Policy Brief

A call to action: Moving towards holistic climate-responsive budgeting

CLIMATE AMBITION TO ACCOUNTABILITY PROJECT

CAN Climate Action Network South Africa
WWF
Institute for Economic Justice
Sweden Sverige
Co-funded by the European Union

Summary of Findings

- Fragmented financial mechanisms and lack of coordination undermine the effectiveness of climate finance. To address these challenges, climate finance must be systematically aligned with long-term policy objectives.
- In South Africa, there is some horizontal incoherence between departments on climate policy and lack of vertical coordination on what is being implemented.
- The budget is a key tool for expressing government's priorities, and climate-budget tagging (CBT) is being used by many countries as a way to engage with it.
- South Africa is starting to implement CBT, but there are shortcomings in how it is applied.
- The JET-IP is a key mechanism to align with the country's climate commitments.
- There are weaknesses in the JET-IP in transparency, consultation and social justice.
- There is a lack of a comprehensive analysis to determine whether funding is genuinely meeting climate objectives.
- The climate-responsive budgeting (CRB) approach should be implemented to remedy the current weaknesses.
- To improve the CBT process, it should include negative expenditures (from a climate perspective) as well as positive, incorporate social implications, ensure that budgeting is gender-responsive, and make sure to track revenue.
- Comprehensive green fiscal policy integration is also an essential component of CRB.
- A Climate Public Expenditure and Institutional Review (CPEIR) should be conducted as a baseline, and thereafter at regular intervals.

Summary of Recommendations

Short-term

- Conduct an initial CPEIR to provide a baseline.
- Continue piloting CBT.
- Strengthen public awareness of CBT.
- Develop a strategic implementation plan for expanding CBT.
- Establish clear monitoring and reporting systems on debt allocation and servicing.

Medium-term

- Expand implementation across major municipalities.
- Develop a phased approach for implementing CRB more holistically.
- Conduct CPEIRs every three years.
- Put in place proper quality assurance mechanisms.

Long-term

- Integrate CRB into South Africa's fiscal policy framework.

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1. INTRODUCTION

As climate change accelerates, the urgency of addressing its impacts requires governments to not only set ambitious environmental goals but also ensure that these goals are supported by the necessary financial resources. Despite growing global investments, the journey from climate finance pledges to real, tangible action remains fraught with challenges. The complexity lies not just in the scale of financial resources needed, but in the systems required to ensure that these funds are allocated efficiently, tracked transparently, and directed where they can have the most significant impact.

Across the world, nations struggle with fragmented financial mechanisms, lack of coordination, and insufficient accountability frameworks - issues that undermine the very climate promises they seek to fulfill. To address these challenges, climate finance must be systematically aligned with long-term policy objectives, and ensure that national budgets directly reflect the priorities outlined in climate strategies.

South Africa is adept at setting out clear long-term objectives and has made notable strides in creating a series of policies, frameworks, and laws that reflect its ambition to be a global leader in climate action (Khavhagali et al., 2024). But, despite the detailed objectives outlined in various policy documents, the government has faced criticism for its lack of horizontal coordination, with inconsistent and sometimes conflicting messages emerging from different government departments. This is particularly the case between the Department of Environment and the Department of Energy. For example, the Integrated Resource Plan (IRP), which remains central to the country's energy strategy, directly contradicts South Africa's climate goals, by continuing to support increased coal use, and proposing the scaling up of gas use. This undermines the mitigation targets outlined in the Nationally Determined Contributions (NDCs). This fragmentation creates confusion and inefficiencies, as the national policy landscape lacks alignment and fails to provide a clear, unified strategy for climate action. In addition, despite the proliferation of policies and frameworks, there is little clarity on what is actually being implemented on the ground. This is a failure of vertical coordination.

In this context, monitoring climate finance becomes a critical tool for assessing the state of alignment between South Africa's climate and just transition objectives and the actions being taken to achieve them. After all, a goal is only as impactful as the financial resources mobilised to advance and achieve it.

However, there is currently no central system of accounts to monitor, evaluate, or track the impact of climate finance flows into South Africa, which are often scattered across various objectives. Climate financing has increased significantly over the last few years, but questions remain about how effectively these funds will be allocated, whether they align with the country's broader climate and social priorities, and how they are monitored to ensure accountability. There is also a potential mismatch between climate and just transition goals and climate resource mobilisation and allocations. Moreover, these deficiencies undermine trust in climate governance processes, reduce the efficiency of resource allocation, and weaken the country's ability to deliver on its climate goals and just transition commitments.

The annual budget serves as a definitive reflection of a government's true priorities, revealing the scale of financial resource mobilisation and which cross-sector policies are given precedence. Budget assessment tools, such as Climate Budget Tagging (CBT), are being used in many countries, and now in South Africa, to assess the alignment between climate objectives and financial planning. A climate budget tagging approach offers a structured framework for ensuring that resources are not only mobilised but also effectively allocated and monitored. Transparent and informed budget analysis can foster accountability, and help integrate mitigation, adaptation, and social equity considerations into South Africa's climate strategies.

This paper analyses the shortcomings of the current application of CBT and explores how a more effective and socially inclusive CBT approach could be implemented. Section 2 briefly explains the Just Energy Transition Investment Plan (JET-IP) and broader climate finance in

South Africa, highlighting shortcomings in monitoring, evaluation, and accountability. Section 3 explains how CBT works, looks at its implementation in South Africa, and identifies its benefits and challenges. It then looks at ways of improving it. Finally, Section 4 presents short- medium- and long-term recommendations.

2. TRANSPARENCY AND JUSTICE IN SOUTH AFRICA'S CLIMATE FINANCE LANDSCAPE

The JET-IP was developed as a key mechanism to align climate financing with the country's commitments under the Paris Agreement and its NDCs. It outlines an estimated investment requirement of R1.5 trillion over five years (2023–2027) to transition to a low-carbon economy, while ensuring an inclusive and just process. This involves reducing emissions and addressing inequalities exacerbated by the transition. The plan prioritises three key sectors: electricity generation, transport, and green hydrogen (Presidency, 2022). However, only $8.5 billion (about R150 billion) was initially committed by international partners under the Just Energy Transition Partnership (JETP) deal. This was later increased to $13.8 billion (Presidency, 2024), before being revised down to $12.8 billion following changes in the U.S. administration under President Donald Trump (Van Diemen, 2025). This still leaves a significant financing gap of over R1 trillion to achieve South Africa's ambitious goals.

The JET-IP has introduced several mechanisms to ensure transparency, accountability, and effective implementation. At its core is a dedicated Project Management Unit (PMU), guided by a Project Management Office (PMO) within the Presidency, and overseen by an Inter-Ministerial Committee, ensuring high-level coordination and oversight. A JET project register is at an early stage of development. It aims to track international funding allocation, activities, and outcomes, that will be published on the Presidency website. This will allow stakeholders to monitor progress across the key sectors.

The PMU also plans to establish a dedicated JET funding platform. designed to connect project developers with potential financiers, offer support services, and enhance transparency in the deployment of grants. The plan includes provisions for consistent reporting on project implementation, providing quarterly updates for citizens on achievements, challenges, and financial disbursements. (Presidency, 2023).

Despite numerous systems of reporting in place, challenges persist in areas like debt tracking and private sector financing. While grants are relatively straightforward to monitor, funding streams from sovereign debt and private investments require additional mechanisms to ensure full accountability. Much of the public financing in the JETP is structured as concessional loans, but there is limited transparency in how debt is allocated, making it difficult to verify whether borrowed funds are effectively addressing mitigation and adaptation goals.

This lack of visibility also hampers the government's ability to identify critical issues, such as the proportion of debt denominated in foreign currencies, which exposes South Africa to exchange rate risks and higher repayment costs. High-interest repayments can divert resources away from essential climate actions, undermining the very objectives the borrowed funds are meant to achieve. Establishing clear systems to monitor and report on debt allocation and servicing will be essential for ensuring that sovereign debt contributes meaningfully to the JET-IP goals.

The JET-IP intended to adopt a participatory approach, consulting stakeholders from across different sectors. The Presidential Climate Commission (PCC) played a central role in convening dialogues, ensuring that civil society, labour groups, and industry voices were heard. However, this process has drawn significant criticism. A major grievance among stakeholders was that consultations occurred after key decisions had already been made. The three main sectors—electricity, transport, and green hydrogen—were "ring-fenced" in advance, leaving little room for input on the overall funding priorities (IEJ, 2023).

This top-down approach led to widespread dissatisfaction, particularly regarding the allocation to green hydrogen, which many stakeholders deemed premature and unfeasible at scale.

Labour unions and civil society organisations highlighted the need for greater focus on the justice components of the transition, such as economic diversification and skills development for affected communities (COSATU 2023, SACAN, 2023). These elements were underfunded in the initial plan, despite their central role in achieving a truly just transition. While stakeholder input was recorded and summarised in the subsequent JET-IP implementation plan document, questions remain about whether this feedback meaningfully influenced financial allocations. For example, did the allocation to green hydrogen decrease in response to stakeholder concerns? Was funding redirected to justice outcomes?

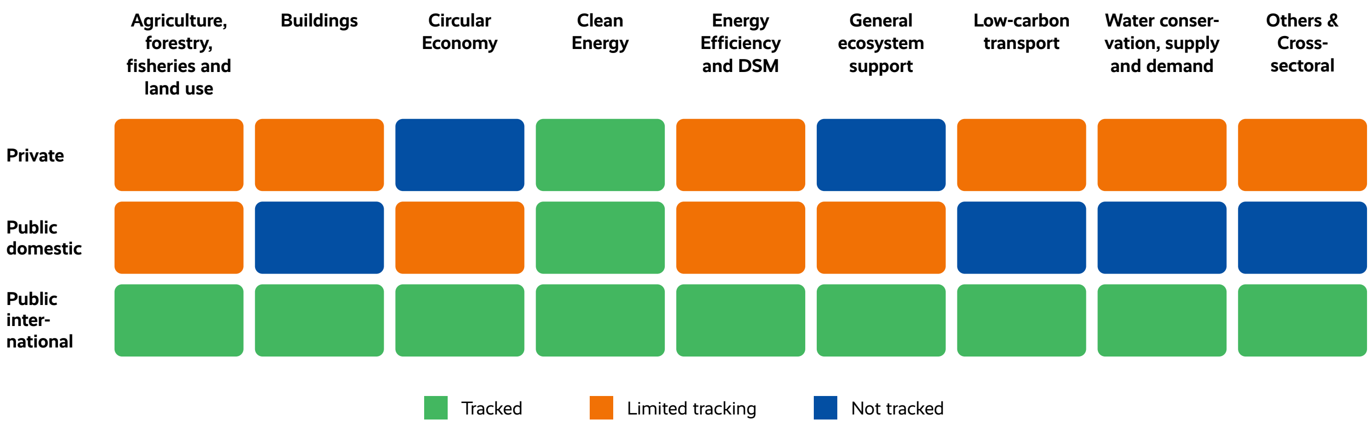
The JET-IP outlined specific amounts for skills development and economic diversification and how much of it would come from already dedicated financing of $8.5 billion under the JETP. However by the time the JET-IP implementation plan was released the JETP deal had been increased to $13.8 billion and the subsequent increase in pledged financing was not matched with clear updates. Without clearer reporting on adjustments to the financial plan, it is difficult to assess whether stakeholder concerns are being addressed or if they were merely documented. Establishing a more transparent process, one that goes beyond the discretion of the PMU in deciding what to include in the reporting documents, could significantly enhance accountability in financial allocations. Such a system would enable the public to better understand how the funding, including the $3 billion unaccounted for in the original JET-IP plan, is being distributed.

Beyond the JET-IP, tracking and transparency on climate finance in South Africa remains limited. In the country's First Biennial Transparency Report (DFFE, 2024), submitted to the UNFCCC as part of the country's periodic reporting on its NDCs under the Paris Agreement, South Africa provided updates on its climate finance. It referenced the South African Climate Finance Landscape reports (2020 and 2023) of the Climate Policy Initiative (CPI) as one of the main tools tracking climate financing in the country. This is a key reference point for South Africa's climate finance landscape, as it provides an array of data points, including total financing, financial instruments used and financial flows across sectors.

Yet, CPI (2023) acknowledges that there are data limitations within this report. Figure 1, below, illustrates that while public international financing is well tracked across all sectors, private sources and the public domestic source have data limitations, with many sectors having limited or no tracking. While this paper will not deal with the shortcomings in private sector reporting, the suggested tool of Climate Responsive Budgeting may aid in addressing these gaps, enabling better NDC reporting for the country and improving public transparency on climate financial flows.

Figure 1: Data limitations representing tracked and untracked climate financing by source and sector

Source: CPI (2023)]



Ultimately, the core concern surrounding climate financing is the extent to which climate finance allocations and the quality of financing are in alignment with South Africa's broader climate and developmental objectives. The main trajectory of South Africa's climate financing plan seems to be captured in the JET-IP, but questions remain about participation, transparency, and whether the financing will meet climate objectives. For instance, the heavy focus on mitigation in the JET-IP and in broader climate financing data overlooks critical adaptation needs, such as building community resilience to extreme weather events, minimising the impact on agriculture, and addressing water scarcity.

These omissions are particularly concerning given South Africa's high vulnerability to climate change impacts. Without clear criteria for fund distribution, there is a risk that key justice outcomes, such as skills development and economic diversification, will remain underfunded. Ultimately, for climate financing to succeed, it must ensure that financing decisions are not only transparent but also democratically informed. This includes expanding the focus beyond mitigation to include adaptation, addressing gaps in justice outcomes, and aligning all efforts with South Africa's overarching climate goals.

The current climate financing framework lacks a comprehensive analysis to determine whether funding is genuinely meeting climate objectives. It also fails to bridge critical data gaps that could inform funding shortfalls, and does not provide the transparency and accountability necessary for a democratic and just transition.

3. A CLIMATE-RESPONSIVE BUDGETING (CRB) APPROACH

Climate-responsive budgeting (CRB), is a form of public finance management that uses the tools of budgetary policy-making to systematically integrate climate targets and considerations into fiscal planning, expenditure decisions, and governance structures (UNDP, 2019). Rather than replacing existing fiscal policies, CRB works within a country's public finance management framework to enhance the alignment between public spending and climate objectives. The framework of the current South African National Budget is captured in Box 1.

Box 1: The South African National Budget process

The National Budget sources financing in different forms, including capital markets, commercial debt, international financing institutions, and tax on individuals or corporations. This revenue is then used as government expenditure on basic services, salaries, and programmes. The process is an 18-month cycle of drafting, legislation, implementation, and auditing. Departments submit budget proposals, and Parliament contributes through oversight tools like Budgetary Review and Recommendation Reports (BRRRs). All the steps are recorded.

In February, the Minister of Finance presents the National Budget to Parliament, including the Fiscal Framework, Appropriation Bill, and Division of Revenue Bill. The public is invited to participate during this legislative phase. Once approved, funds are allocated, and departments begin implementing their plans.

Parliament monitors spending and delivery throughout the year. After the financial year ends, independent audits, primarily by the Auditor-General, evaluate whether funds were used effectively, enabling Parliament to hold departments accountable and recommend corrective actions where necessary (Parliamentary Communication Services, 2019).

By embedding climate considerations into decision-making as part of ordinary budgeting processes, CRB ensures that climate action is mainstreamed and institutionalised at all levels of governance. This approach strengthens budget planning, implementation, and reporting, enabling decision-makers to systematically assess how fiscal choices impact national and international climate commitments, such as the NDCs and local Climate Action Plans (C40 Knowledge Hub, 2023).

CRB is not a one-size-fits-all approach. It is a broad framework that offers multiple forms, varying in levels of integration, methodologies, and sectoral applications. to suit different policy and fiscal environments.

3.1. Climate Budget Tagging (CBT)

One of the primary tools for implementing CRB is Climate Budget Tagging (CBT), a structured financial tracking system that helps governments assess how national and local budgets align with climate objectives. Developed in the 2010s, CBT builds on earlier approaches like green budget tagging, providing a systematic method to label and categorise budget expenditures as supportive, neutral, or harmful to climate goals (OECD, 2024).

3.1.1. The CBT process:

Step 1. Identify climate-relevant expenditures: This requires governments to define what qualifies as climate-relevant.

- Some countries use objective-based frameworks like the Rio Markers or UNFCCC Warsaw Mechanism.
- Others rely on existing national policy definitions.
- Many take a hybrid approach, combining both for a more comprehensive classification (World Bank, 2021).

Projects can be defined using different classification methods.

- Structural classification is based on the physical characteristics or type of a project (for example, renewable energy infrastructure, or transport systems).
- Functional classification focuses on the primary purpose or policy intent. If an initiative is not explicitly designed for climate adaptation or mitigation, it may be classified under its main governmental sector, even if it has climate benefits. For instance, the construction of a renewable energy station might primarily fall under energy infrastructure, with climate benefits considered secondary, depending on the project's intent (Pizarro et al. 2021).

Step 2: Determine the scope: This includes deciding which sectors, financial flows, and levels of government to include (Box 2 provides further guidance on key questions to consider when determining coverage).

Box 2: Scope and coverage

1. Is CBT applied at the national, local, or provincial budget level?
2. Does CBT cover adaptation, mitigation, and disaster response activities?
3. Will CBT tag only expenditures, or will it also include revenue sources?
4. Is CBT integrated with other forms of social or environmental tagging (for example, green budgeting, gender-responsive budgeting, or SDG tracking)?
5. Does CBT track both investment (capital) and recurrent (operational) expenditures?
6. Will CBT include only direct expenditures, or will it also cover indirect expenditures, such as tax exemptions and subsidies?
7. Does CBT consider the government's off-balance sheet interactions, including contingent liabilities and financial guarantees?
8. Does CBT include SOEs?

Step 3: Develop a classification system. Climate-related spending can be tagged using either a binary or weighted approach.

- Binary: an item is labeled as either fully climate-related or not at all. This is a method used by the Philippines, Indonesia, and Ireland (UNDP, 2021). South Africa has already developed the South African Green Finance Taxonomy (National Treasury, 2022) that guides the private sector on what is considered green investments, and this could be updated and repurposed for use in the CRB.
- Weighted: a more widely adopted and nuanced approach involves weighting techniques, allowing for a proportional classification of expenditures. Countries

such as France, Ghana, Kenya, and Pakistan apply weighted systems, assigning different levels of climate relevance to various expenditures.[1]

For CBT to work, governments must also:

Step 4: Integrate it into budget frameworks.

Step 5: Train officials and build institutional capacity.

Step 6: Collect data and ensure quality control through audits.

Step 7: Report, analyse, and integrate policy.

Step 8: Review, improve, and institutionalise CBT.

3.1.2. CBT in South Africa

The South African government has adopted CBT and identified it as a key tool for tracking and reporting climate finance, alongside the Climate Finance Landscape Analysis (CPI, 2023), the Green Finance Taxonomy, and the JET Projects' Register. The CBT project was launched in October 2020, and, by June 2022, the government reported having conducted consultations, assessments, and awareness-raising workshops, though civil society groups have questioned the extent of public engagement. A draft CBT system was subsequently developed and piloted at nine sites, with the aim of enhancing awareness of climate impacts, improving data collection, and identifying funding gaps crucial to achieving South Africa's NDCs. Additionally, the government hopes CBT will strengthen accountability and attract green financing for sustainable projects (DFFE, 2024).

Further details emerged at the Climate Resilience Symposium, hosted by the National Treasury in July 2024. The CBT approach will cover adaptation, mitigation, and just transition activities, tagging positive climate expenditures across national, provincial, and municipal levels. A CBT Task Team will support national departments in tagging budgets, generating reports on both budgeted and actual climate expenditure. The system will apply weighted Rio Markers to classify activities, ensuring expenditures are categorised by relevance and assigned specific codes within sub-programmes. Initially, the system will focus on transport, forestry and fisheries, and water and sanitation.

Green budget tagging can be done ex ante (before budget approval) or ex post (after budget execution). Ex ante tagging can help shape budget decisions but is often applied too late to influence project design, a lack of direct integration with programme design weakens its ability to align budgets with climate goals (CAAP, 2024). Ex post tagging, as practiced in Italy, enhances accountability by assessing actual spending, but does not inform initial budgeting and may provide only a partial view of environmental impacts, if selective expenditures are assessed (OECD, 2021). South Africa takes a holistic approach where both ex post and ex ante are considered, allowing the public to assess if actual expenditure aligns with the budget plan. But more details are needed to understand how the public can influence initial programme decisions to ensure alignment with climate objectives

Despite these developments, there is limited public information available on the full scope of CBT implementation, leaving questions about how effectively the system will enhance transparency and accountability in climate finance.

3.1.3. Advantages of a CBT approach

Climate Budget Tagging (CBT) is a widely adopted financial tracking tool, implemented in over 60 countries (Boutron et al., 2023), enabling governments to monitor, report, and align their climate expenditures with Paris Agreement commitments. Its flexible design allows countries to start with core elements and gradually expand coverage, as implementation capacity grows. This adaptability means that governments can tailor tagging frameworks to their specific climate priorities and policy needs (OECD, 2021b).

The success of CBT largely depends on how well it is executed. When implemented effectively, it helps bridge data gaps, enhance budget analysis, and improve climate awareness among policymakers at all levels of government and the public (UNDP, 2019). This process not only strengthens feedback mechanisms for future climate planning, but also enhances public transparency, provided that robust reporting measures are in place (OECD, 2024). South Africa has the budgetary framework to support such transparency and accountability measures, which can help with issues currently found in the JET-IP process.

A compelling case of CBT-driven accountability is Nepal's 2017 Citizen's Climate Budget, where an NGO used publicly available CBT data to develop a report which sparked debate and raised public awareness on

[1] The European Union Common Methodology and the Rio Markers framework from the OECD exemplify this approach.

climate spending. Similar reports in Bangladesh and Cambodia have further demonstrated how CBT fosters accountability and civic engagement (World Bank, 2021).

Beyond transparency, CBT also plays a crucial role in identifying funding gaps, enabling governments to redirect domestic budgets or seek additional resources from international or private financing sources (World Bank 2021, UNDP, 2019). By offering a structured yet adaptable approach, CBT serves as a powerful tool for improving climate finance management, ensuring that climate goals have sufficient financing and that they are effectively tracked and communicated. This is specifically relevant for under-reported adaptation activities that get financed through water, food and poverty reduction budget items.

3.1.4. Challenges of a CBT approach

CBT presents several challenges, particularly if executed poorly or without safeguards. A key issue is optimism bias: governments may overstate climate finance commitments, or use CBT data for greenwashing. Effective weighting systems and quality assurance can mitigate this over the long term, considering that an initial rise in reported climate financing often reflects better data collection rather than actual financial increases directed to climate (OECD, 2021a).

In addition, the process has an expenditure bias. While the framework conceptually accounts for positive and negative spending and revenue tracking, often only positive expenditure is accounted for. This ignores the vital impact of tagging negative expenditure that inhibits mitigation goals (World Bank, 2021). Without this, CBT fails to provide a comprehensive picture of climate-related financial flows. Also, revenue is often overlooked, despite its importance in understanding how funds from "dirty" activities are recycled into green investments and vice versa. Governments must also ensure that the coverage/scope of their tracking reflects not only national priorities, but also the levels at which climate action actually occurs. For example, Nepal sought to track adaptation finance but focused only on national expenditures, despite most adaptation occurring at the subnational level (Allan et al., 2019).

Ensuring transparency, accountability, and a democratic budget process is essential for the effectiveness of CBT. Public reporting, particularly in a format accessible to non-technical audiences, is crucial for maintaining accountability and preventing CBT from becoming an opaque, bureaucratic exercise, rather than a tool for informed climate governance (Allan et al., 2019). However, CBT is also resource-intensive, requiring governments to balance accuracy with feasibility. While detailed tagging improves data quality, it demands significant administrative effort (Allan et al., 2019). Capacity constraints, especially at the local level, further challenge implementation, making institutional support critical for ensuring that CBT remains both effective and inclusive (World Bank, 2019).

Ultimately the process of CBT, applied at face value, may still overlook justice outcomes. While South Africa aims to track just transition outcomes, there is little clarity on what that means, especially since 'just' considerations in the JET-IP were not well financed; infrastructure was its focus. Questions remain on how this type of expenditure will be identified, monitored, and assessed. It remains unclear whether tracking will go beyond broad categorisation, to include a deep analysis of how different types of climate expenditures impact workers and vulnerable populations. Without intentional integration of justice considerations, CBT risks being a technocratic exercise, focused solely on financing infrastructure, rather than on the real-world social and economic effects of climate spending.

3.1.5. An improved CBT process

It is clear that CBT should go beyond mere tracking of positive expenditure. It should produce meaningful data, be assessed alongside broader fiscal policies, contrasted with fossil fuel expenditures, and integrated with wider social and environmental goals. A holistic approach would ensure that climate finance is not just accounted for but actively drives a sustainable and equitable transition.

Use both positives and negatives: One of the major gaps in current CBT implementation around the world is its failure to account for negative expenditures - spending that directly or indirectly contributes to climate harm.

France has pioneered an approach that tags both positive and negative climate expenditures, acknowledging that mitigation is not just about investing in renewables, but also about reducing fossil fuel subsidies and consumption. This is crucial because, despite commitments to green finance, many governments continue to channel significant funds into fossil fuel industries, thereby jeopardising mitigation goals. France introduced negative expenditure tagging in 2021 (OECD, 2021), setting a precedent for more transparent and accountable climate finance. Specific tracking of climate debt is also an essential element to be clearly assessed in the process

Incorporate social implications: CBT has traditionally focused on environmental goals, while overlooking the social implications of climate expenditures. This means that governments may not fully understand how climate policies affect vulnerable populations. France, when incorporating social aspects into tagging, found that 83% of climate-related expenditures also had social impacts, affecting health, poverty, employment, and income inequality (Metayer et al., 2022).

This dual approach inspired Indonesia's Social and Climate Budget Tagging (SCBT), which integrates social considerations into climate tagging. When Indonesia applied SCBT to its 2021 Climate Budget Tagging, it identified 12 key "hotspots" - climate-related budget measures with significant social impacts, including public transportation, disaster management, and water infrastructure. For example, investments in clean transportation infrastructure were found to improve air quality and mobility but also positively affected poverty and employment by increasing access to work opportunities and basic services. This could be a social hotspot to achieve multiple positive climate and social impacts. Another example is that the establishment of a renewable energy plant could increase energy prices and cause housing displacement but could also increase employment. This means that the positive social impacts must be weighed against the negative social impacts.

SCBT also introduced fiscal incidence analysis, which assesses how climate policies affect income inequality, poverty, and welfare at a microeconomic level (Boutron et al., 2023). The findings underscored the fact that every climate measure carries social implications, necessitating a more integrated policy approach.

Include gender: South Africa has been a leader in promoting Gender-Responsive Budgeting (GRB), yet many of its climate policies, including adaptation strategies, have been criticised for being "gender-neutral". Women, particularly in sectors such as agriculture, water access, and disaster resilience, face greater disadvantages due to climate change, yet CRB and GRB have largely been developed in isolation from one another (Awiti, 2022). Integrating these approaches where necessary would enable more comprehensive data collection, ensuring that budget allocations not only track climate action but also assess their gendered impacts (Sikhosana et al., 2024).

GRB is a fiscal tool used globally to address gender inequality, by providing disaggregated data, and analysing how budget allocations are skewed between genders, ensuring more equitable resource distribution (IMF, 2022). Given that climate change disproportionately affects women in certain sectors, the integration of GRB into climate finance is essential (Awiti, 2022). Gender-responsive climate budgeting (GRCB) is being put forward as a dual solution that integrates both aspects. This can be implemented in a very similar method to CBT—using methods like the OECD Rio Markers, designed to be used for multiple development outcomes, in a coordinated effort (CABRI, 2021).

Track revenue: Revenue tracking is a crucial but often overlooked aspect of CBT. Governments need clear revenue-recycling mechanisms to ensure that climate finance is sustainable and equitable. For instance, carbon taxes and fossil fuel penalties can generate significant revenue, but without transparent tracking it is unclear how these funds are reallocated. A more advanced CBT framework should identify both positive and negative climate-related revenues, ensuring that funds are channeled towards socially and environmentally beneficial activities (World Bank, 2021). Moreover, predicting potential revenue losses is crucial for fiscal planning. Many governments still rely on revenues from "dirty" activities, such as coal mining and fossil fuel production. As decommissioning begins, these revenue streams will decline, requiring proactive planning to mitigate fiscal shocks (OECD, 2024).

3.2.Green fiscal policy integration

Climate Responsive Budgeting focuses on integrating green fiscal policies across all areas of government financial management. This approach encompasses not only expenditure and revenue but also broader fiscal reforms that align environmental, social, and economic objectives. Comprehensive green fiscal policy integration addresses subsidies for environmentally harmful activities, promotes disinvestment from polluting sectors, and uses fiscal incentives to shift consumption and investment patterns toward sustainability (Petrie, 2021).

Fiscal policy and environmental objectives interact in both directions. Government spending on green initiatives can drive sustainability, and fiscal revenues, particularly those derived from carbon taxes, environmental levies, and subsidies, also shape economic behaviours related to climate action. If governments focus only on green expenditures, while continuing to generate revenue from environmentally harmful activities, there is an inherent contradiction in policy execution.

While many governments have increased green spending, few have effectively addressed fossil fuel subsidies and other environmentally harmful financial flows. Without tracking and reducing these subsidies, green budgeting risks being one-sided. Climate investments will be overshadowed by continued support for high-carbon industries. A comprehensive fiscal approach would not only tag green expenditures but also track disinvestment from polluting industries, ensuring that all financial flows contribute to net positive environmental outcomes. Green fiscal policy recognises and addresses the two-way interaction between fiscal policy and climate change/ environment.

This also highlights the importance of linking fiscal policies to long-term environmental targets, such as biodiversity conservation and ecosystem restoration. Incorporating a green fiscal policy framework in South Africa would require a "whole-of-government" approach that includes cross-sectoral coordination and engagement with civil society. This modality involves eliminating environmentally harmful subsidies, implementing progressive environmental taxes, and integrating environmental criteria into cost-benefit analyses for infrastructure investments. It also ensures that environmental goals are not treated as isolated policy objectives but are embedded within the national fiscal strategy. Moreover, green fiscal policy can complement performance budgeting and regulatory reform, ensuring that financial decisions across all sectors align with national climate goals. By adopting this approach, governments can drive long-term environmental stewardship and economic resilience, while meeting both domestic and international climate commitments.

However, while integrating green fiscal policy offers a robust framework for aligning fiscal policy with environmental goals, it does not fully integrate the social dimensions of sustainability, particularly concerns related to decent work, labour rights, and community well-being. Without explicit mechanisms to address the distributional impacts of green fiscal reforms, there is a risk that climate policies may overlook or even exacerbate existing social inequalities. A truly just transition requires embedding social justice considerations within climate budgeting frameworks, to ensure that workers and communities are not left behind in the shift to a low-carbon economy.

3.3. Climate Public Expenditure and Institutional Review (CPEIR)

Assessing climate finance needs to occur as an all-of-government approach, ensuring that fiscal policies, institutional frameworks, and expenditures align with climate objectives. Before launching a climate budgeting approach, governments should conduct a Climate Public Expenditure and Institutional Review (CPEIR) to assess past spending effectiveness, the role of government, fiscal stability, and institutional coherence in meeting climate goals. Adapted from traditional expenditure reviews used to inform policy, CPEIR provides a diagnostic foundation for climate-responsive fiscal planning.

CPEIR, which has been used since the early 2000s and incorporated early forms of climate tagging (Bird et al., 2012), now benefits from more advanced tagging techniques that provide deeper insights into climate finance flows, and further enhance data accuracy, enabling governments to track climate-related expenditures, measure alignment with objectives, and improve transparency. This can allow for a holistic approach, ensuring that climate financing is integrated in the budgetary planning process. CPEIR is undertaken every 3-5 years and can deeply reflect on the effectiveness of the process, and allow governments to evaluate whether spending supports or contradicts climate commitments.

Additionally, it aligns with social outcomes, as Fiscal Incidence Reports, similar to SCBT, can be implemented to identify vulnerable groups and climate expenditure hotspots (UNDP, 2019), ensuring that climate finance is both equitable and effective. There needs to be some consideration for how gender dimensions can be integrated into the process as equal counterparts, although there are examples of gender elements being considered in CPEIRs (CABRI, 2021)

4. RECOMMENDATIONS

This is a call to action for the South African government:

4.1. In the short-term

01 Undertake an initial Climate Public Expenditure and Institutional Review (CPEIR) to retrospectively assess how past budget allocations align with climate goals. This will provide baseline data for evaluating future progress and highlight misalignments between climate commitments and actual spending.

02 Continue piloting Climate Responsive Budgeting (CBT) to refine its implementation, ensuring that lessons learned inform a scalable, effective rollout. These pilot studies should focus on building institutional understanding, testing different classification systems, and identifying gaps in data collection.

03 Strengthen public awareness of CBT, and transparency around it. This includes clearly communicating the project's scope, methodology, and definitions to both government stakeholders and civil society.

An integrated information portal should be established to provide real-time updates on how climate expenditures are being tracked, ensuring accountability and public engagement.

04 Develop a strategic implementation plan, outlining a roadmap for expanding CBT, to include negative expenditures, revenue tracking, and social impact assessments like SCBT. This plan must incorporate a gender-responsive approach, ensuring that climate-responsive budget processes account for the differential impacts of expenditures on women and marginalised groups.

05 Establish clear systems to monitor and report on debt allocation and servicing, to ensure that sovereign debt contributes meaningfully to the JET-IP goals.

4.2. In the medium-term

01 Once the pilot phase has refined CBT methodologies, expand implementation across all major municipalities, ensuring that climate finance tracking is embedded at the national, provincial, and local levels.

02 Develop a phased approach for implementing Climate-Responsive Budgeting (CRB) more holistically, integrating climate objectives into broader fiscal policies, taxation systems, and subsidy structures. This includes aligning climate finance with green fiscal policies that support long-term sustainability and economic resilience, and piloting the tracking of vital mechanisms needed for this data, such as tagging negative expenditure and revenue.

03 To maintain accountability and measure progress, conduct CPEIRs every three years, ensuring that climate finance decisions continue to align with national and international climate targets. These regular reviews will help refine budgeting strategies, improve fiscal planning, and enhance data-driven decision-making.

04 To ensure the accuracy and credibility of climate finance data, put in place proper quality assurance mechanisms. These include independent audits, verification frameworks, and standardised evaluation metrics, to prevent greenwashing and ensure that tagged expenditures genuinely contribute to climate goals. These measures will enhance data reliability, improve policy decision-making, and strengthen investor confidence in South Africa's climate finance system.

4.2. In the long-term

01 Integrate Climate-Responsive Budgeting (CRB) into South Africa's fiscal policy framework, ensuring that climate finance is not treated as a separate or temporary measure, but rather as a core component of national economic planning.

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This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the Climate Ambition to Accountability Project and do not necessarily reflect the views of the European Union.