

No. 1(1)/S.O B-I/2020/BCC 2025-26

**Government of Pakistan
Finance Division
(Budget Wing)**

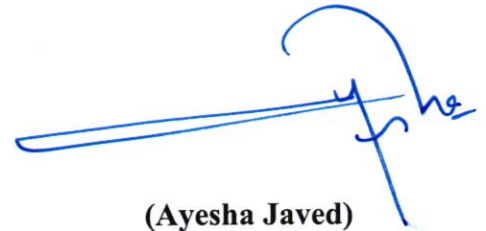
Islamabad, the 11th May, 2025

Subject: **Budget Call Circular 2025-26 – Climate Tagging of Subsidies**

In continuation of the Budget Call Circular (BCC) 2025-26, an additional form (**Form-III-C**) is hereby attached. This form has been developed as part of a new methodology to capture the climate-relevant component in subsidies. This initiative aims to enhance and expand reporting on climate considerations in all allocations made in the annual budget.

2. Concerned PAOs are requested to ensure submission of the duly filled-in Form-III C by 30th May, 2025. Finance Division is available for providing guidance and necessary support to Ministries/Divisions/Departments in filling out this form. Climate tagging of subsidies is also one of the requirements under EFF agreed with IMF.

3. Your cooperation in this matter is appreciated, please.



(Ayesha Javed)
Deputy Secretary (Budget-I)
051-9218121

Principle Accounting Officers/CF&AOs (Concerned)

Copy for information to:

1. SA to Finance Secretary, Finance Division
2. Additional Finance Secretary (Budget), Finance Division
3. Additional Finance Secretary (CF), Finance Division
4. Concerned Joint Secretaries (Expenditure), Finance Division
5. Deputy Secretary, CF/Focal Person on Subsidy tagging, Finance Division

Form III C**Climate Budget Tagging of Subsidies**

Demand No:

Division/Ministry:

Department:

Cost Centre No.	Cost Centre Description	Sector	B.E 2025-26	Classification Mitigation/ Adaptation	Category* A, B, C, D, E

***Choose one of the following Categories;**

- A. Directly Favorable
- B. Indirectly Favorable
- C. Neutral or not assessed
- D. Mixed
- E. Potentially unfavorable

Note: The detail of determining the categories, specifications and examples etc. are given in instruction part of this form.

Last date of submission: 30th May, 2025

Prepared by: _____ Verified by:

CF&AO/Head of Finance

Principal Accounting Officer

Vetted and endorsed by: Deputy Secretary (CF) concerned,
Corporate Finance Wing

Forwarded to: Deputy Secretary (Budget-I), Budget Wing,

Finance Division, Islamabad.
Ph. No. (051) 920-8121Email ds.bl@finance.gov.pk

Background and Instructions for Climate Budget tagging of Subsidies

Federal Government of Pakistan started Climate Budgeting from FY 2023-24 whereby the federal budget has been mapped for climate relevance in three categories of Adaptation, Mitigation and Transition. At first stage, the public expenditure under Running of Civil Government (RoCG) and Development (PSDP) has been tagged. Now, this tagging exercise has been extended to other expenditures such as grants and subsidies to identify the overall climate related public expenditure. Subsidies are considerable portion of federal budget and it is often defined as a form of a government support that confers an advantage on consumers or producers, in order to supplement their income or lower their costs. From FY 2025-26, these subsidies will be tagged for their relevance with climate. Finance Division has designed a methodology to tag subsidies. The **Form III-C** has been designed which has to be filled by using following instructions.

Instructions to fill the Form III-C

1. First of all, mention cost center ID and description of subsidies. For example, Tariff Differential Subsidy, "Metro-Bus Subsidy" etc.
2. Please mention the category in which this subsidy expenditure falls. For example, Energy Sector, Transport Sector, Agriculture Sector etc.
3. Please provide B.E for next FY.
4. Choose the Classification for subsidy expenditure, if the expenditure falls in Climate Adaptation or mitigation domain.

Classification	Description and Examples*
Adaptation	Agriculture and Livestock: Research, technology, risk management Example: Subsidies for crop loan insurance schemes etc. Infrastructure: Green Roofs and walls, climate resilient buildings, Smart Grids and Energy infrastructure Example: Subsidy for Solar panels, subsidy for climate/ disaster resilient buildings and infrastructure etc.
Mitigation	Energy: Clean energy technologies, Energy conservation and power efficiency, Hydropower and Renewable energy, Green growth and fiscal reforms in the energy sector and Electricity transmission and distribution etc. Example: Subsidy for Power sector- hydropower, subsidy for power transmission etc. Transport: General transportation, Urban transport etc.

	Example: Subsidy for mass transport to reduce pressure of individual vehicles on environmental pollution. Subsidy for electric vehicles etc.
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***Note: For Broader Classification and list of areas in Climate and Environment, please refer to Form-III-A in BCC.**

5. The following categories can be used to tag the subsidies for climate;

Tag	Description
Directly Favorable	This expenditure is focused on, or will contribute, in a tangible and in aspecific way, to an improvement in one or more areas related to climate and environmental listed in Form III-A
Indirectly Favorable	This subsidy expenditure is not specifically targeted for a particular outcome or directed to achieve climate and environment related goal. However, the implementation of this measure is likely to contribute to an overall improvement in one or more climate and environmental area.
Neutral or not Assessed	This expenditure is not likely to result in a significant impact on the climate and environmental related listed areas, or has not been assessed in this iteration, or it has not been possible to determine the impact of the expenditure due to lack of data or current state of scientific knowledge.
Mixed	This expenditure has impacts that are likely to be both simultaneously favourable and unfavourable to one or more areas of climate and environment, and expenditure cannot be proportionally divided between favourable and unfavourable amounts.
Potentially unfavorable	This expenditure is likely to lead to an increase in activity or encourage behaviours that would contribute to a worsening of performance in one or more areas of climate and environment, and/or any positive intended impacts the expenditure may have to be at risk of being offset by negative impacts or potential rebound effects, which may contribute to worsening of performance in one or more areas of climate and environment

****Note: For Broader Classification and list of areas in Climate and Environment, please refer to Form III-A in BCC.**