

**THE UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)
ARMENIA**

ARMENIA: CLIMATE CHANGE BUDGET INTEGRATION INDEX ASSESSMENT

REPORT

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The purpose of Climate Change Budget Integration Index is to assess the level of integration of Climate Change policy and finance into National Public Financial Management Systems in Armenia.

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ABBREVIATIONS AND ACRONYMS

AMD	Armenian Dram
ADB	Asian Development Bank
CCBII	Climate Change Budget Integration Index
CC	Climate Change
CPE	Climate Change-related public expenditure
CPEIR	Climate Change Expenditure and institutional Review
CSO	Civil Society Organisation
DP	Development Partner
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GoA	Government of the Republic of Armenia
INDC	Intended Nationally Determined Contributions
MoEc	Ministry of Economy of the Republic of Armenia
MoEn	Ministry of Environment of the Republic of Armenia
MoES	Ministry of Emergency Situations of the Republic of Armenia
MoESCS	Ministry of Education, Science, Culture and Sport of the Republic of Armenia
MoF	Ministry of Finance of the Republic of Armenia
MoH	Ministry of Health of the Republic of Armenia
MoTAI	Ministry of Territorial Administration and Infrastructures
MTEF	Medium-Term Expenditure Framework
NGO	Non-governmental Organisation
PB	Program-based Budgeting
PFM	Public Finance Management
PPP	Public-Private Partnership
SP	Strategic Plan
UN	The United Nations
UNDP	The United Nations Development Program
UNFCCC	The United Nations Framework Convention on Climate Change
WB	The World Bank

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INTRODUCTION

The Climate Change Budget Integration Index (CCBII) has been developed by UNDP as a tool for measuring the level of integration of Climate Change (CC) into national Public Financial Management (PFM) systems. The assessment of the level of integration of CC in the PFM systems will bring a more systemic approach to, and objective validation of, the progress towards a CC-integrated PFM system. It can also set a baseline, help with the formulation of a prioritized reform agenda for CC integration; facilitate cross-country comparison; and build a platform for cooperation with development partners.

Armenian Context – Armenia is a mountainous landlocked country, located on the border of the Caucasus and Central Asia on the Armenian Highland. Armenia’s climate is influenced by the Caucasus Mountains, and ranges from dry subtropical to cold alpine. As a country, Armenia has contributed very little towards anthropogenic greenhouse gas emissions, the main reason for climate change.

But, despite its negligible role, the country already suffers heavily due to adverse climatic conditions, and this is expected to worsen in the future. The territory of Armenia is characterized by high frequency and magnitude of hazardous hydrometeorological phenomena, which trigger the occurrence of emergencies and inflict significant losses on the population and economy. It has a history of drought, significant land degradation, and active desertification processes. Frequent landslides, mudflows, floods, and other natural hazards negatively impact infrastructure, agriculture, and water resources, demonstrating the country’s vulnerability to climate variability and change.

The task of tracking climate change finance for a country like Armenia is a complex one as the country is making the first steps towards introducing a comprehensive CC financial framework. This CCBII assessment, and the upcoming CPEIR, are the first steps towards understanding the level of integration of the CC in the national PFM system, identifying issues and gaps, and developing a country-specific and effective model of CC budget tracking and financial framework. This will enable the consolidation of efforts and resources with which to face the future risks and challenges caused by climate change in the country.

Methodology – The assessment and index calculation were conducted using the methodology developed by the UNDP, which has been successfully piloted in several countries¹. The methodology provides a multi-component assessment of several aspects of CC integration into PFM systems, each of which are independently assessed. The objective is to assess whether PFM practices, and the associated system, helps enable the achievement of climate change policy outcomes.

The assessment and respective index calculation evaluate climate change mainstreaming in terms of the following 4 dimensions, however, each of the fixed dimensions is divided into several categories and subcategories to facilitate query and grading:

- **Policy dimension** – the level of awareness of climate change policies, the recognition and commitment to integrate CC, as well as the availability of enablers to link CC policies with budgets;
- **System dimension** – the capacity and current practices of PFM systems to absorb CC dimension;
- **Accountability dimension** – the extent to which CC is part of the overall PFM accountability system;
- **Development Partners (DP) dimension** – is the extent to which DPs’ CC finance is integrated into national PFM systems

CCBII process - The assessment was mainly conducted in the form of desk reviews, while some subcategories were assessed with close collaboration with country offices, including data collection and confirmation of the specific parameters with the government stakeholders. The assessment involved two aspects. First, a critical analysis of GOA’s existing CC policies, plans and strategies, budget documents, budget planning and preparation guidelines, budget speech, and national planning documents was undertaken. This provided an in-depth understanding of the relevant issues and allowed extraction of the relevant information for developing Armenia’s CCBII. Second, interviews with government officials involved in CC budget planning,

¹ “Measuring the integration of climate change in PFM systems (draft for piloting purposes)”, [https://www.climatefinance-developmenteffectiveness.org/sites/default/files/topic/pdf/Measuring%20the%20integration%20of%20climate%20change%20in%20PFM%20systems%20\(CCBII\).pdf](https://www.climatefinance-developmenteffectiveness.org/sites/default/files/topic/pdf/Measuring%20the%20integration%20of%20climate%20change%20in%20PFM%20systems%20(CCBII).pdf)

execution, and monitoring from various institutions were carried out to understand actual practice.

When undertaking the scoring for the assessment, each score started from the lowest level and a higher score was not obtainable unless there was evidence that the lower rank was being met and/or exceeded. The information used in the assessment was for the last completed fiscal year (2019). If applicable, 2020 data were also used. All the exceptions from the general approach are documented and presented in the assessment.

SUMMARY ASSESSMENT

A. Policy

Armenia is giving increasing importance to climate change (CC) mitigation and adaptation issues. Armenia is a member of more than 20 environmental conventions, including the UN Framework Convention on Climate Change (UNFCCC), Kyoto Protocol, Paris Agreement, Doha Amendment to Kyoto Protocols, 2015-2030 Sendai Action Plan for Disaster Risk Reduction, etc. Armenia has adopted a number of strategic documents and action plans as part of the implementation of commitments under those conventions that are relevant to CC mitigation and adaptation. Examples of such documents are: [The Intended Nationally Determined Contributions of the RA under the UNFCCC](#) (2015), National Strategy and Action Plan for Disaster Risk Management (2017), National Strategy and Action Plan to Combat Desertification in the RA (2015). The Government Program (2019) defines the implementation of prevention measures towards CC mitigation and adaptation as a high priority in the area of environmental management.

The Assessment revealed, however, that, despite the approval of important CC-related policy documents, climate change is not sufficiently integrated into the Public Finance Management (PFM) systems. On the “A. Policy” dimension, the country is assessed as achieving a score of 6 out of a maximum of 30.

This reflects the lack of a joint and comprehensive CC (mitigation, and adaptation) policy framework. In the absence of this framework, it is difficult to clearly define and identify CC-related objectives, policy interventions, and performance results.

In addition, the CC finance framework is not clearly defined, and there are no legislative requirements which mandate this. The scores for almost all dimensions suggest that the CC policy in Armenia, as a distinct policy direction, is not facilitated by the PFM system. Under the budgeting processes, CC policy is diluted in various sector development policies and not treated as a separate policy direction in any of the budgeting phases and processes. This is also the case with respect to budget prioritization where potential CC impact is not used as a factor in determining expenditure priorities, even in those sectors that are directly related to the CC policy.

B. System

The presence of mechanisms and a methodology for the identification of CC-related policy measures and performance indicators, coding, and costing is central to ensuring integration of CC policy into the PFM systems.

The present Assessment and the upcoming Climate Change Public Expenditure and Institutional Review (CPEIR) will lay the basis for the clarification of the CC finance/budget framework, as well as make suggestions for the improvement of the link between the CC policy and the Budget.

As can be seen from “B. Systems” dimension score (3 out of maximum 30), there are no identification and coding mechanisms or procedures for the Climate Change Related Public Expenditures (CPE) in the budgeting cycle, nor accounting or reporting methodology for them. As such, no comprehensive official reports are released on CPEs, while the reports that are published are discrete and not comprehensive from a CC finance perspective.

Nevertheless, Armenia’s budgeting systems are quite advanced (MTEF process is well established, program budgeting has been introduced, the performance reporting system is in place, etc.) which creates good preconditions for the integration of the CC policy in these systems.

C. Accountability

Reporting on the effectiveness and efficiency of the Climate Change Related Public Expenditures (CPE) is crucial from the perspective of ensuring good governance and provision of value for money. The National

Assembly (NA), Chamber of Audits (CA), and Civil Society Organizations (CSO) can play a focal role in ensuring the reporting on CPEs provided that the latter have sufficient capacities and available information on implemented policy measures to hold the executive accountable in this area.

Due to the introduction of Program Budgeting (PB), Armenia’s PFM system provides favorable conditions for the presentation of performance on budget programs and performance-informed decision-making. Budget documents (including reports) contain systemized information on expenditures and performance under budget programs and policy measures, while budgeting decisions are made in an environment where information on performance indicators is available.

CPEs, as a rule, are diluted in expenditures for various budget programs and policy measures grouped around sector development goals and performance indicators which do not reflect the performance of CC policy. The information submitted to the NA does not specify the relation of budget programs to CC policy; no specific discussions are held at NA with respect to the CPEs.

The level of CSO participation in the budgeting, monitoring, and reporting processes for CPEs is low.

According to the Assessment’s findings, the score for the “C. Accountability” dimension is low (10 out of maximum 30) suggesting that there is a large potential for the improvement in CPE accountability.

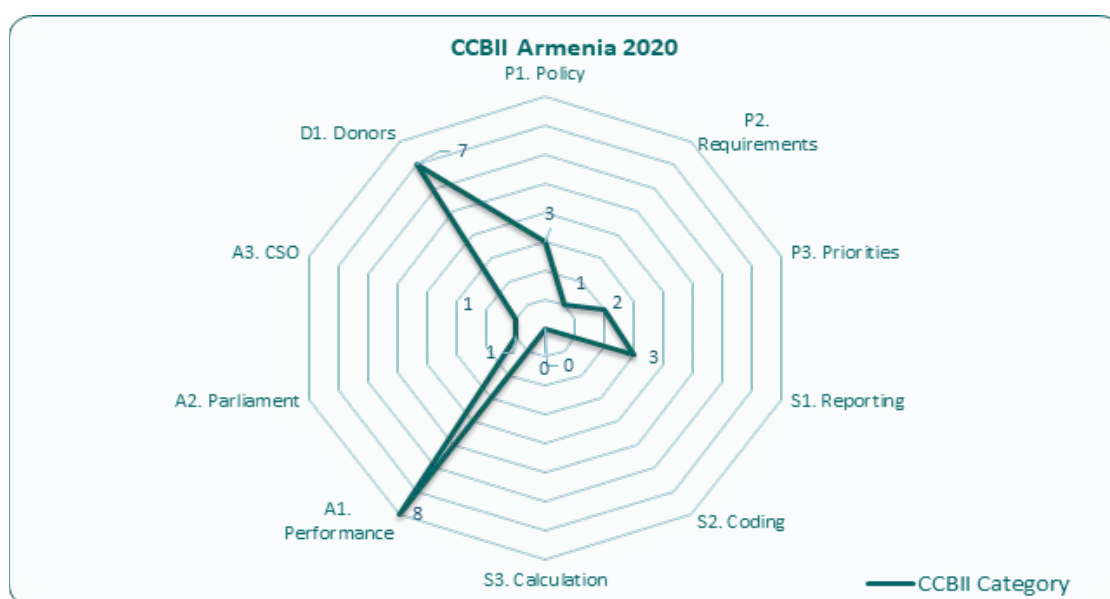
D. Development Partners

Armenia has a long-standing history of cooperation with Development Partner Organizations (DP). Various international organizations, such as WB, ADB, GIZ, EBRD, UN agencies, and other development partners provide assistance to the GoA in environmental and CC-related areas, such as renewable energy, agriculture, healthcare, infrastructure, tourism, water sector, etc. Assistance is provided through various mechanisms – starting from loans to direct budget support, official grants, and technical assistance projects.

Projects financed from external loans and official grants extended by DPs have a high level of integration in the national PFM systems. The level of coordination with DPs and the presentation of loans/grants from external sources in budget documentation and Treasury system is high; however, not all of the budget implementation procedures under those projects are carried out in accordance with national practices.

Based on this Assessment, the “D. Development partners” dimension received an above-average score (7 out of maximum 10).

Summary of scores (all dimensions)



Dimension	Category	Points
P. Policy	P1. Policy	3
	P2. Requirements	1
	P3. Priorities	2
S. System	S1. Reporting	3
	S2. Coding	0
	S3. Calculation	0
A. Accountability	A1. Performance	8
	A2. Parliament	1
	A3. CSOs	1
D. Development Partners	D1. Donors	7
CCBII		26

INSTITUTIONAL SETUP OF THE CLIMATE CHANGE PUBLIC FINANCE

Due to its cross-cutting nature, the institutional framework of CC public finance is quite wide. The table below presents the main players in the area of CC public finance and their responsibilities:

Institution	Responsibilities
National Assembly	RA National Assembly (NA) is the legislative body: it approves the Annual Budget, carries out oversight over Budget implementation, as well as the use of loans and credits received from foreign countries and international organizations. Upon the receipt of the Conclusion of the RA Chamber of Audits, the NA discusses and approves the Annual Budget Implementation Report.
Chamber of Audits	The RA Chamber of Audits (CA) is an independent agency which carries out external audits. It audits the legitimacy and efficiency of the use of budget resources, received credits and loans, as well as state property. The CA presents its Annual Communication on its activities to the NA, as well as the Conclusion on the Budget Implementation Report and ad hoc Conclusions in accordance with the legislation.
Government	The RA Government of Armenia (GoA) is the highest executive body of the Republic of Armenia. It develops and implements the domestic and foreign policies of RA, submits to the approval of the NA the draft Annual Budget, ensures the budget's implementation, and presents the Budget Implementation Report to the NA. It manages state-owned property, implements a unified set of financial-economic, credit, and tax policies, and implements a range of other policies in all sectors of the economy, including the environmental protection.
Ministry of Finance	<p>The RA Ministry of Finance (MoF) is the agency in charge of PFM which provides the overall financial, credit, revenue, and property management policies. The MoF carries out the organization and methodical guidance of the budgeting process, including:</p> <ul style="list-style-type: none"> • Development and organization of the implementation of macroeconomic and fiscal policies; • Management of the budgeting process: organization of strategic, medium-term and short-term (annual) planning of revenues (inflows) and expenditures (outflows). This includes the receipt and analysis of inflow projections and budget bids of state budget agencies; the programming of budget inflows and outflows for the next year, drafting the Medium-Term Expenditure Framework, Annual Budget Law, Budget Message and quarterly breakdown of budget implementation; • Organization of budget implementation, including the Treasury functioning, and the preparation and submission of budget implementation reports; • Development of legal and methodological regulations in the PFM area (including budget planning, implementation, and reporting) and associated monitoring.
Ministry of Economy	<p>The RA Ministry of Economy (MoEc) develops, implements, coordinates, and evaluates the economic policy of Armenia. The main functions of MoEc in the PFM context are:</p> <ul style="list-style-type: none"> • Coordination of the prioritization process of public investment projects, and its subsequent monitoring and evaluation; • Public-Private Partnership (PPP) policy development and establishment of sectoral platforms for PPP;

Institution	Responsibilities
	<ul style="list-style-type: none"> • Development of the economic policy of the GoA; • Development of long-term sector development programs in line with global challenges.
Agencies in charge of sectors adjacent to the CC policy and expenditures	
Ministry of Environment	<p>The RA Ministry of Environment (MoEn) is the state body in charge of policy development and implementation in the area of environmental protection and CC-related issues, as well as facilitating international cooperation in these areas and delivering on the international commitments of the RA. Its main areas are:</p> <ul style="list-style-type: none"> • CC mitigation and adaptation; • Protection of environment; • Forestry; • Hydro-meteorology; • Biodiversity and protected natural areas; • Water resource management.
Ministry of Economy	<p>From CC policy perspective, the RA Ministry of Economy (MoEc) is the state body in charge of policy development and implementation in the following areas, closely related to the CC:</p> <ul style="list-style-type: none"> • Agriculture; • Food safety; • Industry; • Tourism.
Ministry of Territorial Administration and Infrastructure	<p>From CC policy perspective, the RA Ministry of Territorial Administration and Infrastructure (MoTAI) is the state body in charge of policy development and implementation in the following areas, closely related to the CC:</p> <ul style="list-style-type: none"> • Energy; • Transport; • Water system management and use; • Urban development; • Residential and solid waste management.
Ministry of Emergency Situations	<p>From CC policy perspective, The RA Ministry of Emergency Situations (MoES) is the state body in charge of policy development and implementation in the area of Disaster and disaster risk management.</p>
Ministry of Health	<p>From CC policy perspective, the RA Ministry of Health (MoH) is the state body in charge of policy development and implementation in the area of Public Health.</p>

SCORING BY CATEGORY

P1. Policy: Policy and Strategic Planning Context for CC

Public policy framework for climate change resilience, mitigation, and adaptation is not comprehensive.

Despite the recent measures taken to develop and clarify the public policy on climate change mitigation and adaptation (hereinafter - CC) in Armenia, the public policies in this area are not yet clear and comprehensive.

In essence, the only comprehensive document defining the public policy with respect to climate change in Armenia is the Nationally Determined Contributions/Investment (NDC) document adopted by the GoA in 2015 under the UNFCCC. This document, despite defining the main principles of public policy on CC, as well as vulnerable areas in terms of adaptation and containing long-term mitigation targets (by 2050), is not a comprehensive policy document. This is especially the case with regard to adaptation to climate change where it lacks specific objectives, policy directions, and targets.

Apart from the NDC, in practice, policies and strategic issues regarding CC mitigation and adaptation are spread (diluted) across various development strategies (including sector strategies) and action plans. The latter instead, as a rule, are developed around sectoral development policies and objectives and do not normally address CC policies and objectives. Performance indicators (outcomes/outputs) in sector development strategies mostly reflect sector development goals and targets, with indicators related to CC typically missing. Moreover, these strategies do not clarify/reflect their interrelationship with CC policy and its targets. The only exceptions are those sectors directly related to CC (e. g. renewable energy) where the sector development objectives and indicators directly relate to CC policies and outcomes.

Financial estimates of strategy implementation costs (including those related to CC) are very often incomplete: they cover only externally-financed projects/measures in the best case, and, as a rule, do not take into account the long-term fiscal constraints and possibilities.

Budget documents defining the expenditure policies (MTEF, Budget Message) do not outline the CC policy as a distinct direction of public expenditures. These documents do not reflect clear objectives, outputs and expenditure estimates specifically for CC policies.

The lack of a policy document describing a clear and comprehensive framework for CC public policy (objectives, policy directions, targets, interventions, outputs/outcomes) is a significant obstacle in identifying the policy objectives, outcomes and output related to CC in various sector strategies and programs, and therefore, to assessing the effectiveness and efficiency of measures taken with respect to CC.

Currently, efforts are underway to draft the National Strategy on Development with Low Emissions and National Adaptation Program which aims to coordinate public policies on CC mitigation and adaptation, as well as make them more comprehensive.

Summary Score: P1. Category	Score
P1. Policy: Policy and Strategic Planning Context for CC	3
P1.a. Existence of a specific high-level policy on CC	0
P1.b. Level of endorsement of the CC policy/ies	2
P1.c. Existence of specific policy targets and costing that can be linked with budgets	1
P1.d. Reflection of CC policies in strategic budget documents	0

P2. Requirements: Legislative and other procedural requirements on CC dimension for PFM

No legislative requirements on CC financing exist.

There are no legislative or procedural requirements to identify and/or present separately the CC-related policy measures or expenditures in budget procedures and budget documentation. Budget procedures and Budget Methodological Instructions do not contain specific requirements and/or guidelines for planning, institutional responsibilities, functions or templates of CC-related expenditures.

Starting from 2020, Budget Methodological Instructions do contain certain requirements and instructions on budgeting of gender-sensitive expenditures. The appearance of gender-sensitive expenditures in traditional budgeting processes as an inter-sectoral cross-cutting policy may be a significant precedent for the development and introduction of CC expenditure budgeting system in Armenia.

Nevertheless, current requirements on gender-sensitive expenditure budgeting mostly refer to the identification of outputs of gender-sensitive expenditures and outcomes of gender policies and, as such, do not imply significant involvement of the Ministry of Finance staff in the process. Methodological Instructions do not define separate procedures, formats, or expenditure tagging processes for gender-specific budget expenditures.

No specific institutional framework is established for the CC expenditure planning and submission.

Summary Score: P2. Category	Score
P2. Requirements: Legislative and other procedural requirements on CC dimension for PFM	1
P2.a. Legislative or procedural requirements on CC finance presentation in budgets	0
P2.b. Budget guidelines/instructions	1
P2.c. Institutional scope of the requirements on CC finance	0
P2.d. Nature of the information required	0

P3. Priorities: Climate Change as a Priority in the budget system

CC policy is mostly outside of the scope of budget priorities.

Expenditure priorities in the budgeting process are based on development policy priorities. State budget agencies are normally focused on their sectoral development objectives and priorities during the budgeting process, and CC policy issues, as a rule, are not reflected in their priorities. The cross-cutting nature of CC policy, together with the current state of fragmentation of the CC policy framework, also contributes to this challenge (see P.1 Summary Score). As a consequence, state budget agencies do not submit systemized assessments of how much their sectoral policies contribute to the attainment of CC policy objectives.

Although the Ministry of Environment is the agency in charge of developing and implementing the policy on CC mitigation and adaptation, under the budgeting process it only coordinates the budgeting for the programs that are implemented by the Ministry itself. However, most of the measures and expenditures on CC are scattered in development programs of various state agencies and are, therefore, coordinated by those agencies. There are no mechanisms for coordination of CC expenditure budgeting within the budgeting process.

Moreover, currently, there are no unified mechanisms or methodology adopted for technical, financial, economic appraisal and the setting of priorities for the budget expenditures in place. As a consequence, budget agencies apply various approaches to program appraisal. To respond to this challenge, a document setting out public investment appraisal and prioritization mechanisms and methodology is being drafted. This is expected to be adopted by the end of 2020 and will be an integral part of the budgeting process².

² GoA Decree N 1716-L On approving the 2019-2023 PFM Reform Strategy and Action Plan (2019)

Budget Methodological Instructions do require that capital investments (construction, capital renovation, etc.) in the Budget Bids of state budget agencies should only be submitted to the MoF together with design documents based on a positive expert conclusion on the respective investments. These expert conclusions normally include environmental impact assessments (EIA). EIAs cover a wide range of impacts on the environment. However with respect to CC, EIAs typically only address the impact of the project on greenhouse gas emissions and hence mitigation. The impact of the projects on climate resilience and adaptation are normally not addressed in EIAs.

According to preliminary estimates based on 2019 Budget Implementation results, CC-related budget expenditures can be considered as having the same priority as total expenditures. The ratio of the standard deviation of the planned and actual CPE to the standard deviation of planned and actual for all budget expenditures equals 0.96: This reflects overall budget discipline for all expenditures. This preliminary analysis was determined by the discretion of the expert looking at all measures that have any relation or link to CC policy regardless of the degree of that relation. The analysis will be reviewed as a result of the upcoming CPEIR.

Summary Score: P3. Category	Score
P3. Priorities: Climate Change as a Priority in the budget system	2
P3.a. Program/Project appraisal systems	0
P3.b. Prioritization factors on CC	0
P3.c. Institutional prioritization of the climate	0
P3.d. Adherence to ceilings	2

S1. Reporting: Climate Change Expenditure Reporting

Reporting on CPEs is weak. As such, no comprehensive official reporting is published on CPEs.

Probably the only official document which presents the CPEs in a systemized manner is the Second Biennial Update Report of the RA under the UNFCCC. The Report is prepared biennially and contains information on the funds received/spent from foreign sources for the CC mitigation. These reports are presented by the Minister of the Environment and have wider objectives than reporting on actual CPEs.

No special reports are presented for the CPEs carried out under the national budgets, nor are CPEs tagged in Budget Reports so that they might be distinguished from expenditures in other sectors or for other priorities.

The Audit Chamber of Armenia, according to its annual program, carries out financial and compliance audits of all Annual Budget expenditures, including expenditures funded from external borrowings or loans, and provides a Conclusion on Annual Budget Implementation Report. In that regard, the Audit Chamber audits all those expenditures under the programs of the Annual Budget that have any relation to CC policy.

At the same time, credit and grant projects implemented under various international agreements with external financing are normally subject to external audits by independent auditors selected in compliance with the requirements of the respective international agreements.

Summary Score: S1. Category	Score
S1. Reporting: Climate Change Expenditure Reporting	3
S1.a. Status of reports on CC expenditures	1
S1.b. Nature of the CC budget expenditure reporting system	1
S1.c. Validation of the reports on CC expenditures by the SAI	1

S2. Coding: CC budget coding (FMIS)

No mechanisms or procedures for CPE identification or coding are in place.

CPEs are not distinguished, identified or coded in any stage of the budgeting process (planning, appropriation, implementation, reporting, audit) in Armenia. Currently, Armenia is taking the very first steps in establishing a financial framework for CC. In particular, the CPEIR is underway: based on its findings, the UNDP will support the GoA to develop a methodology for identification, cost allocation and coding of CC-related measures.

Summary Score: S2. Category	Score
S2. Coding: CC budget coding (FMIS)	0
S2.a. Application of CC coding on budget allocations	0
S2.b. Application of CC coding on budget actual expenditures	0
S2.c. Availability and timeliness of the CC information	0

S3. Calculation: Methodology on calculating CC finance

There is no CPE calculation and accounting methodology in place.

With the support of UNDP the methodological basis for identification, classification, and cost calculation of CC related expenditures in Armenia will be prepared on the basis of the currently underway CPEIR.

Summary Score: S3. Category	Score
S3. Calculation: Methodology on calculating CC finance	0
S3.a. Status of the CC finance calculation methodology	0
S3.b. Accuracy of accounting CC finances	0
S3.c. Criteria	0
S3.d. Scope	0
S3.e. Comparability	0

A1. Performance: CC performance information

The PFM system in Armenia creates favorable conditions for the presentation of performance on budget programs and performance-informed decision-making. The lack of clarity with regard to programs/measures under CC policy and performance indicators is a significant obstacle to the presentation of CC policy and its performance in the budgeting process.

Starting from 2019, the RA Annual Budget has been drafted and adopted in Program Budgeting format. This means that the Budget is presented through programs aiming at certain policy objectives and program measures are implemented to ensure attainment of the desired outcomes. Budget documents contain systemized information on budget program objectives and outcomes, as well as outputs (quantity and quality indicators) of measures under the programs. Performance indicators are presented in the main budget documents used in all budgeting stages, including the Budget Implementation Reports. In 2019 Annual Budget, non-financial performance indicators were set for about 80% of all program measures, while for CC-related program measures, this ratio exceeds 90%.

Although performance indicators are set for almost all budget programs and measures (including also CPEs), those programs and measures, nevertheless, are currently designed around sector development objectives and the performance indicators describing them mainly reflect sector development targets. Among the performance indicators for program measures that have close links with CC policy objectives, there are some indicators which describe the performance from a CC policy perspective, however, this is rare. This reflects

that a comprehensive scope of CC-related programs and measures and performance indicators have not been clearly defined. As a consequence, they are not reflected among the performance indicators describing the sector programs.

Overall, during all stages of the budget process, budgeting decisions are made taking into account the available information on non-financial performance indicators. Performance indicators are presented in the Budget Bids submitted by state budget agencies to the MOF; thereafter they are reflected in all main Budget documents. This includes Budget Implementation Reports which contain both planned/target performance indicators and actuals. Information on performance indicators is available during the budget discussions at the MOF, GoA and NA, including on programs and measures that are related to CC.

The High Summary Score for this category reflects the existence of established systems and a PFM environment favorable for performance-informed decision-making. From the perspective of CC policy, the results or effects of the existing system will be visible only after the enhancement of CC policy framework and presentation thereof as a distinct public policy direction in the budgeting process.

Summary Score: A1. Category	Score
A1. Performance: CC performance information	8
A1.a. Availability of CC performance information	4
A1.b. SMART-ness of indicators	1
A1.c. Performance information used during budget planning/costing	3

A2. National Parliament: Parliament’s engagement in the CC budget discussions

Information submitted to the NA does not specify the relation of budget expenditures to CC policy. No specific discussions are held at the NA in relation to CPEs.

Budget Expenditures in the Annual Budget are grouped around public policy objectives and represent programs and measures that are intended to contribute to the attainment of those objectives. One of the important benefits of the introduction of Program Budgeting is that the budget documents submitted to the NA (Draft Budget, Budget Report) as part of the budgeting cycle contain, on a systematic basis, non-financial performance indicators along with the financial information on program measures. This provides a basis for shifting the budget discussion in the NA from mere financing or savings to the outcomes, outputs and efficiency of public interventions. Nevertheless, current budget discussions at the NA, as a rule, mostly refer to the magnitude and compliance of budget expenditures and outputs, and only rarely to their effectiveness and efficiency.

Starting from 2019, the budgeting timeline defines a separate process, according to which discussions on the content of budget programs are initiated in the NA Standing Committees upon the MTEF approval by the GoA and its presentation to the NA. Sector agencies, MoF and CSOs participate in these discussions. The objective is to clarify and agree upon the content of budget programs, including their objectives, structure, measures and performance indicators.

As budget programs and measures are mostly grouped around sector development objectives and CPEs are not identified in Budget documents (including reports), therefore, budget programs are discussed by the NA mostly within the context of overall and sector development policies. No reviews or discussions are held by the NA that distinctly refer to the CPEs.

The NA has 11 Standing Committees which carry out parliamentary oversight over public policies, programs and resource mobilization in various areas. None of those Standing Committees have a clear and comprehensive mandate for parliamentary oversight in the area of CC. The mandate of the NA Standing Committee on Territorial Administration, Local Governance, Agricultural and Environmental Issues includes environmental protection area which, in practice, covers CC mitigation and adaptation issues. Nevertheless, CC mitigation and adaptation policy is not considered a distinct policy direction or area for the Committee or any of its 7 working groups.

Due to the cross-cutting nature of CC policy, other Standing Committees are also involved in CC related issues, such as the Standing Committee on Economic Issues (power sector, tourism, transport, etc.) and the Standing Committee on Health and Social Issues (see [Annex 3](#)). It also should be mentioned that so far no committee has scrutinized the state budget specifically from a CC policy perspective.

Summary Score: A2. Category	Score
A2. National Parliament: Parliament’s engagement in the CC budget discussions	1
A2.a. Parliament committee on climate change	1
A2.b. The role of the parliament on CC dimension during budget scrutiny	0
A2.c. CC finance effectiveness/efficiency analysis	0
A2.d. CC finance accountability	0

A3. CSO: CSO participation in CC finances

The level of CSO participation in the budgeting, monitoring and reporting for CPEs is low.

A public council operates under the Minister of Environment which aims at ensuring and coordinating collaboration of civil society in the drafting of environmental plans, programs and policies (including CC-related ones). It is a separate, independent consultative body consisting of more than 20 CSOs. In addition, around 40 CSOs are listed on the website of the MoEn as cooperating with the Ministry on various environmental issues (including CC). Nevertheless, there is no evidence that environmental CSOs – either within the scope of the public council or our outside of it – are actively involved in CC finance issues, especially on public finance.

CSOs are invited to participate in discussions on Budget bids/programs of budget agencies (including CC-related sectors). This requirement is clearly set in the budget process calendars and Budget Methodological Instructions. According to these requirements, prior to the submission of their bids to the MoF, sector ministries and agencies are required to publish their budget bids and discuss with the CSOs in their sectors. No separate discussions on CPEs are held as part of these discussions with CSOs.

CSOs prepare various studies and reports on CC which are mostly dedicated to the generation of information on CC impacts, as well as awareness-raising on CC. Those studies, as a rule, do not contain financial analyses of CPE measures and state bodies have no obligation to use the findings and analyses contained in these studies while preparing budgets for CC policy. CSOs do not directly participate in budget monitoring and reporting processes.

Currently, under the coordination of the MoEn, work is underway to increase the involvement of CSOs in CC related issues, including training and capacity building in CC project management and CC finance areas.

Summary Score: A3. Category	Score
A3. CSO: CSO participation in CC finances	0
A3.a. Institutional partnership of CSOs with the government on CC finances	0
A3.b. CSOs and the Budget preparation	0
A3.c. CSOs and the Budget monitoring and reporting	0

D1. Donors: Integration of CC activities of Development Partners in the national PFM systems

Overall, projects financed by external loans or official grants provided to RA have a high level of integration into the national PFM systems.

Armenia has a long-standing history of cooperation with Development Partner Organizations (DPs). Various international organizations, such as the WB, ADB, GIZ, EBRD, UN agencies and other DPs are widely present in Armenia. They provide assistance in implementing various CC-related projects. This is provided through loans, direct budget support, official grants, and technical assistance projects³.

These funds are held at foreign-exchange subaccounts of the Single Treasury Account and expenditures financed from these accounts are subject to primary treasury oversight in accordance with the requirements set in national procedures. These accounts are managed by Project Implementation Units or Departments of the respective state budget agencies which serve as a link between the state agencies and DPs.

Under Treasury oversight, payments out of those accounts are made in accordance with existing procedures based on payment schedules, extracts from contracts and other justifying documents. For externally financed projects, procurement, accounting and external audit processes are carried out in accordance with procedures set by the respective DPs which can be different from the national procedures.

Information on external loans/credits and official grants⁴, as well as projects implemented through the proceeds of such loans and grants (including CC-related), is available for state budget agencies and MoF. This information is used by the state budget agencies for budget planning and decision-making purposes. It is included in the Budget Bids of state budget agencies and submitted to the MoF in a systemized manner. It is used in information systems in budget planning, implementation and reporting.

Comprehensive information on the proceeds from external loans and official grants, and on the expenditures financed from those sources in each year, is provided as Annexes in the Budget documents (Annual Budget Law, Budget Message, Budget Implementation Report).

Although external grants directly provided to the State non-commercial organizations (SNCO) are circulated through the Treasury accounts and are subject to Treasury oversight, these funds are considered non-budgetary revenues of SNCOs and are not usually reflected in the State Budget.

The High Summary score for this category reflects the high level of integration of projects financed from external loans and official grants within the national PFM system. However, the effect of this high integration should be viewed in the context of scores for all dimensions.

Summary Score: D1. Category	Score
D1. Donors: Integration of CC activities of Development Partners in the national PFM systems	7
D1.a. Procedural requirements on CC planning, budget execution and monitoring/reporting in country's domestic PFM system for donor related programs/projects	2
D1.b DP's CC finance information systems	2
D1.c. Presentation of DP's CC programs (budgets) in budget documentation	2
D1.d. % of CC funds channeled through national PFM systems	1

³ The “D1.Donors” category covers the assessment of the loans and official grants received from foreign countries and international organizations. It does not include the in-kind and technical assistance support.

⁴ Does not include in-kind grants or technical assistance projects.

SUMMARY FINDINGS AND RECOMMENDATIONS

The Climate Change Budget Integration Index (CCBII) is a tool that allows an assessment of the level of integration of CC policies and implementation mechanisms within the PFM system.

Armenia is currently taking its first steps in delineating the finance/budget framework in the area of CC and improving the link between the CC policy and the Budget. The present CCBII Assessment is the first assessment carried out in Armenia and, in essence, it aims to lay a solid foundation to evaluate future progress on the aspects of CC integration into the PFM.

The estimated CCBII (Figure 1) shows that the CC policy in Armenia, as a distinct policy direction, is outside the focus of the PFM system. Due to its cross-cutting nature, it is mostly diluted in other sector development policies in the budgeting process and is not considered a separate policy in any of the budgeting phases or processes.

The primary reason for this lack of integration is the shortfall in the CC policy framework and associated strategic planning, which then spreads into other dimensions of budgeting. Current CC policy in Armenia is fragmented and not comprehensive. For instance, there is no systematic framework of mitigation and adaptation targets, policy measures and performance indicators. This means that it is not possible to efficiently identify CC-related policy measures and resources spent on them within the budgeting process and then evaluate their performance afterwards. The adoption of a unified and comprehensive set of CC policy document(s) is one of the primary challenges for CC policy development in Armenia.

The absence of legislative requirements for reporting on budget expenditures on CPEs, as well as a lack of clear and recognized demand for receiving and using that type of information, contributes to the current lack of mechanisms for such reporting.

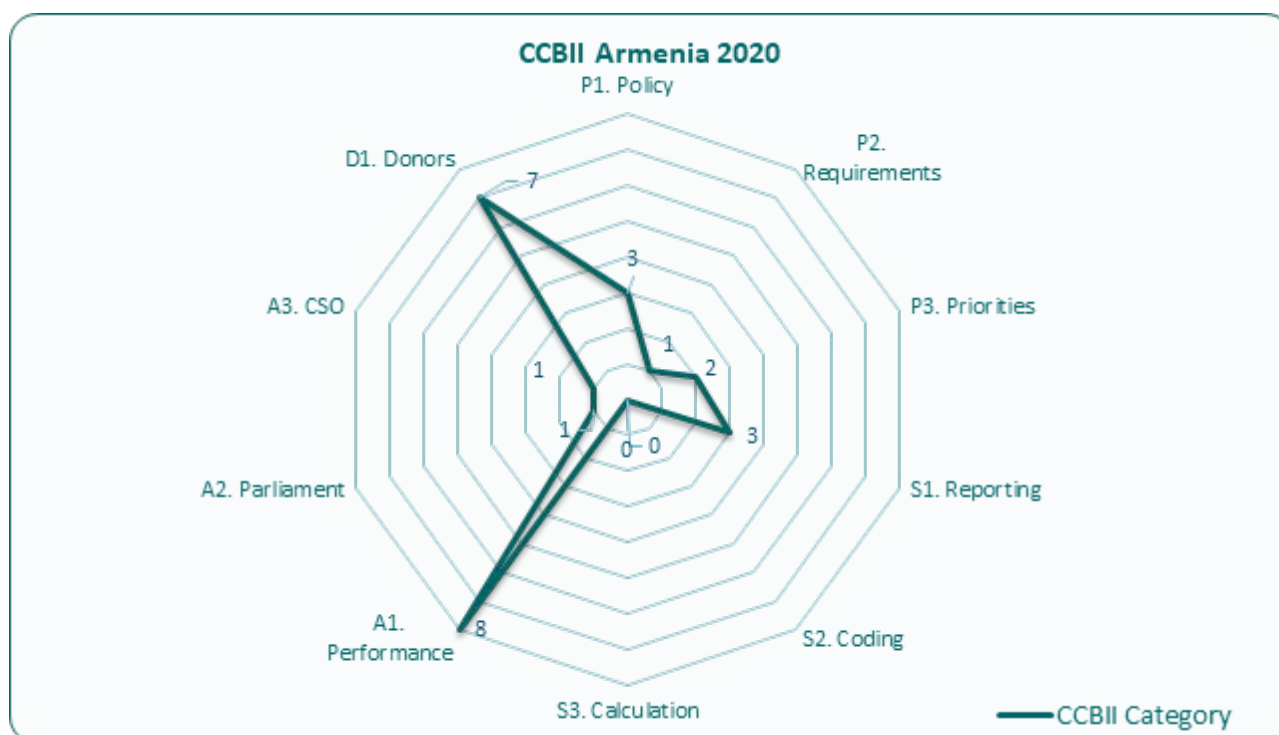
The current budget system is well suited for sector policies where the institutional responsibilities for program performance and financial management are vested within specific sector agencies. However, for the identification and reporting of cross-cutting policies (such as CC policy) as part of the budgeting process, it will be necessary to establish new institutional mechanisms.

From a practical point of view, one of the main shortfalls in integrating CC into the PFM system is the absence of mechanisms and methodology for the identification, coding and calculation of CC policy measures, performance indicators and expenditures within the budgeting process. Those are the crucial instruments without which it will not be possible to “see” the expenditures and performance indicators, and hence track and report on them during the various stages of the budget process.

Those dimensions where the scores are relatively high (performance, donors) reflect the overall development and efficiency of the PFM system. Their positive impact with respect to CC policy and budgeting will become visible only after progress and development on the other dimensions.

Although coordination mechanisms with DPs and the presentation of loans/grants from external sources in budget documentation and the Treasury system is high, not all of the budget implementation procedures under those projects are carried out in accordance with national practices.

Figure 1. Climate Change Budget Integration Index (CCBII) 2020



Summary Score (all dimensions)

Dimension	Category	Points
P. Policy	P1. Policy	3
	P2. Requirements	1
	P3. Priorities	2
S. System	S1. Reporting	3
	S2. Coding	0
	S3. Calculation	0
A. Accountability	A1. Performance	8
	A2. Parliament	1
	A3. CSO	1
D. Development Partners	D1. Donors	7
CCBII		26 (out of maximum 100)

The index shows that there is a need to develop and improve all dimensions for the establishment of the CC finance framework. Some recommendations are provided below on how to improve the integration of the CC policy into the PFM system.

1. The clarification and definition of the CC policy framework is an important precondition to ensure identification, budgeting and reporting of CC policy-related measures in the budget. It is necessary to develop and adopt comprehensive documents defining the state policy in the area of CC mitigation and adaptation. These documents should clearly present the objectives of CC policy, expected outcome(s), main directions of policy interventions, performance indicators and targets, as well as the links of those interventions to the CC policy objectives, targets and interventions in adjacent sector development strategies.

2. Due to the cross-cutting nature of the CC policy, it is necessary to introduce certain requirements in the strategic planning of adjacent sectors (agriculture, energy, solid waste management, etc.) for the identification of targets, policy measures and performance indicators relating to the CC policy.
3. Legislative provision for reporting to the NA on CC policy measures will serve as an important stimulus for the development of budgeting and reporting mechanisms for CPEs, as well as increasing the respective demand for, and capacities in absorbing, this information within the NA.
4. Based on the findings of the present Assessment and the following CPEIR, the adoption of a CC finance framework and road map document on the integration of a CC finance framework into the PFM system will be an important step for the implementation of these processes in a coordinated and targeted manner. The road map should describe the legislative, institutional and procedural requirements necessary to link the CC policy framework and strategies with the budget process and, as a consequence, ensuring the transparent and efficient use of resources.
5. There is a need to better define the institutional framework for CC finance. When doing this, it is necessary to take into account the cross-cutting nature of CC-policy and hence establish coordination mechanisms with the agencies in adjacent sectors. In this respect, the Inter-agency coordination council for the implementation of the requirements and provision of the UNFCCC set up by the Prime Minister’s Decree N 955-A (2012) can be a practical platform for the coordination of the identification and reporting processes of CC policy measures. It is necessary to review the role of the MoF in identifying, coding, calculating and reporting of the CPEs and explore possibilities to enhance it.
6. The development of a methodology, format and mechanism for the CPE identification, tagging and calculation will be one of the important steps to establish the necessary systems. The upcoming CPEIR findings, as well as the enhanced policy framework, as suggested in recommendation 1, can be an important basis for these processes, in particular in defining the typology for CPE identification.
7. The impact on CC, both in terms of emissions and impact on climate resilience, should become one of the main criteria for program appraisal and prioritization, especially in public investment projects, in all the sectors closely related to the CC (agriculture, energy, forestry, water, etc.).
8. Performance indicators on CC related programs and measures should include indicators that describe the performance from a CC perspective. In that regard, it is important to establish a clear and comprehensive framework for the CC policy, measures, targets, and performance evaluation.

REFERENCES USED

- RA Law on Budgetary System (1997);
- RA Law on Procurements (2016);
- RA Law on Treasury System (2001);
- RA Law on Environmental Impact Assessment and Expertise (2014);
- RA Constitutional Law on Rules of Procedure of The National Assembly (2016);
- RA Law on Audit Chamber (2018);
- GoA Decree N 706-N On approving the budget execution procedure (2018);
- GoA Protocol Decree N 41, [On approving the intended nationally determined contributions of the RA under the UNFCCC](#) (2015);
- GoA [Protocol Decree N 49, On approving of the activities by the Republic of Armenia for implementation of the obligations emanated from a number of international environmental conventions ratified by RA](#) (2016);
- GoA Decree N 1716-L On approving the 2019-2023 PFM Reform Strategy and Action Plan (2019) (http://www.minfin.am/website/images/website/tej_gic/1716-1k.voroshum.docx);
- GoA [Protocol Decree N 42, On approving of](#) methodological instruction on the development, submission and control of strategic documents affecting public revenues and expenditures (2017);
- GoA Decree N 32-N On approving the procedures on accounting, report preparation and publication for official grants (2003) ;
- GoA Protocol Decree No 54-13, On approving the long-term development directions of the power sector of Armenia (up to 2036)(2015), (https://www.e-gov.am/u_files/file/decrees/arc_voroshum/54-13_1ardz_voroshum.pdf);
- GoA Decree N 1484-N, On approving the procedures of issuance of construction approval and other documents (2007);
- GoA Protocol Decree N 54-20 On approving the prioritization procedures for state road maintenance and development (2014);
- [NA Decree on creating Standing Committees of the 7th Convocation of the National Assembly](#) (2019), (<http://www.parliament.am/legislation.php?sel=show&ID=6525&lang=arm>);
- [RA NA Standing Committee on Territorial Administration, Local Governance, Agriculture and Nature Protection Decree N1](#) (2019) (http://www.parliament.am/committees.php?do=show&ID=111208&showdoc=2702&cat_id=499&month=all&year=2019&lang=arm);
- [Armenia’s 4th National Communication on Climate Change](#) (2020) (http://nature-ic.am/Content/announcements/11676/FNC_Eng.pdf);
- Second Biennial Update Report of the Republic of Armenia under the UNFCCC (http://www.mnp.am/uploads/1/15302533872BUR_arm_final.pdf);
- 2020 Annual Budget Law and Budget Message of the Government (2019) (http://www.minfin.am/hy/page/petakan_byuje_2020_t);
- 2019 Annual Budget Law and Budget Message of the Government (2018) (http://www.minfin.am/hy/page/petakan_byuje_2019_t);

- [GoA Decree N 1515-N On approving the measures to ensure the implementation of the 2019 Annual Budget](#), (2018) (http://www.minfin.am/hy/page/petakan_byuje_2019_t);
- Prime Minister Decree N 5-A On starting the 2021 budget process, (2020) (<https://www.e-gov.am/decrees/item/21639/>);
- 2019 Annual Budget Implementation Report (2020) (http://www.minfin.am/hy/page/petakan_byujei_hashvetvutyun_2019_t_tarekan_nakhagits Բյուջեի կատարման հաշվետվություն);
- 2020-22 Medium-Term Expenditure Framework (2019) (http://www.minfin.am/hy/page/petakan_mijnazhamket_tsakhseri_tsragre);
- [2021-2023 MTEF and 2021 Annual Budget Methodological instructions for the preparation of budget bids and submission to MoF](#) (http://www.minfin.am/website/images/website/byuje%20ev%20krnaki%20harkum/Metodakan_2021_2023.rar);
- Sector development strategies related to CC are available at websites of respective state bodies and the Legal Information System of Armenia (<https://www.arlis.am/>);
- Budget bids of state budget agencies (available at state budget agencies’ websites);
- Environmental Impact Assessment documents are available on the website of the Ministry of Environment (<http://mnp.am/am/pages/66>);
- Conclusions of the RA Chamber of Audit on Annual Budgets are available at the Chamber’s website (<http://armsai.am/hy/budget-conclusions>);
- Papers and Reports prepared by the Budget Office are available at (http://www.parliament.am/budget_office.php?sel=reports_and_statements&action=quarterly_reports&lang=arm) ;
- Information on in-kind and financial grants extended to GoA by foreign countries, international organizations and other entities are available at MoF website (http://www.minfin.am/website/images/files/dramashnor_4%20.xlsx);
- RA NA Decrees of Standing Committees, session agendas and protocols are available at the official website of the parliament (<http://www.parliament.am/committees.php?lang=arm>);
- “Public Investment Management Assessment: Republic of Armenia” IMF (2018) (<https://www.imf.org/~media/Files/Publications/CR/2019/cr1933-armenia-ta.ashx>);
- “The Principles of Public Administration, baseline measurement report, Armenia” SIGMA (2019) (<http://www.sigmaweb.org/publications/Baseline-Measurement-Armenia-2019.pdf>).

Websites:

- National Assembly (<http://www.parliament.am/>);
- Chamber of Audit (<http://www.armsai.am/>);
- Ministry of Finance (<http://www.minfin.am/>);
- Ministry of Environment (<http://www.mnp.am/am/>);
- Ministry of Economy (<https://www.mineconomy.am/>);
- Ministry of Territorial Administration and Infrastructures (<http://www.mtad.am/>);
- Legal Information System of Armenia (<https://www.arlis.am/>).

ANNEX A. ASSESSMENT BY CATEGORIES

Category/ Subcategory	Query	Grade	Means of Verification	Score
P1. Policy: Policy and Strategic Planning Context for CC				
P1.a. Existence of a specific high-level policy on CC	Is there a high-level multi- year (covering more than 5 future years) policy document on climate change in the country?	0: No or it is older than 60 months	<p>Although the Nationally Determined Contributions (NDC) of the RA under the UNFCCC (2015) define the main principles and areas of CC mitigation and adaptation policy and covers a horizon of more than 5 years, it cannot be considered a comprehensive document (especially with regard to adaptation). CC public policy is fragmented and incomplete. It is diluted in various sector development strategies and programs that do not clearly address the climate-related policies and objectives. Armenia’s 4th National Communication on CC (2020) addresses the issue of fragmented and non-comprehensive strategic planning framework in the CC area and views this as an obstacle to the development of CC activity.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> GoA Protocol Decree No 41, 10 September, 2015, On approving the Intended Nationally Determined Contributions of the RA under the UNFCCC (2015) (http://www.mnp.am/am/pages/148), Armenia’s 4th National Communication on Climate Change (2020) (http://nature-ic.am/Content/announcements/11676/FNC_Eng.pdf) 	0
P1.b. Level of endorsement of the CC policy/ies	What is the status and level of endorsement of relevant CC policies that may drive CC finance planning?	2: CC policy is endorsed by the high level of the Executive and/or the Legislature	<p>The Nationally Determined Contributions of the RA under the UNFCCC were adopted by a GoA Protocol Decree which is the highest executive body in Armenia.</p> <p>Other sectoral strategic documents and programs related to the CC resilience, mitigation and adaptation are also approved by protocol decrees of GoA.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> GoA Protocol Decree No 41, 10 September, 2015 Government of the RA On approving the Intended Nationally Determined Contributions of the RA under the UNFCCC (2015) (http://www.mnp.am/am/pages/148), <i>Development Strategies and Action Plans of the Power sector, Agriculture, Water, and other sectors. Available at websites of respective state bodies and Legal Information system of Armenia</i> (https://www.arlis.am/) 	2
P1.c. Existence of specific policy targets and costing that can be linked with budgets	Are there SMART and financially estimated policy targets available in the policy documents (including in other sector	1: some policy targets with measurable indicators exist but are not cost and/or difficult to directly	<p>The fragmented and incomplete nature of the CC policy framework does not allow the identification of policy measures on CC resilience, mitigation and adaptation within various sector development strategies, and their associated performance indicators.</p> <p>Indicators contained in Sector development strategies mostly reflect sector development goals and targets, while indicators related to CC are mostly missing, and strategies do not clarify/reflect the interrelation of those indicators with CC policy and its targets. The only exceptions are the sectors</p>	1

Category/ Subcategory	Query	Grade	Means of Verification	Score
	policies) to enable budget framework to make performance-informed budget decisions?	align with budget programs/lines	<p>directly related to CC (e. g. renewable energy) where the sector development objectives and indicators directly relate to CC policies and outcomes.</p> <p>Financial estimates of strategy implementation costs are very often incomplete: they cover only externally-financed projects/measures in the best case, and, as a rule, do not take into account long-term fiscal constraints and possibilities.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> • Sector development strategies related to CC are available at websites of respective state bodies and Legal Information System of Armenia (https://www.arlis.am/). • GoA Protocol Decree No 54-13, 2015, On Approving the Long-term Development Directions of the Power Sector of Armenia (up to 2036), (https://www.e-gov.am/u_files/file/decrees/arc_voroshum/54-13_1ardz_voroshum.pdf): 	
P1.d. Reflection of CC policies in strategic budget documents	Do strategic budget documents (MTEF or other budget documents that present expenditure strategies and that are legally required as part of the annual budget cycle) explicitly reflect on CC policies?	0: Strategic budget documents (MTEF, Budget Messages or equivalents) do not contain explicit reference or policy goals from relevant CC policy documents or no relevant document is available for assessment	<p>Budget documents defining the expenditure policies (MTEF, Budget Message) do not outline CC policy as a distinct direction for public expenditures. These documents do not identify clear objectives, outputs and expenditure estimates for CC policies.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> • 2020 Annual Budget Law and Budget Message of the Government (http://www.minfin.am/hy/page/petakan_byuje_2020_t) • 2020-22 Medium-term Expenditure Framework (http://www.minfin.am/hy/page/petakan_mijnazhamket_tsakhseri_tsraqre) 	0
P2. Requirements: Legislative and other procedural requirements on CC dimension for PFM				
P2.a. Legislative or procedural requirements on CC finance presentation in budgets	Are there specific legislative or procedural requirements on CC budget formulation?	0: no legislative or other procedural requirement on CC finance exists in the country	There is no legislative or procedural requirement to identify and/or separately present the CPEs in budget documents.	0
P2.b. Budget guidelines/ instructions	Are there specific requirements on CC budget formulation in the budget guidelines?	1: Budget guidelines (or equivalent) specify the importance of cross- sector budget planning	<p>Budgeting procedures and Budget Methodological Instructions do contain certain requirements on the budgeting of expenditures under cross-sector policies (e.g. gender-sensitive budgeting), however, those requirements mostly relate to the rules of defining the programs and performance indicators. No such requirements exist for CC policy.</p> <p><i>References:</i></p>	1

Category/ Subcategory	Query	Grade	Means of Verification	Score
		(e.g. on poverty, gender, climate change) but do not specify the processes, institutional responsibilities, functions and templates to be used	<ul style="list-style-type: none"> <i>Budget Methodological Instructions for the preparation of State Budget Agencies Bids for 2021-23 MTEF and 2021 Annual Budget drafting and presentation to MoF</i> (http://www.minfin.am/website/images/website/byuje%20ev%20krknaki%20harkum/Metodakan_2021_2023.rar) 	
P2.c. Institutional scope of the requirements on CC finance	What is the institutional coverage of the requirements on CC finance during the strategic planning and budget planning stages budget formulation process?	0: no specific requirement on CC finance exists in the country	There are no specific requirements or institutional scope defined within the budgeting process for CPE planning and presentation.	0
P2.d. Nature of the information required	What type of information is required?	0: no legislative or other procedural requirement on CC finance exists in the country	There are no specific requirements, including legislative or procedural, defined within the budgeting process for CPE planning and presentation.	0
P3. Priorities: Climate Change as a Priority in the budget system				
P3.a. Programme/Project appraisal systems	Do the Programme/Project appraisal systems include CC dimension during MTEF/budget formulation stage?	0: The budget formulation process does not have a distinct climate change dimension (e.g. CC Impact Assessment) in programme/project appraisal documents	<p>Budget Methodological Instructions require that capital investments (construction, capital renovation, etc.) in Budget Bids of state budget agencies shall be submitted to the MOF only with design documents based on a positive expert conclusion on respective investments. These expert conclusions normally include environmental impact assessments (EIAs). EIAs cover a wide range of impacts on the environment, however with respect to CC, they only address the aspects of project impact on greenhouse gas emissions. The impact of projects on CC resilience and adaptation are normally not addressed in such assessments.</p> <p>State budget agencies do not submit general estimates on how their sectoral programs are expected to contribute to the realization of CC policy objectives.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> <i>Budget Methodological Instructions for the preparation of State Budget Agencies Bids for 2021-</i> 	0

Category/ Subcategory	Query	Grade	Means of Verification	Score
			<p>23 MTEF and 2021 Annual Budget drafting and presentation to MoF (http://www.minfin.am/website/images/website/byuje%20ev%20krknaki%20harkum/Metodakan_2021_2023.rar)</p> <ul style="list-style-type: none"> Budget bids of state budget agencies (available at state budget agencies, as well as at their websites – in aggregate formats) RA Law on Environmental Impact Assessment and Expertise (2014) (https://www.arlis.am/) EIA documents are available on the website of the Ministry of Environment (http://mnp.am/am/pages/66). 	
P3.b. Prioritization factors on CC	Is there a clear prioritization factor for the climate change allocations during the budget formulation process?	0: No system of program/project prioritization exists as part of the MTEF/budget decision making process and no reference to climate change as a priority sector exists	<p>There are no clear approaches and criteria for the prioritization of budget programs for the MTEF and Annual Budget decision making. In exceptional cases, certain formal criteria exist for the prioritization of road renovation funded from domestic resources, however, these criteria are mostly based on the parameters describing the physical state of assets (level of wear and tear, etc.). CPEs are not considered a separate direction of expenditure policy, nor a priority.</p> <p>The IMF Public Investment Management Assessment (PIMA) Report (2018) mentions the absence of methodology and mechanisms for the prioritization of investment projects as a major problem in the area of public investment.</p> <p>References:</p> <ul style="list-style-type: none"> “Public Investment Management Assessment: Republic of Armenia” IMF (2018) (https://www.imf.org/~/media/Files/Publications/CR/2019/cr1933-armenia-ta.ashx) “The Principles of Public Administration, baseline measurement report, Armenia” SIGMA (2019) (http://www.sigmaweb.org/publications/Baseline-Measurement-Armenia-2019.pdf) GoA Protocol Decree N 54-20 On approving the prioritization procedures for state road maintenance and development (2014) (https://www.arlis.am/) GoA Decree N 596-N On Approving the Procedures of issuance of construction approval and other documents (2015) (https://www.arlis.am/) 	0
P3.c. Institutional prioritization of the climate	Is there an institutional solution with clear responsibilities on budget formulation coordination for climate change allocations?	0: no specific institutional solution exists for the climate change finances	There is no institutional unit or state body in charge of coordinating the CPE budgeting process.	0
P3.d. Adherence to ceilings	Are climate change related expenditures	2: if $(SD_{all}/SD_{cc} \leq 1.0)$	The ratio of the standard deviation of planned and actual CPEs to the standard deviation of planned and actual for all budget expenditures equaled 0.96 in 2019. This implies that CPEs in practice are not	2

Category/ Subcategory	Query	Grade	Means of Verification	Score
	treated as less priority than other expenditures?	where SDcc - the standard deviation of the % variance in actual budget expenditures for climate change related budget lines at the appropriation level (programs, projects, heads) vs. the MTEF/budget ceilings approved for the same appropriations SDall - the standard deviation of the % variance in actual budget expenditures for all budget lines at the appropriation level (programs, projects, heads) vs. the MTEF/budget ceilings approved for the same appropriations	<p>given lower priority than other budgetary expenditures⁵.</p> <p><i>Calculation methodology</i></p> <ul style="list-style-type: none"> • Deviations were calculated at budget appropriation level – i.e. at program measures (subprogram) level, • 100% of expenditures for program measures identified as CC-related were taken as CPEs (the share of the calculated expenditures did affect the results), • Deviations of actual expenditures were calculated vs. the initial planned expenditures under the 2019 Annual Budget Law except for those cases when no expenditures were planned under the Budget Law (the plan equaled 0). For such measures, an adjusted plan was taken to calculate the deviation. 28.7% of the total number of program measures in 2019 did not have initial allocations in the 2019 Budget: the share of such measures related to CC was 12.7%. 	
S1. Reporting: Climate Change Expenditure Reporting				
S1.a. Status of reports on CC expenditures	What is the status of endorsement of CC expenditures reporting?	1: Reports on climate change expenditures exist but are not	No specific reports are published on CC expenditures. Some information on the funds received/spent from foreign sources for the CC mitigation is included in the Biennial Update Reports under the UNFCCC. However, this information is not complete and comprehensive since the Updates pursue other goals. Those Updates are presented by the Minister of Environment.	1

⁵ For the purposes of calculating the score for this dimension, relation to CC of budget expenditures was determined by the discretion of the expert based on the preliminary review. All measures that have any relation or link to CC policy were considered CPEs regardless of the degree of relation. The estimate of this dimension will be reviewed as a result of CPEIR

Category/ Subcategory	Query	Grade	Means of Verification	Score
		officially endorsed by the government and/or the Ministry of Finance	<i>References:</i> <ul style="list-style-type: none"> • <i>Biennial Update Report of the RA under the UNFCCC</i> (http://www.mnp.am/uploads/1/15302533872BUR_arm_final.pdf) 	
S1.b. Nature of the CC budget expenditure reporting system	Is there a regular system of consolidated budget reporting on climate change expenditures?	1: CC reports exist but are not consolidated and are not regular (at least, annual)	No specific reports on CPEs are generated within the budget process. The Biennial Update Reports under the UNFCCC contain partial information on CPEs and are published every 2 years. <i>References:</i> <ul style="list-style-type: none"> • <i>Second Biennial Update Report of the Republic of Armenia under the UN Framework Convention on Climate Change</i> (http://www.mnp.am/uploads/1/15302533872BUR_arm_final.pdf) 	1
S1.c. Validation of the reports on CC expenditures by the SAI	Does the external auditor (SAI) validate the expenditure reports on climate change?	1: no consolidated reports on climate change expenditures exist but SAI validates the accuracy of the CC expenditures as part of the other expenditure reports	No specific budget report is prepared for CPEs. The Chamber of Audit, in line with its Annual Plan, carries out compliance and financial audits of all budget expenditures, including the expenditures financed from external loans and grants, and gives its conclusion on the Budget Implementation Report. The Chamber audits the budget expenditures under various budget programs that have any relation to CC. <i>References:</i> <ul style="list-style-type: none"> • <i>Conclusions of the RA Chamber of Audit on Annual Budgets are available at the Chamber's website</i> (http://armsai.am/hy/budget-conclusions) 	1
S2. Coding: CC budget coding (FMIS)				
S2.a. Application of CC coding on budget allocations	Is there a budget tagging (marking, coding) applied during the CC budget formulation process?	0: no CC tagging is available for budget allocations	CPEs are not specified, identified or tagged in any of the phases of the budgeting process.	0
S2.b. Application of CC coding on budget actual expenditures	Is there a budget tagging (marking, coding) applied to CC expenditures?	0: no CC tagging is available for actual expenditures	CPEs are not specified, identified or tagged in any of the phases of the budgeting process.	0
S2.c. Availability and timeliness of the CC information	Is and when the information on CC budget allocations published?	0: no CC tagging is available for budget allocations	CPEs are not specified, identified or tagged in any of the phases of the budgeting process.	0
S3. Calculation: Methodology on calculating CC finance				

Category/ Subcategory	Query	Grade	Means of Verification	Score
S3.a. Status of the CC finance calculation methodology	Is there a formally adopted methodology on climate change finance accounting? <i>Note: formal reference to an external methodology can also be considered as part of this assessment</i>	0: no CC finance accounting methodology	No CC finance calculation or accounting methodology is in place.	0
S3.b. Accuracy of accounting CC finances	What is the level of preciseness when calculating the climate relevance of the budget allocations?	0: no CC finance accounting methodology	No CC finance calculation or accounting methodology is in place.	0
S3.c. Criteria	Is the CC relevance determined using a set of criteria?	0: no CC finance accounting methodology or CC relevance is subjective (no criteria set)	No CC finance calculation or accounting methodology is in place.	0
S3.d. Scope	What type of CC activities are covered by the CC finance methodology?	0: no CC finance accounting methodology	No CC finance calculation or accounting methodology is in place.	0
S3.e. Comparability	Does the methodology allow cross-period comparability?	0: no CC finance accounting methodology or the existing methodology does not allow cross-period (historical) comparability	No CC finance calculation or accounting methodology is in place.	0

Category/ Subcategory	Query	Grade	Means of Verification	Score
A1. Performance: CC performance information				
A1.a. Availability of CC performance information	Is performance information on climate change related budget allocations available in budget documentation (budget law, budget speeches, MTEF, budget execution reports, etc.)?	4: performance information on CC budget allocations is extensively available in the budget documents (for more than 50% of CC relevant budget allocations)	<p><i>(This dimension assessed the existence/availability of performance indicators of programs and measures in budget documents regardless of how relevant these indicators are in describing the performance of measures with respect to the CC policy. Relevance of those indicators to CC policy is discussed under A1.b.).</i></p> <p>Objectives and outcomes of budget programs are included in the budget documents, together with the output and quality indicators of program measures under programs. In 2019 Annual Budget, non-financial performance indicators were set for about 80% of all program measures, while for CC-related program measures, this ratio exceeds 90%.</p> <p>Performance indicators are included in all main documents during the budget process, including the Budget Implementation Reports.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> • 2019 Annual Budget Message of the Government – Explanatory Document, Annexes N 15 and 16 (http://www.minfin.am/hy/page/petakan_byuje_2019_t) • GoA Decree N 1515-N (2018) On Approving the Measures to ensure the implementation of the 2019 Annual Budget, Annexes N 11 and 11.1 (http://www.minfin.am/hy/page/petakan_byuje_2019_t) • 2019 Budget Implementation Report, Annexes N 11 and 11.1 (http://www.minfin.am/hy/page/petakan_byuje_2019_t) • 2019 t tarekan nakhaqits Fj nlgth kasharman hawqetunghnln • <i>Review of documents,</i> • <i>Expert assessments.</i> 	4
A1.b. SMART-ness of indicators	Do the performance indicators meet the SMART ⁴ criteria?	1: Performance indicators are available but mostly do not meet the basic criteria of SMART indicators	<p>As noted in A1.a. assessment, performance indicators were set for 90% of total (about 180) CC-related program measures⁶ (the total number of performance indicators for those measures exceeded 400) in the 2019 Annual Budget.</p> <p>The abovementioned program measures, although having various degrees of relation to CC policy, were designed mostly around the respective sector development objectives and, therefore, performance indicators mostly reflected the development targets of their respective sectors and not CC policy. In program measures for sectors having a high degree of relation with CC policy objectives (irrigation, forest preservation, renewable energy, etc.), one can find performance indicators that describe the performance also from the CC policy perspective (e. g. restored forest area in (ha), reduction of ignition possibilities for gases in landfills in (%)), nevertheless, such indicators are quite</p>	1

⁶ For the purposes of calculating the score for this dimension, relation to CC of budget expenditures was determined by the discretion of the expert based on the preliminary review. All measures that have any relation or link to CC policy were considered CPEs regardless of the degree of relation. The estimate of this dimension will be reviewed as a result of CPEIR.

Category/ Subcategory	Query	Grade	Means of Verification	Score
			<p>rare.</p> <p>Overall, the entire framework of performance indicators for CPE’s under the budget are not clarified and defined.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> • 2019 Budget Implementation Report, Annexes N 11 and 11.1 (http://www.minfin.am/hy/page/petakan_byujei_hashvetvutyun_2019_t_tarekan_nakhaqits_Pj_nlxeh_kashtapman_hazvetsutkutyun) • Conclusions of the Chamber of Audit on the Budget Implementation Reports are available at the website (http://armsai.am/hy/budget-conclusions) • Review of documents, • Expert assessments. 	
A1.c. Performance information used during budget planning/costing	When (at what stages) in the budget cycle the performance information is used?	3: performance information is available to the budget decision makers to inform the decisions and also used in the budget execution (actual expenditure) reports with both planned and actual performance information presented	<p>In all stages of the budget process, budgeting decisions are made using the available information on non-financial indicators.</p> <p>Performance indicators are presented in Budget Bids submitted by state budget agencies to the MOF; thereafter they are reflected in all major Budget documents, including the Budget Implementation Reports. Budget Implementation Reports contain both planned/target performance indicators and actuals. Information on performance indicators is available during the budget discussions at the MOF, GoA and NA, including on programs and measures that are related to CC.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> • 2021-2023 MTEF and 2021 Annual Budget Methodological instructions for the preparation of budget bids and submission to MOF (http://www.minfin.am/website/images/website/byuje%20ev%20krknaki%20harkum/Metodakan_2021_2023.rar) • Budget bids of state budget agencies (available at respective bodies, as well as in summary – on their respective websites) • 2019 Budget Implementation Report, Annexes N 11 and 11.1 (http://www.minfin.am/hy/page/petakan_byujei_hashvetvutyun_2019_t_tarekan_nakhaqits_Pj_nlxeh_kashtapman_hazvetsutkutyun) • Interviews with the official from Budgeting Block of the MoF and budgeting units of state budget agencies 	3
A2. National Parliament: Parliament’s engagement in the CC budget discussions				

Category/ Subcategory	Query	Grade	Means of Verification	Score
A2.a. Parliament committee on climate change	Is there a designated parliament committee on Climate Change?	1: no parliament committee on climate change exists but the mandate is mentioned as part of another committee (CC is not in the title of the committee but in sectors/topics/functions to be covered)	<p>The mandate of the NA Standing Committee on Territorial Administration, Local Governance, Agricultural and Environmental Issues includes environmental protection areas which, in practice, also covers a wide range of CC mitigation and adaptation issues. Nevertheless, CC mitigation and adaptation policy is not considered a distinct policy direction or area for the said Committee or its 7 working groups.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> • NA Decree on creating Standing Committees of the 7th Convocation of the National Assembly (2019), (http://www.parliament.am/legislation.php?sel=show&ID=6525&lang=arm) • RA NA Standing Committee on Territorial Administration, Local Governance, Agriculture and Nature Protection Decree N1 (2019), (http://www.parliament.am/committees.php?do=show&ID=111208&showdoc=2702&cat_id=499&month=all&year=2019&lang=arm) 	1
A2.b. The role of the parliament on CC dimension during budget scrutiny	What is the role of the parliament in draft budget scrutiny before the approval?	0: The parliament does not play any significant (distinct) role on climate change budget scrutiny	<p>No reviews or discussions are held by the NA that distinctly refer to the CPEs. During budget discussions at the NA, expenditures are mostly viewed in the context of general and sector development policies. During those discussions, budget measures and expenditures are not identified as having any relation to CC.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> • <i>RA NA Decrees of Standing Committees, session agendas and protocols are available at the official website of the parliament</i> (http://www.parliament.am/committees.php?lang=arm) 	0
A2.c. CC finance effectiveness/efficiency analysis	Does the parliament (or any of the parliament committees) perform a regular effectiveness and efficiency analysis of climate change finance?	0: no explicit CC finance effectiveness analysis is performed or commissioned by the parliament	<p>In the CC policy context, no efficiency/effectiveness reviews for budget expenditures are carried out by the NA Standing Committees. Budget discussions at the NA mostly refer to the magnitude (amount) or compliance of expenditures, and rarely – to their effectiveness and efficiency. Efficiency issues are to a certain extent addressed during the discussions on the findings of the performance audits carried out by the Chamber of Audit where efficiency and effectiveness questions are raised.</p> <p>The NA Budget Office provides professional assistance to the Standing Committees and Members of Parliament with regard to the presentation and analysis of budgeting information, nevertheless, the capacities of the Budget Office are not yet sufficient to effectively carry out its tasks.</p> <p><i>References:</i></p> <ul style="list-style-type: none"> • <i>Papers and Reports prepared by the Budget Office are available at</i> (http://www.parliament.am/budget_office.php?sel=reports_and_statements&action=quarterly_reports&lang=arm) • <i>RA NA Decrees of Standing Committees, session agendas and protocols are available at the official website of the parliament</i> (http://www.parliament.am/committees.php?lang=arm) 	0

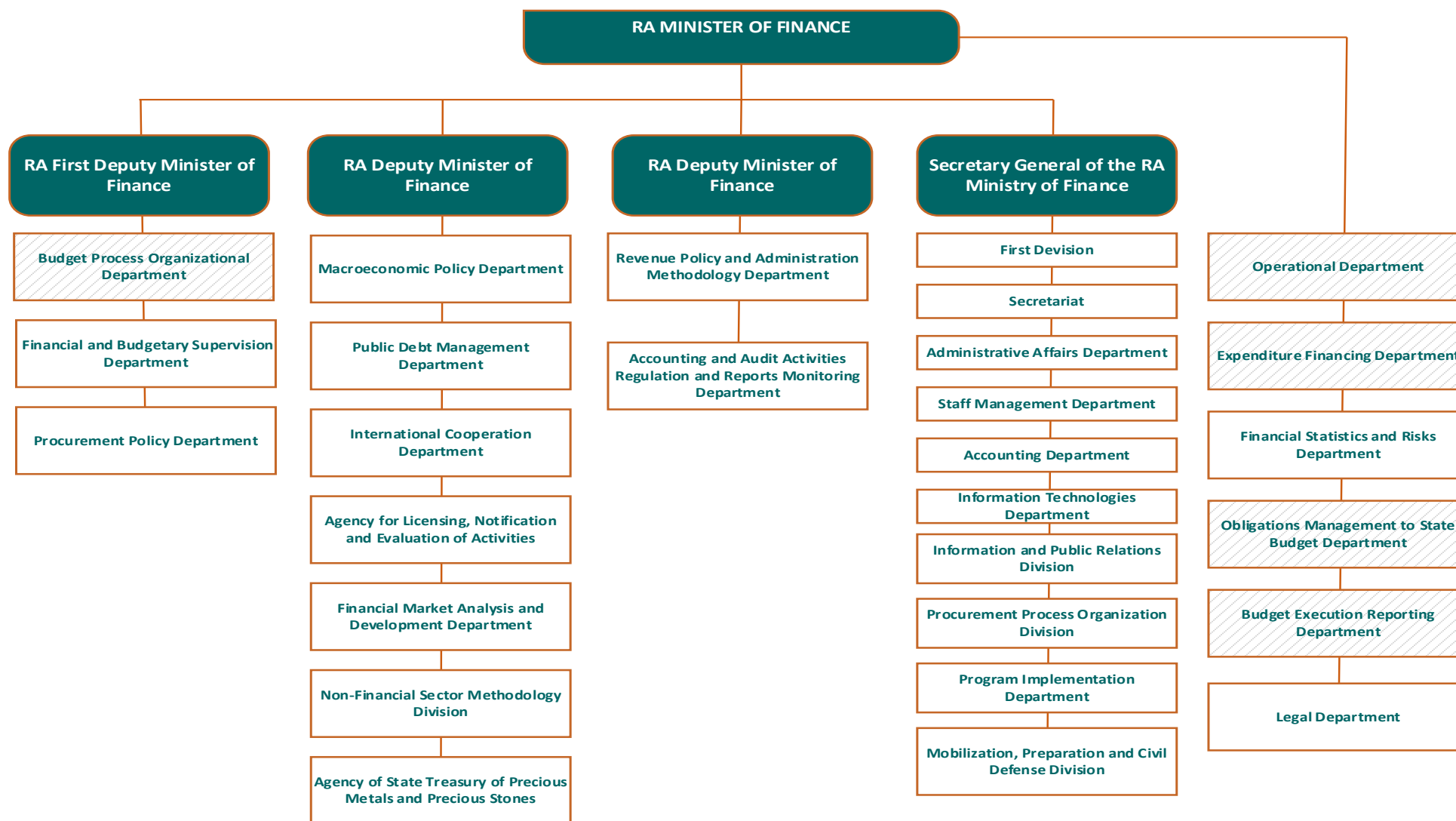
Category/ Subcategory	Query	Grade	Means of Verification	Score
			<ul style="list-style-type: none"> For the Budget Office capacity assessment and measures on development thereof see GoA Decree N 1716-L On approving the 2019-2023 PFM Reform Strategy and Action Plan (2019) (http://www.minfin.am/website/images/website/tej_gic/1716-1k.voroshum.docx) 	
A2.d. CC finance accountability	What is the role of the parliament in holding the executive accountable for climate change expenditures?	0: no budget hearings or other means of accountability specifically on climate change expenditures are practiced	<p>No systemized reports on CPEs are presented to the NA – neither as part of the Budget reporting, nor separately.</p> <p>No separate hearings or discussions are held at the NA with respect to CPEs.</p> <p>References:</p> <ul style="list-style-type: none"> RA NA session protocols are available at (http://www.parliament.am/register.php?lang=arm) 	0
A3. CSO: CSO participation in CC finances				
A3.a. Institutional partnership of CSOs with the government on CC finances	What is the institutional framework of CSO participation to CC finance?	0: No evidence of CC specialized CSOs actively working on CC finance	<p>A public council operates under the Minister of Environment which aims at ensuring and coordinating collaboration of the society in the drafting of environmental plans, programs and policies. There are more than 20 CSOs involved in this Council. There is no evidence that environmental CSOs – within the scope of the said council or outside of it - are actively involved in CC finance issues, especially as it relates to public finance.</p> <p>References:</p> <ul style="list-style-type: none"> Minister of Nature Protection order N 256-A On Establishing of Public Council attached to the RA Minister of Nature Protection (2014) (http://www.mnp.am/uploads/1/1506348085HRAMAN256.pdf) The session protocols of the are available at the official website of the Ministry of Environment (http://www.mnp.am/am/pages/139) The list of CSOs cooperating with the Ministry of Environment on various environmental issues is available at the official website of the Ministry of Environment (http://www.mnp.am/am/pages/193) 	0
A3.b. CSOs and the Budget preparation	What is the role of CSOs in climate change budget formulation?	1: CSOs produce climate change related papers, reviews and other analytical materials that can be used by the government during budget formulation	<p>CSOs are invited to participate in discussions on Budget bids/programs of budget agencies, including the MoEn. This requirement is clearly set in budget process calendars and Budget Methodological Instructions. No separate discussions on CPEs are held within the abovementioned discussions with CSOs. CSOs prepare various studies and reports on CC which as a rule, do not contain financial analyses of CPE measures.</p> <p>References:</p> <ul style="list-style-type: none"> Prime Minister Decree N 5-A (2020) On starting the 2021 budget process (https://www.e- 	1

Category/ Subcategory	Query	Grade	Means of Verification	Score
		processes. The documents, however, do not specifically analyse the climate change finance.	gov.am/decrees/item/21639/ <ul style="list-style-type: none"> Methodological guidelines for ensuring public participation in the process of elaboration of state budget programs within the framework of the development of 2021-2023 MTEF and draft state budgets of the RA for 2021 (http://www.minfin.am/website/images/website/byuje_amsakan/PB%20instructions%20for%202021%20budget%20process-1%20(1).docx) 	
A3.c. CSOs and the Budget monitoring and reporting	What is the role of CSOs in climate change budget monitoring and reporting?	0: CSOs do not directly participate in budget monitoring and reporting	CSOs do not directly participate in budget monitoring and reporting processes. Moreover, with respect to CPEs, there is no separate budget information available.	0
D1. Donors: Integration of CC activities of Development Partners in the national PFM systems				
D1.a. Procedural requirements on CC planning, budget execution and monitoring/reporting in country's domestic PFM system for donor related programs/projects	Is there a requirement to reflect DPs CC programs and projects in national budget documents?	2: reflection of DPs' CC finance in budget formulation process is a legal requirement and is also reflected in budget formulation requirements	<p>The Budget System Law and the Treasury System Law require that all resources pertaining to the state (including loans and grants extended by foreign countries and International Financial Institutions), as well as expenditures (outflows) financed from those resources shall be fully reflected in the Budget and be held at the Single Treasury Account of MoF.</p> <p>Budget Methodological Instructions contain specific requirements and formats for presenting the proceeds and expenditures from external loans and grants in their Budget bids.</p> <p>References:</p> <ul style="list-style-type: none"> RA Law on Budget System (1997) (https://www.arlis.am/) RA Law on Treasury System (2001) (https://www.arlis.am/) 2021-2023 MTEF and 2021 Annual Budget drafting Methodological instructions for the preparation of bids and submission to MoF (http://www.minfin.am/website/images/website/byuje%20ev%20krknaki%20harkum/Methodakan_2021_2023.rar) 	2
D1.b DP's CC finance information systems	How much is DP's climate change finance integrated into national PFM information systems?	2: Information on DP's CC finance (programs and projects) is part of the government's FMI system (GFMIS) and covers financial information from key DPs	<p>(This dimension covers the assessment on the loans and official grants received from foreign countries and international organizations. It does not include the in-kind and technical assistance support.)</p> <p>The aspects of information provision to the state agencies on projects financed from external loans and official grants by DPs are regulated by the respective international or bilateral agreements. State budget agencies have access to the information regarding the ongoing and forthcoming projects in their sectors (including projects in CC) financed from loans or official grants extended to the GoA by major donors (WB, ADB, GIZ, KfW, EBRD, etc.).</p> <p>This information is used by the state budget agencies to plan their budgets, and is included in their budget bids and reports presented to MoF. MoF includes that information in the information systems used for budget planning, implementation and reporting. This information is then reflected in budget</p>	2

Category/ Subcategory	Query	Grade	Means of Verification	Score
			documents generated by those systems. <i>References:</i> <ul style="list-style-type: none">GoA Decree N 32-N On approving the procedures on accounting, report preparation and publication for official grants (2003) (https://www.arlis.am/)Information on in-kind and financial grants provided to the RA from foreign countries, international organizations and other entities is available the MoF website (http://www.minfin.am/hy/page/dramashnorhner/)2020 Annual Budget Law of RA, Annex N1 (Tables 4 and 5) (http://www.minfin.am/hy/page/petakan_byuje_2020_t)	
D1.c. Presentation of DP's CC programmes (budgets) in budget documentation	Are the Development Partners' programmes and projects on climate change reflected in government's budget documents (not necessarily as part of the national budget but as part of the climate change overall context)?	2: information on actual and/or proposed programmes of DPs is published in budget documents (e.g. MTEF, budget speech, etc.)	<i>(This dimension covers the assessment on the loans and official grants received from foreign countries and international organizations. It does not include the in-kind and technical assistance support.)</i> Budget bids of state budget agencies, as well as MTEF and Annual Budget documents, include the planned and actual expenditures under the ongoing and forthcoming projects financed from external loans and official grants (including CPEs). <i>References:</i> <ul style="list-style-type: none">2021-2023 MTEF and 2021 Annual Budget drafting Methodological instructions for the preparation of bids and submission to MoF (http://www.minfin.am/website/images/website/byuje%20ev%20krknaki%20harkum/Metodakan_2021_2023.rar)Budget bids of state budget agencies (available at respective bodies, as well as in summary – on their respective websites)2020 Annual Budget Law of RA, Annex N1 (Tables 4 and 5) (http://www.minfin.am/hy/page/petakan_byuje_2020_t)2019 Budget Implementation Report, Annexes N 11 and 11.1 (http://www.minfin.am/hy/page/petakan_byujei_hashvetvutyun_2019_t_tarekan_nakhaqits_Pj_nqzgh_kasutapman_hazvutvutyun)	2
D1.d. % of CC funds channeled through national PFM systems	What is the % of CC funds channeled through national PFM systems	at least one DP project on CC is on-budget (reflected in the budget)	<i>(This dimension covers the assessment on the loans and official grants received from foreign countries and international organizations. It does not include the in-kind and technical assistance support.)</i> All projects financed from the proceeds of loans and official grants extended to the GoA (including on CC) are reflected in PFM information systems and budget documents. These funds are held at foreign and local exchange subaccounts of the Single Treasury Account and expenditures financed from these accounts are subject to primary treasury oversight in accordance	1

Category/ Subcategory	Query	Grade	Means of Verification	Score
			<p>with the requirements set in national procedures. The latter require payments to be made based on payment schedules, extracts from contracts, payment orders and other substantiating documents submitted in accordance with the set procedures. These accounts are managed by Project Implementation Units or Departments of respective state budget agencies which serve as a link between the state agencies and donors.</p> <p>For externally financed projects, procurement, accounting and external audit processes are carried out in accordance with procedures set by the respective donors which are different from the national procedures.</p> <p>Starting from 2019, funds of state non-commercial organizations are also held at Treasury accounts which were previously held with commercial banks. Until recently, there were only a few exceptions when the funds of grants extended to the state agencies from external sources were held outside the Treasury, (e.g. Caucasus Nature Fund grant to the Khosrov Reserve SNCO (2019), UN Adaptation Fund grant for the Armenia Ararat valley Land Degradation Neutrality project (2018)). Now all those funds are held at Treasury accounts. Although those external grants directly provided to the State non-commercial organizations (SNCO) are circulated through the Treasury accounts and are subject to Treasury oversight, these funds are considered non-budgetary revenues of SNCOs and are not usually reflected in the State Budget</p> <p><i>References:</i></p> <ul style="list-style-type: none"> • <i>Information on in-kind and financial grants extended to GoA by foreign countries, international organizations and other entities are available at MoF website</i> (http://www.minfin.am/website/images/files/dramashnor_4%20.xlsx) • <i>2020 Annual Budget Law</i> (http://www.minfin.am/hy/page/petakan_byuje_2020_t) • <i>2019 Budget Implementation Report, Annexes N 11 and 11.1</i> (http://www.minfin.am/hy/page/petakan_byujei_hashvetvutyun_2019_t_tarekan_nakhaqits_Pj_nqzn_kasutarmn_hazvntutnln) • <i>MoF Report on tasks performed in 2018 and results thereof</i> (http://www.minfin.am/website/images/files/3_hashvetvutyun_sexmagir.doc) 	

ANNEX B. ORGANIZATIONAL CHART OF THE MINISTRY OF FINANCE



ANNEX C. THE STANDING COMMITTEES OF THE NATIONAL ASSEMBLY OF RA

Standing Committee on Territorial Administration, Local Self-Government, Agriculture and Environment

Territorial administration, administrative-territorial division, local self-government, territorial development, municipal service, local taxes, duties and payments, **agriculture, protection and sustainable development of the environment** and laws governing those areas

Standing Committee on Economic Affairs

Taxes, duties, payments, **industry, urban development, energy, natural resources, transport, communication**, telecommunication, internet (global network), other branches of industrial infrastructure, **tourism**, trade and services, entrepreneurial activity, state property management, tariffs, investments, competitive economics, anti-monopolization and laws governing those areas

Standing Committee on Financial-Credit and Budgetary Affairs

Budgetary legislation, state budget, loans, credits, money, money turnover, audit, **state audit**, banking system, financial (currency, capital, credit, insurance and stocks) markets and the laws governing those areas

Standing Committee on Health Care and Social Affairs

Health care, maternity, childhood, social security, problems of disability, labour, employment, demography and the laws governing those areas

Standing Committee on Science, Education, Culture, Diaspora, Youth and Sport

Science, education, culture, repatriation, relations with the diaspora, youth, sports, information, press, radio, television and laws governing those areas

Standing Committee on Protection of Human Rights and Public Affairs

Protection of human rights, children's rights, religion, equal rights of women and men, national minorities, advocacy, notary, trade unions, non-governmental organizations and laws governing those areas

Standing Committee on State and Legal Affairs

Constitutional and legal issues, parties, electoral system, the Rules of Procedure of the National Assembly, referendum, Constitutional court, justice, judicial system, prosecutor's office, investigative bodies, enforcement of judicial acts, the penitentiary service, amnesty, public service and laws governing those areas, Constitutional amendments, codes regarding civil, criminal, administrative offenses and legal proceedings

Standing Committee on Defense and Security

Defense, national security, police, emergency situations, military-industrial complex, services in armed forces, in national security, in police and in military-educational institutions and the laws governing those areas

Standing Committee on European Integration

Relations with the European Union, issues related to the implementation of the Agreement on a Comprehensive and Enhanced Partnership between the European Union and the Republic of Armenia, harmonization of laws of the Republic of Armenia to legal acts of the European Union and laws governing those areas

Standing Committee on Foreign Relations

International relations, relations with the United Nations, the Council of Europe, the Organization for Security and Cooperation in Europe, as well as relations with other international organizations, inter-parliamentary agreements and ties, parliamentary friendship groups and laws governing those areas

Standing Committee on Regional and Eurasian Integration

Relations with the Eurasian Economic Union and other countries of the region, harmonization, unification of legislation of the Republic of Armenia and other member states of the Eurasian Economic Union and laws governing those areas

ANNEX D. LIST OF INSTITUTIONS AND PEOPLE MET

Ministry of Finance of RA

- Ms. Ruzanna Gabrielyan, Acting Head of Budget Process Organizational Department;
- Mr. Jirayr Titizyan, Head of Operational Department;
- Ms. Gayane Zargaryan, Head of Budget Execution Reporting Department;
- Mr. Araik Yesayan, Head of Obligations Management to State Budget Department;

Ministry of Environment of RA

- Mr. Vardan Gregorian, Legal Adviser to the Minister
- Mr. Hayrapet Hakobyan, Assistant to the Minister