Budget Tagging Clinic Summary

In 2011, the Government of Indonesia (GoI) issued the National Action Plan for the Reduction of Greenhouse Gas Emissions (RAN-GRK). This national policy document set out 50 mitigation actions across 5 broad sectors between 2011-2020, targeting emission reductions target of 26% or up to 767 million tons of carbon dioxide reduction by 2020. In order to track and identify the total amount of budget allocation and actual expenditures on climate mitigation, GoI launched the Low Emission Budget Marking and Scoring System (LESS). The objective is to assess the contribution of per unit of budget to achieve emission reduction targets. LESS will be able to inform budget allocations for the relevant sector ministries that make a contribution to the emission reductions. The system established by DG Budget in the Ministry of Finance complements the monitoring, evaluation and reporting system developed by Bappenas (Planning Ministry) to track the progress of achieving Indonesia’s GHG reduction target. The relevant directorates of Ministry of Finance and Bappenas will utilise the LESS during trilateral meetings with line ministries to discuss the annual budget (Rencana Kerja Tahunan/RKT). This will not only enable Bappenas and MOF to ensure that the Line Ministries or Agencies have included climate change mitigation in their plans but also help them to prioritise such actions.

The budget tag has been inserted at the output level of the budget document and is in line with the 4 pillars for national development (Pro-poor, Pro-growth, pro-Jobs and Pro-environment) and the budget themes around which ministries develop their expenditure lines. All ministries are implementing this system in the online budget applications.
The clinic raised some key questions in relation to both implementation and interpretation of the tagging system:

1. A budget tag provides an indication of where expenditure relates to a specific policy or target but cannot indicate the actual percentage of that expenditure that is climate specific.
2. It is not practical to put a budget tag at the sub-component level as the expenditure lines become too generic — e.g. vehicle maintenance cannot be determined as climate relevant unless aggregated at project or output level.
3. Budget tag needs to be linked with both budget themes or outputs but also with performance indicators in order to make the link between expenditure and performance.
4. Indonesia is considering the option of tagging at the outcome level as this would make better sense in terms of linking expenditures to outcomes. However it make it harder to define the climate specific portion of the aggregate expenditure.
5. Tagging is easier to implement in the context of computerized financial accounting system. Indonesia has yet to roll out the LESS to the province where budgets are not computerized. Pilots are however underway.
6. There is still a challenge in cases where budget outcomes apply to more than one budget theme (environment and poverty etc) and where the tag pick up activities that are indirectly related to the target.

Next steps for Indonesia include:

- Under the new cabinet, the Forestry Ministry & Environment Ministry will merge
- Apply new information & performance architecture (Minister of Finance Decree No. 136/2014)