

Paris Collaborative on Green Budgeting OECD Green Budgeting Framework

HIGHLIGHTS



OECD Green Budgeting Framework



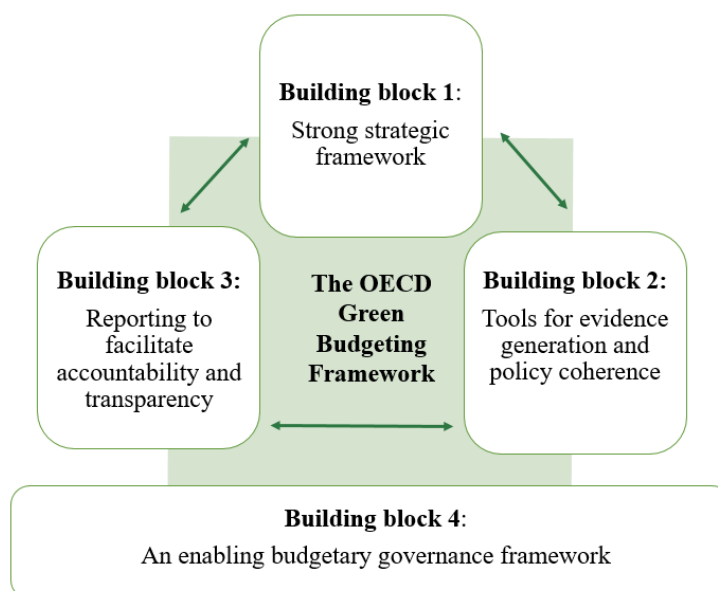
What is green budgeting?

Green budgeting means using the tools of budgetary policy-making to help achieve environmental and climate goals. This includes evaluating environmental impacts of budgetary and fiscal policies and assessing their coherence towards the delivery of national and international commitments. Green budgeting can also contribute to informed, evidence-based debate and discussion on sustainable growth.

Any approach to green budgeting should build on a country's existing public financial management (PFM) framework and thus be attuned to the strengths and limitations of the existing budgeting process. For instance, where countries have a strong performance budgeting system, they might seek to integrate performance objectives related to national environmental and climate goals. Alternatively, where countries have a well-instituted spending review processes, they may wish to focus on incorporating consideration of the impact of measures on climate goals alongside considerations of efficiency.

What are the building blocks underpinning an effective approach to green budgeting?

An effective approach to green budgeting is underpinned by four key building blocks that are mutually reinforcing; a strong strategic framework, tools for evidence generation and policy coherence, reporting to facilitate accountability and transparency and an enabling budgetary governance framework.



BUILDING BLOCK 1 – STRONG STRATEGIC FRAMEWORK

It is particularly important that the government's strategic priorities and objectives relating to the environment and climate are clearly set out so as to help inform fiscal planning. For example, national climate change or environmental strategies that set out relevant priorities and goals. These strategies and plans help guide tax and spend decisions so that they can support the achievement of national objectives.

BUILDING BLOCK 2 – TOOLS FOR EVIDENCE GENERATION AND POLICY COHERENCE

Green budgeting tools help gather evidence on how budget measures impact environmental and climate objectives. The tools used by each country should build on the existing PFM framework, but may include:

- **Green budget tagging** – Classifying budget measures according to their environmental and/or climate impact.
- **Environmental impact assessments** – Requiring environmental impact assessments to accompany new budget measures.
- **Ecosystem services, including carbon, pricing** – Putting a price on environmental externalities, such as greenhouse gas emissions, often through taxes and emissions trading systems, to facilitate achievement of national environmental and climate goals.
- **Green perspective to spending review** – Incorporating consideration of the impact of measures on national environmental and climate goals alongside considerations of efficiency.
- **Green perspective in performance setting** – Integrating performance objectives related to national environmental and climate goals.

The introduction of these tools is not an end in itself. Information gathered through their implementation can support analysis and more informed budget decisions, helping governments ensure the coherence of budget decisions with strategic priorities.

BUILDING BLOCK 3 – REPORTING TO FACILITATE ACCOUNTABILITY AND TRANSPARENCY


Adequate reporting to relevant stakeholders (e.g. parliament and civil society) facilitates scrutiny of the quality and the impact of green budgeting. For example, a key reporting tool is a **Green Budgeting Statement** accompanying the budget, helping provide an overall picture of how the budget is aligned with green objectives in any given budget year. A statement such as this can be used by stakeholders, such as the parliament and citizens, to help them input into budget deliberations.

BUILDING BLOCK 4 – AN ENABLING BUDGETARY GOVERNANCE FRAMEWORK

A modern budgetary framework provides a strong enabling environment for green budgeting. This includes a budgetary framework where there are links between strategic planning and budgeting, multi-annual budget envelopes, outcome and evidence-based budget processes, along with close engagement with parliaments and civil society.

The implementation of Green Budgeting is also supported by strong political leadership, clearly defined roles and responsibilities within government, a well-designed sequence of implementation, internal systems that are fit-for-purpose and the development of capacity and expertise among civil servants. It should also be coherent with other budget initiatives, such as gender budgeting.

More information on the OECD's work on green budgeting is available here : www.oecd.org/environment/green-budgeting/



This was produced under the Paris Collaborative on Green Budgeting, launched in 2017. The Paris Collaborative on Green Budgeting (PCGB) is convened by the OECD and serves as a multi-disciplinary platform for focused research and analysis. The PCGB develops concrete and practical guidance to help governments at all levels embed consideration of climate and environmental goals within their budget frameworks and identifies research priorities and gaps to advance the analytical and methodological groundwork for green budgeting.



More information on the work of the Paris Collaborative can be found at: :
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