



**HIGH-LEVEL POLITICAL FORUM
ON SUSTAINABLE DEVELOPMENT**

2018 Meeting Convened Under the Auspices of ECOSOC
New York, 09 – 18 July 2018

**HLPF 2018 Side Event
Paris Collaborative on Green Budgeting:
using the tools of budgetary policy-making
towards the implementation of SDGs**

SYNTHESIS

High-Level Side Event, 16 July 2018, 18:30-20:00, UNHQ New York

The **High Level Political Forum Side Event on the Paris Collaborative on Green Budgeting**, organised by the OECD in partnership with the Governments of France and Mexico and UN Environment, examined emerging practices, key challenges and ways forward for using budgetary policy-making tools to reach national and international environmental commitments on our way towards achieving the Sustainable Development Goals (SDGs).

The Paris Collaborative on Green Budgeting is a multi-sectoral and cross-country initiative that aims to support governments to steer budget and fiscal instruments, as well as procurement and regulatory tools in a more strategic and environmentally sustainable way. To this end, the event brought together a range of high level decision-makers from diverse backgrounds: government representatives from ministries of finance, environment, climate and development; international organisations, academia; and civil society.

Discussion at the event confirmed that a strong international recognition has emerged around the importance of strengthening the alignment of public finance and environmental policies. The discussion highlighted the value-added of this endeavour, as well as challenges associated with implementation, but also offered innovative solutions on how to move ahead. Key messages from the panel and the ensuing discussion were as follows:

- Many countries have already come forth with advanced approaches towards the greening of public finances. These provide the building blocks for the Paris Collaborative to design pragmatic and effective methodologies for Green Budgeting. In the keynote presentation, France stressed the importance of a comprehensive “Green Budgeting” approach to align climate and environmental goals and to create a coherent and consistent strategy in the long term. They underlined their strong commitment to advance with concrete measures to evaluate the budget, analyse incentives by the tax and subsidy system, and to assess how these are aligned with France’s overall climate and environmental goals. Mexico presented work underway to introduce Green Budgeting in their upcoming 2019 budget, and to assess the budgetary alignment with the four goals of Mexico’s environmental transversal strategy (climate change mitigation and adaptation, biodiversity protection, and water and air quality)¹. The EU presented their work to align the EU budget proposal with environmental commitments by tracking climate- and biodiversity-relevant expenditure. They reported that it was broadly on track towards the 20% target for climate-related spending in 2014-2020. For the upcoming EU budget proposal 2021-2027, the Commission proposed to set a more ambitious goal of 25% of EU expenditure contributing to climate objectives across all EU programmes. Discussions on a potential target for biodiversity-related spending, as well as the development for a sustainability proofing methodology for strategic investments are ongoing.
- UN Environment highlighted the need to mobilise resources, increase and sustain green investments, including private finance, and align incentives to support the delivery of the SDGs. It was noted that the role of fiscal instruments in supporting environmental objectives is increasingly being recognised, and work is underway to facilitate knowledge sharing and dialogue on green fiscal reform (for example by the Green Fiscal Policy Network²).
- In the role of a discussant, the Institute for Sustainable Development and International Relations (IDDRI) reviewed the work on Green Budgeting towards the Agenda 2030 and the SDGs. According to a forthcoming paper³, the integration of SDGs into national budgetary

¹ For information on the presentation from Mexico, see <http://www.oecd.org/gov/budgeting/SHCP-Mexico-Jose-Francisco-Perez-De-La-Torre.pdf>

² <http://www.greenfiscalpolicy.org/>.

³ Hege, E. (forthcoming), *Integrating SDGs into national budgetary processes*, Working Papers, Institute for Sustainable Development and International Relations (IDDRI), Paris, France.

processes is still in its early days, but some countries have started to map their budgets against the SDGs and to provide qualitative monitoring reports.

- The OECD emphasised that Green Budgeting aims to provide a systematic approach to examine the range of existing and potential policies in order to mainstream an environmentally informed approach into the national budgeting processes, covering both revenues and expenditures. To support this goal the OECD, via the Paris Collaborative, will continue to leverage their multidisciplinary expertise to offer practical support to countries that want to strengthen their approaches to greening public finance policies towards effective SDG implementation. It was noted that the Paris Collaborative will build on a wide spectrum of on-going OECD work which investigates linkages between budgetary, environmental and fiscal reform issues, and that all countries are welcome to join the Collaborative. The upcoming high-level follow-up meeting of the OnePlanet Summit, to be held on September 26, will provide an opportunity to take stock of the achievements made and to identify priority areas for further actions.
- It was recognised that in practice, Green Budgeting may involve the use of a range of approaches or tools, such as the incorporation of environmental dimensions in fiscal frameworks and environmentally-aware budget impact assessments to evaluate the degree of the alignment of public finances with environmental objectives, such as via a “Green Budget Statement”; conducting a “heat map” assessment of the environmental impacts of the existing baseline of tax and expenditure policies to identify priority areas for progress; and providing insights to assess the impacts that environmental policies can have on fiscal sustainability and fiscal risk in the long run.
- The presentations and discussion reflected the strong consensus across participants that Green Budgeting can offer a powerful tool for governments to reach their environmental and climate goals by: raising awareness of the potential environmental impacts of budgeting choices in a whole-of-government approach; stimulating good practice on taking environmental impacts into account when deciding on budgetary and fiscal measures; and therefore help to optimise national revenue-raising and resource-allocation policies to reach environmental commitments. The strong demand from civil society to governments on the need to provide greater transparency was also raised.
- Putting Green Budgeting into practice will be an ambitious process, but one where further action should not be delayed. The Paris Collaborative will work on pragmatic solutions that are effective in generating signals for action. Green Budgeting tools will build on and support existing national and international reporting practices to ensure that they can be incrementally implemented within existing national frameworks and without disproportionate additional burden for participating countries.
- There was broad consensus amongst participants that translating the ambitious climate and environmental commitments into concrete policy measures and results demands collective action. The Paris Collaborative will support these efforts by providing a coordinating platform to identify research priorities and gaps, share methodologies and best practices, and advance with concrete measures that can maximise environmental impact of coordinated national and international budget policy design.

For the side-event agenda and presentations, please visit: <http://www.oecd.org/governance/budgeting/paris-collaborative-on-green-budgeting-hlfp-side-event-july-2018.htm>

For more information on the Paris Collaborative on Green Budgeting, visit: <http://www.oecd.org/environment/green-budgeting/>