBT process



To identify CC-relevant activities, the identification questionnaire presented below (Questionnaire 1) needs to be used.

Questionnaire 1: Identification of climate change-relevant measures

1. Is the measure explicitly stated in key climate change policy documents (see Note 1, point 1)?

   ☐ yes

   ☐ no

2. Does the measure indicate (see Note 1, point 2) climate change mitigation or enhanced climate change adaptation as one of its objectives?

   ☐ yes

   ☐ no

3. Does the measure envisage actions that are included in the typology of climate change-relevant measures (see Note 1, point 3)?

☐ yes

☐ no

4. Does the measure have an impact on climate change mitigation and/or adaptation outcomes?

☐ yes

☐ no

The measures which have scored negative response to all the above questions are considered measures that are non-relevant to climate change, therefore, will not be included in the future CBT activities. These expenses will be assigned a 0% weight in the context of CBT.

Note 1.

1. The key policy documents relevant to climate change are:

   - The Nationally Determined Contributions of the Republic of Armenia for 2021-2030 under the Paris Agreement (approved by the RA Government Decree No. 610-L dated April 22, 2021),
   - Long-Term Low Greenhouse Gas Emission Development Strategy of the Republic of Armenia (approved by the RA Government Decree No. 2318-L dated December 28, 2023),
   - Climate Change National Adaptation Action Plan and the List of Measures for 2021-2025 (approved by the RA Government Decree No. 749-L dated May 13, 2021)

2. The purpose of the budget program is defined in the RA Law "On the State Budget" (Appendix 1, Table 2). The activities included in the program target the same objective. To answer this question, it is necessary to use the most recent (last year) law approved by the National Assembly. For example, to integrate CBT during the preparation of budget calls for the year 2025 budget, the response to this question should be based on the program level objective specified at the same program level for the given measure in the above Appendix to the 2024 state budget.

3. Table 1 presents the typology of CC-relevant actions that should be used to answer Question 3 of Questionnaire 1. It presents a wide range of activities, classified by CC-relevance response, sector, sub-sector (policy focus) and objective. The description of the examples of actions also includes an explanation of the expected impact as a result of implementation of the particular activity. This allows for the same logic to be applied in considering measures which may not be included in the typology and may emerge in the future.

Table 1. Typology of climate change mitigation and adaptation actions.

Policy area	Objective	Policy focus	Sample actions
MITIGATION			
Energy	Reduced emissions in energy production (energy consumption is addressed in other sections)	Renewable energy	Wind, solar, bioenergy, hydropower and geothermal power, to the extent that they contribute to reduced emissions both on- and off-grid, and generation to support own consumption needs
		Low emission power	Low-emission (or heat recovery) thermal power plant, combined cycle power generation, energy efficiency improvement of existing thermal power plants
		Renewable energy for heating and cooking purposes	Solar water heating, heating with geothermal power sources, heat generation from bioenergy (if a sustainable source)
		Lower emissions from heating and cooking	Gasification and replacement of other energy sources. Increased efficiency of useful energy produced.
		Energy transmission and distribution	New, expanded and improved transmission and distribution systems, upgraded transmission and distribution systems to reduce losses and/or improve grid stability: electricity storage systems (batteries, pumped storage, etc.), smart grids
		Carbon sinks, carbon use and storage	Research, development and deployment activities aimed at carbon sequestration, use and storage in relation to energy production sources
Transport	Reducing emissions from transportation	Urban transport	New urban public transport (light rail, metro, trolleybus/tram, etc.), individual mobility (promoting walking and cycling), replacement of transit freight rolling stock with more efficient fuel use or lower carbon alternatives, introduction of new public transportation which is more efficient in line with current emission standards
		Commuter transportation	Improvements or new infrastructure capacity to enable a shift from road (or air) transport to rail, bus or waterborne transport; replacement of rolling stock with more efficient fuel use or lower carbon alternatives; introduction of new rolling stock that exceeds current emissions standards
		Aviation	Replacing aircraft stock with more efficient fuel or lower-carbon

Policy area	Objective	Policy focus	Sample actions
			alternatives: introducing new aircrafts that exceed current emissions standards
		Fuel and road vehicles	Replacing cars with more efficient fuel or lower-carbon alternatives; introducing new vehicles that exceed current emissions standards; introducing fuel standards to reduce combustion emissions intensity
		Transportation system management	Integration of transport and urban spatial planning resulting in less passenger cars, e.g. multi-modal transport hubs, demand-side management measures such as high-capacity vehicle lanes, low-emission zones (vehicles-side), charging or other low-emission infrastructures
Built environment	Emission reductions in the way the built environment is constructed and used	Buildings	Improving energy efficiency of lighting (in operating buildings), improving energy efficiency of devices and equipment (in operating buildings), installing energy management systems (in operating buildings), investing in cogeneration plants to increase electricity (in operating buildings), retrofitting buildings to improve energy efficiency (in operating buildings), using highly efficient building designs and construction technologies that exceed normative standards (in new buildings), investing in new devices and equipment that exceed normative standards (in new buildings), energy audits.
		Public services	Improving the energy efficiency of street lighting, water supply and other energy-intensive utilities
		Other	Urban planning and land use changes to promote more effective or efficient land use
Agriculture	Reduced emissions from crops and livestock farming	Land use and management	Measures targeted at improving emission levels and carbon sinks in agricultural systems, in particular deep-furrow farming, degraded land rehabilitation, interventions to reduce fertilizer use, sustainable biomass and biofuel production, and improved produce storage capacities.
		Livestock	Interventions that reduce methane or other greenhouse gas emissions. e.g. livestock health planning, modifying

Policy area	Objective	Policy focus	Sample actions
			livestock feeding practices, manure management, pasture management
		Energy efficiency	Reducing energy use in irrigation and water pumping, plowing and other agricultural operations, including replacement and upgrades of agricultural machinery
Industry and industrial processes	Reducing industrial processes and cooling emissions	Energy efficiency	Installation of more efficient equipment, process changes in existing facilities, reduction of heat losses in existing facilities, replacement of old equipment with new ones, energy audit
		Carbon sinks, carbon use and storage	Research, development and deployment activities aimed at carbon sequestration, use and storage in relation to production facilities
		Industrial processes	Improvements in industrial processes that lead to lower CO2 emissions, e.g. replacement of clinkers in cement, use of alternative clinkers
		Air conditioning and cooling	Shifting to cooling methods with lower global warming potential, introduction of natural cooling methods
Waste	Reduced emissions from waste collection, recycling and disposal	Solid waste management and recycling	Waste management projects aimed at methane capture/combustion, waste-to-energy projects, waste collection, recycling and management activities that reduce greenhouse gas emissions
		Wastewater treatment	Wastewater treatment methods that reduce greenhouse gas emissions (replacing decentralized systems with centralized systems), anaerobic digestion of wastewater sludge
		Agricultural waste	Collection and use of agricultural bio-waste (biogas, bagasse), including for fertilizer purposes
Land use and forestry	Reducing emissions through reviewed land use patterns and management practices, as well as enhancing carbon sequestration capacities[1]	Forestry	Afforestation, reforestation, sustainable forest management practices which contribute to increased carbon stock (including through wildfires control), forest conservation and reforestation programs to reduce emissions from logging or degradation
		Other	Conserving, managing and restoring other ecosystems acting as carbon sinks, to achieve "zero land degradation"

[1] Exception are the cases when they are related to agricultural systems.

Policy area	Objective	Policy focus	Sample actions
Cross-cutting issues	Providing education, research, planning and policy on emission reduction	Education and awareness-raising	Training and development in CC mitigation
		Policy and regulation	National or sector-specific policies, programs, regulations related to ensuring emission reductions: Emissions MRV
		Fi nances	Activities related to carbon finance or that otherwise contribute to financing emission reduction opportunities
		Research	Research into renewable energy, energy efficiency or low-carbon technologies
ADAPTATION			
Natural ecosystems and biodiversity	Preservation of ecosystems and biodiversity	Forests	Afforestation and agroforestry, forest restoration, sustainable forest management (aimed at increased resilience to climate change), forest conservation and restoration programs that reduce deforestation or forest degradation
		Protection of natural habitats	Development and sustainable operation, management and conservation of protected areas, including National Parks
		Protection from desertification	Clearing of invasive shrubs, stabilizing sand dunes and other vegetation restoration activities: rehabilitation of degraded lands
Water resources.	Efficient and sustainable use of water and flood control	Water supply and removal	Construction of additional water storage capacity, increasing the efficiency of pumping stations, upgrading/replacing pipes, flood protection/leakage proofing of water treatment facilities, new infrastructure to ensure water and wastewater exchange between water production, processing or treatment facilities
		Water quality	Measures to improve water quality
		Irrigation	Construction or rehabilitation of irrigation systems to increase the available irrigation water (measures aimed at better irrigation, i.e. demand-side changes. Presented in more detail in the agriculture section).
		Drainage	Construction or rehabilitation of drainage networks, e.g. rainwater drainage tunnel, integrated rainwater collection drainage system, green corridors

Policy area	Objective	Policy focus	Sample actions
		Water resources management	Measures to reduce leakage, introduction of water meters and other water saving technologies: water recycling, measures aimed at encouraging efficient water use
Agriculture	Reducing the impact on, and vulnerability of, rural communities and agricultural farms to adverse climatic conditions and enhancing their adaptability and resilience.	Crop production and crop protection	Modifications/development of crop species in response to adverse climate conditions: development of controlled agriculture, e.g. new greenhouses in response to adverse climate conditions or protection of crops from climate hazards: improvement of soil drainage, soil fertility support and water conservation measures, e.g. cultivation of catch crops, agroforestry
		Increased efficiency of water use	Transition to more efficient irrigation methods (e.g. drip irrigation), rainwater harvesting
		Livestock	Measures to support farmers to modify their livestock breeding methods or engage in livestock breeding schemes: development of genetic resource databases, vaccination plans against climate-related diseases, changes in livestock feeding and grazing practices, actions aimed at improving soil and water management on lands used for livestock breeding, introduction or adjustment of livestock management systems, for example, providing adequate shade and water or improved barn conditions to reduce the impact of thermal stress
		Fish farming	Reduction of land-borne pollution sources fish farms, measures to reduce harmful fishing practices, measures to protect local fisheries
		Supporting the livelihoods of rural communities relying on agricultural products	Actions aimed at increasing yields, food security and livelihoods and social protection for rural communities (including subsidies and insurance for crop loss, rehabilitation of rural infrastructure, diversification of rural activities), shifting agricultural areas, rural resettlements
Settlements, infrastructure and energy	Reducing the impact and vulnerability of people and assets to changing climate	Flood control infrastructure	Construction and operation of flood protection structures, such as dams, embankments, and coastal defense structures

Policy area	Objective	Policy focus	Sample actions
	conditions and ensuring the continuity of services	Transport: mitigating hazards	Enhancing capacities of railways, roads and other transport infrastructure to cope with climate risks: flood protection, coastal stabilization, bridge reinforcements, risk mapping and asset monitoring, development of emergency action plans
		Transport: improved connectivity	Improving communication and access to markets, especially for vulnerable groups
		Energy	Strengthening hydropower capacities, rehabilitation of hydropower facilities to adapt to insufficient or unstable water flow conditions, increasing the dam storage capacities
			Increasing the electricity transmission and distribution reliability
			Increasing distributed energy production
		Buildings	Increasing buildings resilience to climate hazards, for example: Re-enforcement of foundations to reduce flood risks, installing air conditioning or natural cooling systems, develop insurance mechanisms to protect against weather-related damages
		Waste	Flood protection of solid waste management facilities, measures to reduce water infiltration from sewage disposal sites, green infrastructure to reduce runoffs, mounting flood protection installations around sewage treatment facilities, reinforcement of sewage collection systems
Human health	Ensuring public health against prospective climate change	Climate-related health spending	Specific measures related to types of diseases that may be further exacerbated by the COVID-19 pandemic (waterborne diseases, epidemiological surveillance and heat waves)
		Total health spending	General health spending, e.g. public health campaigns, vaccination programs
Tourism	Tourism support contributing to conservation and restoration of landscapes and enhancing resilience to climate change	Ecotourism	Promoting ecotourism
Cross-cutting issues	Education, research planning and policy support aimed at	Disaster risk management	Improvement of the meteo-monitoring, forecasting and early warning system (including the related ICT system), development of emergency recovery

Policy area	Objective	Policy focus	Sample actions
	increasing climate change resilience		plans, and other disaster risk reduction measures by relevant agencies
		Education and awareness-raising	Raising awareness of climate-related risks and appropriate responses
		Policy and regulation	National or sector-specific policies, programmes, regulations (and their associated financial instruments) related to CC adaptation and resilience
		Research	Development of climate models, CC impact analyses, research on adaptation solutions

The list of measures presented in this typology is not an exhaustive list of CC-relevant measures. Actions not included in this list may also be identified as climate-relevant if they meet the above definitions of climate mitigation and adaptation or are consistent with climate policy objectives and actions.

6. PART 2: CLASSIFICATION AND CODING OF CLIMATE CHANGE-RELEVANT MEASURES

According to the CC response, budget measures are classified into the following two groups:

- **Mitigation measures** (measures that contribute to GHG emissions reduction or better GHG absorption)
- **Adaptation measures** (measures/actions 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).

This classification is applied in documents and information systems used in the budgeting processes to identify CC-relevant budget programs and their components.

Climate classification is a designated, stand-alone representation (classification) of budget expenditures. It is independent of other classifications of budget expenditures, that is, other classifications of budget expenditures should not predetermine the climate classification of these expenditures. The climate code is applied at the budget allocation level, particularly -on the budget program measure **That is, the climate code should be applied, and climate expenditures should be identified at the level of budget program measures.**

Within the framework of the budget process of a given year, the entire amount of the budget program measure **must be classified under the same climate classifier**. Expenditures for any measure should not be reported/attributed to different climate codes. Where it is impossible to explicitly qualify the measure under a single climate code, i.e. the measure is simultaneously linked to more than one climate code, this measure should be included in the climate code to which it has a relatively high relevance.

The climate codes established for programs and measures represent exclusively numerical codes, without any letters or other symbols.

Climate code is a numerical coding system consisting of five characters. It looks as follows: XXXXX, where X is a natural number between 0 and 9. The climate code is composed of two components: the first three characters of the code represent the climate policy component, and the last two characters represent the level of CC-relevance.

6.1. Determining the policy component of the climate code

The policy component of the climate code reflects the CC response of relevant expenditures under a given measure, the climate strategic domain, and the climate policy focus.

The codes indicated by the typology table above are selected according to the following criteria:

a) Climate change response or impact (mitigation or adaptation),

b) Sector (e.g. energy, transport, environment, etc.),

c) Sub-sector or policy focus of the measure (e.g. renewable energy, energy transmission and distribution, etc.).

Essentially, the code for each measure is structured as follows:

1) **The first character** indicates the CC response of the measure (character **1** represents mitigation response, and **character 2** - adaptation response).

Example

Measure 31010 of the 1072 Program (Water supply and sewerage system rehabilitation) involves the procurement of Water supply and sewerage system rehabilitation design and works, as specified in the description of this measure. This measure qualifies for climate change adaptation group as:

a) improved drinking water supply and sanitation system do not result in reduced greenhouse gas emissions or improved sequestration (i.e., these activities will not result in CC mitigation), and

b) will help to mitigate the damage in actual or projected climate change conditions (through reduced water losses in the water supply system) and mitigate the adverse CC impacts.

*Therefore, the first character of the climate code for this measure is **2**.*[2]

2) **The second character** corresponds to the sector where the measure will be implemented (Table 2).

Table 2. Establishing the area or response of the measure

Response/area		Character in the code [3]
Mitigation		1
	Energy	(1)1
	Transport	(1)2
	Built environment	(1)3
	Agriculture	(1)4
	Industry and industrial processes	(1)5
	Waste	(1)6
	Land use and forestry	(1)7
	Cross-cutting issues	(1)8
Improved adaptability		2
	Natural ecosystems and biodiversity	(2)1
	Water resources.	(2)2
	Agriculture	(2)3
	Settlements, infrastructure and energy	(2)4

[2] The CC response can be determined by using the descriptions of actions presented in Table 1 (Typology of climate change mitigation and adaptation actions).

[3] Parentheses are not used when compiling the full code; they are provided here to illustrate the classification principle more clearly.

	Human health	(2)5
	Tourism	(2)6
	Cross-cutting issues	(2)7

Example

Measure 31010 (Water supply and sewerage system rehabilitation) of Program 1072, according to the sectoral classification presented in Table 2, is attributable to the Water sector, as it involves increasing the efficiency of existing water resource use through structural improvement. In Table 2 above, the Water sector is indicated in the CC Adaptation section, in which case the second character of the climate code is 2 (in the previous step, the first character of the climate code of this measure was 2, i.e. an adaptation measure).

*At this stage, the full code will look like **22XXX**. The last three characters of the code will be determined by steps 3-5.*

3) **The third** character represents the subsector, which in some cases may correspond to the budget functional classification group/class, and in some cases, the name of the program and measure in the program classification will indicate the climate policy focus or subsector to which this measure is attributable. Table 3 presents the set of codes used for the climate policy component:

Table 3: Policy component representation in the climate code

Impact	Climate policy		Climate code (policy component)
	Sector	Focus	
Mitigation			100
	Energy		110
		Renewable energy	111
		Low emission power	112
		Renewable energy for heating and cooking purposes	113
		Reducing emissions from heating and cooking	114
		Energy transmission and distribution	115
		Carbon sinks, carbon use and storage	116
	Transport		120
		Urban transport	121
		Commuter transportation	122
		Aviation	123
		Fuel and road vehicles	124
		Transportation system management	125
	Built environment		130
		Buildings	131
		Public services	132
		Other	133
	Agriculture		140
		Land use and management	141

		Livestock	142
		Energy efficiency	143
	Industry and industrial processes		150
		Energy efficiency	151
		Carbon sinks, carbon use and storage	152
		Industrial processes	153
		Air conditioning and cooling	154
	Waste		160
		Solid waste management and recycling	161
		Wastewater treatment	162
		Agricultural waste	163
	Land use and forestry		170
		Forestry	171
		Other	172
	Cross-cutting issues		180
		Education and awareness-raising	181
		Policy and regulation	182
		Finance	183
		Research	184
Adaptation			200
	Natural ecosystems and biodiversity		210
		Forests	211
		Protection of natural habitats	212
		Combating desertification	213
	Water resources.		220
		Water supply and removal	221
		Water quality	222
		Irrigation	223
		Drainage	224
		Water resources management	225
	Agriculture		230
		Crop production and crop protection	231
		Increased efficiency of water use	232
		Livestock	233
		Fish farming	234
		Supporting the livelihoods of rural communities relying on agricultural products	235
	Settlements, infrastructure and energy		240
		Flood control infrastructure	241
		Transport: mitigating hazards	242
		Transport: improved connectivity	243
		Energy	244
		Buildings	245
		Waste	246
	Human health		250
		Climate-related health spending	251
		Total health spending	252
	Tourism		260
		Ecotourism	261
	Cross-cutting issues		270
		Disaster risk management	271

		Education and awareness-raising	272
		Policy and regulation	273
		Research	274

Example

Measure 31010 (Water supply and sewerage system rehabilitation) of the 1072 program is attributed to the Water sector (according to the results of Step 2), in particular, with Water Supply and Sewerage focus or sub-sector as indicated in Table 3, in which case the third character of the code will be ***1.***

At this stage, the complete code will look like ***221XX****. To determine the last two characters, it is necessary to follow the instructions for determining climate change-relevance component of the Climate code.*

6.2. Determining the CC relevance component of the climate code

Table 4 presents the characters of the climate code component corresponding to the CC-relevance, which are added to the right of the **3-** character code corresponding to the policy component.

Table 4. Climate change relevance component code

Climate change relevance group	Weight	Climate code (relevance component)
Direct relevance		10
	High (100%)	11
	Medium (90%)	12
	Low (80%)	13
High relevance		20
	High (75%)	21
	Medium (65%)	22
	Low (55%)	23
Medium relevance		30
	High (50%)	31
	Medium (40%)	32
	Low (30%)	33
Low relevance		40
	High (25%)	41
	Medium (15%)	42
	Low (5%)	43

The CC relevance component indicates the level of significance from a CC response perspective, both in terms of financial assessment and its position and priority in the declared policy. Table 5 should be used as a guide for determining the relevance of measures.

Table 5. Climate-change relevance of the measure

Relevance	Mitigation	Adaptation
Direct relevance	One of the stated goals of the measure is to reduce greenhouse gas (GHG) emissions or improve GHG sequestration contributing to stable GHG concentrations in atmosphere. ***For example,*** *developing renewable energy aimed at reducing emissions*	One of the explicit objectives of the measure is to reduce the current and future CC impacts including the CC vulnerability of humans or ecosystems to climate change by achieving a sustained or enhanced resilience through increasing adaptability or resilience to absorb climate shocks and variables or mitigating their impact. ***For example:*** *development of long-term climate forecasts*
High relevance	the measure does not explicitly state as an objective to achieve stable greenhouse gas concentrations but there is a valid (international) argument that the measure will nevertheless contribute to achieving the said stability. Furthermore, the measure is consistent with the overall temperature control goals under the Paris Agreement. ***Examples:*** *measures aimed at increasing energy efficiency, expanding use of electric public transport, or forest protection, which do not have an explicit emission reduction objective.*	There is no clearly stated objective to reduce CC vulnerability, but it is logically expected that the measure will achieve this by mitigating the impact or intensity of climate hazards, or by reducing vulnerability to specific climate hazards. ***Examples:*** *measures for improved efficiency of water use specifically focus on reducing vulnerability to droughts, road rehabilitation spending that reduces the vulnerability of roads to flooding.*
Medium relevance	The measure does not explicitly state as an objective to achieve stable greenhouse gas concentrations but there is a valid (international) argument that the measure will nevertheless contribute to achieving the said stability. However, there are concerns that this measure is not consistent with the overall temperature target set by the Paris Agreement, as there is an alternative emission reduction option that would allow for even greater emission reductions. ***Examples:*** *improving the efficiency of gas-fired electricity generation.*	There is no clearly stated objective to reduce vulnerability, yet the measure does so by increasing resilience or adaptability in a way that disproportionately targets CC vulnerable groups of population or people located in climate-sensitive areas. ***Examples:*** *improved connectivity between rural households or increased social protection measures for people in the same group.*
Low relevance		There is no clearly stated objective to reduce vulnerability, however the measure does so by means of improved resilience or adaptive capacity (not targeting CC-vulnerable groups). ***Examples:*** *costs of public health support or connectivity improvement measures*

Example

Measure 31010 (Water supply and sewerage system rehabilitation) of the 1072 program is classified as a measure with a climate change adaptation focus. However, it does not have a clearly stated objective to reduce vulnerability, specifically:

a) it is not included in the documents referred to in Note 1 to Questionnaire 1,

b) According to the 2024 State Budget Law, the objective of the 1072 budget program is not relevant to climate change.

Therefore, this measure does not qualify for the group of directly climate change-relevant measures.

However, this measure contributes to reducing climate change vulnerability by improved resilience or adaptability (in this case, by reducing water losses through major system-wide rehabilitation and improvement).

*Therefore, this measure is a **high** relevance group event, which means that the weight of this measure will be set in the range of 50-75%.*

*Since the 4th character of the code of the high relevance group of measures is **2** (see Table 4), after this step the code for this measure will look like 2212X.*

The algorithm for determining the weights is presented in Appendix 1. Answers to the questions in Questionnaire 2 help to determine the group of relevance for the measure (groups of measures with direct, high, medium and low relevance) and the corresponding weight (5-100%), following the logic and sequence of steps presented in Appendix 1.

The main parameters based on which the measure will be classified into the group and, consequently, the corresponding weight attributed to the measure, are as follows:

1) Being part of a policy aimed at climate change response,

2) The declared objective of a given measure, whether climate-related (cross-cutting) or relevant to the program or sector to which the measure belongs,

3) Focus on mitigation or adaptation (generally, measures focusing on mitigation score higher),

4) The level of expected climate benefits: substantial, moderate or minor,

5) Explicit or implicit mitigation and adaptation offsets or co-benefits

Questionnaire 2: Questionnaire for determining the level of climate change-relevance and weights

1. Is the measure explicitly stated in the climate change sectoral policy documents (strategy, action plan, etc.)

Response	Group of relevance	Weight within the group	Characters representing climate component in the code
1. Yes	Direct relevance group	High (100%)	11
2. No	Skip to Question 2		

2. Is the measure implemented primarily to fulfil its climate objectives (reduction of GHG emissions or climate change adaptation)

Response	Group of relevance	Next question to determine the weight within the group	Characters representing climate component in the code
1. Yes	Direct relevance group	Skip to Question 2.1.	1X
2. No	Skip to Question 3		

2.1. Does the measure provide mitigation and adaptation co-benefits

Response	Next question to determine the weight within the direct relevance group	Characters representing climate component in the code
1. Yes (co-benefits)	High (100%)	11
2. No	Skip to Question 2. 2	

2.1. Does the measure offset mitigation and adaptation benefits?

Response	Next question to determine the weight within the direct relevance group	Characters representing climate component in the code
1. Yes (offset benefits)	Low (80%)	13
2. No	Medium (90%)	12

3. Does the measure contain actions that provide substantial climate benefits according to the typology for climate measures identification?

Response	Group of relevance	Next question to determine the weight within the group	Characters representing climate component in the code
1. Yes	High relevance group	Skip to Question 3. 1.	2X
2. No	Skip to Question 4		

3.1. Does the measure provide mitigation and adaptation co-benefits?

Response	Next question to determine the weight within the high relevance group	Characters representing climate component in the code
1. Yes (co-benefits)	High (75%)	21
2. No	Skip to Question 3. 2.	

3.2. Does the measure offset mitigation and adaptation benefits?

Response	Next question to determine the weight within the high relevance group	Characters representing climate component in the code
1. Yes (offset benefits)	Low (55%)	23
2. No	Medium (65%)	22

4. Does the measure contain actions that provide moderate climate benefits according to the typology for climate measures identification?

Response	Group of relevance	Next question to determine the weight within the group	Characters representing climate component in the code
1. Yes	Medium relevance group	Skip to Question 4.1.	3X
2. No	Skip to Question 5		

4.1. Does the measure provide mitigation and adaptation co-benefits?

Response	Next question to determine the weight within the medium relevance group	Characters representing climate component in the code
1. Yes (co-benefits)	High (50%)	31
2. No	Skip to Question 4. 2.	

4.2. Does the measure offset mitigation and adaptation benefits?

Response	Next question to determine the weight within the medium relevance group	Characters representing climate component in the code
1. Yes (offset benefits)	Low (30%)	33
2. No	Medium (40%)	32

5. Does the measure contain actions that provide minor climate benefits according to the typology for climate measures identification?

Response	Group of relevance	Next question to determine the weight within the group	Characters representing climate component in the code
1. Yes	Low relevance group	Skip to Question 5. 1	4X

5.1. Does the measure provide mitigation and adaptation co-benefits?

Response	Next question to determine the weight within the low relevance group	Characters representing climate component in the code
1. Yes (co-benefits)	High (25%)	41
2. No	Skip to Question 5. 2	

5.2. Does the measure offset mitigation and adaptation benefits?

Response	next question to determine the weight within the group	Characters representing climate component in the code
1. Yes (offset benefits)	Low (5%)	43
2. No	Medium (15%)	42

Example

Measure 31010 of the 1072 project (Water supply and sewage system rehabilitation) belongs to the high relevance group according to the CC expenditure typology table (Table 1). In other words, this measure can have a weight of 55%, 65%, or 75%. To determine the specific weight, it is necessary to answer question 3.1., namely, whether the measure provides mitigation and adaptation co-benefits.

Water supply and sanitation, as a measure that contributes to climate change adaptation, also has additional CC mitigation benefits due to lower consumption of electricity required to produce and distribute water as a result of reduced water losses. That is, the response to question 3. 1. is positive, which means that the climate component of this measure code is 21 (respectively, 2 character corresponds to the high-relevance group, and 1 - corresponds to the highest weight within the group as it provides adaptation and mitigation co- benefits).

As a result, measure 31010 of program 1072 (Water supply and sewerage system rehabilitation) will be assigned the code 22121, with the corresponding climate weight - 75%.

7. PART 3: ASSESSMENT OF CLIMATE EXPENDITURES

The code derived by performing the steps in the described sequence will represent the weight that corresponds to the climate relevance weight attributed to the measure. All budget measures will be tagged based on this approach, with weights in the range of 0-100% assigned. By applying the weights to the sum of the corresponding measures, expenditures attributable to CC-responsive policies are estimated. The ratio of the total amount of these expenditures to the total of all expenditures will represent the CC-relevant budget expenditures ratio, or their weight in the total expenditures, will be obtained. Climate expenditures are determined using the following formula:

Climate expenditures amount = ∑Measure amount X corresponding CBT code weight/100%

Accordingly, the formula for calculating the climate expenditure ratio or their weight in total expenditures will be as follows:

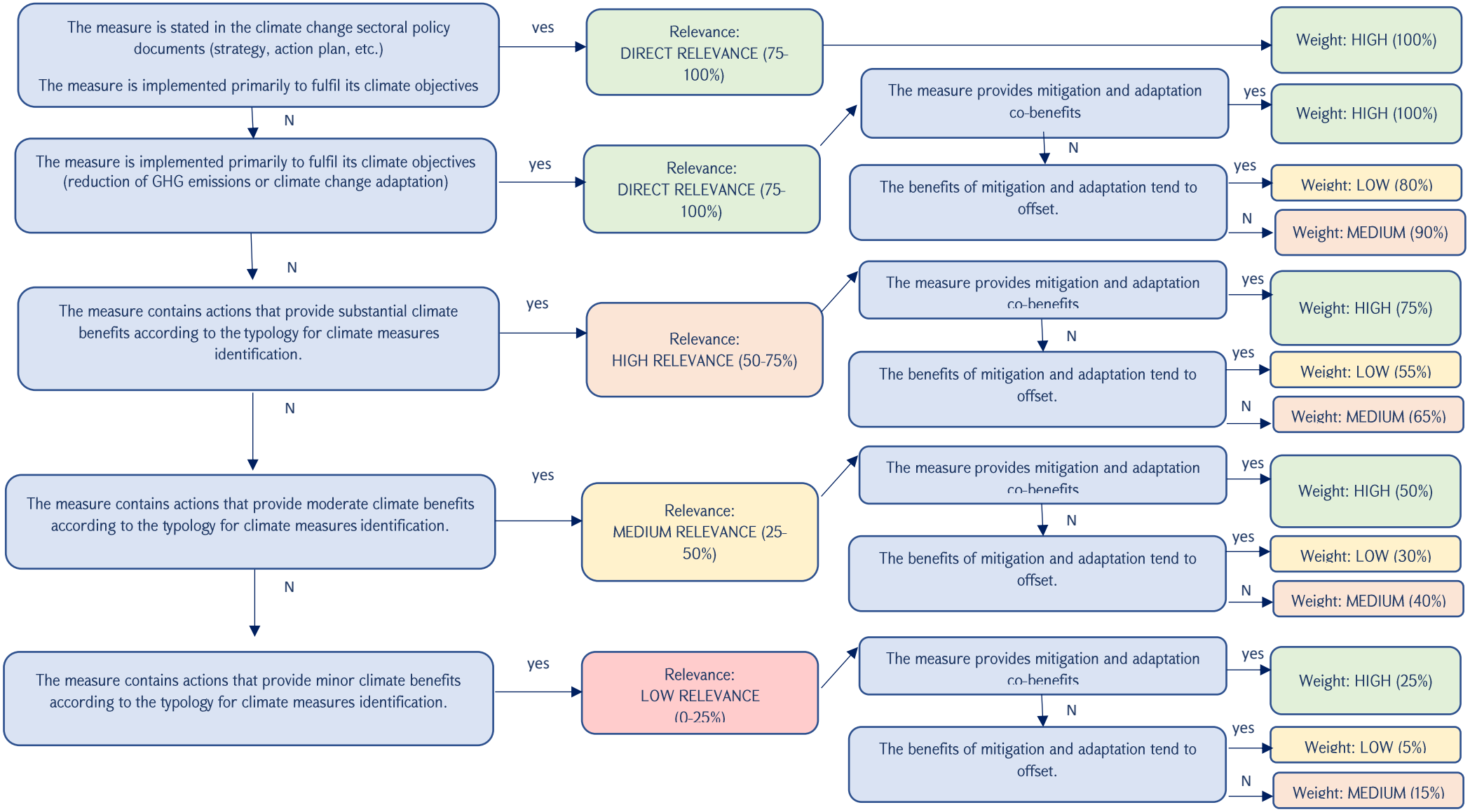
Climate ratio= Climate expenditures/Total (budgeted) expenditures*100%

Example

For measure 31010 of program 1072 (Water supply and sewerage system rehabilitation), 4,530 million AMD was allocated from the 2025 state budget. If a 75% weight is applied, the climate expenditure corresponding to the climate change relevance of the measure will amount to 3,397.5 million AMD. The CBT weights of all measures are calculated, and the amounts of CC-relevant expenditures are estimated, using the same approach. The ratio of the sum of these estimates to the total budget expenditures will represent the climate expenditure ratio.

8. APPENDICES

Appendix 1. SEQUENCE OF STEPS FOR ASSESSING (DETERMINING WEIGHTS) OF CLIMATE CHANGE-RELEVANT EXPENDITURES



Appendix 2. EXAMPLES OF CLIMATE CLASSIFICATION AND DETERMINING CODES AND WEIGHTS FOR MEASURES PROVIDED FOR IN THE 2025 STATE BUDGET

Example 1.

Project	**1155 Management of natural resources and specially protected areas of nature**
Measure	**11004 "Sevan" National Park Management**
Allocation from the state budget for 2025:	**165,089 million AMD**

Step 1. The measure includes the implementation of scientific research and forestry activities in the territory of Sevan National Park. This measure qualifies for climate change adaptation group because:

a) it does not lead to reduced greenhouse gas emissions or to enhanced sinks (i.e. these activities will not result in climate change mitigation), and

b) it will allow to reduce damages and mitigate the adverse CC effects under actual or projected climate change conditions.

Therefore, the first character of the climate code for this measure is 2.

Step 2. The measure, according to the sectoral classification presented in Table 2, belongs to the "Natural Ecosystems and Biodiversity" sector, i.e. the second character is **1**. Accordingly, based on Step 2, the measure's climate code will look like **21XXX**.

Step 3. As a result of the previous 2 steps the measure was classified as a Natural ecosystems and biodiversity sector measure focused on climate change adaptation. In Table 3, the Natural Ecosystems and Biodiversity group in the Adaptation section is divided into the following subgroups or sub-sectors:

Forests	211
Protection of natural habitats	212
Combating desertification	213

Apparently, the "Sevan National Park Management" activity falls under the Natural Habitat Protection subgroup, therefore, the third character of the code is **2**, and the full code as a result of this step will look like **212XX**.

Step 4. Measure a) is not included in the documents mentioned in Note 1.1. to Questionnaire 1, b) according to the 2024 State Budget Law, the 1155 budget program is not targeted at CC adaptation or mitigation.

Therefore, this measure does not qualify for the group of directly climate change-relevant measures.

However, the measure contributes to reducing CC vulnerability by increasing adaptive capacity through the conservation of natural habitats within the national park area.

Therefore, this measure belongs to the **high relevance group** event, which means that the weight of this measure will be in the range of **50-75%**.

Since the 4th character of the code of the high relevance group of measures is **2** (see Table 4), as a result of this step the code for this measure will look like **2212X**.

Step 5. The measure, according to the CC expenditures typology (Table 1), belongs to the group of measures with high CC relevance. To determine the weight within the group, it is necessary to answer question 3.1. of the Questionnaire 2, namely, whether the measure provides CC mitigation and adaptation co-benefits.

The answer to question 3. 1. is negative, as the management of Sevan National Park does not have additional GHG reduction benefits, which leads to question 3.2., namely, whether the measure has an offsetting CC mitigation impact. The answer to this question is also negative, as this measure does not contribute to increased GHG emissions. Therefore, the last character of the code is **2**.

Therefore, code 22122 will be attributed to Measure 11004 of Program 1155, with the corresponding climate weight of 65%.

Accordingly, the climate expenditure for this measure will be.

165,089 million AMD* 65% = 107,308 million AMD

Example 2.

Project	**1004 Irrigation system rehabilitation**
Measure	**11002 Financial support to irrigation service providers**
Allocation from the state budget for 2025:	**7,000 million AMD**

Step 1. The measure involves subsidizing the irrigation sector in the amount of the difference between the irrigation water tariff set for WUAs and the minimum profitable price, therefore, according to the typology, it belongs to the climate change adaptation group, since:

a) it does not lead to reduced greenhouse gas emissions or to enhanced sinks (i.e. these activities will not result in climate change mitigation), and

b) it will allow to reduce damages and mitigate the adverse CC effects under actual or projected climate change conditions.

Therefore, the first character of the climate code for this measure is **2**.

Step 2. The measure, according to the classification of sectors presented in Table 2, belongs to the "Water" sector, i.e. the second character is **2**. Accordingly, based on Step 2, the climate code for this measure will look like **22XXX**.

Step 3. The measure falls under the Water group, Irrigation subgroup, therefore the first three characters of the code are 223. Therefore, the third character of the code is **3**, and the complete code as a result of this step will look like **223XX**.

Step 4. The measure is included in the strategy indicated in Note 1. 1 of Questionnaire 1, therefore, this measure is classified under the group of measures with direct climate change-relevance. Hence, the answer to Question 1 in Questionnaire 2 is positive, which means, that the characters representing climate component within the climate code for this measure will be **11**. That, in turn, means that this measure has 100% climate weight.

Accordingly, the climate expenditure for this measure will be.

7,000 million AMD* 100% = 7,000 million AMD

Example 3.

Project	**1001 Policy development, program coordination and monitoring in the area of territorial administration**
Measure	**11001 Territorial management and infrastructure policy development and service delivery**
Allocation from the state budget for 2025:	**1 589. 3 million AMD**

Step 1. Activity 11001 of the 1001 Program includes services for the development and coordination of State policy in the area of Territorial Administration and Infrastructure, development, implementation, monitoring, consulting and support of state programs. This measure is focused on climate change adaptation.

Therefore, the first character of the climate code for this measure is **2**.

Step 2. The measure, according to the classification of sectors presented in Table 2, belongs to the "Cross-cutting" sector, i.e. the second character is **7**.

Accordingly, based on Step 2, the climate code for this measure will look like **27XXX**.

Step 3. In Table 3, the Cross-cutting Issues group in the Adaptation section is divided into the following subgroups or sub-sectors:

Disaster risk management	271
Education and awareness-raising	272
Policy and regulation	273
Research	274

Apparently, this measure falls under the Policy and Regulation subgroup, therefore, the third character of the code is **3**, and the full code as a result of this step will look like **273XX**.

Step 4. The measure is not included in the documents mentioned in Questionnaire 1, Note 1. 1 and, according to the 2024 State Budget Law, the 1001 budget program is not targeted at CC adaptation or mitigation.

Therefore, this measure does not qualify for the group of directly climate change-relevant measures.

This measure contributes to reducing CC vulnerability by providing small benefits through the development of programs that promote renewable energy development. Therefore, this measure belongs to the low-relevance group, which means that the weight of this measure will be in the range of 0-25%.

Since the 4th character of the code of the low relevance measure group is **4** (see Table 4), as a result of this step the code for this measure will look like **2734X.**

Step 5. This measure belongs to the group of measures with low CC- relevance, according to the CC expenditure typology presented in Table 1. To determine the weight within the group, it is necessary to answer question 5.1. of the Questionnaire 2, namely, whether the measure provides CC mitigation and adaptation co-benefits. The answer to question 5. 1. is positive, as this sectoral policy, also provides adaptation benefits along with mitigation benefits, therefore, the last character of the code will be **1**.

Accordingly, code 27341 will be attributed to Measure 11001 of the Program 1001, with corresponding climate weight of 25%.

Accordingly, the climate expenditure for this measure will be.

1 589.3 million AMD* 25% = 397. 3 million AMD