



## Odisha undertakes cross-sectoral analysis to formulate a ‘Climate Budget’, a first by an Indian state



**Government:** Odisha, India

**Region:** South Asia

**Sector(s):** Climate finance

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### Summary

Odisha, a coastal state in eastern India, is a disaster-prone region and witnesses climate change induced events such as tropical cyclones, floods and water stresses almost every year. The state is also home to a population who are dependent on coastal livelihoods, thus making them more vulnerable to such weather extremity. To address the issue of climate change, Odisha formulated its State Action Plan on Climate Change (SAPCC) in 2010, which was revised for the period of 2018-23 and is under implementation.

As desired by the Government of India, this report was again revised for 2021-30 as per the commitments made in the SDG-NDC Report submitted by Government of India to UNFCCC to achieve the 2030 targets. However, public expenditure has not received significant focus in the Indian context and budgetary allocation and spending on climate change issues still remain a challenge. To overcome this, the State of Odisha undertook a rigorous cross sectoral analysis to come up with a **Climate Budget** in the Fiscal Year (FY) 2020-21.

The aim of this is to keep track of the Government expenditure made for climate change and to support mitigation and adaption actions to address climate change. Odisha became the first state in India to make such a public disclosure and acknowledge the need for identifying sectoral scheme level/budgetary needs and mainstreaming climate change into the state's budget.

[Here](#) is the Climate Budget for the FY 2021-22 report

## Methodology

The Climate Budgeting was preceded by a comprehensive **Budget Coding exercise** across the 11 priority sectors (Instead of Industries and Mines sector, Panchayati Raj and Rural Development sector is taken into consideration) identified under the SAPCC.

In step I, the climate relevance of public expenditure was analysed, while in step II, the vulnerability of public expenditure to future climate impacts was studied. It was observed that there are schemes in every sector which provide greater climate benefits relative to others while also being sensitive to climate impacts, hence needing relevant design considerations to ensure that the benefits are not at risk. Similarly, schemes which are low in providing climate benefits might also be low in sensitivity, which could again call for design changes for accruing greater benefits at lower risk exposure. This could help states draw greater benefits out of schemes which are more tolerant of climate impacts. Dual analysis combined with facilitating effective design changes could also provide a holistic view of where the current climate preparedness stands vis- à-vis future requirements

A Phased Climate Change Impact Appraisal (CCIA) study was conducted with technical support by the Climate Change Innovation Programme (CCIP). 11 stakeholder departments were taken into consideration.

- **Phase 1:** Climate Change Relevance Share (CCRS) – Assessment of how benefits from development programmes contribute to improving climate change resilience. This helps the State Government to identify priority schemes/programmes in each Department to focus on climate-related planning. It also helps to identify the schemes most relevant to climate resilience planning.
- **Phase 2:** Climate Change Sensitivity Share (CCSS) - Understanding how programme benefits are likely to be impacted by climate change itself in the absence of climate change specific planning interventions. This helps in identifying the components of schemes/programmes which are more vulnerable and need additional proofing in terms of technical or financial intervention to further augment climatic relevance of the programme.

## Results

The importance of undertaking an analysis of public expenditure in sectors critical for achieving Odisha's climate response agenda stems from the need to secure development benefits of large-scale funding programmes from potential future losses that climate change would exacerbate.

The result of the Phased CCIA analysis highlighted two major dimensions of programme-level linkages with climate change:

1. How benefits from development programmes contribute to improving climate change resilience.
2. How programme benefits are likely to be impacted by climate change itself in the absence of climate change specific planning interventions.

A brief analysis of the top ten schemes (by budgetary allocation) has been presented in every sector on their relevance and sensitivity levels, indicating the scope for realignment over a significant portion of the department's expenditure. Additionally, all the schemes analysed have been ranked based on their CCRS for the purpose of prioritisation by policy makers at the time of budget allocations to ensure maximum climate as well as welfare benefits.

## Enabling conditions

- A paper presented by Odisha Climate Change Cell on Odisha's Climate Finance Framework in 2019 was approved by the Joint Secretary, Climate Change Division of the Ministry of Environment, Forest and Climate Change (MoEF&CC), Government of India.
- Being a milestone event in the history of Odisha Climate Change Cell, it aided in the incorporation of Odisha's Climate Budget as an individual chapter in the State Budget for the first time as in FY 2019. Subsequently, separate Climate Budget Documents were prepared and published in the FY 2020-21 and 2021-22.
- The **Revised Budget** of the FY 2019-20, the **Expended Budget** of the FY 2020-21 and the **Estimated Budget** for the FY 2021-22 were taken into consideration while preparing the Climate Budget Document for the FY 2021-22.

## Challenges

- Coordinating data compilation with the help of all the stakeholders was initially a challenge for the State.
- It was also very difficult to identify and tag programmes and schemes to climate relevance and sensitiveness. Several rounds of discussions followed by interactive workshops conducted by the Odisha Climate Change Cell, Forest & Environment Department helped the Budget Coding Exercise.

## Key lessons learned

- Using the phased CCIA approach, the CCRS and CCSS scores of the different schemes with different degrees of relevance and sensitivity to climate change can be compared within each sector.
- Integration of a simple yet relatively objective budget coding template with departmental budgets would be the way forward for the State if it were to measure the climate relevance and sensitivity of its expenditure.
- Internally, this would facilitate greater effectiveness of public expenditure not only in delivering welfare but also significant climate adaptation or mitigation benefits without much additional effort towards planning.

## More information

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[Website of Odisha Climate Change Cell](#)  
[Climate Budget FY 2021-22 report](#)