Leveraging Green Budget for Green Finance Mobilization

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Executive Summary

As climate change increasingly affects public infrastructure, agriculture, water systems and livelihoods, subnational governments are under growing pressure to integrate environmental sustainability into their fiscal frameworks. In India, where states are the key implementing units of public expenditure, climate-informed fiscal planning is essential to ensure both the efficiency of public investments and the achievement of long-term sustainability goals. This report addresses this imperative by developing a comprehensive Green Budget Framework for the state of Rajasthan and identifying concrete strategies for mobilizing green and climate finance to support its implementation. However, the typology is of Rajasthan but the approach to develop a green budget framework can be adopted by other states too.

The first section of the report provides conceptual understanding of Green Budgeting by defining it as the integration of climate and environmental sustainability into budgetary processes and fiscal decisions, through the tagging, reporting and assessment of relevant expenditures with transparency and accountability. This understanding is informed by definitions from the OECD, European Union and Indian states with green budgeting practises highlighting the varied yet converging approaches to embedding environmental goals within public finance systems.

Also, the paper identifies the five key objectives of green budgeting: (1) mainstreaming environmental sustainability into fiscal processes, (2) enhancing transparency and accountability, (3) enabling policy innovation, (4) mobilizing green finance, and (5) progressively increasing allocations towards sustainability goals. These objectives are examined within the broader context of aligning green budgeting with the economic priorities of states, particularly under fiscal constraints and climate risks.

To ground the framework in practical experiences, the paper presents a comparative analysis of green/climate budgeting approaches adopted by **Assam, Bihar, and Odisha**. While all three states have institutionalized some form of expenditure tagging, they differ in methodology, scope, and alignment with fiscal and policy instruments. Assam and Bihar rely on the Rio Marker methodology for tagging, while Odisha has adopted a more evolved Climate Change Impact Appraisal (CCIA) model that links climate vulnerability assessments with budget planning. The analysis identifies critical gaps in the existing models, such as the absence of green finance strategies, insufficient integration into fiscal policy and lack of standardized taxonomies—offering valuable lessons for Rajasthan's framework.

Building on these insights, the report proposes a **five-step Green Budget Framework for Rajasthan**, focused on:

1. Identifying climate-vulnerable sectors and relevant departments,
2. Detailed mapping of objectives and scope of scheme/policies,
3. Classifying and tagging schematic activities using internationally recognised taxonomy. India's Climate Finance Taxonomy Framework is in the draft stage (at the time of publication) and the framework proposes the taxonomy to uphold the principles of interoperability with existing internationally recognised taxonomies
4. Categorization of relevant budget codes as 'green' in financial system for expenditure tracking, and
5. Establishing a feedback mechanism for continuous refinement of green policies and spending

The second section of the report extends the discussion by examining how Rajasthan can **leverage green budgeting as a tool to mobilize green finance**. This section is grounded in the observation that while green budgeting helps states track and prioritize environmentally relevant spending, the success of implementation depends on access to appropriate financing mechanisms.

Using recent Rajasthan budget announcements and the typology of green activities emerging from its FY26 Green Budget, the report identifies **seven key sectors**—Transport, Water Management, Waste and Pollution Management, Adaptation and Resilience, Land Use and Marine Resources, Energy, and Buildings—where targeted financing strategies can be developed. For each sector, the report outlines a **set of financing pathways**, including:

- Leveraging centrally sponsored schemes and concessional lines of credit from MDBs/BFIs
- Accessing green bonds, credit enhancements, and risk guarantees
- Structuring PPPs and Infrastructure Investment Trusts (InvITs)
- Mobilizing resources through ringfenced state funds and District Mineral Foundation Trusts (DMFT)
- Tapping ESG-focused investors through green SDLs or thematic bonds
- Monetizing carbon credits and ecosystem services in land and forest-based projects

To improve the financial viability of climate-aligned public investments, the report introduces **project bundling** as a key enabler. Bundling multiple small or fragmented projects—by theme (e.g., water resilience), location (e.g., cluster of municipalities), or stage (e.g., early-stage concept to DPR-ready)—can reduce transaction costs, aggregate risk and make projects more attractive to private

investors. Bundled projects also support pipeline visibility and help design financing instruments tailored to specific clusters. The report outlines how bundling could be operationalised across various departments in Rajasthan to facilitate scale and unlock new sources of finance.

To implement these strategies effectively, the report identifies several **pre-requisites**:

- Development of long-term, investable project pipelines
- Enhancement of public sector entities' creditworthiness through risk mitigation tools and financial structuring
- Establishment of a dedicated transaction advisory mechanism within or alongside existing entities such as PDCOR or Rajasthan Infrastructure Finance Corporation
- Better alignment of green investments with fiscal discipline under FRBM thresholds

The report underscores that the effectiveness of green budgeting will depend not only on improved tracking and classification of expenditure but also on the state's capacity to align these efforts with viable funding strategies. To this end, the framework proposes that **green budgeting should serve as both a governance tool and a financial catalyst**, enabling Rajasthan to scale up its climate actions while maintaining fiscal prudence.

1. Background

State budgets serve as fundamental instruments of governance, reflecting government's fiscal priorities while signalling its policy intent. In the context of climate change, budgetary decisions must extend beyond traditional economic considerations to incorporate environmental sustainability and resilience planning. State governments, as key implementers of developmental and environmental programs, must acknowledge the need of designing coordinated policies and identifying both immediate and long-term financial needs to meet environmental sustainability goals.

However, taking climate risk into account is not a straightforward task as it presents a dual challenge for state public finance. Firstly, extreme weather events, changing precipitation patterns and rising temperatures exert pressure on state resources which leads to either increased public expenditure in sectors such as agriculture, infrastructure, disaster management, urban planning amongst others or inefficiencies where expenditures fail to deliver their intended benefits. Secondly, the shift towards a low-carbon and climate-resilient economy needs large-scale investment, much of which cannot be financed through traditional means alone. This highlights the necessity of exploring green financial instruments, de-risking mechanisms and innovative models to leverage private capital.

In this context, Green Budgeting offers a pathway to align fiscal planning with environmental goals. Recognizing this, Rajasthan announced its intent to launch a Green Budget in its FY 2025 budget, with the first such budget presented in FY 2026. Importantly, the FY 2026 budget also indicates the state's intent to explore green finance instruments and climate-related funds. Rajasthan's structural vulnerabilities—ranging from water stress and agrarian risks to climate-induced health and livelihood challenges—further reinforce the need for a climate-aligned budgeting and financing strategy. Following this backdrop, the paper presents a Green Budgeting framework for Rajasthan and explores how such a framework can also support effective mobilization of green and climate finance.

2. Scope of Work

This paper is structured around two interlinked objectives. The first is to propose a Green Budget Framework tailored to the state of Rajasthan, drawing on lessons from other Indian states and aligning with international practices. The second is to

explore how the green budgeting exercise itself can serve as a lever to mobilize green and climate finance. These two components - green budget framework and finance mobilization—are inherently connected. While the former sets out how to mainstream environmental considerations into budgetary processes, the latter seeks to translate those efforts into tangible financing opportunities, including the crowding-in of private capital. The paper is structured as follows:

Section 1 focuses on building a foundational understanding of Green Budgeting. It begins by examining the conceptual underpinnings of Green Budgeting and reviewing how similar efforts have been undertaken in Assam, Bihar, and Odisha. Through this comparative lens, the paper identifies key gaps and lessons that inform the proposed Green Budget Framework for Rajasthan. The framework includes a classification and tagging methodology, guiding principles, and recommendations for institutional embedding—aimed at helping the state to track climate-relevant expenditures.

Section 2 builds on this framework to assess how Rajasthan can leverage its Green Budget to access new and diversified sources of finance. Drawing from an analysis of recent state budgets—including the FY26 Green Budget—it identifies specific opportunities created by the budgeting process to mobilize green and climate finance. It outlines enabling conditions such as institutional readiness and data systems and presents a typology of mobilization strategies that align with Rajasthan's fiscal and climate goals. The intent is to offer a forward-looking roadmap that connects budgeting reforms with financial instruments and market mechanisms, positioning Rajasthan to meet its long-term climate financing needs.

Limitations: This paper does not evaluate the effectiveness or limitations of Rajasthan's FY26 Green Budget. Instead, it uses the state's initial green budgeting efforts as a reference point to develop a broader framework and to examine its potential for enabling green finance mobilization. Also, Meghalaya and Kerala are excluded from green budget comparative analysis due to the nascent nature of their frameworks.

SECTION – I

Green Budgeting in India:
Lessons from Indian States and a Framework for Rajasthan

1. Putting Green Budgeting in Context

1.1. Defining Green Budgeting

Green budgeting does not have a singular, universally accepted definition. Instead, its scope is shaped by the priorities, capacity and resources of national and subnational governments. The OECD defines green budgeting as a budgetary policymaking tool that integrates climate and environmental objectives into fiscal planning, policies, and institutional frameworks. On the same lines European Union defines green budgeting as a process that assesses the environmental impact of budgetary allocations, aligning fiscal decisions with sustainability goals. The EU's Green Deal emphasizes that green budgeting should help governments redirect public investment, taxation, and subsidies toward environmentally sustainable initiatives. Both definitions indicate that green budgeting extends beyond budget classification (or tagging) to encompass a broader institutional framework where climate and environmental considerations become integral to medium- and long-term fiscal planning.

In India, green budgeting is an evolving concept at the subnational level. While several states have implemented climate-responsive budgets, they have adopted different terminologies and methodologies. For example, Odisha refers to its initiative as a Climate Budget, whereas Assam, Bihar and Rajasthan use the term Green Budget. Although the nomenclature and approach differ, the underlying principle remains the same—mainstreaming climate and environmental sustainability considerations into budgetary processes and fiscal decisions - which involves tagging, reporting and assessing relevant expenditures with accountability and transparency.

1.2. Objectives of Green Budgeting

The objectives of Green Budgeting depend on the extent to which governments integrate climate and environmental considerations into fiscal planning. At a basic level, it involves budget tagging, where expenditures are tagged based on broad thematic areas such as climate change mitigation, adaptation and the relevant SDGs. However, restricting green budgeting to tagging alone limits its effectiveness, as it is not just an expenditure classification tool but a framework for embedding environmental sustainability into the budgetary process and fiscal policy.

Beyond a one-time categorization of expenditures, green budgeting serves as a long-term fiscal strategy that tracks environmental spending and facilitates resource mobilization through appropriate financial instruments. It can also enhance transparency and accountability, demonstrating how states are contributing to Nationally Determined Contributions (NDCs), implement State Action Plans on Climate Change (SAPCCs) and advance SDGs.

Based on this broader understanding, the key objectives of green budgeting can be outlined as follows:

Sr No.	Objectives	Description
1.	**Mainstreaming of environmental sustainability and climate consideration into budgetary process**	Integrating climate and environmental considerations into fiscal planning to ensure sustainability is one of the guiding principles in public finance
2.	**Enhancing Transparency and Accountability**	Systematically tracking environmental and climate-related expenditures to improve decision-making and public accountability
3.	**Strengthening Institutional Capacity for Policy Innovation**	Enabling government departments for assessing and integrating environmental priorities into their respective policy objectives
4.	**Mobilizing Green Finance for Green Activities**	Facilitating access to climate finance by aligning budgetary allocations with recognized taxonomies, making projects more attractive for private and institutional investors
5.	**Progressively Increasing Allocations for Environmental Sustainability**	Ensuring a gradual but steady rise in public investments directed toward climate adaptation, mitigation, and broader environmental objectives

1.3. Economic Alignment - How Green Budget serves the Economic priorities

State governments invest significantly in infrastructure, agriculture, and urban development—sectors highly vulnerable to climate risks. Without a climate-informed fiscal strategy, these expenditures risk being undermined, as climate change can disrupt the intended economic and social benefits of public investment.

However, this requires governments to acknowledge the link between climate action and public finance. This means, understanding how climate-related goals translate into actual financial requirements and how public spending is exposed to climate risks. For example, Odisha's Climate Change Impact Appraisal model helps assess how much of the state's expenditure is vulnerable to climate risks or contributes positively to climate resilience. Such an approach ensures that climate policies are financially informed and actionable.

The economic rationale of green budgeting also extends to addressing implementation challenges. Limited resources at subnational level highlight the need for efficient utilization and capacity-building in areas such as mobilising green finance through different instruments such as Green Bonds. For example, Egypt issued Sovereign Green Bonds worth $750 million, directing the proceeds toward projects such as the Cairo Monorail. This investment not only contributed to climate mitigation by promoting low-emission transport but also led to reduction in traffic-related fatalities and created 4,000 jobs.

Box 1 - Difference Between Climate Budgeting and Green Budgeting

Green budgeting and climate budgeting, while closely related, differ in scope and intent. Climate budgeting refers to the identification and reporting of public spending aimed at climate change mitigation and adaptation. Its primary focus is on tracking financial allocations and expenditures that address climate-related objectives. Green budgeting seeks to align the entire fiscal policy landscape with a range of environmental goals, extending beyond climate change. It incorporates multiple dimensions such as biodiversity conservation, air and water quality, and sustainable land use. Unlike climate budgeting, green budgeting encompasses not just expenditures but also revenues, assets, liabilities and public investment management.

2. Green/Climate Budgeting Practices in other Indian States- Gaps and Lessons

As green budgeting gains momentum across Indian states, it becomes essential to assess the varying approaches and methodologies being adopted—particularly in light of evolving international practices. This section presents an overview of the green budgeting practices of Bihar, Assam and Odisha, focusing on how each state defines its approach, the objectives it seeks to achieve and the methodology adopted for implementation. By mapping their approach and tagging frameworks, this section sets the foundation for the subsequent analysis, which will identify key gaps and draw lessons relevant for Rajasthan's Green Budget framework.

2.1. Approach and Methodology

Assam

Definition of Green Budgeting - Assam has defined green budgeting as a 'strategic public finance management tool aimed at aligning budgetary processes with the state's environmental and climate priorities'.

Objective of Green Budgeting - The state's 'Green Growth for Greener Assam' initiative reflects its objective to advance mitigation, adaptation, and broader sustainability goals, with linkages to the Sustainable Development Goals (SDGs).

Methodology - Assam's green budget uses a five-step methodology for Green Budget Tagging (Figure 1). Its approach is guided by the Assam State Action Plan on Climate Change (ASAPCC), which identifies sectors vulnerable to climate risks. This helps the state to prioritize which sectors to focus on and what institutional capacity needs to be mobilized in response.

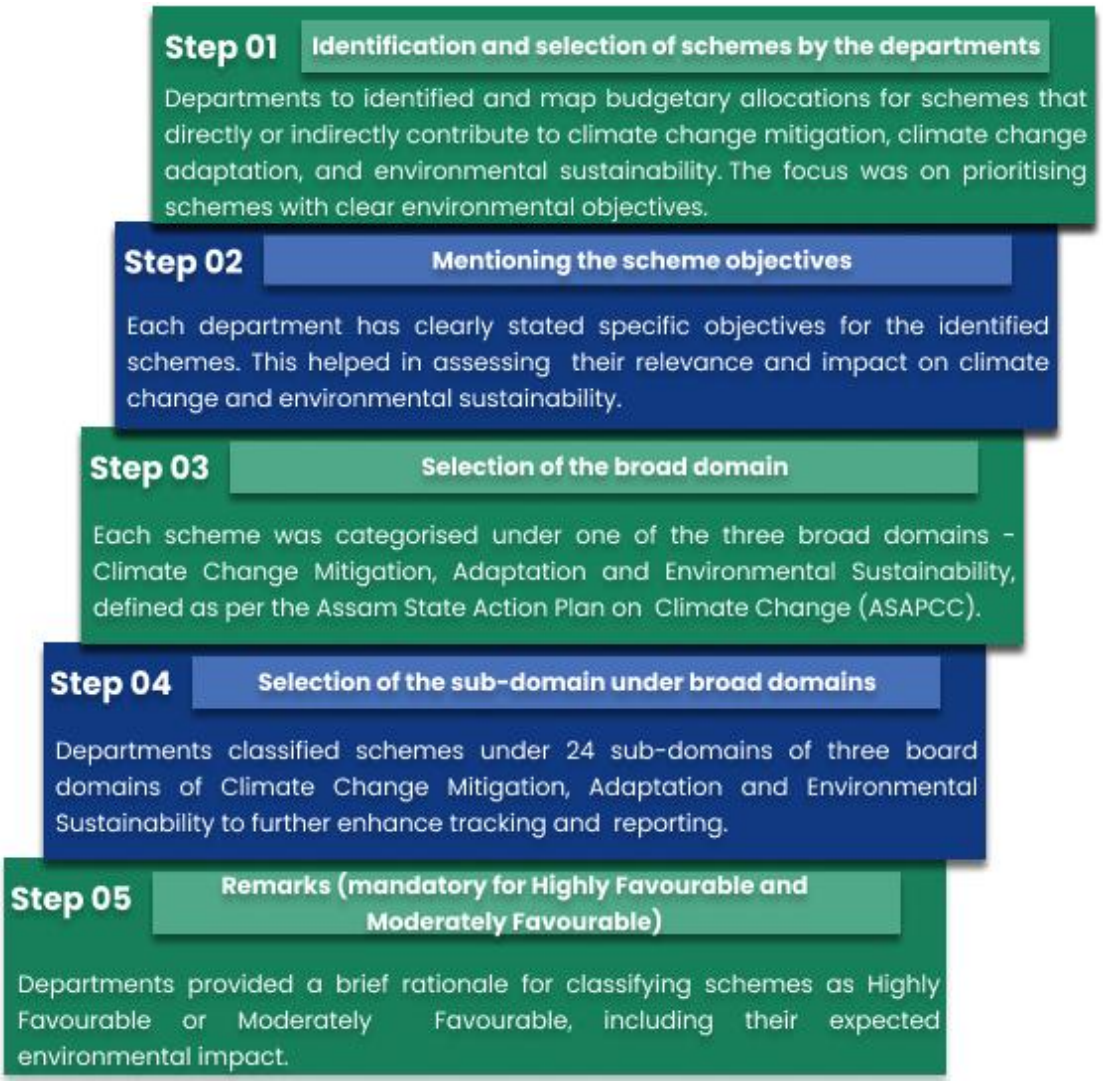

Figure 1. Framework of Assam's Green Budget

Bihar

Definition of Green Budgeting – Bihar defines green budgeting as a framework for fiscal planning, resource allocation, and long-term development that integrates environmental sustainability into financial management.

Objective of Green Budgeting – The aim is to embed environmental sustainability into the budgeting process by prioritizing projects that reduce the negative environmental impacts, support India's sustainable development and environmental commitments and enable tracking of green spending across departments.

Methodology – Bihar's approach is informed by the Bihar State Action Plan on Climate Change (SAPCC), which highlights the state's climate vulnerabilities and

helps guide sectoral priorities. The state uses the Rio Marker Methodology developed by UNEP, categorizing expenditures as Principal, Significant, or Non-significant based on environmental impact (Figure 2). This is paired with Sustainable Development Goals (SDG) mapping and department-specific budget codes to monitor green allocations. Bihar's methodology rests on three pillars: cohesive response, green methodology, and policy deliberation.

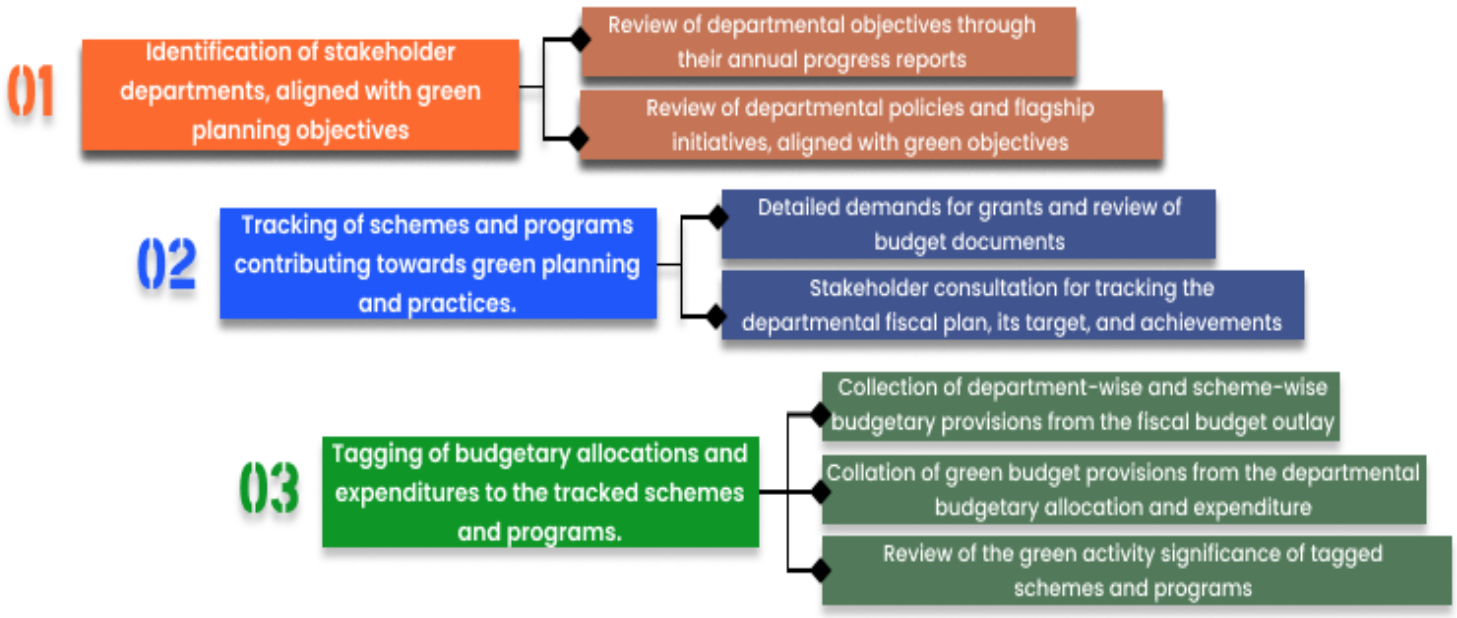

Figure 2. Framework of Bihar's Green Budget

Odisha

Definition of Green Budgeting – Odisha defines Climate Budget Tagging (CBT) as a strategic tool to integrate climate considerations into the budgeting process that strengthens the effectiveness, transparency and accountability of climate finance

Objective of Green Budgeting – The key objectives of Odisha's climate budgeting are to mainstream climate action into fiscal policy and public expenditure planning, enhance climate resilience across critical sectors, improve tracking and accountability of climate finance, and mobilize both national and international support for sustainable development.

Methodology – Odisha's green budgeting is anchored in its State Action Plan on Climate Change (SAPCC), which outlines strategic priorities across 11 key departments, including Agriculture, Disaster Management, Energy, Health,

Transport, and Water Resources. The state applies a phased Climate Change Impact Appraisal (CCIA) and climate coding exercise (Figure 3). It also incorporates qualitative assessments from Outcome Budget documents and Activity Reports. This process allows Odisha to systematically evaluate and code programme expenditures based on their climate relevance, helping to align budget allocations with long-term climate goals

Climate Change Impact Appraisal (CCIA) includes 2 phased approach, as following :-

- **Climate Change Relevance Share (CCRS) -** How benefits from development programmes '***additionally contribute to improving resilience***' to climate change
- **Climate Change Sensitivity Share (CCSS) -** How programme benefits are likely '***to be impacted by climate change***' itself in the absence of climate change specific planning interventions

Matrix of Climate Relevance and Sensitivity

CCIA Score		CCRS- (resilience building/ adaptation/, mitigation)	
		High	Low
CCSS (loss and damage due to various natural disasters)	High	A high priority for scrutiny: Retain benefits with *positive* climate sensitivity Climate-proof benefits with *negative* sensitivity	Design changes to enhance climate resilience and also more climate proofing effort to insure against welfare losses from climate hazards (in case of negative sensitivity) In case of *positive* sensitivity, enhancing climate resilience would reap dual benefits
	Low	Climate change benefits accrue with relatively less impact (or loss) from climate risks – *low hanging fruits*	Regular monitoring and review effort – To explore the future scope of mainstreaming climate concerns. Comprehensive assessments needed to evaluate allocations in such programmes

Figure 3. Odissa's Climate Budget Tagging Methodology

2.2. Gaps and Lessons in Green Budgeting Approaches

A. **Variation in definitions reflects divergent institutional capacity -** While the underlying principle of green budgeting is consistent—integrating environmental sustainability into fiscal planning—each state has defined it differently based on its institutional understanding and capacity. Odisha's use of the term *Climate Budget Tagging* is an acknowledgment of the scope and limitations of its climate budget which only focus on expenditure impacting climate change. Assam anchors its definition in the Assam State Action Plan on Climate Change (ASAPCC) which aligns with state-level climate planning, though its practical framing remains broad. Bihar, in contrast, lacks a clear articulation of how its green budgeting framework addresses the state's specific climate vulnerabilities. While it references SAPCC and Nationally Determined Contributions (NDCs), the budget does not yet show a clear rationale linking these to actual fiscal strategies.

B. **Gaps in Integration of Green Finance Instruments -** A key limitation in Assam and Bihar's green budgeting models is the lack of a strategy to mobilize green or climate finance. Tagging alone limits the potential of green budgeting as a public finance management tool. In contrast, Odisha's Climate Budget includes explicit mention for accessing climate finance and introduces a Fiscal Risk Statement that links climate risks—such as natural disasters—with financial planning. Hence, mobilization of green/climate finance with the help of green budgeting is essential to build in order to fund climate action at subnational level.

C. **The Need to Move Beyond Tagging -** While all three states have made progress in institutionalizing green budgeting, the main focus remains limited on expenditure tagging. This is a useful starting point, but it is insufficient for driving systemic change. Comprehensive green budgeting requires deeper fiscal integration—where planning, procurement and financing decisions are all aligned with climate and environmental goals. Without this, the ambition to mainstream climate considerations into public finance risks being reduced to a technical exercise with limited impact

D. **Need for Standardized Methodology and Common Taxonomy -** Assam and Bihar both adopt the Rio Marker Methodology. While this provides a foundational approach and a common language for green expenditure tracking, it has notable limitations—primarily that it was developed in 1998 based on the 1995 Rio Conventions, making it less responsive to the evolving landscape of climate finance and sustainability priorities. This highlights the broader need for a standardized taxonomy and reporting framework across states. A shared classification system would enable consistent project categorization, enhance comparability and accountability and strengthen the effectiveness of green budgeting as a tool for public finance management.

In conclusion, the analysis of Assam, Bihar and Odisha's Green Budget reveals important insights into the evolving landscape of green budgeting at the subnational level in India. While each state has taken commendable steps towards institutionalising green or climate budgeting, the variation in definitions, methodological choices, and integration with fiscal strategies highlights the need for greater coherence and standardisation. The limitations of existing approaches—particularly their focus on tagging without accompanying financial

instruments or planning integration—highlight the need to move towards a more comprehensive green budgeting framework.

Box 2 - Fiscal Risk Statement of Odisha

Odisha's Fiscal Risk Statement identifies and assesses potential threats to the state's finances. It categorises these risks into macroeconomic factors like economic volatility and institutional uncertainty, public debt and natural disasters amongst others. The statement details the frameworks and measures in place to mitigate these identified risks, including institutional arrangements like a Fiscal Risk Committee, macroeconomic policy responses such as stabilisation funds and administrative/legal frameworks for oversight. Ultimately, the report aims to enhance fiscal transparency and inform policymakers in their efforts to maintain the long-term financial stability of Odisha.

3. Framework for Rajasthan Green Budget

Drawing on the gaps and lessons identified in the previous section, this section presents a high-level framework for Green Budgeting in Rajasthan. While developed with Rajasthan in focus, the approach can be replicable to other states pursuing similar objectives. As previously stated, this report does not evaluate the strengths or limitations of Rajasthan's Green Budget for FY2026. However, a brief summary of its key features is provided in **Annexure I** to offer contextual grounding for the framework proposed herein.

3.1. Principles of Green Budgeting

Before outlining the green budgeting framework for Rajasthan, it is essential to establish a clear set of guiding principles that anchor the process. Drawing from the framework proposed by The Energy and Resources Institute (TERI), the following principles provide a normative understanding for green budget exercise to remain purpose-driven, inclusive and aligned with the broader vision of environmental sustainability.

Figure 4. Guiding Principles of Green Budgeting

3.2. Methodology - Green Budget Tagging & Coding

Institutionalising green budgeting requires a structured and phased approach. The following five-step framework (Figure 5) outlines the proposed operational approach for Rajasthan's Green Budget.

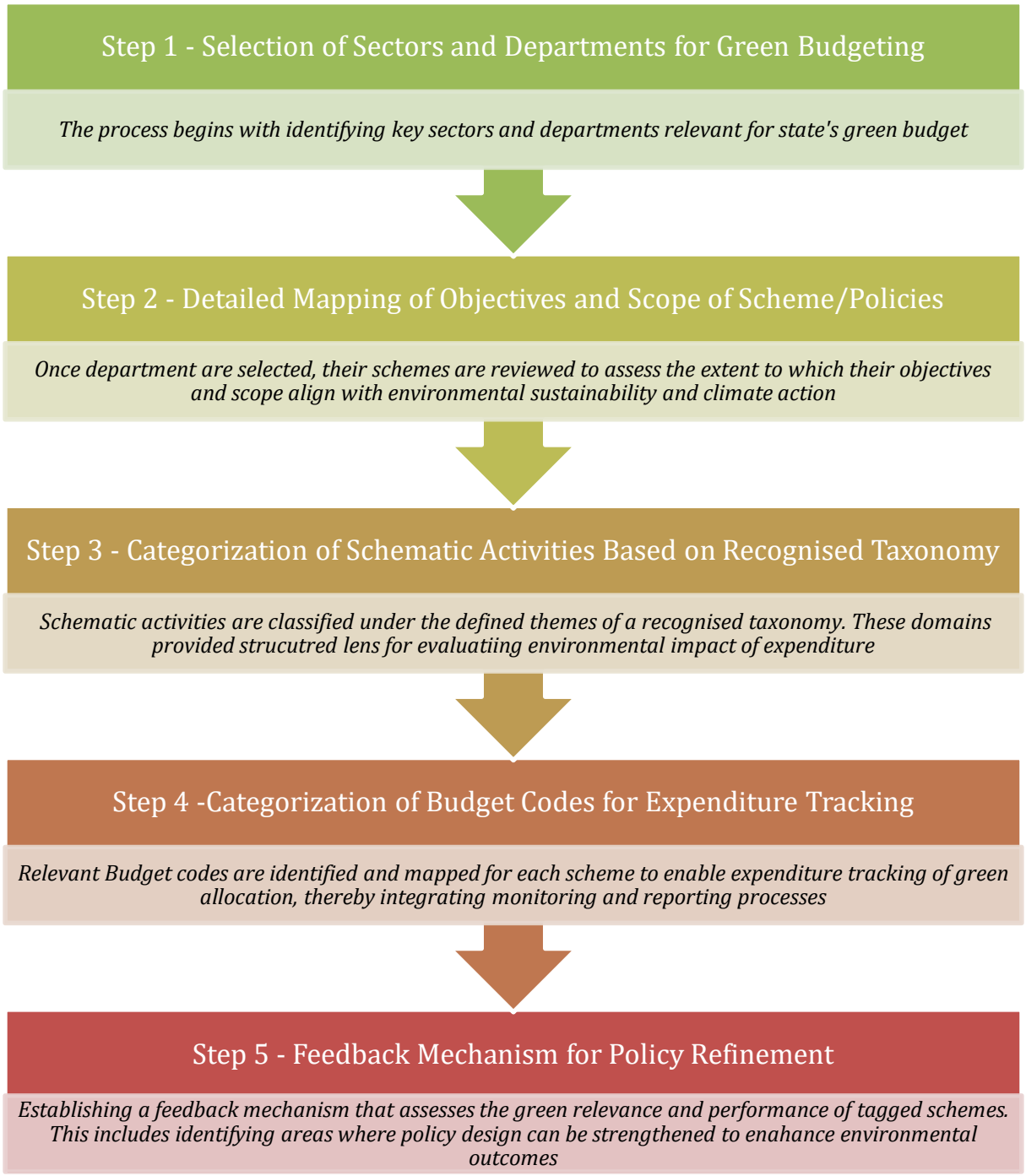

Figure 5. High Level Framework for Rajasthan's Green Budget

Step 1 - Selection of Sectors and Departments for Green Budgeting

Rationale: As evidenced in the green budgeting frameworks of Assam, Bihar, and Odisha—as well as international experiences, including those of OECD countries—identifying sectors vulnerable to climate risks is a foundational step. This enables a focused and effective approach by linking climate action to the departments most relevant to those sectors. Prioritising select sectors and departments ensures that

the green budgeting process remains targeted and meaningful, rather than becoming a broad-based exercise that may result in the inclusion of schemes with limited or no environmental relevance.

Prerequisites: To identify vulnerable sectors, a robust and actionable State Action Plan on Climate Change (SAPCC) is essential. The SAPCC should go beyond broad outlines and incorporate the socio-economic profile of the state to prioritise sectors and actions effectively. For Rajasthan, the SAPCC (2022) provides a foundation, but requires further refinement to clearly define priority sectors and outline specific actions needed to build resilience. This will ensure that green budgeting efforts are grounded in sector-specific climate vulnerabilities.

Step 2 - Mapping of Schemes/Policies of Selected Departments

Rationale: Mapping the objectives and scope of schemes and policies implemented by the selected departments is to assess their relevance and potential impact on climate change and environmental sustainability. This step is to identify overarching goals and the extent to which existing public programmes contribute to mitigation, adaptation, or broader environmental outcomes. It also helps identify policy gaps and opportunities for enhancing the green orientation of state expenditure.

Prerequisites: For Rajasthan Green Budget, this step would require a review of departmental schemes which can be supported by a clear criterion for assessing their environmental and climate relevance. Departments should be guided to document the intended outcomes of their schemes and identify any implicit or explicit links to climate resilience or sustainability. It is recommended that the state develop a standardised mapping template and provide orientation to departments to carry out this exercise.

Step 3 - Categorization of Scheme based on environmental domains - Tagging

Rationale: This step is important in operationalising the green budget framework by building on the mapping exercise conducted in Step 2. It involves classifying the activities within identified schemes into well-defined domains such as climate change mitigation, adaptation, biodiversity conservation, and others. This classification allows the state to assess the nature and extent of public expenditure

on different environmental objectives, thereby providing a clearer picture of where and how much of budgetary resources are being directed.

Prerequisites: Rajasthan can adopt the categorization of green activities outlined in India's Sovereign Green Bond Framework, which identifies ten eligible project categories (annex 1). This approach offers two key advantages. First, it allows for the systematic tagging of scheme-level activities, with the flexibility to expand into more granular subcategories as needed. Second, aligning identified green projects and activities under Rajasthan's green budgeting with internationally recognized taxonomies—such as the Climate Bonds Initiative, ASEAN Green Bond Standards, or the forthcoming Indian climate taxonomy expected in 2025—will strengthen the state's ability to attract green and climate finance. Effective implementation will require capacity building across departments and the development of clear tagging guidelines.

Step 4 - Categorization Budget codes for Expenditure Tracking - Coding

Rationale: This step is to incorporate classification within the state's budgeting process by tagging corresponding budget codes. Budget codes under which environmentally relevant expenditures are made could be marked as 'green'. This helps departments to track actual spending against green allocations and facilitates the compilation of budgetary data for future fiscal planning. Integrating tagging into budget codes strengthens transparency and enhances the ability to monitor progress on environmental commitments

Prerequisites: With the digitisation of public finance systems through the Finance Management and Information System (FMIS), Rajasthan can embed this functionality into its existing FMIS. A dedicated module within FMIS can be developed to flag green budget codes. This system could be supported by an interactive dashboard that visualises departmental allocations, disbursements, and performance against green objectives.

Step 5 - Feedback Mechanism for Policy Refinement - interdepartmental coordination

Rationale: This step is to ensure that green budgeting evolves beyond a static accounting tool into a process of continuous improvement. A feedback

mechanism allows departments to review the effectiveness of their existing schemes in contributing to environmental outcomes and identify opportunities to increase the green relevance of their expenditures. With interdepartmental coordination, this mechanism helps align policy design and implementation with evolving climate and sustainability priorities, while maintaining the core objectives of schemes and policies

Prerequisites: Rajasthan could establish a Green Budget Cell as an interdepartmental review platform - tasked with reviewing green-tagged schemes on a periodic basis - under the proposed **Sustainable Development Goals Coordination and Acceleration Centre**. This platform should facilitate cross-learning between departments, assess the impact of tagged expenditures and recommend refinements to increase green alignment. The review should be informed by data generated through the Finance Management Information System (FMIS).

Case Study

Evaluating the alignment of activities under green budget with recognised Green Taxonomy

In order to determine the green credentials of the activities listed under Rajasthan's Green Budget 2025-26 a detailed assessment has been undertaken to identify the thematic alignment of these activities with the sector specific criteria defined under green taxonomy. For this assessment, in the absence of India's Climate Finance Taxonomy as proposed under Union Budget 2024-25, Climate Bonds Taxonomy released by Climate Bonds Initiative has been referred (Figure A).

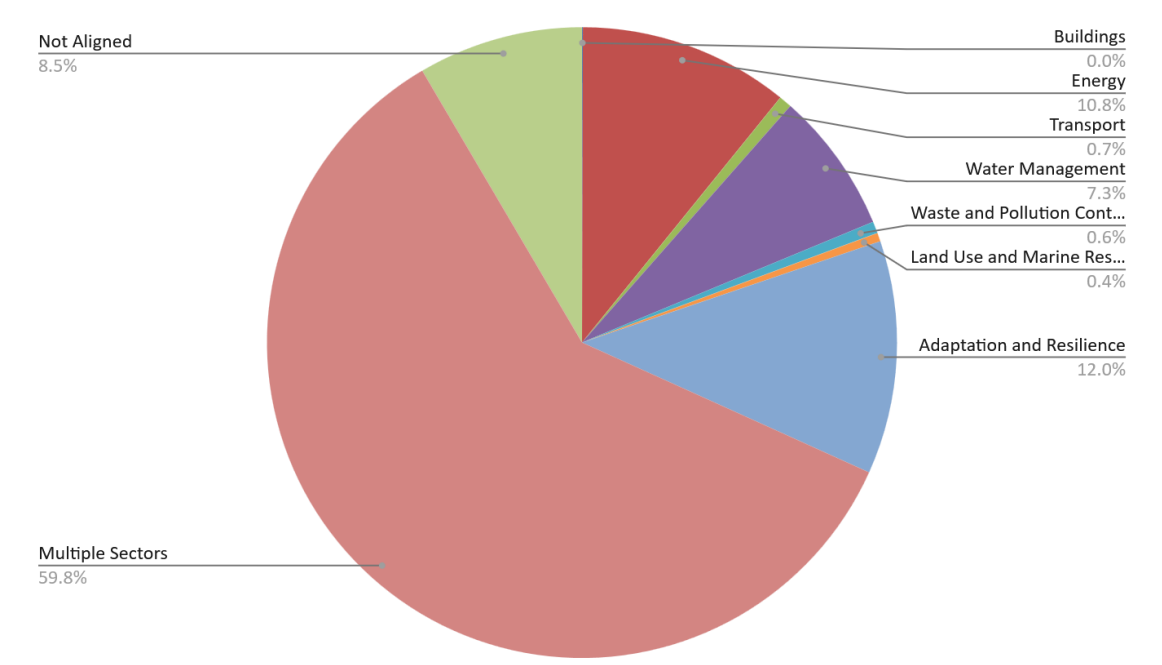

Figure A: Sectoral alignment of activities listed under green budget

Source: Author's Analysis

- Sector specific criteria and qualifying activities were obtained from Climate Bonds taxonomy
- Categorization of items listed under green budget based on sector specific criteria was undertaken and subsequently activities with a direct alignment (Green Light) were categorized accordingly (Sectoral)
- For categorizing items not aligning directly (Amber Light), their project description was relied upon to ascertain alignment
- Many items in the budget showed sectoral overlaps and thus they were classified as mixed sector
- Items which did not fall under any of the above listed activities were deemed having no alignment

Around 60% of the items were found to be overlapping across multiple themes such as energy, water and waste, etc. 8.5% of the project were found to have no alignment with the taxonomy. Additionally, it was observed that multiple items had the same descriptions making it difficult to decipher their alignment. In order to filter out such cases the department/scheme name was relied upon.

SECTION – II

Mobilization Strategy for Green Finance:

Typology of Rajasthan

4. Introduction

Green Budget can be instrumental in identifying the key activities for which additional finance (including green finance) can be mobilised at the state-level by state governments and state public sector enterprises. Green tagging of activities and projects under the Green Budget as per the framework described in Section I could entail tangible benefits for reducing the burden on available public finances and simultaneously ensuring alignment with developmental objectives. These benefits include:

- Crowding-in private capital, both domestic and international, for large-scale infrastructure development to complement the Union and State governments' sustained thrust on capital expenditure. An explicit determination of 'green investment opportunities' at the state level which are in line with internationally-recognised/ sovereign-backed taxonomies could aid the investors' interest
- Development of a debt/bond market by providing the scale and liquidity it needs to encourage trading and facilitate price discovery, especially of thematic bonds such as Green Bonds
- Increasing the resilience of the financial system, including financial institutions, capital markets and regulators, by introducing green finance instruments, policies and mandates which could enable the reduction of their respective exposure to climate risks
- Providing opportunities for improving the financial health and governance of state-level Public Sector Enterprises (SPSEs) through participation in the green finance market and increasing their envelope of financing

Carrying out an alignment of activities identified under the green budget as well as other activities with the sector specific criteria defined under recognised taxonomies could have a two-fold advantage. Firstly, enable a scientific identification of green activities at the departmental level, improving the credibility of state-action on green activities and secondly, identify opportunities for mobilising green finance for such activities through various instruments, structures and institutions, evincing the interest of investors towards such green activities.

In order to finance the activities and projects identified under the green budget for Rajasthan, multiple financing options need to be explored and evaluated at the state level in the backdrop of constrained government finances and the mandate of the FRBM Act. A widening financing gap has created opportunities for participation of the private sector through both debt and equity, leveraging funds from Multilateral Development Banks (MDBs) and Bilateral Financial Institutions (BFIs) as well as creating structural modifications such as institutionalisation of

Joint Ventures (JVs). The maturing of the financial markets since the economic reforms of 1991 has enabled development of new and innovative financing instruments such as vanilla/labelled bonds, credit guarantees/enhancement, recycling of finance through structures such as InvITs, Public-Private Partnerships (PPPs) and IDF, amongst others. Such instruments can utilise additional sources of long-term financing including pension funds, insurance funds and contributions from a variety of institutional investors for resource mobilisation and risk sharing.

5. Pre-Requites for mobilisation of Green Finance

- **Development of Project Pipelines:**

Preparation of medium-to-long term project pipelines at the state level by creating institutional frameworks for attracting private capital for green infrastructure projects using innovative financial instruments and structures such as green bonds, blended finance, PPPs and InvITs as detailed in Figure 6.

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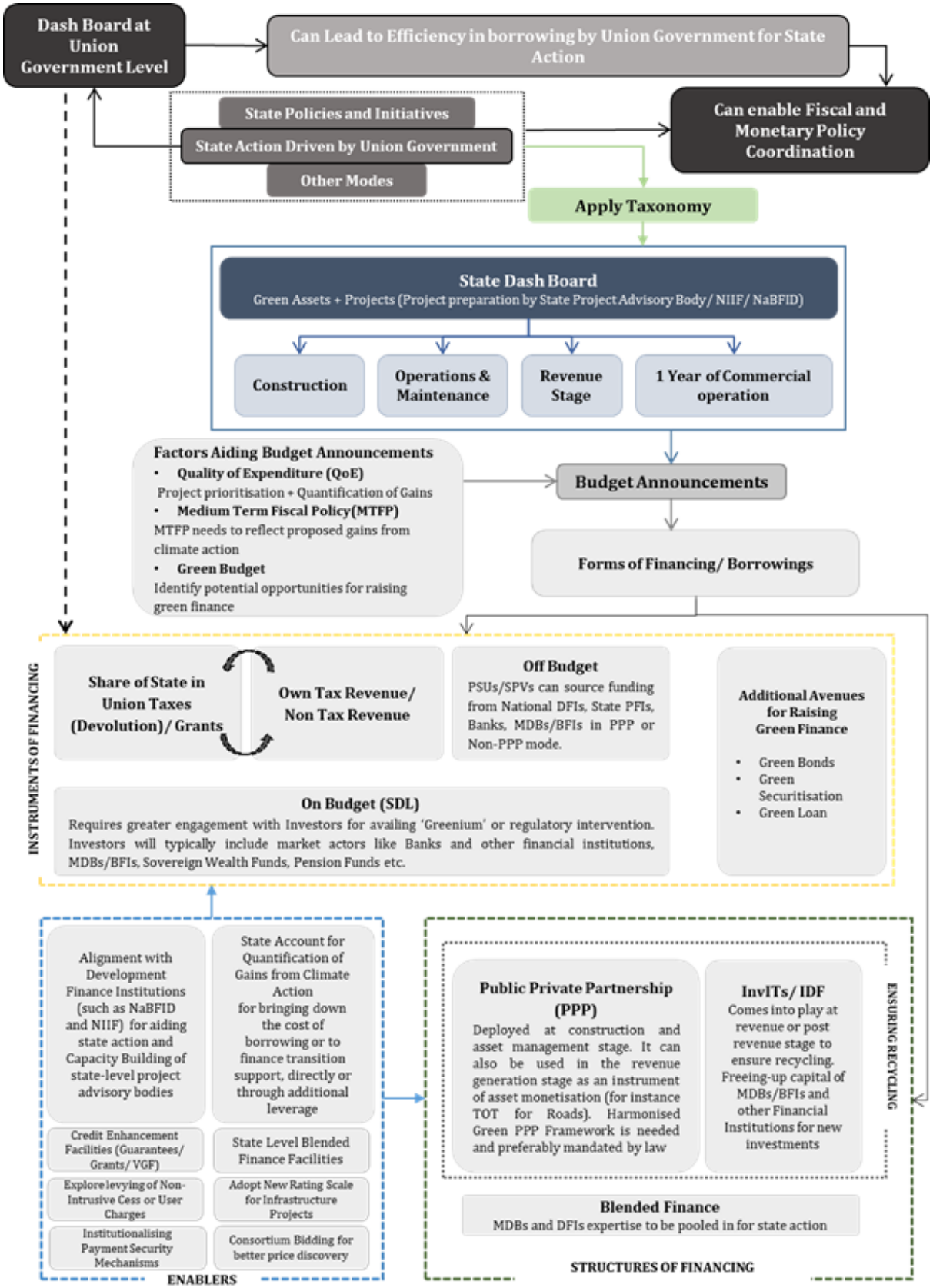

Figure 6: Institutional Frameworks for Attracting Private Capital for Green Infrastructure Projects Using Innovative Financial Instruments and Structures

- **Project Bundling:**

Enhancing capacities of state governments and state-backed entities for bundling and securitisation of strategic assets which could unlock better price discovery through large-scale tendering practices and enhanced revenue realisation due to diversification of asset base.

Project bundling is a process by which a single contract award is used to contract for the implementation, operation and maintenance of multiple projects. The contract may be procured in several different ways and may include both design and construction in the overall scope, depending on the procurement method. The contract could cover a single city, district, or State, and it may be tiered to allow a combination of work types (design, implementation, operation or maintenance).

A project bundling exercise targets a defined set (or bundle) of projects that are planned to be undertaken through project bundling contracts. It could enable leveraging various financial instruments and structures with the following benefits:

- Risk Mitigation through diversification of asset base
- Increased efficiency in design, implementation and replicability among the bundled projects
- Increased attractiveness of projects for raising capital due to economies of scale
- Better price discovery through large scale tendering process

Projects may be required to be grouped together based on different bundling strategies due to their characteristic features. These entail:

Bundling Strategy	Details	Illustration
Place Based Bundling	Grouping of diverse infrastructure projects (water supply, energy, etc) in areas of close proximity	Multiple projects situated within a city or a block
Horizontal Bundling	Combining multiple projects of the same type under one contract enhancing efficiency	Different solar projects into one contract to have better price discovery and less moving parts in implementation, e.g. multiple RTS deployment through one contract

Thematic Bundling	Combining multiple projects of the same theme under one category	Projects of the same theme irrespective of asset class. Such as under energy combining solar and wind into one, or generation and transmission under one contract
Scale Based Bundling	Combining smaller projects based on theme/ geography under one contract while leaving out the larger projects	-
Stage Based Bundling	Combining projects at similar stage for immediate financing	Projects at similar stage of development (DPR, Planning, O&M etc) awaiting capital infusion, Invits

- **Enhancing and improving credit ratings of PSUs:**

Improving credit ratings of state-level public sector undertakings (PSUs) and visibility of revenue streams of projects to accelerate asset monetisation and roping in of project management expertise which are critical for attracting private capital. The credit ratings of PSUs can be enhanced by leveraging various support mechanisms provided by state governments and development finance institutions (DFIs)

Support Mechanism	Description & Impact on Credit Rating
State Government	
State-backed Guarantees	Direct assurance to lenders; major rating uplift
Budgetary Allocations	Equity, grants, loans; strengthens financials
Escrow/Earmarked Revenue	Ensures debt servicing; reduces default risk
Performance Monitoring	Ensures transparency; conditions further support
DFIs	
Partial Credit Guarantee	Reduces default risk, directly uplifts rating
First Loss/Subordinated Debt	Absorbs initial losses, derisks senior lenders
Letters of Credit/Guarantees	Ensures timely payment, boosts investor trust
Blended Finance	Lowers project risk, attracts private capital

Benefits of having an enhanced credit rating includes:

- Better tenor and longer terms: Having a good credit rating often leads to longer and better repayment terms and a lower cost of capital

- Market Access: Enhanced credit ratings help PSUs to access a broader market and diverse investor base
- Increased investor confidence: Credit ratings play a strong part in informing investors about creditworthiness of an entity, thereby directly affecting their confidence

- **Utilising Green Financial Instruments, Structures and Institutions:**

  Building institutional capacities for deployment of innovative financial mechanisms including instruments, structures and institutions, amplifying the benefits which can be accrued from tapping the MDB/DFI expertise as well as other instruments of the green finance market

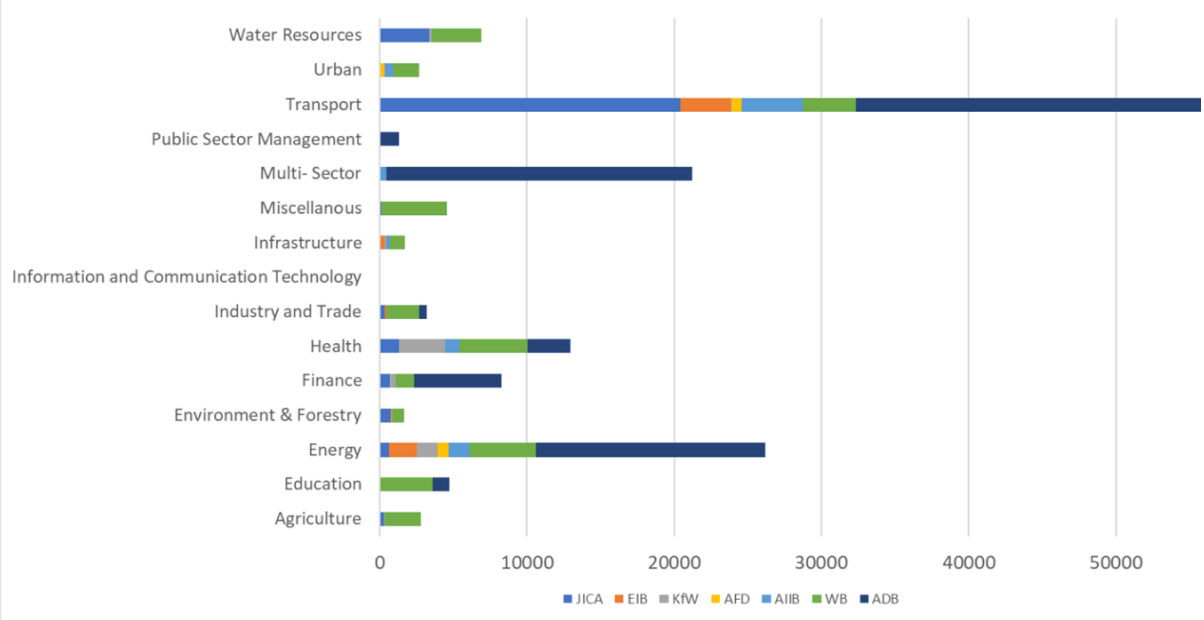

Figure 7. Sector wise allocation of finances by MDBs/BFIs across India

- **Institutional Calibration:**
  - Setting up of state-level transaction and project advisory bodies for assisting states in structuring green projects and utilising the services of NIIF/NaBFID for transaction advisory amongst others. PDCOR Ltd., an existing state PSU can be empowered to serve as a project advisory body either by itself or in collaboration with NIIF
  - Galvanising inter-departmental coordination on climate action and transition management

6. Resource Mobilisation Strategies

Strategic resource mobilisation is necessary for optimal use of resources at hand. In this regard a typology for some of these eligible project categories has been undertaken in the following section for evaluating the resource mobilisation options available for each of these categories.

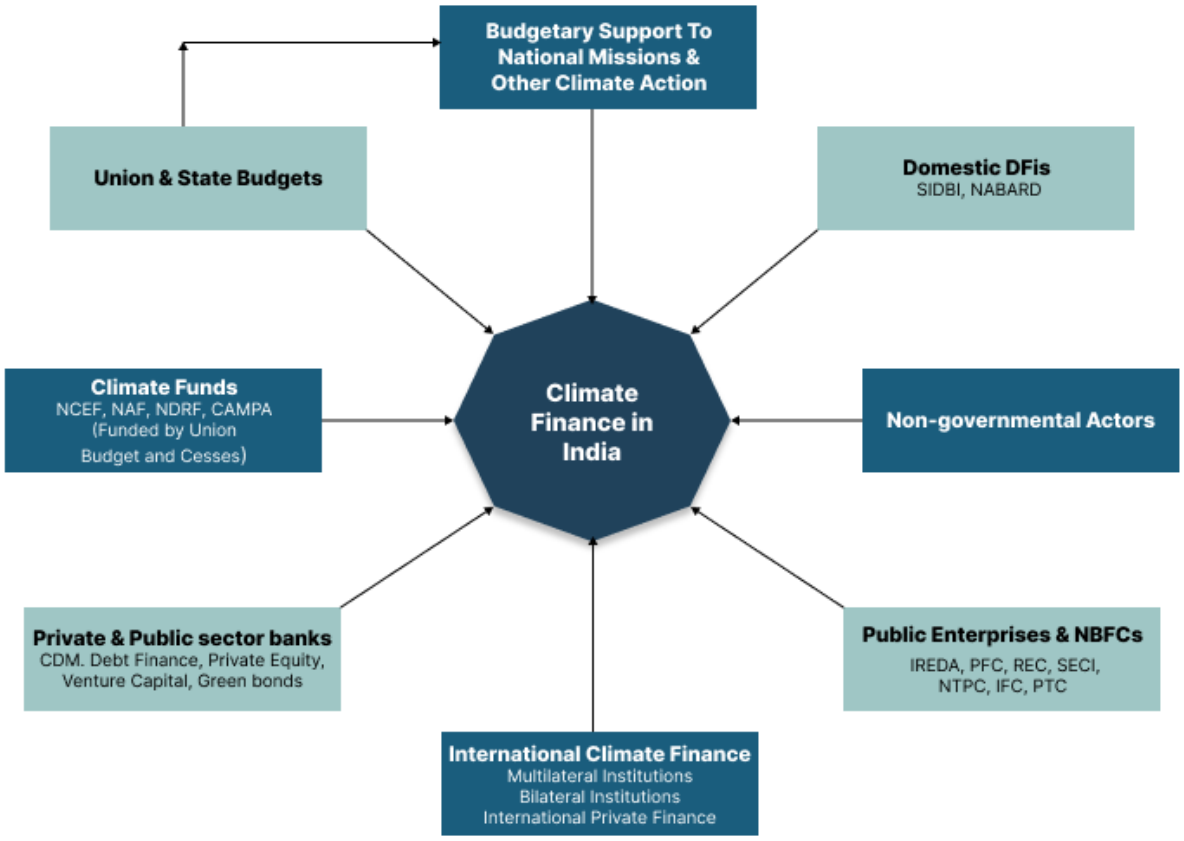

Figure 8. Landscape of climate finance in India

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6.1. Transport

Transport, being one of the largest emitters in the country, presents a significant opportunity to attract green finance by the way of uptake of projects aiming at decarbonising the sector.

In this regard centrally sponsored schemes such as PM-eDrive to fund uptake of green public transport is an ideal source of funds. Under this CESL would undertake the aggregation of demand and issue the RFP for aggregation of e-buses for buses <=12m length. To address the high capital cost of e-buses, Transport Undertakings induct these buses through Public Private Partnership on Gross Cost Contract (GCC) model. The State/City Transport Undertakings (STU/CTUs) are not required to pay the upfront cost of the bus under the GCC model, instead OEMs/operators procure and operate e-buses for the STU/CTUs with monthly payments.

Additionally, state or city transport utilities can leverage capital from sources such as:

- Availing credit lines from MDBs/BFIs which are operational for augmenting public transportation and development of associated infrastructure including charging stations and bus depots. For instance, AIIB has undertaken a non-sovereign project to support a shift to electric mobility in the states of Haryana and Odisha where the borrowers are the subsidiaries of JBM Auto Limited, and have been awarded concessions by the State Transport Undertakings to operate under the "Gross Cost Contract" Model. Moreover, other opportunities for aiding the state/city transport undertakings can be explored which can provide access to concessional finance for state enterprises in order to undertake projects under the GCC model
- Issuance of Green Bonds or availing concessional finance from PFC/REC by the respective entity: For instance, on the evaluation of the credit ratings of state transport utilities in Rajasthan such as RSRTC, JCTSL, credit guarantees/enhancement can be provided by the state government or financial institutions such as DFIs if the rating is below investment grade. An investment grade credit rating along with a clear revenue generation potential through fares could attract potential investors for green or other sustainable bonds issued by the entities.

  Moreover, financial institutions such as Power Finance Corporation (PFC) have recently provided concessional debt for the deployment of electric buses in nine cities in Uttar Pradesh. The agreement was signed between PFC and Green Cell Mobility, which is an e mobility platform supported by the Government of India and the United Kingdom to boost the enhancement of electric vehicles in India. Also, Rural Electrification Corporation plans to finance OEMs' gross cost contracts (GCC model) from various state

transportation projects, India's PM-eBus Sewa Scheme and private transportation firms seeking to transition their diesel-powered fleets to electric models.

RSRTC and JCTSL can explore the option of availing concessional finance from PFC and REC. Private financing coming from commercial banks and the sustainable bond market along with concessional finance could minimise cost of capital for the procurement.

- Explore alternatives to set up a fund by repurposing existing/ levying additional cesses/duties. Such ringfenced resources could act as a payment-security mechanism to overcome the OEMs/operators' hesitancy to engage in this model due to concerns about potential payment defaults. The dedicated fund could ensure timely payments to OEMs/operators on the lines of PM-eBus Sewa-Payment Security Mechanism (PSM) scheme, formulated by the Government of India for supporting operations of e-buses for a period of up to 12 years from the date of deployment. In case of default of payments by RSRTC/JCTSL, the fund shall be utilised to make necessary payments which could be later recouped from the respective undertakings/state government in staggered payments.

6.2. Water Management

Water Management is critical in the wake of climate change and rising temperature. In Rajasthan, where most of the area has water stress levels far exceeding normal rate, proper water management becomes crucial for sustainable development of the state. The financing options for water management and their potential application has been detailed below:

Transfers under Centrally Sponsored Schemes (CSS): Union Government Schemes form the foundation of funding for such large-scale water infrastructure projects. The Jal Jeevan Mission (JJM), with its substantial allocation of Rs 70,163 crore in the 2024-25 Union budget, offers significant potential for supporting the rural components of water management such as irrigation channels, etc. Similarly, the Atal Bhujal Yojana (ABY), specifically targeting groundwater management in water-stressed states like Rajasthan, could provide crucial funding for aspects of the project related to aquifer recharge and sustainable groundwater use. The Pradhan Mantri Krishi Sinchayee Yojana (PMKSY) also presents opportunities, particularly for components involving irrigation infrastructure and water body restoration.

Multilateral and Bilateral Funding sources offer substantial financial support and technical expertise. The New Development Bank (NDB), having previously provided $345 million for the Rajasthan Water Sector Restructuring Project, could be a key partner in financing. The Asian Development Bank (ADB) and World Bank, with their

extensive experience in water infrastructure projects in India, are also potential sources of loans and grants. These institutions often bring valuable international best practices and rigorous project management standards.

Innovative Financing Mechanisms can help bridge funding gaps and attract private investment. Green Bonds, issued by the state-level entities such as Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited (RUDSICO) or urban local bodies, can tap into the growing market for sustainable investments.

Public-Private Partnerships (PPPs) offer a way to leverage private sector efficiency and capital in project implementation. Structures such as BOT, DBFOT, HAM among others can be utilised as have been demonstrated by other states.

Infrastructure Investment Trusts (InvITs) could be structured for large scale water transfer projects by pooling assets (project bundling) such as pipelines, pumping stations, treatment & storage facilities etc., providing a vehicle for private investment in public infrastructure. Revenue sources could include water usage charges from industrial areas, payment from municipal bodies, payment from tank operators, recreation facilities alongside Water bodies/ storage structures which could be used to make due payments to the investors.

The District Mineral Foundation Trust (DMFT) presents a unique opportunity to finance project components in mining-affected areas of Rajasthan. With a substantial collection of Rs. 9,299.76 crore as of August 2023, DMFT funds can be strategically utilized for drinking water supply, environment preservation and physical infrastructure related to water management in eligible districts.

Additionally, existing state initiatives like the Mukhyamantri Jal Swavlamban Abhiyan 2.0, which aims to create 500,000 water harvesting structures across 20,000 villages, could be leveraged to help with water management projects. Corporate Sector Involvement, particularly through Corporate Social Responsibility (CSR) funds, can supplement government and institutional funding. Companies operating in Rajasthan, especially those in water-intensive industries, may be incentivized to contribute to water security projects that benefit their operations and local communities.

Asset Monetization strategies can generate additional revenue streams to support the project. This could include leasing rights-of-way along water infrastructure for Fiber optic cables, etc.

In conclusion, financing water management projects requires a multi-faceted approach, combining traditional government funding with innovative financial instruments and private sector participation. By leveraging this diverse array of funding sources and financial mechanisms, Rajasthan can not only mobilize the

necessary capital but also ensure the long-term sustainability and efficiency of this critical water management initiative.

6.3. Waste and Pollution Management

Mobilising funds for waste and pollution management is the need of the hour. Centrally sponsored schemes such as, Swachh Bharat Mission (SBM) 2.0 and the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) 2.0, are some of the sources for fund mobilisation. Additionally, resources could be mobilised through different funding avenues.

Recent commitments for improving solid waste management across Indian cities, such as the Asian Development Bank's (ADB) pledge of $200 million, present a promising financing avenue for establishing facilities like bio-methanation plants, composting units, and material recovery infrastructure.

Moreover, the potential to revolutionise municipal financing through credit enhancements offered by NaBFID can significantly bolster investor interest in municipal bonds or other debt instruments. The growing practice of tapping sustainable municipal finance is evident in cities like Vadodara and Pimpri Chinchwad which demonstrates heightened investor appetite for green bonds.

In Rajasthan's context, leveraging multiple funding sources, including the District Mineral Foundation Trust (DMFT) and XVth Finance Commission grants, can catalyse additional capital for SWM projects.

Moreover, waste-to-energy initiatives can generate new revenue streams, reinforcing the financial viability of these projects through the sale of power or other by-products. The successful issuance of green bonds by the Ghaziabad Municipal Corporation for financing environmental projects further highlights the viability of market-driven solutions for municipal infrastructure.

By integrating conventional government funds with innovative financing instruments and private sector participation, the state can create a robust funding framework to ensure the success of the SWM program. This multifaceted approach could not only address immediate waste management concerns but also lay the foundation for sustainable urban development.

6.4. Adaptation and Resilience

Adaptation and resilience in all aspects of the environment is the need of the hour considering the climate change scenario across the world. It is important to embed them in infrastructure, natural resources, economy and livelihood to ensure a sustainable transition glide-path.

To finance initiatives under adaptation and resilience, leveraging concessional support from multilateral or bilateral financial institutions becomes a critical option

particularly when institutions like World Bank (involved in recently completed Rajasthan Agricultural Competitiveness Project), KfW (Agroecology & Climate Resilience Project in AP) and ADB (involved in funding resilience related project in the country) amongst others, have shown willingness to offer concessional finance to projects of such nature.

Development Finance Institutions like NABARD, which disbursed over INR 37317 crore under its Rural Infrastructure Development Fund (RIDF) during 2022-23, can facilitate cost-effective credit for setting up infrastructure vital to the success of activities that aid in adaptation and resilience and are in line with RIDF's mandate.

Moreover, strategic repurposing of PM-PRANAM scheme proceeds, for farmers moving towards sustainable farming, could be structured to serve multiple functions, including providing guarantees for concessional finance, offering grants during periods of low productivity or disasters, supporting capacity building initiatives for farmers transitioning to sustainable agriculture practices. This multi-pronged approach through PM-PRANAM's escrowed proceeds aligns with the scheme's broader objectives while creating dedicated funding windows for natural farming transition.

Additionally, the state may explore issuing Green-SDLs or Green Bonds, specifically earmarked for initiatives related to adaptation and mitigation, to tap into investors focusing on Environmental, Social, and Governance (ESG) criteria.

6.5. Land Use and Marine Resources

To mobilise finances for land use and marine resources the state can explore concessional credit lines from multilateral or bilateral financing institutions specialising in sustainable forest management. Opportunities for tapping dedicated climate funds like the Green Climate Fund (GCF) and the Global Environment Facility (GEF) can be pursued as these mechanisms often carry favourable loan terms and grants for projects with significant environmental co-benefits.

Notably, integrating carbon credit generation into forestry and biodiversity initiatives can unlock additional financing streams. In line with broader carbon market instruments, the state's forest conservation activities may be structured to generate tradable carbon credits under mechanisms such as REDD+, which emphasises community participation and benefit-sharing. Further, these credits can be monetised to offset greenhouse gas emissions while contributing to long-term project sustainability.

Moreover, payments for ecosystem services (PES) can be established through local government as employed in Palampur, Himachal Pradesh or Corporate Social Responsibility (CSR) channels, incentivising communities and stakeholders to conserve forest areas.

Aligning relevant components with Centrally Sponsored Schemes like the National Mission for a Green India (GIM) and the Integrated Development of Wildlife Habitats could enhance existing resource availability. Additionally various activities under the project can leverage funds from specific sources such as National Afforestation Mission which can fund soil and moisture conservation, CAMPA which can finance the protection and development of forests, biodiversity conservation and development of protected areas, generation of direct and indirect livelihood of local community, et al. DMFT funds can be leveraged in the areas which has minerals and the recently introduced Rajasthan ecotourism policy can provide for funding of promotion of sustainable, experiential travel and tourism to forest areas. Creation of a ringfenced forestry fund, supported through selected cesses or allocations, could serve as a payment-security arrangement for ongoing community-based conservation efforts. Such blended financing ensures that the project benefits are sustainable, equitable, and responsive to evolving ecological challenges.

6.6. Energy

Rajasthan has emerged as a leader in the renewable energy space and is intent to increase its capacity further. This effort would require a readily available stream of funds to ensure smooth implementation of projects of all scales.

Centrally Sponsored Schemes such as PM-KUSUM, PM-Surya Ghar Yojana, state schemes such as Mukhyamantri Muft Bijli Yojana will serve as a stream of finances, especially for smaller scale decentralised projects.

MDBs and BFIs such as World Bank, ADB, KfW can serve as a source of concessional credit lines while also bringing their expertise in implementation of similar projects worldwide.

Additionally, DFIs such as REC, PFC, IREDA, NABARD, NaBFID etc provide funds for renewable projects of various sizes.

6.7. Buildings

Buildings are critical to addressing both energy efficiency and infrastructure resilience. Studies suggest that buildings account for 37% of total carbon emissions and nearly 40% of total energy consumption over their life cycle. In Rajasthan, with extreme temperatures on a rise, this sector poses both challenges and opportunities. Higher temperature leads to increased reliance on cooling appliances, which are energy intensive thus further worsening the problem.

In this light green building emerges as a potential solution. Green building refers to both a structure and the application of processes that are environmentally

responsible and resource-efficient throughout a building's life cycle: from planning to design, construction, operation, and maintenance.

In order to finance this initiative concessional loans from DFIs such as NHB, NaBFID, etc can be leveraged to provide incentives for adoption of LEED, IGBC or GRIHA green certified buildings.

MDBs such as World Bank, IFC, ADB and GCF also provide frequent support to green buildings initiatives. Additionally, bundling of multiple greenfield green building projects together and implementing the project through constitution of Real Estate Investment Trusts (REITS) can help in leveraging green bonds from private investors.

Summary of Sector Specific Fund Mobilisation Options:

Sector	CSS/ State Schemes	MDBs	DFIs	BFIs	Utilities/ Department	Innovative Financing Mechanism
Energy	PM KUSUM, PM Surya Ghar Yojana,	World Bank, ADB	PFC, REC, IREDA, NABARD, NaBFID	KfW	RRECL, DISCOMs, RVUNL, RVPNL	Green Bonds, PPP
Building	NMEEE	IFC, World Bank, ADB, GCF	NHB, NaBFID	KfW, AfD	JDA,JoDA,ULBs	REITS
Adaptation & Resilience	NDRF/SDRF, PKVY,	World Bank, ADB	NABARD	KfW	RSAMB	Carbon Credits
Transport	PM-eDrive	AIIB	PFC, REC		JMRCL, PWD, RSRTC, JSTCL	InVITs, Green Bond, PPP
Waste and Pollution Control	SBM, Smart CIties, AMRUT 2.0	NDB	NaBFID		RWSSMB	
Water Management	JJM, ABY, PMKSY	ADB, NDB, World Bank			RUDSICO, RWSSMB	

Land use and Marine Resource	CAMPA, National Afforestation Mission	Green Climate Fund (GCF), Global Environment Facility (GEF)	NABARD	AfD		Carbon Credits

Annexure I

Rajasthan Green Budget Overview

The following provides an overview of Rajasthan's Green Budget for FY2026. This summary is intended to present the key elements introduced in the budget without evaluating the strengths or limitations of the framework. Unlike other state-level green budgets, Rajasthan's Green Budget document does not explicitly outline the approach or methodology adopted for identifying and classifying green expenditures. However, based on the available information, the following reflects the understanding of the structure and content of the budget. For further details, the full budget document can be accessed here:

- **Budgetary allocation:** Rajasthan's FY26 Green Budget allocates an amount of ₹2,78,53,84.10 lakh towards green initiatives. This represents 11.34% of the total state budget provision. These figures highlight the significant financial commitment to green objectives within the state's overall budget.
- **Department-wise and Scheme-wise allocation:** The budget is detailed on a department-wise and scheme-wise basis as evidenced throughout the document]. This approach allows for a broader understanding of where green funds are being directed and the activities being supported within each department.
- **Categorisation under climate mitigation, adaptation and Environmental Sustainability:** Another aspect of the framework is the classification of each green initiative under either 'Climate Mitigation & Adaptation' or 'Environmental Sustainability'. This categorisation provides a thematic tagging, distinguishing between actions aimed at reducing greenhouse gas emissions and those focused on conserving natural resources and preventing environmental degradation.
- **Justification Based on Environmental Impact:** Each scheme included in the Green Budget typically has a note explaining how the allocated funds contribute to environmental benefits. These justifications very briefly explain the expected outcomes, such as reductions in pollution, conservation of water, promotion of renewable energy or biodiversity conservation.

63 Departments included in Green Budget: The Green Budget is not limited to few relevant departments but rather includes green initiatives across the government departments. This indicates a state-wide approach to mainstreaming environmental considerations into various sectors, including agriculture, energy, water resources, urban development, education and even police and sports.