



**Ministry of Tourism and Environment
Republic of Maldives**

Training on Climate Finance Tagging for State Actors

11th August 2025, Male'

CBIT Maldives

**Capacity Building for Improved Transparency of Climate
Change Mitigation and Adaptation Actions in the Maldives**



Objectives

To build the capacity of government institutions in the Maldives to implement climate budget tagging using the official Guidelines for Climate Budget Tagging for State Actors, developed under the CBIT Maldives Project

By the end of this training, participants will be able to:

- Understand and apply the Climate Budget Tagging Guidelines
- Improve their understanding of climate finance
- Learn how to classify and report climate-relevant expenditures

This training is intended for:

- Civil servants responsible for financial reporting
- Staff from ministries and public authorities involved in budgeting and expenditure tracking



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Agenda

09:30 – 09:40	Training Introduction and Roundtable
09:40 – 10:20	Session 1: Setting the Scene - What is Climate Finance and why should I report?
10:20 – 10:40	Session 2: Climate Budget Tagging Guidelines Overview
10:40 – 11:30	Session 3: What to Report, by who and how?
11:30 – 12:00	Session 4: Reporting process
12:00 – 13:00	Lunch
13:00 – 14:00	Hands on Exercise
14:00 – 14:45	General Reflections and feedback (in group discussions and report back)
14:45 – 15:00	Closing
15:00 – 15:30	Tea



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CBIT – Tracking support for NDC implementation

- As a party to the UNFCCC, Maldives is committed to meet the requirements of the ETF under the Paris Agreement
- To achieve this, there is a need to establish and formalise mechanisms for better tracking of climate actions (NDC implementation) including support (finance) received

The objective of this consultancy is tracking support for NDC Implementation including institutional arrangements, methodology and tools for monitoring and reporting of support by state and non-state actors.

Deliverable 1

- Stocktaking of current institutional arrangements for tracking support and capacity gaps and needs

Deliverable 2

- Recommendations to improve the current tracking of climate finance tracking

Deliverable 3

- Framework for reporting by non-state actors

Deliverable 4

- Guidelines for tagging climate and finance and operationalisation of a tagging system

Deliverable 5

- Draft regulation and MOU framework to formalised the MRV of climate finance



Self-Reflection Exercise (3 mins)

1. How familiar are you with the term climate finance?
2. What comes to mind when you hear the term “climate budget tagging”?



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Session 1: Setting the Scene

What is Climate Finance and Why should I report?



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What is Climate Finance?

- No internationally agreed definition of what constitutes climate finance
- This guideline draws on the guidance provided by the UNFCCC's Standing Committee on Finance (SCF) and integrates emerging best practices from international climate finance in the context of SIDS

Climate finance aims at:

- reducing emissions and enhancing sinks of greenhouse gases [*mitigation*];
- reducing vulnerability, increasing adaptive capacity, and mainstreaming and increasing resilience of human and ecological systems to negative climate impacts [*adaptation*];
- addressing loss and damage associated with the adverse effects of climate change [*loss and damage*]

...and includes financing for actions identified in a country's nationally determined contribution, adaptation communication, national adaptation plan, plans or programmes for responding to loss and damage, long-term low-emission development strategy or other national plan for implementing and achieving the goals of the Paris Agreement and the objective of the Convention [UNFCCC].



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Climate Finance



Mitigation

Financial flows for reducing greenhouse gas emissions



Adaptation

Support for reducing vulnerability to climate change impacts



Loss and Damage

Financial support for addressing climate change impacts beyond adaptation



Cross-cutting Activities

Actions supporting both mitigation and adaptation



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Exclusions

- Any activity that contribute to the **expansion and continuation of fossil fuel production**
- Any funding that **simply repurposes, substitutes, or diverts ODA without increasing the total volume of resources** dedicated to climate action. Climate finance must be new and additional to ODA.



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Climate Finance Classification

- Lists key climate-relevant sectors and activities based on Maldives national policies and NDC 3.0
- Not fixed or final – should be updated regularly as needed (not an exhaustive or prescriptive list!)
- Tailored to the Maldives context, with reference to global best practices (eg: RIO Markers)
- Each sector links to specific activities and show the matching (most closely) RIO marker code



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Search or filter by sector, thematic area, or activity

Rio Marker Reference	Sector (aligned with NDC 3.0)	Activity	Thematic Area
232	Scaling up Renewable Energy	Solar Power	M
232	Scaling up Renewable Energy	Wind Power	M
232	Scaling up Renewable Energy	Biomass or bio gas power (only if ne emissions reductions, including carbon pool balance, can be demonstrated)	M
232	Scaling up Renewable Energy	Ocean Power (wave, tidal, ocean currents, salt gradient)	M
232	Scaling up Renewable Energy	Solar water heating and other thermal applications of solar power in all sectors	M

The digital classification can be accessed here:

<https://www.environment.gov.mv/v2/en/resources-for-climate-finance-reporting>



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Session 2: Climate Budget Tagging Guidelines Overview



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Overview of the budget tagging Guidelines

Help government agencies identify and tag climate-related programmes and projects in the national budget

Intended for state actors whose budgets are processed through the Ministry of Finance, to ensure a standardized and consistent approach to tracking climate finance across all government sectors

Based on good practices from other small island and developing countries

Designed to complement existing national tools and mechanisms, facilitating the tracking of expenditures aligned with internationally recognized definitions of climate adaptation and mitigation and NDCs

Living document – that will be periodically reviewed and updated to fit the national context and evolving international landscape and requirements



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Climate Budget tagging

- Generally understood as a **tool for monitoring and tracking climate-related expenditures within a country's national budget system** (domestic spendings)
- Enables governments to **comprehensively capture data on climate related expenditure** (domestic spendings) and **report on those more effectively**
 - Enables **accountability** and **transparency**
 - Helps **mobilise funding** from external sources
 - Helps **communicate commitment to climate action** internationally



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Elements of a climate budget tagging

Methodology

- Differentiating climate relevant expenditure from ODA

Scope/Coverage

- Identifying sectors, institutions and budget categories that will be tagged

Estimation

- Determining whether the entire programme or only specific components or outputs will be tagged

Institutional Roles

- Defining the roles and responsibilities of institutions

Quality Assurance

- Implementing measures to prevent incorrect or superficial tagging

Budget process and Guidance

- Specifying the information to be included in the budget circulars



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Session 3: What to Report? Methodology



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Definitions

- **Objective based Definitions:** distinguish climate relevant activities on the basis of the intended outcome (Rio markers)
- **Policy-based Definitions:** limit climate-relevant activities to those that are specifically referencef in national policies
- **Mixed method is adopted:** A non-exhaustive list of what constitutes as climate finance developed (in line with national policies but also compared and reviewed in light of the international best practices such as the Rio markers)



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Types of Financing



Grants



Loans (and other debt instruments)



Equity Investments



Guarantees



In-kind contributions



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Grants

Non-repayable financial support provided by international climate funds, multilateral development banks, bilateral donors, philanthropic organizations, or private sector entities.



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Loans (and other debt instruments)

To be considered climate finance under this framework, loans and debt instruments should demonstrate a degree of concessionality, meaning they are offered on terms more favorable than prevailing market conditions. While the framework does not impose fixed thresholds, it acknowledges ongoing international discussions amongst SIDS regarding what constitutes concessional climate finance.



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Equity Investments

Direct capital investments in climate-relevant projects or enterprises, particularly those that promote clean energy, nature-based solutions, climate-smart agriculture, or resilient infrastructure.



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Guarantees

Financial instruments where a third party (i.e. development finance institute, MDB) promises to cover a portion of a potential loss for a lender or investor. This is aimed in reducing the risk of a climate related project and encouraging more private investments.



In-kind contributions

Non-monetary support such as the provision of goods, technical expertise, personnel time, or services that contribute directly to the implementation of climate-related projects.



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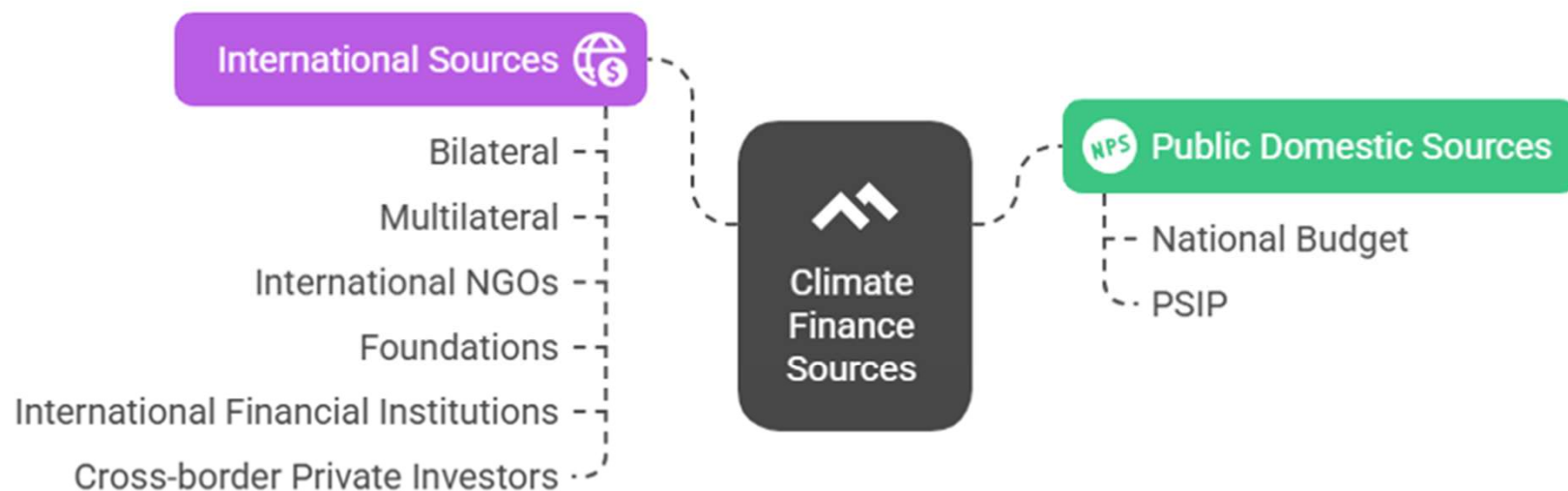
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Sources of Finance



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Session 3: Who participates in the tagging? Scope/Coverage



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Scope/Coverage

- **All relevant government expenditure from sectors identified in the NDC must be covered**
- It is also recommended that **both recurrent (operational) and investment (development) expenditures are considered**, as is the case in most tagging methodologies implemented - focus on direct expenditure and exclude tax expenditures.
- **Phased approach**; starting with central government ministries and in the second phase focusing on local council budgets and SOEs



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Session 3: Estimation



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Estimation

- **Three ways** of doing this:
 - Limiting tagging to programmes that have **climate change as the main objective**
 - Considering all programmes and projects and **estimating the expenditure associated with the climate-relevant elements, components or activities** (most common, but the level granularity varies depending on country context)
 - **Applying climate relevance weights** to estimate the fraction of the programme or project expenditure that is climate relevant (could be based on OECD Rio-markers)

- A weighting system based on OECD Rio markers, and the classification list produced under this guideline is being further developed
- Once this is done, this guideline will be updated to reflect on the agreed weighting methodology



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Session 3: Institutional Roles



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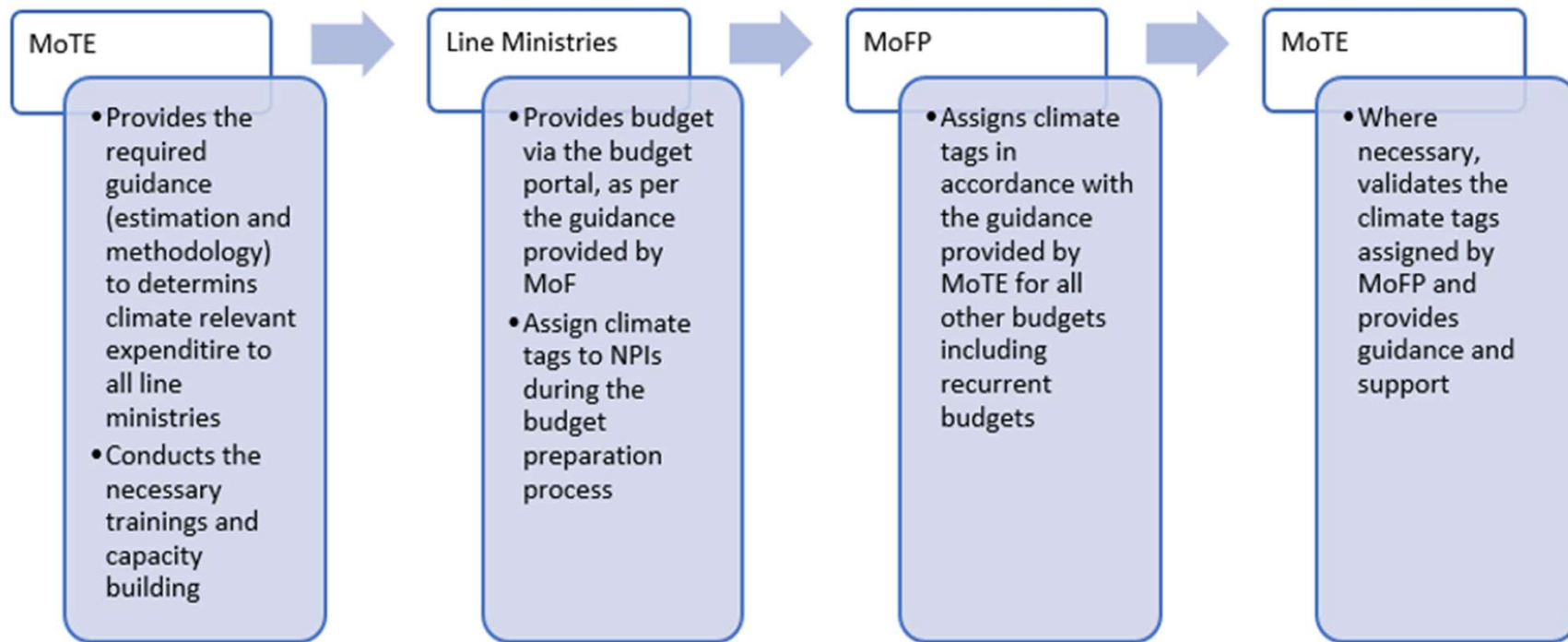
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Institutional Roles



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Session 3: Quality Assurance



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Quality assurance

- Critical that **MCCEE has a role in the validation of the climate tags assigned by line ministries** – as the methodology may not be correctly applied
- To support line ministries and MoFP throughout this process, a **detailed climate finance classification** has been developed
- MoTE may (where required) **review tags and request documents to verify climate objectives**
- MoTE will also **provide regular training to build capacity and awareness** among implementing agencies



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Session 3: Budget Process and Guidance



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Budget Process and Guidance

- Currently, the **budget circulars do not provide any guidance to line ministries** specifically on what programmes or projects may be classified as climate-relevant and be assigned the tag.
- **When is the ideal time to apply the tag?**
 - With the current tag for NPIs, Maldives tags expenditure during the budget preparation
 - However, in some countries, the tagging is applied after the budget is approved, when cost centres are created, and integration into their financial system
 - It is recommended that, as the process evolves, this guideline be reviewed and updated to best fit the Maldives budgeting system and processes.



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Session 4: Reporting Process (Step by Step Guide)



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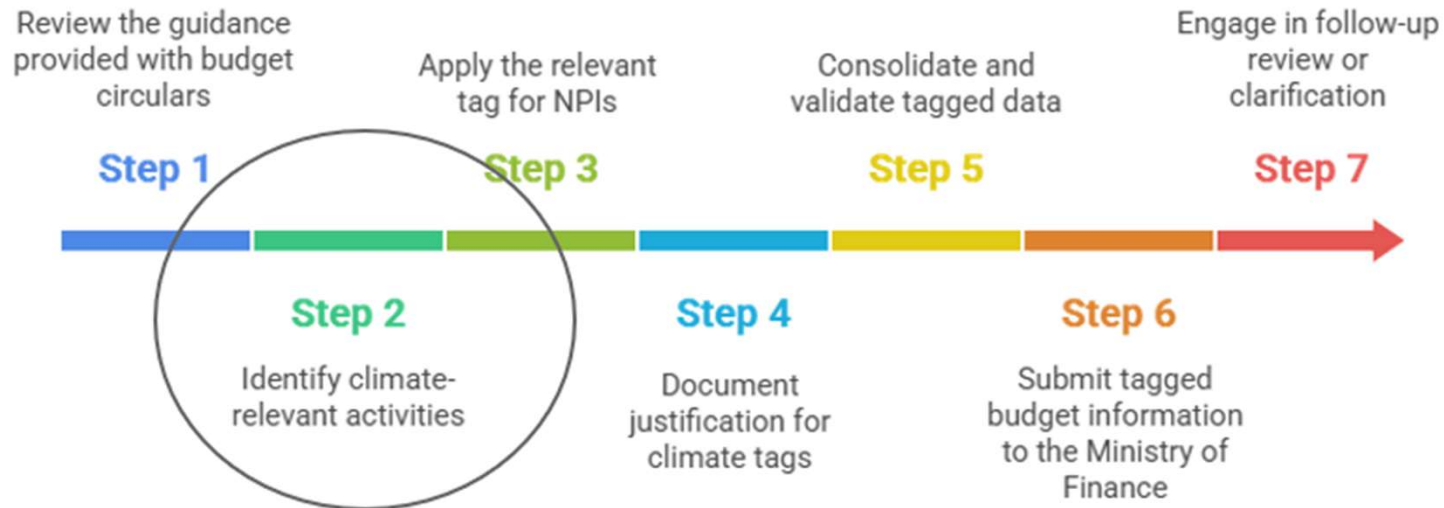
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Step-by-Step Guide



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Key Guidance – Determining Climate Relevance

- All agencies must review their budget submissions and **identify any activities, programmes, or projects** that include a **climate-related objective**, even if climate is not the primary purpose
- Classification list - [click here](#)

Tag	Definition	Examples
Mitigation	Activities aimed at reducing greenhouse gas emissions	Energy efficiency retrofits, solar PV installations, public transport infrastructure
Adaptation	Activities that reduce vulnerability to climate risks	Coastal protection, flood management, drought-resilient agriculture
Loss & Damage	Response or recovery from climate impacts	Post-cyclone housing repair, crop loss insurance schemes
Cross-cutting / Enabling	Institutional and systemic support for climate action	Climate data systems, policy development, climate finance access readiness



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Hands-on Exercise

Group Work



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Instructions

In groups, review project examples and fill in the table provided:

- Is the activity climate-relevant?
- If yes, assign a climate finance tag (adaptation, mitigation, loss and damage, cross-cutting)
- Write a short justification for your classification
- Share your reflections and any tips for fine tuning the process



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Case Study 1

Solar School Initiative (Green Classrooms Programme)

Description:

The Ministry of Education, in partnership with the Ministry of Tourism and Environment, is rolling out a programme to install rooftop solar photovoltaic systems on 50 public schools. The goal is to reduce diesel dependence, lower operational costs, and promote awareness among students. Technical support is being provided through a bilateral grant from Denmark (USD 800K), while the capital investment comes from the Public Sector Investment Programme (PSIP) (USD 1.5M grant). A local solar company is contributing in-kind support (USD 200k) through discounted installation services and maintenance for the first two years.

Total Budget: USD 2.5 million



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Case Study 2

Climate Resilience for Farmers (AgriAdapt Project)

Description:

This project aims to enhance climate resilience in farming communities across three atolls through the promotion of drought-resistant seeds, introduction of drip irrigation, and training on climate-smart agriculture. It targets areas highly vulnerable to saltwater intrusion and variable rainfall. The project is funded by a multilateral climate adaptation fund (USD 700K) through a grant, co-financed by the Ministry of Agriculture under PSIP (USD 300K), and supported by a private agro-business (USD 200k) offering extension services as part of their ESG commitments.

Total Budget: USD 1.2 million



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Case Study 3

Post-Cyclone Recovery Fund

Description:

In response to severe cyclone damage earlier this year, the government has established an emergency recovery fund. It will finance the repair of homes, schools, and health clinics, provide cash transfers to displaced households, and restore basic utilities. Funding includes reprogrammed PSIP allocations (USD 1.5M), budget support from UK (USD 2M), and a contingent loan from a multilateral development bank (USD 1.5M) activated through a disaster risk financing mechanism. The project focuses on immediate response, not long-term adaptation.

Total Budget: USD 5 million



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Case Study 4

Urban Highway Expansion

Description:

This infrastructure project aims to widen a major urban highway to reduce congestion and travel times in the capital city. There is no analysis of greenhouse gas emissions, modal shifts, or climate co-benefits in the project proposal. It is financed entirely through domestic PSIP funds (USD 5M) and a loan from a multilateral development bank (USD 5M).

Total Budget: USD 10 million



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Closing Reflections and Feedback



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The guidelines will be reviewed periodically and updated accordingly



Once the climate finance methodology and the applied weighting systems to determine climate relevance is finalized, this will be finalized and updated in this guideline



A legal regulation is been developed to supplement the guidelines



Once implemented, MoTE will provide the required training and guidance to support stakeholders in applying the tagging



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Closing and feedback

- Do you have any remaining comments or questions about the framework?
- What would you need next to report your climate finance data?



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