

# OECD and European Commission survey on green budgeting practices

## Glossary

- **Biodiversity/ecosystem services pricing:** refers to adequately pricing the externalities associated with the use of biodiversity (covering species and ecosystems e.g. forests, wildlife, fish, wetlands, coral reef) and the ecosystem services they provide. This can be undertaken via policy instruments such as taxes (e.g. on pesticides and fertilisers), fees and charges (e.g. on hunting, fishing, and use of protected areas), tradable permits (e.g. on fishing, groundwater use), and environmentally motivated subsidies.
- **Carbon assessment of individual budget measures:** An assessment of the estimated greenhouse gas (GHG) emissions associated with individual budget measures.
- **Carbon assessment of the budget as a whole:** An assessment of the estimated greenhouse gas (GHG) emissions associated with the entire budget.
- **Carbon pricing instruments including fuel and carbon taxation, emissions trading systems:** Putting a price on environmental externalities, such as greenhouse gas emissions, often through taxes and emissions trading systems, to facilitate achievement of national and climate goals.
- **Central Budget Authority:** The Central Budget Authority (CBA) is a public entity, or several co-ordinated entities, located at the central/national/federal level of government, which is responsible for budget formulation and oversight. In many countries, the CBA is often within or is synonymous with the Ministry of Finance/Economy.
- **Climate considerations in long-term fiscal sustainability analysis:** Including an assessment highlighting the long-term fiscal sustainability, “fiscal risk” and budgetary implications of potentially disruptive and transformative factors arising from environmental challenges, such as extreme weather events and/or gradual transformation of the environment due to temperature changes. For example, these can include reports highlighting fiscal costs related to climate change adaptation and mitigation policy measures.
- **Environmental audit or validation of the budget:** An independent, objective *ex-post* analysis conducted within the budgetary process by a competent authority different from the central budgetary authority, of the extent to which environmental objectives are effectively promoted by the proposed policies set out in the annual budget and/or multiannual documents. This is typically conducted by the Supreme Audit Institution or possibly by Climate/Environmental watchdogs.
- **Environmental Costs Benefit Analysis:** The routinely application of cost-benefit analysis to projects or policies that have the deliberate aim of environmental improvement or are actions that affect, in some way, the natural environment as an indirect consequence.
- **Environmental effects in a country’s general tax expenditure report:** A tax expenditure report that includes estimates of the size of tax expenditure and/or their environmental effects.
- **Environmentally harmful expenditure:** Expenditures which negatively impact the environment (i.e. brown expenditure)

- **Environmentally harmful subsidies:** Subsidies that negatively (either intentionally or unintentionally) affect the environment. A regular review of these may include a report or catalogue that assesses subsidies (both fiscal expenditure and direct subsidies) concerning their environmental and financial impact on the state budget, and classifies them into environmentally harmful, friendly, uncertain or neutral subsidies.
- **Environmentally harmful tax expenditures:** Tax expenditures that negatively (either intentionally or unintentionally) affect the environment.
- **Environmentally harmful revenues:** Revenues that negatively (either intentionally or unintentionally) affect the environment.
- **Environmentally positive expenditure:** Expenditure which positively affect the environment (i.e. green expenditure)
- **Environmentally positive subsidies:** Subsidies that positively (either intentionally or unintentionally) affect the environment.
- **Environmentally positive tax expenditures:** Tax expenditures that positively (either intentional or unintentional) affect the environment.
- **Environmentally positive revenues:** Revenue from environmental externalities and taxes that positively (either intentional or unintentional) affect the environment.
- **Ex-ante environmental impact assessments of individual budgetary measures:** The assessment of budget measures in advance of their inclusion in the budget to ensure environmental and climate implications of decisions are taken into account. Such *ex ante* environmental impact assessment (EIA) may be conducted *either* routinely for all policies, *or* selectively (e.g. for policies which are likely to have significant impact on the environment or climate). Budget measures include measures on expenditure and revenues (i.e. taxation).
- **Ex-ante green budget tagging:** The tagging of budget measures in advance of budget execution (i.e. as part of the budget proposal, draft budgetary plans or also budget law) to inform the budget's relevance and contribution to environmental and climate objectives.
- **Expenditure on adaptation measures:** Expenditures that aim to reduce the adverse consequences of climate impacts.
- **Expenditure on mitigation measures:** Expenditures that aim to reduce greenhouse gas (GHG) emissions.
- **Ex-post environmental impact assessments of individual budgetary measures:** The assessment of budget measures after their introduction/implementation to assess their impacts on the environment and climate. Such *ex post* EIA may be conducted *either* routinely for all policies, *or* selectively to specific policies related to the environment and climate (e.g. for policies which are likely to have had an impact on the environment). Budget measures include measures on expenditure and revenue (i.e. taxation).
- **Ex-post green budget tagging:** The tagging of budget measures after final allocation and/or execution of budget measures to inform the budget's relevance and contribution to environmental and climate objectives.
- **Green balance sheet:** A balance sheet to report assets and liabilities in relation to natural resources and the environment at large as well as to assess whether environmental policies

affect the public sector's financial position. This could also include attempts at capturing the government's natural capital stock.

- **Green budget statement (GBS):** A statement accompanying the annual budget that illustrates in a concise manner whether and to what extent the government's budget moves a country closer to the achievement of its environmental objectives. The GBS may include a *narrative (qualitative)* statement summarising in broad narrative terms how the range of measures introduced in the budget are intended to support environmental priorities and objectives, information on green expenditure and revenue or a progress report in relation to established environmental indicators and objectives.
- **Green budget tagging:** The identification and tracking of budget measures in accordance to their environmental and/or climate impact. The scope of tagging can include relevant expenditures and revenues that have direct or indirect effects on the climate and environment.
- **Green budgeting:** 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.
- **Green perspective in performance setting or performance budgeting:** Requirements prescribing that a minimum proportion of budget-related performance objectives be linked to environmental policies.
- **Green perspective in spending review:** Incorporating consideration of the impact of budgetary measures on national environmental and climate goals alongside considerations of efficiency during the spending review process. For example, including environmental and sustainability criteria as a distinct dimension of analysis in spending review.
- **ICT (Information Communications Technology):** Refers to information technology equipment (computers and related hardware), communications equipment, and software (Financial Management Information Systems).
- **SDG budgeting:** The systematic application of analytical tools and processes, as a routine part of the budget process, in order to highlight the degree of implementation of the SDGs and to inform, prioritise and resource SDG-responsive policies.
- **Shadow price of carbon to evaluate public policies and investment:** Adding a price on greenhouse gas (GHG) emissions to programmes and investments to help assess the social value of policies in relation to the achievement of climate goals.
- **Statistical green tagging/reporting:** The use of international statistical classifications of expenditures and finance. Possible standards include *CEPA*, *CReMA*, *COFOG*, *SEEA*, *EU Taxonomy for sustainable activities*, *OECD Inventory on Fossil Fuels*, *OECD ERTR*, *OECD Rio Markers (ODA)*.