

## Executive Summary

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This report shows the results of the project “Classifiers of Public Spending on Climate Change, Biodiversity, and Risks and Disaster Management,” a technical cooperation between the Brazilian Ministry of Planning and Budget (MPO) and the Inter-American Development Bank (IDB). Such a project aimed to identify, classify, and quantify the expenditures on climate change, biodiversity, and disaster risk management carried out by the Brazilian Central Government between 2010 and 2023, as well as by State Governments in 2022.

## Methodology

The expenditures of the Central Government and of State Governments, which were already labeled according to the Classification of Government Functions (COFOG)<sup>1</sup>, were re-examined with a focus on the identification, classification, and quantification of government spending in three main axes: 1. Climate change, 2. Biodiversity, and 3. Risk and Disaster Management. To that end, the project employed the Expanded COFOG methodology, developed by the IDB. As results, the project introduces a new sub-function, “705.6 - Climate Change,” devoted exclusively to record public expenditure with the main purpose of addressing climate change; it adds new levels of disaggregation (Subclasses 1, 2, and 3) to the original three hierarchical levels of COFOG (Function, Sub-function, and Class); and it launches an innovative system of attributes — namely, the “Relationship Matrix”—, which qualifies the public expenditures.

## Results

### Central Government (2010-2023)

#### Climate Change Axis

Over 14 years, the Central Government spent R\$421.32 billion, in real figures (at December 2023) prices, on addressing climate change. Expenditure on “secondary purposes” and “positive impact” — i.e., spending does not have climate change as its main goal but contributes to addressing it — significantly exceeds spending whose “primary purpose” is to address climate change. Over time, the focus of spending has shifted. As an example, in the “Climate Change” axis, the share of expenses on “adaptation and management of climate risks and disasters” rose from 23.6% in 2010 to 67.7% in 2023, while the share of spending on “mitigation” lowered from 30.2% to 7.4% in the same period. Further, the spending with “positive impact” on climate change is greater than that with “negative impact.” 99.5% of expenditure with “negative impact” corresponds to activities related to “Energy”, which were enrolled by the Intergovernmental Panel on Climate Change (IPCC) and include greenhouse gas (GHG) emissions from combustion and from fuel leaks. Additionally, a large portion of the expenses identified in this axis relates to four sectoral plans for mitigation of the Climate Plan – “Land use and forests,” “Agriculture,” “Transport,” “Waste” – and four sectoral plans for adaptation of the Climate Plan – “Agriculture and livestock,” “Water resources,” “Biodiversity,” and “Risk and disaster management”.

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<sup>1</sup> COFOG is an international classification of government expenditures, established by the Organisation for Economic Co-operation and Development (OECD) and the United Nations (UN), according to the *Government Finance Statistics Manual – GFSM 2014* (IMF, 2014).

## **Biodiversity Axis**

Over 14 years, the Central Government spent R\$250.02 billion, in real figures (at December 2023 prices), on the protection of biodiversity. Expenditure on “secondary purposes” and “positive impact” — i.e., spending that does not have biodiversity protection as its main goal but contributes to it — significantly exceeds spending whose “primary purpose” is biodiversity protection. Between 2010 and 2023, the expenses focused on “Protection of soil, surface and groundwater” and “Protection of biodiversity and landscape.” The spending with “negative impact” on biodiversity protection surpasses that with “positive impact.” That occurs because some expenses, even if they reduce GHG emissions or increase the resilience of populations and infrastructure to climate impacts (positive impact on the “Climate Change” axis), can alter ecosystems (thus, resulting in a negative impact on the “Biodiversity” axis).

## **Risk and Disaster Management Axis**

Over 14 years, the Central Government spent R\$111.20 billion, in real figures (at December 2023 prices), on the management of risks and disasters. Expenditure on “secondary purpose” and “positive impact” — i.e., spending that does not have the management of risks and disasters as its main goal but contributes to address these issues — significantly exceeds spending whose “primary purpose” was the management of risks and disasters. Between 2010 and 2023, expenses focused on “Disaster Risk Reduction.” No Central Government expenditure assigned to this axis was labeled as “negative impact”.

## **State Governments (2022)**

### **Climate Change Axis**

In 2022, State Governments spent R\$48.6 billion to address climate change. Expenditures on “positive secondary purpose” accounted for 96.3% of the total expenditure on climate change, while expenditures on “primary purpose” accounted for 3.7%. Spending on “Mitigation” corresponds to 49.40% of the expenses in 2022. These findings are opposed to the results for the Central Government, which has 65.3% of the expenses in 2022 in the category “Adaptation and management of climate risks and disasters” and only 10.0% in the category “Mitigation”. In contrast to the direction of the Central Government, expenses of State Governments on “negative impact” surpassed that on “positive impact” by R\$18.49 billion in 2022.

### **Biodiversity Axis**

In 2022, State Governments spent R\$24.3 billion on biodiversity protection. 53.1% of State Governments spending on the axis “Biodiversity” in 2022 was on “primary purpose,” while 46.9% was on “positive secondary purpose.” These findings are opposed to the results for the Central Government, in which 87.95% of the R\$14.11 billion assigned to the axis “Biodiversity” in 2022 comprises expenses on “positive secondary purposes.” Most of the expenses in 2022 focused on “Biodiversity and landscape protection.” In the same way as the Central Government in 2022, State Governments spent more money on “negative impact” than on “positive impact”.

### **Risk and Disaster Management Axis**

In 2022, State Governments spent R\$11.9 billion on Risk and Disaster Management. In 2022, 80.1% of State Governments expenditures were on “positive secondary purpose.” This proportion equates to that

of the Central Government in 2022, in which 84.21% of the amount spent in 2022 was on “positive secondary purpose.” In 2022, 77.42% of State Governments expenditures were on “Disaster response and recovery,” and 18.36% on “Disaster risk reduction.” The Central Government shows a different picture. While “Disaster risk reduction” accounts for 86.47% of the expenditures in this axis in 2022, “Disaster response and recovery” accounts for 13.09%. In the same way as in the Central Government, no expenditure of State Governments assigned to the “Risk and Disaster Management” axis was labeled as “negative impact”.

## Final Considerations

The substantial body of information and evidence regarding public spending on climate change mitigation, biodiversity protection, and risk and disaster management, gathered by this study, will support the implementation of the Climate Plan and the Ecological Transformation Plan, as well as the drafting of the Budget Guidelines Law (LDO) and the Annual Budget Law (LOA) in Brazil. This project also represents the first step towards aligning expenditures made through the Union and State Budgets with Brazil’s Nationally Determined Contributions (NDCs) under the Paris Agreement.

In addition to this report, the Ministry of Planning and Budget will publish on its *website* an interactive dashboard with the expenses identified, classified, and quantified according to the technical cooperation project. Thus, increasing transparency and public access to information. Furthermore, the methodological and institutional progress achieved in identifying, classifying, and quantifying climate expenditures in the spendings of the Central Government and State Governments will be consolidated in the future editions of the “General Government Expenditures by Function Bulletin: COFOG Classification,” which will include a section dedicated to climate expenditures. Finally, the Expanded COFOG methodology will be employed for the complete historical series of expenditures of State Governments.