Budget Tagging for Disaster Risk Reduction and Climate Change Adaptation

Guide for design and taxonomy

UNDRR
UN Office for Disaster Risk Reduction

SENDAI FRAMEWORK
FOR DISASTER RISK REDUCTION 2015-2030

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Contents

Introduction

This guide presents the issues that government officials need to consider when designing a coordinated budget tagging initiative that addresses both disaster risk reduction (DRR) and climate change adaptation (CCA).

This design guide proposes using a slightly elaborated version of the OECD DAC approach (DAC+) as a basic standard international approach, with countries free to expand on this to suit national circumstances.

The main focus of a DRR and CCA Budget Tagging (DCBT) initiative is to influence the annual budget process and ensure the mainstreaming of these issues in decision-making. While the simple DCBT approach proposed here does not provide the evidence needed for evaluating progress with DRR/CCA policy and strategies, it is a useful starting point for that analysis, as it quantifies the amount allocated to these priorities and enables spending to be tracked over time.

Two reference documents complement the guide: a) an issues paper that draws lessons from international experience on the effectiveness of disaster- and climate-related budget tagging[1]; and b) a taxonomy background note, which explains why the DAC+ approach is proposed. The issues paper suggests that DCBT is challenging and that the design of a DCBT system should carefully assess the expected benefits from adopting DCBT and compare these with the significant costs involved.

Informed by the issues paper and the taxonomy background note, this design guide document is structured along eight considerations for DCBT design and implementation (figure 1). In addition, annexes 1 and 2 present a reference table and a flow chart to support the budget-tagging content and process introduced in considerations six and seven. It is expected that this international design guide will be supplemented by Country Operational Guides reflecting each country's particular circumstances. Annex 3 presents an outline of terms of reference for preparing country operational guides.

FIGURE 1

Eight considerations for DCBT design and implementation

1 Leadership, coordination and institutional roles

2 Define the scope of the DCBT system

3 Agree on objectives and expected benefits of DCBT

4 Reporting and dissemination

5 Capacity assessment

6 Content of the basic DCBT system

7 Potential add-ons to the basic DCBT system

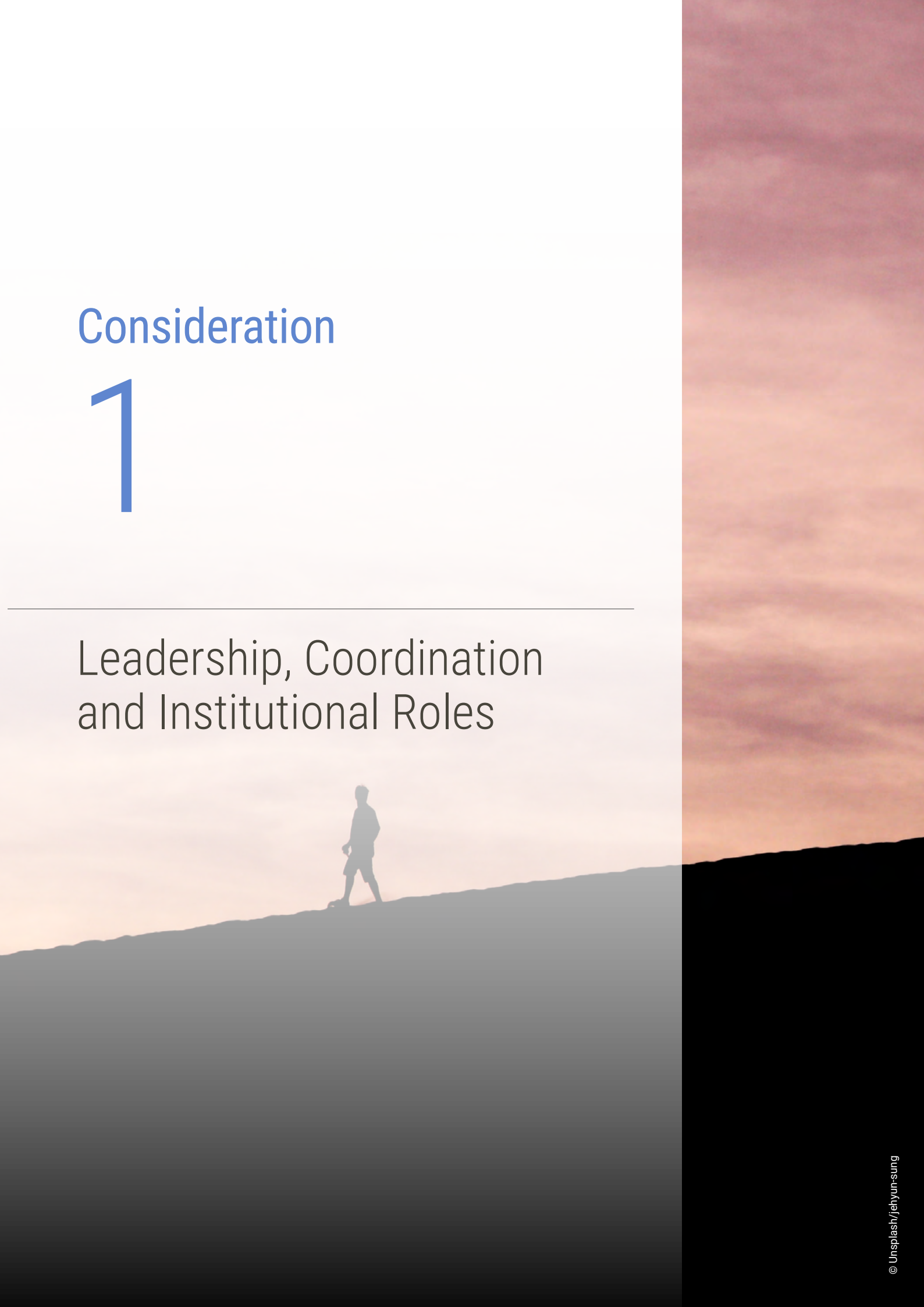
8 Monitoring and learning

1 IIED and UNDRR. Tracking the money for climate adaptation and disaster risk reduction, 2023

Consideration

1

Leadership, Coordination and Institutional Roles



Leadership. The institutions leading DCBT perform several key roles, including: clarifying the scope and objectives of the tagging, driving the process, and coordinating technical guidance to ensure consistency and credibility. They also build a consensus among all participants around the value added of a joint approach and address any concerns DRR and CCA units may have that a joint approach dilutes the focus of their work.

The ministry responsible for the budget (e.g., Ministry of Finance and/or Planning) should be involved in leadership and often chairs the process. It will usually work in partnership with the budget units that lead on DRR (e.g., Ministry of Disaster Management) and CCA (e.g., Ministry of Environment or Climate Change) and with any cross-sectoral bodies responsible for DRR and CCA (e.g., Disaster Management Agency or Climate Change Council). Support from the Office of the Prime Minister or President may be helpful, either directly or through its leadership of DRR and CCA cross-cutting policy bodies. An Expert Advisory Committee may also be useful to supplement the government expertise.

Building on Existing Initiatives. If arrangements already exist for either climate budget tagging (CBT) or DRR budget tagging (DBT), it will normally be best to build on these initiatives when designing the coordination of DCBT. If there are budget units dedicated to DRR or CCA, representatives of these units may be included in the coordination, but they should recognize that the purpose of the DCBT is not primarily to promote their own activities but to register the broader contribution to DRR and CCA outside these dedicated units. Many countries are pursuing wider budget reforms (e.g., results-based budgeting or program budgeting), and DCBT needs to complement this.

Coordination. It will be necessary to specify coordination mechanisms with a wider range of spending bodies (e.g., line ministries[2], subnational governments, agencies) and other related institutions[3] and to define the roles and responsibilities of each institution. In most cases, it is the spending bodies that propose DCBT tags, and these proposals are reviewed by a central technical ministry or cross-ministerial body. The tag agreed then applies to that expenditure unless a spending body wishes to propose a change, either because the nature of the program changes or because evidence or understanding about DRR and CCA has improved.

Implementation Plan. Coordination of DCBT should be guided by an implementation plan. Most DCBT initiatives will start with some piloting, which could range from a simple workshop to the full use of the proposed system by a small number of budget institutions through one budget cycle, which will rise incrementally after each budget cycle. All institutions (e.g., ministries) should be provided with the necessary financial means (budget) for efficient leadership and coordination and to attain their expected objectives in implementing DCBT.

2 Ministries of agriculture, infrastructure, energy and other relevant sectors.

3 For example, climate finance networks and development partners (WB, ADB, AfDB, EU, IMF, OECD, etc.).

TABLE 1

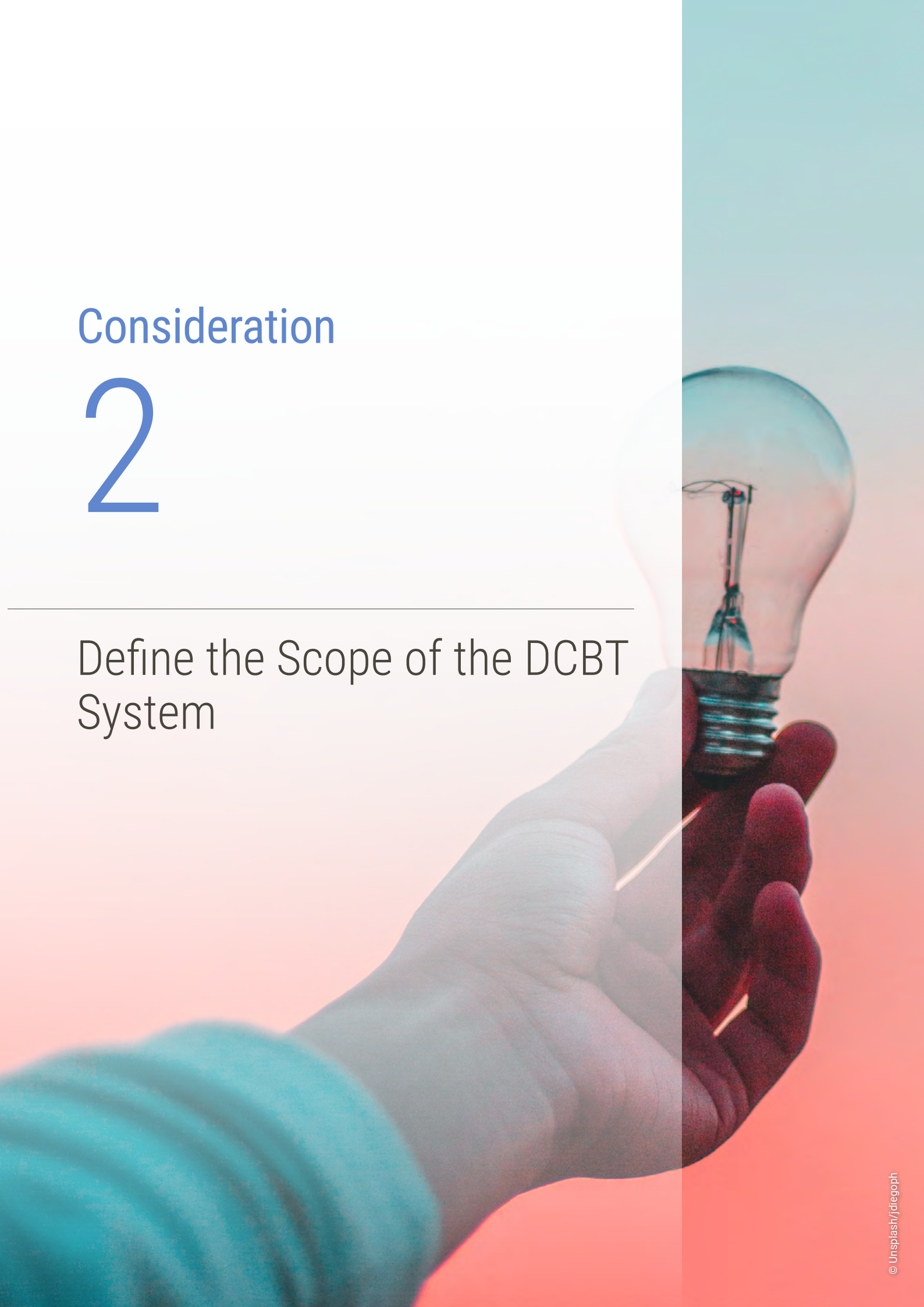
Institutional roles in DCBT

Institution	Role
Office of the President or Prime Minister	Political commitment and authority of leadership institutions to request participation
Ministry of Finance	• Ensure DCBT design is compatible with budget structure (e.g., programs) and software • Include DCBT in budget guidelines • Take account of DRR/CCA expenditure trends and patterns when negotiating the budget with line ministries • Include DRR/CCA in budget reporting
Cross-cutting agencies/councils dealing with DRR and CC	• Coordination • Supervision of lead line ministries
Lead line ministries for DRR and CCA	• Technical guidance and approval of DCBT methods • Quality control (e.g., checking tags proposed by line ministries) • Use DCBT evidence to inform DRR/CCA evaluations
Line ministries managing DRR and CCA programs	• Propose tags for expenditure programs • Adjust budget proposals in the light of trends and patterns in DRR/CCA expenditure generated from DCBT analysis • Use DRR/CCA expenditure trends to justify budget submissions • Use DCBT as a starting point for impact analysis to improve program design and help raise international funding
Parliament	• Review DRR/CCA expenditure patterns when approving budget
Civil society	• Promote public awareness • Contribute evidence and technical expertise to improve DCBT • Ensure transparency in reporting, including in citizen budgets

Consideration

2

Define the Scope of the DCBT System



The guide suggests using the UNFCCC and UNDRR definitions for CCA and DRR as the basis for DCBT (see box 1).

Box 1. Definitions for DRR and CCA

Climate change adaptation – "Adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities". (UNFCCC, n.d.)

Disaster risk reduction – "Disaster risk reduction is aimed at preventing new and reducing existing disaster risk and managing residual risk, all of which contribute to strengthening resilience and therefore to the achievement of sustainable development". (UNDRR, n.d.)

Overlap. Much of the expenditure tagged by a DCBT will contribute to both DRR and CCA objectives. However, some expenditure only addresses DRR and some that only addresses CCA. This is accommodated in the proposed DCBT system by having separate tags for DRR and CCA[4]. Table 2 describes the risks addressed by the three types and provides examples of actions. The table is expected to be applicable in most countries, but the specific boundaries and definitions will depend on country circumstances and existing policy frameworks (e.g., DRR and CCA strategies, institutional mandates and capacities, the relative importance of loss and damage from different hazards, and so on).

Complementarity. DCBT needs to recognize other cross-cutting budget tagging initiatives (e.g., gender, youth, environment, Sustainable Development Goals) and the limited number of these that can be accommodated. The choice of which cross-cutting tagging initiatives are accommodated would normally be guided by the order of priorities in the overarching national development strategy. Program budgeting reforms, including the budget nomenclature, may also influence the design of DCBT, especially as it will determine the level of program detail in the budget. The program budget system may also include features (e.g., keywords that relate to DRR/CCA or instructions to mention DRR/CCA objectives in program descriptions, where appropriate) that can help guide DCBT classification.

International Funds. In developing countries that are heavily dependent on international finance, a large proportion of DRR and/or CCA expenditure will be financed from international loans and grants, either as an integral part of development programs or from funds that have DRR and/or CCA as a principal objective of their operations. As a budget mechanism, DCBT should cover all international loans, which should be within the budget, and any international grants that are managed through the budget. It should also be possible to extend the use of DCBT to apply to any existing aid-coordination mechanisms that track off-budget international funding. The growing range of international funding sources for DRR and/or CCA have different mechanisms and degrees of integration in the budget. The coordination of international sources of funding with national budgeting has been a challenge for many decades, and budget reform packages have often sought to make it easier for international partners to provide support through the budget. DCBT may provide some support to such reforms, but it is unlikely to have a major impact unless it is part of a broader coordination and reform initiative. The DAC+ basic system of DCBT proposed in this guide should facilitate consistency with OECD DAC reporting on international funding for DRR and CCA.

4 Because of the overlap, the total of all DRR and CCA expenditure is not calculated by adding all DRR expenditure and all CCA expenditure: It is calculated by adding all the DDR only, all the overlap and all the CCA only expenditure, as defined in Table 2.

TABLE 2

Risks addressed by DRR and CCA expenditure and examples of actions

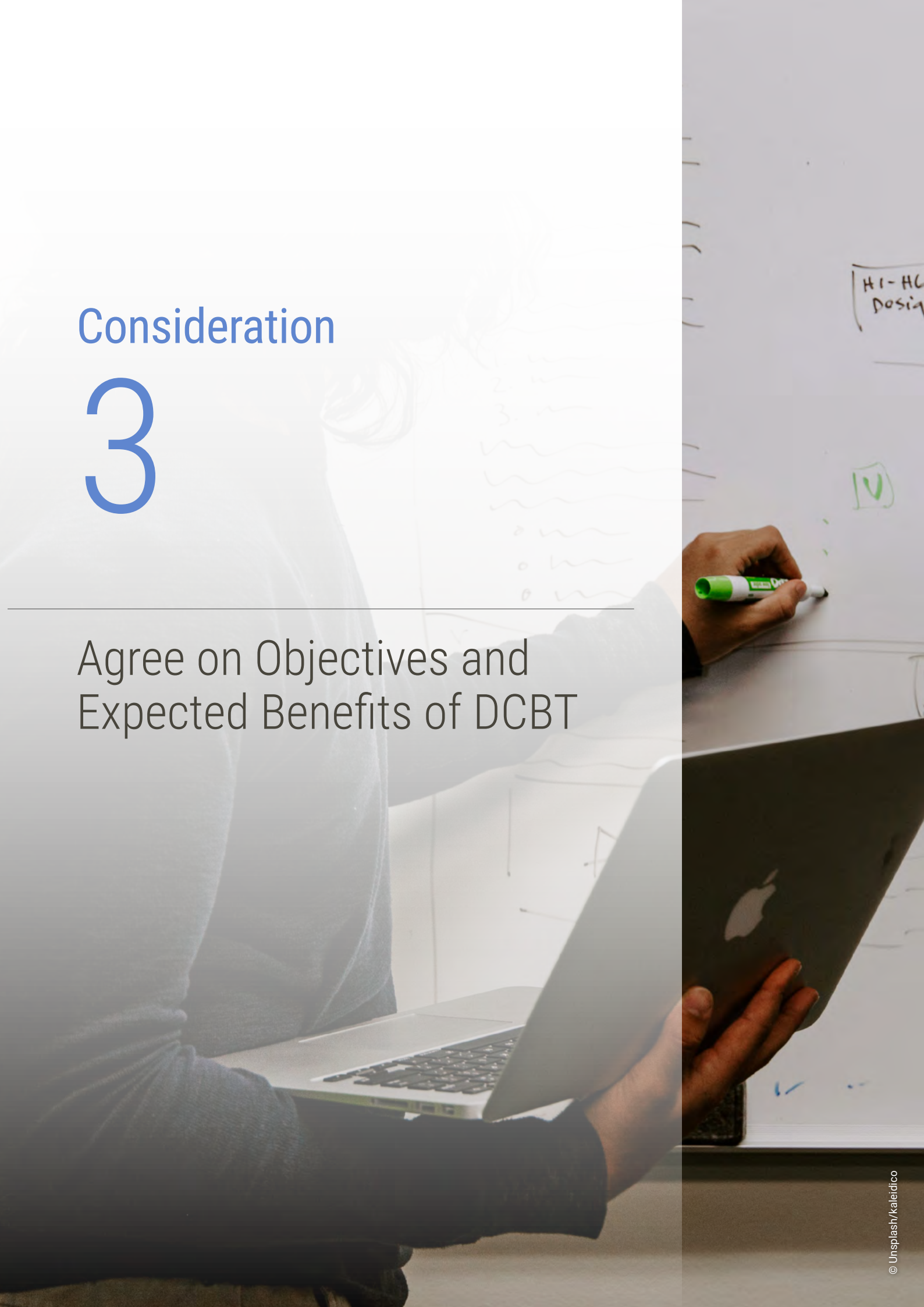
DRR Expenditure Only (DRR tag 2/1, CCA tag M/P/0)	**Both DRR and CCA Expenditure** (DRR tag 2/1, CCA tag 2/1)	**CCA Expenditure Only** (DRR tag M/P/0, CCA tag 2/1)
Principles		
A budget allocation is considered as targeting DRR objectives but not CCA if it prevents, reduces and manages disaster risks that are not strongly affected by climate change.	A budget allocation is considered as targeting CCA and DRR objectives if it prevents, reduces and manages disaster risks that are strongly affected by climate change.	A budget allocation is considered as targeting CCA objectives but not DRR objectives if it contributes to adaptation to the slow impacts of climate change that do not involve extreme events.
Actions Responding to the Following Risks		
Hazards and their impacts that are covered by the Sendai Framework for Disaster Risk Reduction 2015–2030 but that are not strongly affected by climate change, namely: • geological or geophysical, including earthquakes, volcanoes, dry landslides, tsunamis • *biological, including pandemic** • chemical • technological (e.g., cyber) • extraterrestrial • *societal (e.g., conflict)**	Hazards and their impacts that are strongly affected by climate change, e.g., in intensity or frequency, namely: • hydrological and meteorological, e.g., floods, storms, wet landslides, drought, fire, heatwaves	Slow-onset stresses that result from climate change, namely: • rise in mean temperature and water stress • gradual increase in climate change–sensitive diseases • *gradual rise in sea level and associated salt water intrusion** • *ocean acidification**
Examples		
Incremental increases in costs of construction to ensure seismic resilience; revision of school curricula to incorporate regular volcano evacuation drills; retrofitting of existing health infrastructure such as health centres and hospitals based on earthquake-resilient building codes.	Enhancement of flood resilience of public assets; set up and use of early-warning system; agricultural practices that reduce the impact of drought and more variable rainfall; afforestation and forest protection that promotes water retention; changing workplace practices to reduce the impact of intense heatwaves on labour productivity and mortality; investing in adaptive social protection systems that incorporate predisaster preparedness or shock-responsive schemes.	Implementing measures to protect lagoons, which are highly vulnerable to climate change, from salt water intrusion and contamination; promoting water conservation in areas subject to increased water stress due to climate change; changing agricultural practices to reduce the impact of the increase in mean temperature on crop and livestock productivity; biodiversity corridors to facilitate ecosystem adaptation to gradual climate change;

** Examples in italics may involve a small element of overlap. The degree of overlap will vary between countries. Actions in the left or right columns will be primarily responding to DRR and CCA, respectively, but they may have some marginal contributions to or potential implications (reflected in an "M" or "P" tag) for CCA and DRR, respectively.*

Consideration

3

Agree on Objectives and Expected Benefits of DCBT



The immediate objective of DCBT is to enable budget and accounting reports to include tables showing the trends and patterns of DRR and CCA expenditure in real time so that DRR and CCA policy receives appropriate attention in budget preparation and negotiation. This should also improve the level of official and public awareness of DRR and CCA.

The ability to demonstrate clear management of DRR and CCA expenditure should also create incentives in the budget process for line ministries to focus on DRR and CCA effectiveness, because higher DRR and CCA tags can be claimed if effectiveness is demonstrated. In addition, it should provide reassurance to potential funders and facilitate dialogue with the private sector on complementary public private policy and spending.

The annual DCBT system is not designed directly for evaluation of DRR/CCA policies and strategies – it is intended for regular application in the budget formulation stages of the budget cycle. Evaluation instead could take place in an ex post expenditure review (e.g., using tools such as a disaster/climate public expenditure and institutional review [DCPEIR]), which is done less regularly and includes a greater range of analytical tools. For example, DCPEIRs may include estimates of the proportion of total benefits of expenditure associated with DRR or CCA, which can build on DCBT but involve more technical capacity than is normally available within the government budget cycle.

Table 3 summarizes the range of wider objectives, along with the implications for reporting, capacity needs and whether the basic DAC+ system is sufficient to meet the objective. Many of the objectives cannot be achieved with the basic DAC+ system. Consideration 7 proposes add-on features to the basic DAC+ system that will address these objectives for countries that can provide the additional capacity required to implement them.

Value Added of Joint Approach. The objectives for DCBT should be clear about the value added from taking an integrated approach to both DBT and CBT rather than pursuing the objectives of each initiative independently. In this guidance note, integrated DCBT means that there are separate tags for DBT and CBT, but that these apply consistent definitions as well as common standards and guidelines. Potential benefits from taking an integrated approach include:

- collaboration between cross-sectoral institutions (rather than competition), including joint strategies,[5] combined impact on awareness-raising, and technical exchanges and lesson-learning, all of them especially amongst sectoral institutions
- consistency in methodology, building understanding and credibility, including in comparing current funding with needs, as reflected in strategy costing or economic modeling
- stronger ability to influence strategy and policy revision as a result of greater credibility
- credibility with funding sources, especially where innovative sources span DRR and CCA interests (e.g., public–private partnerships, sustainability bonds issued by public entities)
- sharing the costs of managing tagging and
- building capacity for tagging (both within government and between governments and development partners)

Benefits and Costs of DCBT. An Issues Paper has been prepared in parallel with this guide based on international experience with DCBT. The paper shows that it is too early to draw lessons on the success of DCBT in achieving objectives, especially as DCBT is typically being introduced in a rapidly evolving policy landscape. A well-designed DCBT should be explicit about the expected benefits from achieving objectives and include indicators and targets that can be used to monitor performance. As significant costs are involved in establishing and managing DCBT, it can be useful to demonstrate that the expected benefits outweigh those costs. This concern relates specifically to the costs and benefits of tagging and not to the costs and benefits of the DRR/CCA expenditure, which is dealt with through policy evaluation.

Linking with the Objectives of International Initiatives. The objectives will also take into account the importance of integrating with the various international initiatives around DRR and CCA planning, budgeting and finance and providing a clear and strong advocacy approach (e.g., Sendai Framework, COP27 loss and damage finance, Addis Ababa Action Agenda on Financing for Development). This integration could include estimates of the extent to which existing DRR and CCA financing meets the full needs of the different objectives and, hence, the DRR and CCA financing gaps. DCBT can be used to provide cross-country comparisons that may be useful for international policy, but it should be recognized that subjectivity in applying DCBT means that these comparisons are only indicative.

5 - like the Pacific Joint National Action Plans for climate change and disaster risk management (JNAPs), https://www.sprep.org/publications/jnap-development-and-implementation-in-the-pacific-experiences-lessons-and-way-forward

TABLE 3

Influence of objectives on methods, reporting and capacity

Objective (i.e., Consideration 3)	**Reporting** (Consideration 4)	**Capacity Needs** (Consideration 5)	**DAC+ Suitability** (Consideration 6)	**Add-on to support the objective** (Consideration 7)
Raise awareness	• Budget statement • Public accounts • Citizen's budget	Low	Basic DAC+ sufficient	
Track expenditure on political commitments (i.e., total DRR/CCA spending or component policies)	• Budget statement • Budget execution reports and public accounts • Citizen's budget	Low/mid	DAC+ sufficient	
Track implementation of DRR and CCA strategies and action plans	• Activities in program budget • Strategy monitoring report	Mid	DAC+ not sufficient	Needs tags for links to actions in strategy
Influence budget prioritization	• Budget submissions • Real-time cabinet papers • Parliament's reports	Mid	DAC+ sufficient	Strategy tags can give added emphasis
Raise international funds, demonstrating domestic commitment and needs	• Financing frameworks and gap/needs analysis • Evaluations	Mid/High	DAC+ sufficient	Benefits analysis could add further value
Understanding the extent to which needs are met	• DRR and CCA financing gap reports	High	DAC+ not sufficient	Needs benefits analysis
Improve effectiveness of spending to reduce loss and damage	• Budget submissions • Project appraisals • Evaluations	High	DAC+ not sufficient	Needs outcomes or benefits analysis
Access to innovative funding	• Loan and grant applications • Investor pitches	High	DAC+ not sufficient	Benefits analysis helpful, esp. for private sector

Consideration

4

Reporting and Dissemination

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The objectives and expected benefits are related to the nature of reporting, which can involve DRR and CCA being integrated into various steps in the planning and budget cycle.

Key potential reports that may be enhanced by DCBT include:

- ***Budget statements***, which may include statements of policy, including spending goals, as well as related documentation, like budget circulars and guidance notes
- ***Budget execution reports*** and public accounts, which may include tables on the trends in DRR/CCA spending and patterns among implementing ministries and agencies
- ***Citizen's budgets***, with easy-to-understand, often graphical summary of DRR/CCA spending
- ***Program budgeting reports*** showing how programs deliver DRR/CCA
- ***Strategy monitoring reports***, which compare budget/actual expenditure with strategy goals
- ***Budget submissions*** by line ministries, demonstrating that they have taken DRR/CCA into account in the design and justification of their programs, often through evidence from DRR/CCA-sensitive project appraisal
- ***Real-time cabinet papers***, presenting trends and patterns in DRR/CCA spending to influence negotiations between line ministries and finance ministries/cabinet
- ***Parliamentary reports*** (especially for finance and DRR/CC committees), providing parliamentary oversight of government proposals
- ***Financing frameworks***, indicating likely sources of finance and gaps that need to be met with additional financing (e.g., from international partners or private DRR/CCA)
- ***Classification of the functions of government (COFOG) reports*** may be expanded to include tables of DRR/CCA expenditure organized according to standard COFOG categories
- ***Evaluations*** (e.g., public expenditure reviews) that review trends and draw lessons for improvements
- ***Loan applications and investor pitches*** if DCBT is used to inform risk assessments that convince private enterprises that climate/nonclimate hazards have been addressed

Decisions are required about whether DCBT is intended to influence the reports used for real-time budget submissions and negotiations (which is more informative but involves a much larger investment in expertise and political engagement) rather than simply providing regular annual reviews. If real-time reporting is sought, then it will normally be necessary to integrate DCBT into the software systems used to prepare the budget. Clear plans are required for preparing reports as well as dissemination within government and international partners and to the public. These plans require specific capacity assessment and costs, building on any capacity that already exists in current DBT and CBT.

Consideration 5

Capacity Assessment

Capacity Assessment. Identify the existing capacity for DCBT across all potential steps in the expenditure chain where DCBT reforms could be considered and prepare a capacity-building plan to address gaps. This includes the capacity of finance and planning ministries to understand DRR and CCA and the capacity of DRR/CCA line ministries and subnational government entities to classify and tag expenditures. It is also an assessment of the capacity of civil society organizations to fulfil their roles in DCBT.

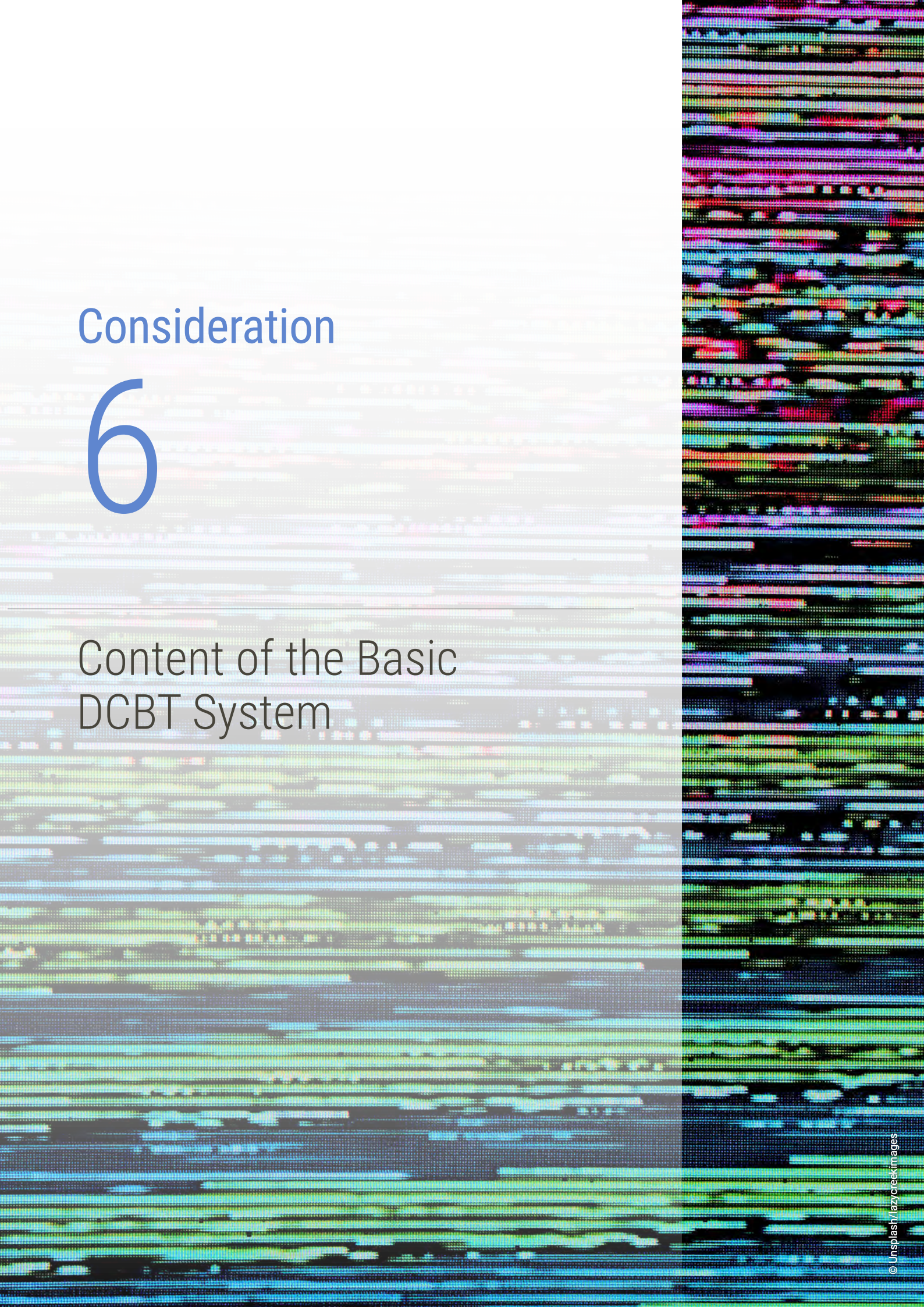
Capacity-Building Plan. Make a realistic assessment of the potential for boosting capacity – both to pilot and introduce a system and then to operate it in a sustainable manner – taking into account any existing capacity-building for CBT. Particular attention must be given to institutions that have high turnovers and highly mobile civil servants and to subnational government entities where capacity is often much weaker than at the national level. The capacity-building plan will need to specify the choice of participants. This may include potential access to technical assistance for a temporary boost in capacity. Conducting the capacity assessment in parallel with the design of reporting can help make sure that plans for reporting are realistic.

Implications of Capacity Constraints. The DCBT design should take into consideration the results of the capacity assessment. Table 3 is organized in rough order of capacity needs (see column 3). Budget institutions with limited capacity (typically subnational bodies and line ministries with lower relevance for DRR and CCA) may need to have more limited objectives.

Consideration

6

Content of the Basic DCBT System



This guide proposes a basic DCBT system that could encourage international consistency and comparability while also allowing for country elaboration. Indeed, every country will want to prepare its own DCBT Country Operational Guide for its DCBT system, using the content introduced under Consideration 6 as a starting point, with various options for expansion as described in Consideration 7. The Issues Paper[6] reviews examples of countries that have developed their own systems for DBT and CBT, and the guides for these systems may be a useful reference. The Country Operational Guide will reflect the details of the country's institutions, strategies and budget systems; the way the DCBT system builds on existing DBT and/or CBT; and any elaboration on the basic DCBT system described in this guide.

Degrees of DRR/CCA Relevance. The standard DCBT system involves DRR and CCA tags with a single digit expressing the relative importance of DRR or CCA objectives in a given activity or budget line compared to other objectives. Three degrees of relevance are used, determined by the extent to which the objectives relate to DRR or CCA. The system is the same as the one used by OECD DAC, except that a third category of marginal or implicit objectives is added to include large spending programs with small contributions to DRR or CCA. This includes, for instance, large-scale infrastructure programs that incorporate climate and disaster risk assessments in their planning processes; broad primary health programs that cover climate-responsive diseases, but only as a small element of activities; and education programs that cover climate change, but only as a small item in the curriculum. The system may therefore be considered a DAC+ system. The addition of the marginal/implicit category is justified because large programs with a small degree of DRR/CCA relevance would often be missed in the DAC system and may make a significant contribution. Adding the third category encourages these programs to claim their DRR/CCA benefits and to adjust program design to maximize DRR/CCA benefits. The additional category should not dilute the focus on the higher categories or compromise consistency with DAC reporting because the first two categories are the same as in DAC. The five degrees of relevance are described in Table 4.

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TABLE 4

Degrees of DRR and CCA relevance

Level	Description	Justification
2	Principal	A budget line will be "principal" if it directly and explicitly contributes to DRR or CCA. Were it not for the DRR or CCA objective, the activity would be unlikely to be approved for funding.[7]
1	Significant	A budget line will score "significant" if the DRR or CCA objective is explicitly stated and the budget line helps meet those objectives[8] but they were not its primary motivation. It might be funded anyway, but the DRR or CCA objectives may help to tip the balance in the search to secure funding.
M	Marginal	A budget line that only marginally contributes to DRR or CCA. These objectives may not be stated explicitly or may only be a small concern. Funding would definitely be approved regardless of any contribution to DRR or CCA objectives, but the DRR/CCA relevance may justify some additional funding.
P	Potential	A budget line that makes no explicit contribution to DRR or CCA, or for which the contribution is unclear, but the outcomes of which are expected to be affected by disasters/climate change in a significant way. This may include programs that have been assigned budget and are expected to relate to CCA and DRR objectives, but where the scope and balance of activities is not yet clear.
0	None	The budget line does not target DRR and/or CCA in any significant way.

Figure 2 (following) presents a flow chart to aid decisions about the appropriate degree of relevance.

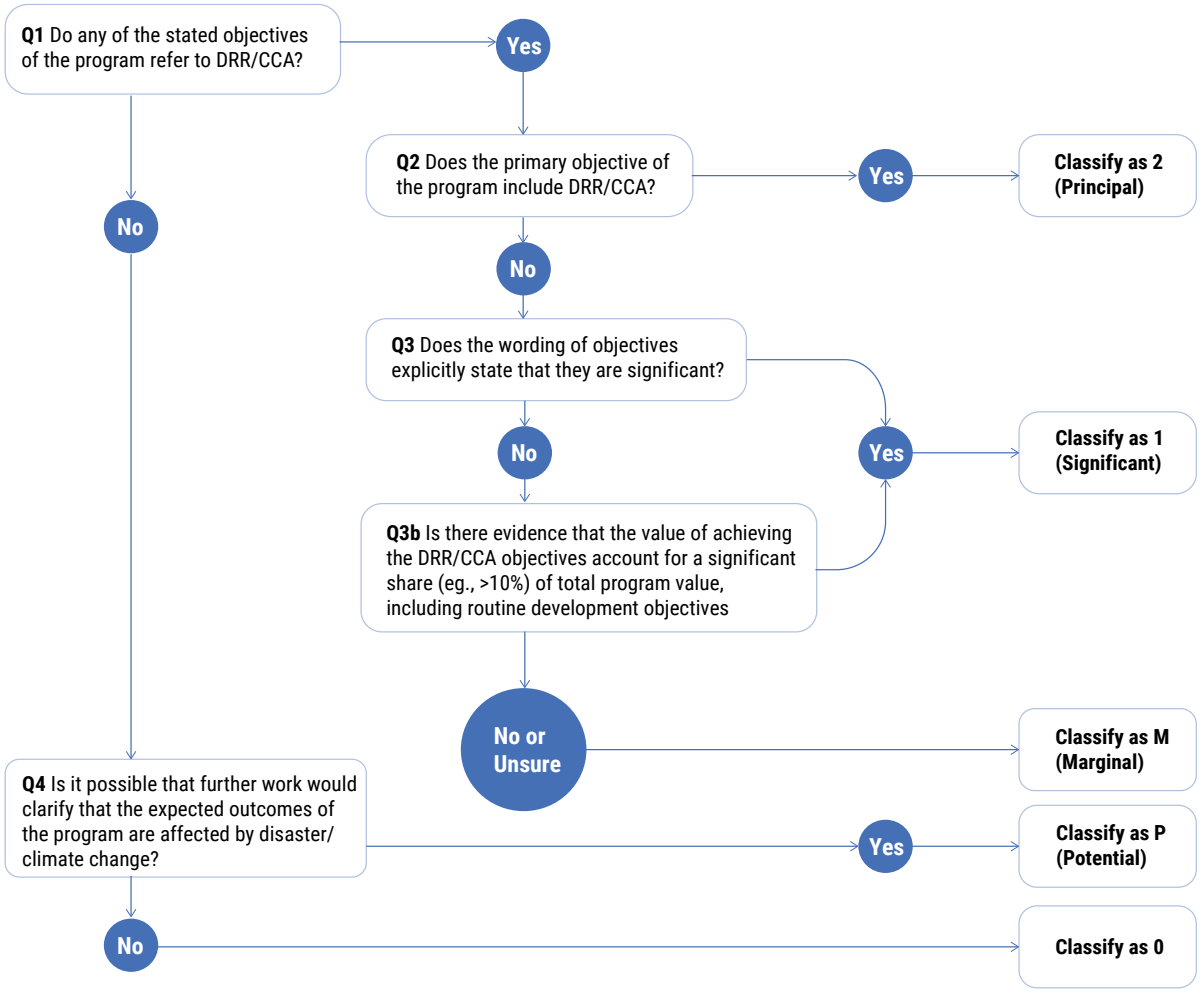
Annex 1 presents a more detailed reference table with examples for applying the degrees of relevance to different action areas, thus supporting the tagging process (see further explanation under Reference Table below).

7 Some expenditure may be primarily DRR/CCA but also have sufficient other benefits to be justified. However, this will not normally be the case, and it is useful to ask the question of whether funding would be approved as part of a policy to protect against greenwashing.

8 Many programs will have several levels of objectives (e.g., wider and immediate). If the higher-level objective relates to DRR/CCA, the program will normally be classified as "principal". If a DRR/CCA objective is one of several lower-level objectives, then a judgment is required on whether the DRR/CCA objective is the most important objective. If there are many objectives and it is not clear whether the DRR/CCA objective is the primary one, then the appropriate classification will normally be "significant".

FIGURE 2

Flow chart



Flow chart notes

Tags	The flow chart is applied separately for the DRR tag and for the CCA tag.
Program	A "program" may be a policy, a set of related policies/projects, a project or a project component. If a project is split into components with separate budgets, these can be tagged separately or a combined tag can be applied to the whole program. The combined tag would be decided based on the overall contribution of the budget to DRR or CCA – normally it would be the tag used to classify most of the expenditure of its components.
Q1	"Objectives" may be the higher-level objective or a set of lower-level objectives or aims.
Q2	The "primary objective" may be the higher-level objective or the most important of a set of lower-level objectives.
Q3	Q3a may be answered "yes" if it is stated explicitly that DRR/CCA objectives are significant. If this is not explicitly stated, Q3b can be answered "yes" if there is evidence that the benefits from achieving DRR/CCA objectives are a significant share (e.g., >10%) of total benefits, including those from achieving non-DRR/CCA objectives (i.e., economic, social and environmental development). If the level of significance is unclear, an "M" tag should be assigned, pending clarification. Programs with minor components related to DRR/CCA (e.g., accounting for less than 10% of costs) should be classified as "'M". Q3 deliberately requires the importance of DRR/CCA objectives to be explicitly stated to avoid greenwashing and encourage further work on DRR/CCA sensitization.
Q4	Q4 seeks to identify expenditure that may not yet have explicit DRR/CCA objectives but is affected by disaster or climate change and should consider including objectives to reduce these effects.

Proofing and Inherent Expenditure. In some cases, funding programs may contribute to DRR and/or CCA without requiring any major changes in design (e.g., agricultural programs that improve water management). In these cases, the DRR/CCA contribution cannot be explicitly identified with any item of expenditure, even if very detailed costings are available, breaking down the program into component activities. This will apply especially for programs in the marginal category. In other cases, programs may include some expenditure that is dedicated to DRR/CCA (e.g., retrofitting larger culverts in roads and drainage infrastructure). The more details available on the program's component activities, the easier it is to classify. However, even when detailed component costs are available, most DRR/CCA expenditures will have a mix of DRR/CCA and development objectives. This applies to expenditure at all levels of DRR/CCA relevance.

Reference Table. Annex 1 provides a reference table that presents a range of "action areas" along with likely basic DCBT scores. The purpose of this table is to help define the scope of DRR/CCA expenditure and build consistency in tagging. There is no suggestion that tags used in DCBT should record where expenditure sits in the reference table. Some countries may wish to use the reference table as a taxonomy for classification, which would mean classifying each budget line according to the reference table action areas – in other words, determining which type of higher-level DRR or CCA activity a budget line falls into – rather than applying DRR and/or CCA tags to the budget line. However, this would be a more challenging task, requiring a more complex approach beyond the two DRR and CCA tags, and it is normally done as part of the occasional evaluation (i.e., DCPEIR) rather than annual tagging (i.e., DCBT)[9]. The scores in the table should not be treated as definitive, and line ministries may wish to use higher (or lower) scores if the risks faced by a country are particularly severe (or minor) or if expenditure is more (or less) heavily targeted on vulnerable people and ecosystems. Most countries may want to adjust the reference table to suit country circumstances.

Within each action area, there will normally be a range of complementary actions, involving expenditure on infrastructure, financial transfers, technical support, information services, research, studies, policy/strategy/plan preparation, laws standards and codes, capacity building and awareness raising. It may be useful to view these as hard actions (that deliver direct benefits) and soft actions (that ensure the effectiveness of hard actions). All the complementary actions in one action area are likely to have similar DCBT scores, although some may have objectives that are more focused on DRR and/or CCA than the full range of actions in the action area[10].

9 The challenge of tagging according to reference table action areas is related partly to the use of more detailed tags. The biggest challenges, though, are often because it's difficult to align expenditure programs with only one action area.

10 For example, there may be a range of complementary policies and programs that reduce heat stress at work, including investment in factory assets, policies to incentivize changes in working practice, labour market rules and research. Since they all share similar objectives, they are all likely to have the same DRR and CCA tags, unless some of the actions are part of wider policies/programs and do not have separate budgets.

Weights/% Score. In many budget tagging and expenditure review systems, weights are attached to allow a total of weighted expenditure to be calculated. This can be useful, but it should be done cautiously, as it is usually more informative to present the separate trends and patterns of each level. Where weights are used, DCBT could apply standard weights of 100% (principal), 50% (significant) and 1% (marginal/implicit) for the three degrees of relevance of DRR or CCA expenditure. These may be used either as standard weights or as guides with each individual budget line given a specific weight, thus allowing intermediate scores.

Care should be taken when weighting large spending programs with only implicit or marginal contributions to DRR and/or CCA, as these risk dominating the overall trends. It can be politically important to include these programs within the scope of DCBT to encourage them to include DRR/CCA in their operations, but it could be misleading to allow them to dominate the overall weighted pattern. To avoid this, it is recommended that weights for the implicit/marginal category should be set at a level that ensures that the total weighted implicit/marginal expenditure is not more than 10% of the total. This may mean that some of the weights for that category need to be below 1% if the volume of expenditure falling into the implicit/marginal category is particularly large in a given country. With more time and capacity, there are ways to provide an objective basis for the weights (by analyzing costs and benefits), but the rule of thumb proposed here for DCBT is a convenient method for doing something practical with limited capacity.

Tags in the Budget System. The level in the budget system at which a DCBT tag is applied depends on the structure of the budget. It is difficult to generalize about this, partly because terminology is not standard. However, at a minimum, DCBT should be applied at least one level below a ministry (e.g., divisions, programs) and, wherever possible, at a more detailed level (e.g., activities, projects). Where DCBT is at a more detailed level, the scores for higher levels in the budget can be calculated as an average of the component parts, weighted by expenditure. DCBT systems are normally integrated into the various software packages that government uses for the budget and for public accounts, including the systems used in local government, if this is included in the scope of DCBT. Where an integrated financial management system (IFMIS) is in place or being developed, DCBT should feature in the IFMIS if it is expected to influence real-time budgeting discussions.

Consideration

7

Potential Add-ons to the Basic DCBT System

Many countries will want to elaborate on the basic DCBT system described above, and this consideration reviews some of the possible options. The "add-ons" should not be seen as alternative DCBT systems but rather as options for adding to the basic DCBT system to provide additional and complementary evidence. Table 3 in Consideration 3 provided an overview of the add-ons required to address the main objectives. If countries wish to design more elaborate systems, they are encouraged to ensure that they can be mapped onto the basic DCBT system where possible, even though this will involve some loss of evidence.

Most of these elaborations require additional characters in the tag (or additional tags) and significant additional capacity among officials operating the DCBT system. For this reason, they are considered most appropriate for occasional evaluation activities (e.g., DCPEIRs) where additional consultant support can be mobilized. If a more ambitious DCBT system is to be introduced, it will normally be wise to introduce it in several phases, starting with a simple system and a few pilot line ministries and expanding both the content and the institutions involved in a stepped manner, with a structured program for reviewing progress. At least in the early stages, it may be sufficient to introduce DCBT as an optional system: This may help line ministries by allowing them to highlight the contribution of their expenditure to DRR and CCA, in contrast to some environmental tagging that may be seen as checking a "do no harm" criteria.

Negative Expenditure. Some countries may have an interest in tagging and tracking budget allocations and public expenditures that risk counteracting DRR and/or CCA objectives and instead contribute to maladaptation[11] or cause significant environmental harm. This could be the case, for instance, when using DCBT as part of a screening process for national or local public DRR or CCA funds, or when DCBT is implemented to support efforts of mainstreaming DRR and CCA objectives and maximizing resilience outcomes across different sectors. One option for incorporating "negative" expenditures into the proposed DCBT approach is to reverse the scoring system introduced above – to allocate negative scores, but based on risk of maladaptation rather than likely contribution to DRR and/or CCA objectives. The risk of maladaptation of different activities could be judged according to available evidence, such as by using the repository that is currently under development by the Climate Bonds Initiative. Because negative expenditure is often more politically sensitive, most budget tagging systems focus first on positive expenditure and only consider adding negative expenditure when the systems are well accepted.

Disaster Response. Budgeted expenditure towards preparedness for effective disaster response is included as DRR[12]. However, the cost of unbudgeted response to disasters does not technically fall under the remit of the above definitions of DRR; neither does longer-term recovery, rehabilitation and reconstruction, which may continue on for many years after a disaster and can end up being funded through annual capital budget allocations. Yet, disaster response, recovery, rehabilitation and reconstruction do constitute a large share of disaster-related expenditure and are also critical for quantifying funding gaps for loss and damage. Gaining a better understanding of these funding gaps may be a key objective for DCBT to some users, considering, for instance, the COP27 agreement about a loss and damage financing facility[13]. Furthermore, considering the political importance of understanding the imbalance between spending on DRR and preparedness and on postdisaster relief, early recovery and reconstruction may mean that some countries want to include disaster response as part of their budget tagging and expenditure tracking efforts.

In practice, however, there are several challenges with including a disaster response category in regular DCBT processes. Firstly, combining DRR with disaster response, recovery, rehabilitation and reconstruction under a single code would make it impossible to identify DRR separately. Registering disaster response, recovery, rehabilitation and reconstruction separately from DRR would require additional code(s) specifically for this postdisaster expenditure. But adding (an) additional code(s) for postdisaster expenditure would impose a substantial additional burden on the budget system and could create concerns in ministries of finance, who are often lobbied by many interest groups to add budget tags. Secondly, at the time when budget allocations are tagged under DCBT – in the formulation stage of the annual budget cycle – it is unknown whether a major disaster will occur during that fiscal year, how much money will be mobilized for the response and how it will be funded, unless the response lasts several years. Therefore, because much of the disaster response is unbudgeted, it would feature only in public accounts and not in the budget.

11 https://www.weadapt.org/knowledge-base/vulnerability/maladaptation-an-introduction, https://www.fs-unep-centre.org/wp-content/uploads/2021/11/Do-No-Significant-Harm-Handbook.pdf

12 As per Priority 4 of the Sendai Framework: Enhancing disaster preparedness for effective response and to "Build Back Better" in recovery, rehabilitation and reconstruction (https://www.preventionweb.net/files/43291_sendaiframeworkfordrren.pdf).

13 https://unfccc.int/news/cop27-reaches-breakthrough-agreement-on-new-loss-and-damage-fund-for-vulnerable-countries

To address these challenges, there are several options countries may choose to capture some, or all, of this postdisaster expenditure:

1. Introduce additional tags for response, recovery, rehabilitation and reconstruction within the annual DCBT process, where there is demand for this information and capacity to manage additional tags. However, this approach will only capture budgeted expenditure, such as in cases where a disaster occurs before or during budget formulation and a budget line is included to fund the response, or where reconstruction goes on for many years and ends up being funded in part through annual budget allocations. The approach does not capture any of the unbudgeted response, which can make up a large part of the expenditure after a disaster, and so it will only produce a partial picture.

2. Include analysis of postdisaster expenditure in the context of occasional public expenditure reviews (i.e., DCPEIRs), rather than through tagging for routine annual budgeting (i.e., DCBT), to capture the full scope of pre- and postdisaster expenditure.

3. Introduce temporary budget tags following major disasters to help monitor expenditure.

Societal Hazards. The Sendai Framework for Disaster Risk Reduction 2015–2030 does not explicitly include societal hazards such as violence, armed conflict and social instability or tension. However, some users may want to include these hazards in their DCBT activities, as there is evidence that terms such as "violence" and "armed conflict" are already defined and covered in the DRR strategies of some regional and national institutions and humanitarian and development agencies[14]. "Societal" hazards, according to UNDRR's 2020 Hazard Definition and Classification Review, includes four societal hazard clusters: conflict (international armed conflict, noninternational armed conflict, civil unrest), postconflict (explosive remnants of war, environmental degradation from conflict), behavioural (violence, stampede or crushing) and economic (financial shock). [15]

Additional Degrees of Relevance. DCPEIRs often use more degrees of relevance (e.g., full, high, mid, low, marginal, no), allowing a wider range of percentage weights to be used. Countries where DCPEIRs are in current use may choose to adopt these degrees of relevance for DCBT. It should normally be possible to map the DCPEIR tags to the basic DCBT degrees of relevance proposed in this guide – for example, full and high might both map to a 2, mid and low to a 1 and marginal to a 0 or "M". The mapping will always involve some loss of precision.

Strategy Tags. Strategy tags register the link between expenditure and priorities in DRR and CCA strategies or action plans. This can be done with different levels of detail (e.g., yes/no or with codes that identify the broad theme or even the individual priority). Strategy tags are useful for monitoring expenditures on the implementation of strategies and actions. However, strategy tags add a very significant burden, because they may require revisions to strategies to make them easily "codifiable" and because it is often very difficult to align budget expenditure programs clearly to one action in a DRR/CCA strategy. This is either because programs contribute to multiple parts of a strategy (in which case it can be unclear which of the tags to assign) or because objectives are formulated slightly differently in strategies and expenditure programs. For this reason, expenditure reviews (e.g., DCPEIRs) would normally be more appropriate for analyzing progress with expenditure on strategies and action plans. The expenditure review would deliver much of the same evidence that could be delivered by strategy tags simply by mapping each expenditure program that is given a basic DCBT tag to the themes and priorities in DRR or CCA strategies. Countries considering using strategy tags as part of their routine DCBT system should approach the task with caution and run a full piloting exercise before making commitments.

Outcome or Benefits Tags. Many countries place a high priority on having clear targets for outcomes or benefits. This may be reflected in versions of program or results-based budgeting. In theory, this work should allow tags to be developed that reflect expected outcomes or benefits, at least to some extent, which would incentivize line ministries to be explicit about the expected DRR and CCA benefits arising from reduced vulnerability[16]. This applies both to DRR and CCA, as well as to other tags, including a tag for disaster response, if that is added. In practice, outcome or benefit tags require substantial additional capacity. They tend to be used mainly in evaluations and have not been built into budget tagging systems.

Mitigation. The focus of this guide is on a coordinated approach for DRR and CCA budget tagging. As most CBT systems cover both adaptation and mitigation, there may be implications for operational coordination with mitigation budget tagging. However, the options for mitigation budget tagging are different because of the existence of a clear outcome indicator.

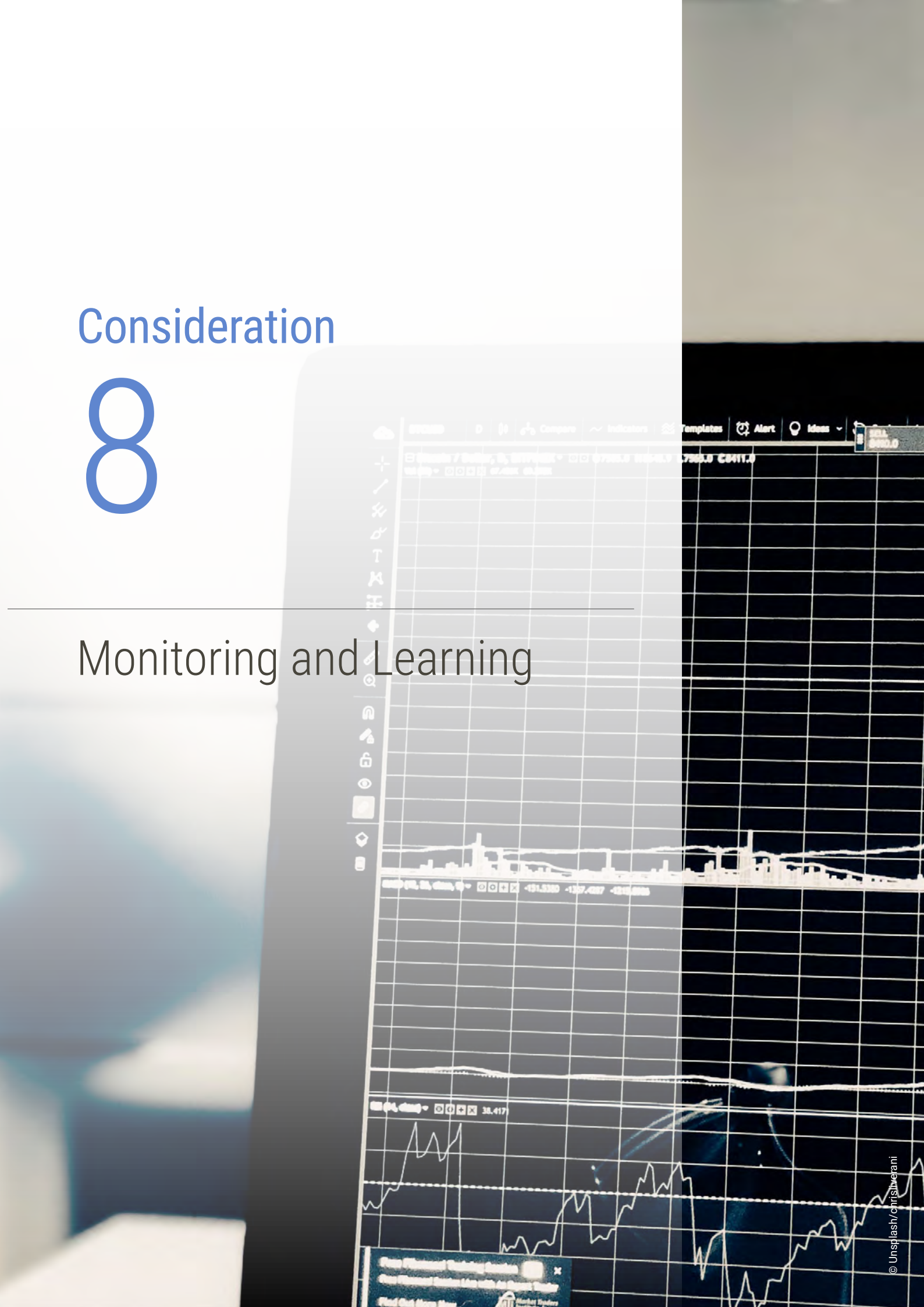
14 https://www.undrr.org/publication/hazard-definition-and-classification-review-technical-report

15 See Annex 6 in the 2020 UNDRR Hazard Definition and Classification Review.

16 Vulnerability is often treated as the combined effect of exposure, sensitivity and adaptive capacity.

Consideration 8

Monitoring and Learning



The definition of clear objectives and expected benefits, including indicators of achievement of benefits (see Consideration 3), provides the framework for monitoring and learning. A DCBT system also needs a clear plan for monitoring, learning and knowledge management, including annual progress reports, occasional evaluations and information-sharing services.

Progress reports would focus on the success of implementing DCBT systems. Evaluations conducted internally or externally would assess the relevance, effectiveness, efficiency, sustainability and impact of DCBT, including:

- the way in which DCBT has influenced decisions (especially on budgeting and strategy revision)
- whether the use of DCBT has encouraged line ministries to change the design of programs to make them more DRR/CCA sensitive, which may then have justified a change in the codes used, especially in promotion from a P or an M to a 1
- whether there are ways to make the influencing process more efficient
- the effectiveness of the quality control function
- the likely sustainability of DCBT
- the lessons learned from country DCBT for international initiatives, including those associated with international funding targets.

Information sharing could include a variety of knowledge management initiatives, such as portals, networks, events and citizens' reports.

Annex 1: Reference table

This reference table aims to support consistency in DCBT tagging and to facilitate quality control. It lists the broad areas of expenditure that contribute to DRR and/or CCA and provides examples of action areas within each broad area[17]. It then suggests the likely score that would be assigned to each action area for the DRR tag and the CCA tag.

These action areas are examples – tags should not be treated as definitive, and some actions may deviate (e.g., because risks are very high/low or because the action is highly targeted on DRR/CCA). The main basis for classification should be the approach contained in the flow chart. It is not suggested that DCBT tags register the action area in the reference table. The task of classifying expenditure according to actions area (or subsector, etc.) is normally more appropriate for occasional evaluation, such as in CPEIRS (see also discussion under Reference Table heading in Consideration 6 and under Strategy Tags in Consideration 7).

The final column illustrates the reasons for the likely tag by describing the DRR/CCA objectives. This includes considering the importance of DRR and/or CCA objectives of a programme relative to other primary or secondary objectives (e.g., economic, social, environmental, climate change mitigation, etc.) the programme may have. It is recommended that this reference table is customized at country level, including country-specific variations in likely DCBT tags and scoring justifications.

17 Some of the action area examples in this reference table draw on OECD DAC Rio Marker (https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf) and DRR Policy Marker Guidance (https://one.oecd.org/document/DCD/DAC/STAT(2017)26/en/pdf), the Sendai Framework for Disaster Risk Reduction 2015–2030 (https://www.undrr.org/publication/sendai-framework-disaster-risk-reduction-2015-2030) and the Climate Policy Initiative's 2022 report on tracking investments in climate-resilient infrastructure (https://www.climatepolicyinitiative.org/wp-content/uploads/2022/12/Tracking-Investments-in-Climate-Resilient-Infrastructure.pdf).

Broad Areas	Action Areas	Likely DCBT Tags		Notes on Scoring Justification Against DRR and/or CCA Objectives (Both DRR and CCA, Unless Specified)
		DRR	CCA	
Retrofitting resilience into infra-structure	Install solar panels	M or 1	M or 1	The primary objectives of investments into solar panels will normally be economic or climate change mitigation. Small contributions towards CCA and DRR objectives could include reduced reliance on grid energy. DRR/CCA tags of 1 may be justified if solar panels reduce fuelwood use in countries where deforestation poses significant DRR and CCA risks.
	Flood-proof schools, hospitals and other public buildings	2	2	Reduce damage and costs of rehabilitation; reduce disruption to social services.[1]
	Reinforce public buildings to seismically safe standards	2	0	Reduce damage and costs of rehabilitation; reduce disruption to social services.[1]
	Flood-proof factories	2	2	Reduce damage and costs of rehabilitation; reduce disruption to economic production.[1]
	Increase the size of culverts	2	2	Reduce costs of repairs from flood damages arising from more intense rainfall.[1]
	Reinforce slopes and embankments around railways and upgrade track drainage	2	2	Reduce damage and costs of rehabilitation; reduce disruption to business and provision of services.[1]
	Enhance road foundations, elevate low-lying roads and reinforce columns of bridges and elevate highways to prevent scour	2	2	Reduce damage and costs of rehabilitation; reduce disruption to business and provision of services.[1]
	Reinforce canal liners, floodgates and freeboard	2	2	Reduce damage and costs of rehabilitation; reduce disruption to business and provision of services.[1]
	Improve insulation in housing and factories	M or 1	1 or 2	Reduce losses in labour productivity and mortality arising from heat stress in heatwaves, and from gradual rise in average temperatures (CCA only). A lower tag would apply if the economic and mitigation benefits from saving energy used in cooling/heating are more important than DRR/CCA benefits.
Adding resilience to the design of infra-structure	Cost of developing and enforcing new building design standards	1 or 2	1 or 2	Reduce losses from heat stress and disasters (including floods, storms and earthquakes), some related to extreme events and some gradual (CCA). In the case of design standards that are targeted specifically at reducing risk from geological or geophysical hazards (e.g., earthquakes, volcanic outbreaks, dry landslides), CCA should be a 0 and DRR a 2; for gradual climate-related stress, DRR may be 1 and CCA 2.[2]
	Cost of developing and enforcing new road design standards	1 or 2	1 or 2	Reduce costs of repairs from damages caused by disasters. Reduce loss of economic activity from road damage. In the case of design standards targeted specifically at reducing risk from geological or geophysical hazards only (e.g., earthquakes, volcanic outbreaks, dry landslides), CCA should be a 0 and DRR a 2. If they address intense rainfall and flood risk, DRR and CCA may both be a 2.[2]

Broad Areas	Action Areas	Likely DCBT Tags		Notes on Scoring Justification Against DRR and/or CCA Objectives (Both DRR and CCA, Unless Specified)
		DRR	CCA	
Coastal defences	Physical flood barriers	2	2	Reduce losses in economic production arising from coastal floods. Reduce costs of rehabilitation after flood damage.
	Mangrove rehabilitation	1	1	Reduces risks of flooding in coastal areas, which increase with sea level rise and rainfall intensity. Other more primary objectives in a mangrove rehabilitation programme may be economic or environmental in nature.
Agriculture	Conservation agriculture	M to 2	1 or 2	The primary objective of conservation agriculture programs is usually to increase long-term farm profitability through improved soil health. This is not primarily a DRR/CCA objective but includes soil moisture retention, which reduces risks related to rainfall predictability and flood, in which case the tag would be 1. If the program takes place in a high water stress environment that is vulnerable to climate change and explicitly states that soil moisture is the most important factor determining farm profitability, then it may be a DRR 1 and CCA 2. If flood protection is explicitly stated as the primary objective, then DRR may also be a 2.
	Support for switching to drought-resistant varieties/crops (e.g., research, extension, finance, market)	1 or 2	1 or 2	Improve soil moisture capacity to reduce crop losses from increased frequency of drought. Similar to the case of conservation agriculture, long-term profitability (i.e., economic objectives) may be a priority for programmes promoting crop changes.
	Field management (e.g., contour ploughing, bund maintenance, barrier crops)	1 or 2	1 or 2	Reduce soil erosion in more frequent intense rainfall events. Choice between tag of 1 and 2 similar to conservation agriculture.
	Integrated pest management	M or 1	1	Protect against growing risks from pests, which will usually be primarily economic and environmental, but may provide resilience if pest risks increase with more unpredictable weather and increased average heat (CCA). The DRR score will be M if the increased climate threat is associated with more frequent minor risks.
	Planting patterns that increase diversity of growing periods	1 or 2	1 or 2	Reduce risk of losses in individual crops arising from increased variability in climate patterns (CCA). Choice of tag similar to conservation agriculture.
	Agroforestry	1	1	Reduce soil erosion, protect from storm damage.
	Weather forecasting and early-warning systems for agriculture	2	2	Help farmers plan activities to reduce the impact of increasingly variable climate (DRR and CCA if extreme events, CCA if less extreme variability).
	Promote farm diversification (e.g., new crops/services and markets)	M or P	M or P	Improve resilience by diversifying risks. The primary objective of a diversification programme may be economic, but if CCA/DRR are considered in programme design and in the diversification options that are promoted (i.e., if there is evidence that the outcomes are likely to contribute to DRR and/or CCA objectives), they may score M. Otherwise they may score P if the outcomes are likely to be affected by DRR/CCA.

Broad Areas	Action Areas	Likely DCBT Tags		Notes on Scoring Justification Against DRR and/or CCA Objectives (Both DRR and CCA, Unless Specified)
		DRR	CCA	
Irrigation	Irrigation (maintain, construct, rehabilitate)	M	1	Primarily economic, but will protect from rainfall variability and give some protection from flood.
	Water-use efficiency practices	1	2	Protect against growing risks of water shortages from increased rainfall variability, which may involve changes in minor rainfall variability and major drought.
	Establish irrigation users group	M	1	Improve the ability of irrigation schemes to respond efficiently to growing rainfall variability. Tags are the same as for irrigation generally.
Livestock	Breeding to improve productivity from limited and variable grazing	M or P	M or 1	The main objective may be increased productivity, with some contribution to DRR/CCA objectives if the programme is likely to improve ability of livestock to survive/thrive on more variable pasture quantity/quality. DRR may be an M if the action contributes marginally to reduced risk from extreme weather and climate events, or P otherwise, as outcomes are likely to be at least affected by disasters (e.g., drought, intense rainfall, or heat-/cold wave).
	Pasture productivity programs	M or P	M or 1	The main objective may be increased productivity, with some contribution to DRR/CCA objective schemes including drought-resilient species/practices to improve resilience to rainfall variability. DRR may be an M if the action contributes marginally to reduced risk from extreme weather and climate events, or P otherwise, as outcomes are likely to be at least affected by disasters (e.g., drought, intense rainfall, or heat-/cold wave.
Energy access and efficiency	Replace fuelwood with alternative sources of energy	M	M	Primary objective may be climate change mitigation, health or forest biodiversity, but if contributions to reduced floods by reducing deforestation are likely, the programme may be an M for DRR and CCA.
	Diversify energy sources	M	M	Primary objective may be climate change mitigation or economic concerns, but if the programme reduces risk of relying on grid energy sources vulnerable to cooling/distribution losses, DRR and CCA may be M.
	Reduce water use for cooling of electricity generation	M	M or 1	Primary objective is likely to be protecting economic benefits for other water users. Reduce risks of supply disruption if cooling water becomes unavailable. The CCA tag will depend on the seriousness of the risks of disruption.
	Invest in reducing transmission and distribution losses	M	1	Primary objectives likely to be economic and mitigation. Reduce impact of increasing heat on electricity losses (CCA).
	Regulatory support for mainstreaming climate and disaster resilience in energy planning	2	2	If primary objective for the regulatory support is CCA and/or DRR, then both may be a 2. If the focus is on climate change adaptation to the slow impacts of climate change, then CCA may be a 2 and DRR a 1. If mainstreaming considers primarily non-climate-related hazards, DRR may be a 2 and CCA a 1. If only non-climate-related hazards are considered (e.g., mainstreaming resilience to earthquakes), CCA will be a 0.
	Reduce energy consumption	M or P	M or P	The primary programme objectives may be economic and climate change mitigation, but CCA and DRR may score M if they reduce exposure to climate- and/or disaster-related energy supply risks, such as related to cooling or hydropower generation. Otherwise they may score P if the outcomes are likely to be affected by disasters/climate change.

Broad Areas	Action Areas	Likely DCBT Tags		Notes on Scoring Justification Against DRR and/or CCA Objectives (Both DRR and CCA, Unless Specified)
		DRR	CCA	
Water supply and sanitation	Construct/rehabilitate water storage	1	2	Provide greater protection from dry spells, with associated economic and health benefits. DRR lower than CCA because much of the protection is likely to be from minor disruptions in the regularity of water supply, and water storage may offer limited protection for major droughts, unless it is at a very large scale.
	Alter water supply management regimes	M or 1	1 or 2	Economic benefits from more efficient routine water supply. Reduce risks of water supply disruption likely with primary economic objectives and significant or marginal DRR/CCA objectives, scoring M or 1 on DRR and 1 on CCA. If the primary programme objective is CCA, the score may be 2 for CCA.
	Promote water saving to save costs and increase resilience	1	1	Reduce risks of water supply disruption, likely with primary economic objectives and significant DRR/CCA objectives, scoring 1 on both.
	Construct/expand/ rehabilitate wastewater collection facilities	0 or P or 1	0 or P or 1	If reducing risk of contamination during periods of intense rainfall when sewer capacity is exceeded is a consideration, DRR and CCA may score 1. If the programme is not likely to influence the impacts of intense rainfall on wastewater collection facilities, then both scores may be P or 0. If CCA and DRR are not considered and construction increases rainfall-related risks, CCA and DRR may be -1, if the optional add-on feature of negative scores is included in DCBT.
	New sewage design standards	Any	Any	Depends on the extent to which design standards address DRR and CCA. Tags may be as high as 2 if the new design standards are formulated to reduce risk of contamination during periods of intense rainfall when sewer capacity is exceeded.
	Improve regulations and enforcement for hazardous waste	2	0	Reduced risks of pollution hazards as a primary stated objective would score 2 on DRR.
Urban resilience	Green infrastructure, including urban green spaces, farms, corridors and gardens	1	1	Primary objectives are usually economic and environmental. Reduce urban heat island impact in heatwaves and gradual heat increase (CCA); reduce flood risks by water retention.
	Improve design and use of floodplains	2	2	Reducing flood risks by slowing floodwaters as a principal objective results in a DRR and CCA score of 2.
	Improve building design standards to address geohazards	2	0	Reduce loss and damage from geohazards.
	Build communal cool shelters	2	2	Reduce impact of urban heat islands on health and labour productivity.

Broad Areas	Action Areas	Likely DCBT Tags		Notes on Scoring Justification Against DRR and/or CCA Objectives (Both DRR and CCA, Unless Specified)
		DRR	CCA	
Forestry (regulations, infrastructure, enforcement, etc.)	Afforestation, reforestation and forest management	M or 1 or 2	M or 1 or 2	Forestry usually has multiple objectives, including economic, social, environmental, DRR/CCA (from reduced flood risks through water retention). The tag depends on the relative importance of reducing flood risks.
	Forest protection areas	M or 1	M or 1	Reduce flood risks through water retention. Other primary objectives are likely to be economic or environmental, or to support climate change mitigation.
	Forest fire services	2	1	Reduce impact of forest fires, scoring 2 on DRR, and reducing impact of potential increase in fire risks associated with heat and prolonged dry periods, resulting in a CCA score of 1.
	Forest biodiversity corridors	1 or 2	1 or 2	General biodiversity objectives as well as facilitating long-term species adjustment/migration in response to changing climates. Tag depends on relative importance of the climate threat to forest biodiversity.
Community forestry	Community forestry (e.g., regulation, grants, technical support)	M or 1	M or 1	Programme may contribute to reducing flood risks through water retention, but the primary objective is possibly economic, social or environmental. If the likely contribution to reduced flood risk is negligible or unclear, CCA and DRR may score P.
	Timber market incentives (e.g., regulation, grants, enforcement)	M or 1	M or 1	Diversify incomes primarily to improve livelihoods, but with additional objectives of resilience to individual shocks.
Livelihood, income generation, general rural economy	Livelihood programmes targeting households vulnerable to climate- and disaster-related risks	2	2	Diversify incomes to improve livelihood resilience to individual shocks.
	Untargeted livelihood programmes in areas that are exposed to climate or other risks (typically rural)	M or P or 1	M or P or 1	Primary objective of increasing income generally, with some contribution to resilience for vulnerable households. If the expected value of achieving the DRR/CCA objectives is negligible compared to total programme value, DRR and CCA may be P. A tag of 1 may be possible if there is some weak targeting.
	Programmes that promote incomes in activities vulnerable to climate or disaster risks	-1	-1	Unwanted effect of increasing dependency on incomes that will become more variable (see Consideration 7 for further guidance on negative expenditure).
	Market development to promote incomes and diversification	M or 1	M or 1	Diversify incomes to improve livelihood resilience to individual shocks. The primary objective of a diversification programme may be economic, but if climate- and/or disaster-related risks are considered in programme design and in the diversification options that are promoted (i.e., if there is evidence that the outcomes are likely to contribute to DRR and/or CCA objectives), they may score M or 1, depending on their importance relative to total programme value. In the case of very minor importance, they may score P, if the outcomes are likely to be affected by disasters/climate change. Note that if the promoted incomes and diversification are likely to increase vulnerability to climate- or disaster-related risks, DRR and CCA may score -1.

Broad Areas	Action Areas	Likely DCBT Tags		Notes on Scoring Justification Against DRR and/or CCA Objectives (Both DRR and CCA, Unless Specified)
		DRR	CCA	
Biodiversity protection	Land or marine protected areas (e.g., establishment, enforcement)	M or P	M or P	Primary objective is biodiversity. Contributions to improve resilience of ecosystems to risks (DRR and CCA) and to stress from gradual climate change (CCA) are likely to be marginal (M) or implicit (P).
	Wetland restoration (e.g., research, institutions, infrastructure)	1	1	Primary objective likely to be biodiversity but improving flood protection is often significant.
	Agri-environment schemes (e.g., research, design, grants, enforcement)	M or P	M or P	Primary objectives are likely to be economic, social and environmental. Small benefits from diversifying incomes to improve livelihood resilience to individual shocks, improve ecosystem resilience, which may be explicit (M) or implicit (P).
Primary health programmes	Expand prevention and care for climate-sensitive diseases (e.g., malaria, dengue, diarrhoea)	1 or 2	1 or 2	The primary objective of these programs is to protect against existing threats. The choice of tag will depend on the extent to which these threats are likely to increase with climate change.
	General primary health care, with some incidental improvement in care for climate-sensitive diseases	M or P	M or P	Protect against growing health burdens, among many other health benefits.
Education	Improve curricula, including small elements related to DRR/CCA	M	M	Improve understanding and skills relating to DRR/CCA as a small part of broader improvements. Depending on the hazards targeted, CCA may be 0 and DRR 1, such as in the case of geological or geophysical hazards (see table 1 for reference).
	Introduce new teaching practices/ materials dedicated to DRR/CCA	2	2	Improve understanding and skills relating to DRR/CCA, with DRR/ CCA explicitly stated as a primary objective. Depending on the hazards targeted, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference). If gradual stresses due to climate change are the focus, DRR may be 1 and CCA 2.
	Research in higher education directly related to DRR/CCA	2	2	Improve understanding and skills relating to DRR/CCA. Depending on the hazards considered in the research, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference). If gradual stresses due to climate change are the focus, DRR may be 1 and CCA 2.

Broad Areas	Action Areas	Likely DCBT Tags		Notes on Scoring Justification Against DRR and/or CCA Objectives (Both DRR and CCA, Unless Specified)
		DRR	CCA	
Industry, services and general economic actions	Improve workplace design to reduce heat-related loss of labour productivity	1	2	Reduce loss of labour productivity from heatwaves (DRR and CCA) and gradual heat change (CCA).
	Cyberprotection laws and practices (e.g., research, design, regulations, enforcement)	2	0	Reduce risks of losses from cybercrime.
	Business services for risk reduction (e.g., networking, information)	2	2	Improve industry capacity to respond to increasing climate (DRR and CCA) and other risks (DRR).
	Operations of weather forecasting and early-warning services (non–sector specific; for sector-specific applications, see for example "Agriculture" broad area)	2	2	Enable consideration of weather and climate information in public and private sector planning to reduce losses and damages.
Pandemic prevention and response	Pandemic prevention and response (e.g., research, institutions, regulations, awareness, enforcement)	2	0 or 1	Protect against current pandemic risks (DRR) and possibility that these will increase with climate change (DRR and CCA). If the objective is to protect against current pandemic risk for pandemics that are not influenced by climate change, DRR may be 2 and CCA may be 0. If the programme aims at protection against future risk increased by climate change, DRR may be 2 and CCA may be 1.

Broad Areas	Action Areas	Likely DCBT Tags		Notes on Scoring Justification Against DRR and/or CCA Objectives (Both DRR and CCA, Unless Specified)
		DRR	CCA	
Cross-cutting supporting actions	Risk analysis and assessment	1 or 2	0 or 2	Improve effectiveness of policies and programmes. Depending on the hazards considered in the risk analysis and assessment, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference). If gradual stresses due to climate change are the focus, DRR may be 1 and CCA 2.
	Cross-cutting strategies and plans	1 or 2	0 or 2	Improve coordination of actions across areas. Depending on the hazards considered in the risk analysis and assessment, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference). If gradual stresses due to climate change are the focus, DRR may be 1 and CCA 2.
	Capacity and awareness-raising	1 or 2	0 or 2	Improve commitment to policies and programmes. Depending on the hazards considered in the risk analysis and assessment, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference). If gradual stresses due to climate change are the focus, DRR may be 1 and CCA 2.
	Coordination forums	1 or 2	0 or 2	Improve commitment to policies and programmes. Depending on the hazards considered in the risk analysis and assessment, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference). If gradual stresses due to climate change are the focus, DRR may be 1 and CCA 2.
	Mainstreaming DRR and CCA	1 or 2	0 or 2	Improve consideration of DRR and CCA in planning and budgeting. Depending on the hazards considered in the risk analysis and assessment, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference). If gradual stresses due to climate change are the focus, DRR may be 1 and CCA 2.
Preparedness for disaster response, recovery and rehabilitation	Prearranging finance for more effective response, such as through climate and disaster risk finance and insurance instruments	2	1	Where prevention is not possible or efficient, finance may be prearranged as part of enhancing preparedness for effective response to disasters (including hydrological and meteorological ones). Depending on the hazards considered in the risk analysis and assessment, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference).
	Formulation of contingency plans and emergency simulations	2	0 or 2	Enhance preparedness for response to address and reduce impacts. Depending on the hazards considered in the risk analysis and assessment, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference).
	Shock-responsive social protection (e.g., research, design, grants, institutions, monitoring)	M or 1	M or 1	The primary objective is likely to be social. Improve the safety net for coping with climate (DRR and CCA) and nonclimate risks (DRR). Depending on the hazards considered in the risk analysis and assessment, CCA may be 0 and DRR 1, such as in the case of geological or geophysical hazards (see table 1 for reference).
	Purchasing and stockpiling food and other emergency supplies	2	0 or 2	Enhance preparedness for response to address and reduce impacts. Depending on the hazards for which supplies can be made available, CCA may be 0 and DRR 2, such as in the case of geological or geophysical hazards (see table 1 for reference).

Broad Areas	Action Areas	Likely DCBT Tags		Notes on Scoring Justification Against DRR and/or CCA Objectives (Both DRR and CCA, Unless Specified)
		DRR	CCA	
Optional: disaster response, recovery, rehabilitation and reconstruction	Emergency payments in response to disasters, including humanitarian relief	R	R	Reduce the economic, social and environmental impact of disasters.
	Flood rehabilitation expenditure	R	R	Address flood impacts. If pre-existing infrastructure is restored with disaster-resilient features and associated social services ("build back better") are provided, the associated expenditure may be included as DRR and/or CCA, likely scoring M or 1, depending on the relative importance of the DRR and/or CCA objectives in overall programme value.
	Pandemic response funding	R	R	Reduce social and economic impact of pandemics.

[1] A tag of 2 for proofing expenditure is only applicable if the expenditure is dedicated entirely to proofing. If the proofing is a component of a wider program, then the tag would normally be only 1 or M, depending on the scale of proofing spending in total spending.

[2] Tag depends on whether design standards have economic benefits that are more important than DRR/CCA.

Annex 2: Typical Terms of Reference to Prepare a Country Operational DCBT Guide

[This annex contains the outline of typical Terms of Reference (ToR) for a DCBT Design Assignment. Comments for those drawing up ToR are provided in italics within square brackets.]

Introduction. The government of XXXXX is interested in designing a coordinated system for tagging public expenditure that relates to disaster risk reduction (DRR) and climate change adaptation (CCA). The exercise will follow the DCBT Guide prepared by UNDRR and these ToR should be read in conjunction with the guide. *[The global budget for all activities (workshops, trips, capacity building, etc.) should be available before undertaking the assignment.]*

Background. *[Describe here any existing related experience in the country, such as: budget reforms including program/results budget reforms; reforms in the charts of accounts; IFMIS; past CPEIRs and any existing work on CBT or DBT; aid coordination activities; and other tagging initiatives, like gender budget tags.]*

Objectives of the Design Assignment. The assignment will prepare a detailed DCBT Implementation Plan. During the assignment, all relevant government departments must be consulted and ensure that they are committed to supporting the DCBT Implementation Plan. There must be discussions with main development partners, especially those assisting with budget reforms, those funding climate- and/or disaster-related programs or projects including any related tagging initiative.

Guidance. The assignment will work under the guidance of a steering group, composed of .... *[This DCBT Steering Group will normally include, as a minimum, the Ministry of Finance, the body responsible for planning and the bodies responsible for leading government policy on DRR and CCA, which may be a ministry, an agency or a cross-cutting coordination body.]* Periodic meetings will be scheduled with the Steering Group to discuss progress, request documents or data, share ongoing reforms and facilitate meetings.

Scope. The UNDRR International DCBT Design Guide defines the considerations that need to be taken into account by the assignment.

Activities. To provide for full consultation and engagement, the activities will be undertaken in two design phases and one pilot phase. *[Given the likely uncertainty over the scale of the pilot phase, it would normally be wise for this to be provided under a second contract, with some flexibility over the scale of the pilot. The actual implementation of the DCBT system would be the subject of a separate contract.]*

Phase 1: Inception

Meeting with DCBT Steering Group for initial guidance on the government thinking on each consideration included in the DCBT Guide.

Initial workshop with key line ministries to introduce the DCBT initiative and explore their objectives, and with planning, program or financial managers in line ministries to get information on programs/projects, performance indicators, budgetary data.

Inception Report, providing some initial proposals on the DCBT system, identifying key issues that need to be resolved in the design phase and defining a detailed workplan.

Phase 2: Design and Consultation

Meeting with DCBT Steering Group for discussion on and validation of the Inception Report.

Workshops with key line ministries and agencies explaining the initial proposals in detail and including some worked examples applying the proposals to programs chosen by the line ministries as typical of their work related to DRR and CCA.

Workshops with the ministries of planning and finance/budget (including IT department) to discuss technical aspects of the initial proposals and assess capacity needs at their levels.

Preparation of Draft Report with recommendations and any outstanding decisions that require further guidance. The report will provide firm recommendations for the DCBT Piloting Plan and provisional recommendations for the full DCBT Implementation Plan, which will be subject to the experience gained during piloting. Workplans need to be included in these reports.

Meeting with DCBT Steering Group to discuss and refine the Draft Report.

National DCBT Consultation Workshop for presenting the proposals, obtaining final comments, building awareness and getting commitment to the proposals.

Final Report with the firm DCBT Piloting Plan and provisional DCBT Implementation Plan.

Phase 3: Piloting

Piloting the DCBT system as defined in the DCBT Piloting Plan. The piloting phase will include capacity building and technical assistance to carefully monitor the implementation and address various issues that might arise.

Proposals for any revisions to the DCBT Implementation Plan and consultation with Steering Group.

National validation workshop for the pilot phase and reporting on the piloting phase.

Human Resources. The assignment will be undertaken by one international expert and one national expert. The first two phases will require a maximum of 30 days of input from the international expert and a maximum of 50 days from the national expert. The time required for piloting will be defined at the end of the second phase. The combined experience of the two experts will need to cover public finance management and DRR/CCA. Some experience with budget classification will be useful (e.g., in previous tagging systems or public expenditure reviews).

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